

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 4736
ANSWERED ON FRIDAY, THE 23RD MARCH, 2018
[CHAITRA 02, 1940 (SAKA)]**

DIRECTIONS TO AUDITORS

QUESTION

4736. SHRI GODSE HEMANT TUKARAM:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

(a) whether the Government has issued an order to auditors directing them to highlight any lapse in companies related to frauds, internal control, inventories and outstanding dues in order to curb fraudulent practices in companies and if so, the details thereof; and

(b) the measures taken by the Government to strengthen the overall Corporate Governance Standard in the country?

ANSWER

**THE MINISTER OF STATE FOR LAW AND JUSTICE (SHRI P. P. CHAUDHARY)
AND CORPORATE AFFAIRS**

(a): Yes, Madam. The Government has issued the Companies (Auditor's Report) Order, 2015 requiring the Auditors of relevant companies to include in their report a statement on various matters, including fraud noticed/ reported, internal control system, physical verification of inventories and repayment of dues to financial institutions or banks. Sub-paragraphs 3(ii) (a), (iv), (ix) and (xii) of paragraph No.3 of the Companies (Auditor's Report) Order, 2015, (available on the Ministry of Corporate Affairs' website <http://www.mca.gov.in>) are particularly relevant, in this context.

(b): The Companies Act, 2013 which replaces the Companies Act, 1956 incorporates various provisions aimed at strengthening of corporate governance in companies in India. These include, inter-alia, enhanced responsibilities for the Board and its committees like the Audit Committee and Nomination and Remuneration Committee, enhanced disclosures to stakeholders, appointment of Independent Directors, stricter norms for ensuring independence and accountability of auditors and greater level of investor protection. Further, the India Accounting Standards (Ind AS) have also been notified in February, 2015, and are expected to contribute to improved corporate governance.
