

**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS  
LOK SABHA  
UNSTARRED QUESTION NO. 312  
ANSWERED ON MONDAY, THE 24<sup>TH</sup> JUNE, 2019  
[ASHADA 3, 1941 (SAKA)]**

**Audit Firms**

**QUESTION**

**312: SHRI KODIKUNNIL SURESH:**

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

कॉर्पोरेट कार्य मंत्री

- (a) whether the Government has found serious lapses in the professional conduct and upholding of professional integrity of auditors and audit partners including collusion with companies in falsifying accounts;
- (b) if so, the details of action proposed to be taken against such auditors;
- (c) whether the Government intends to promulgate a statutory mandate concerning the conduct of audit firms and auditors; and
- (d) if so, the details thereof?

**ANSWER**

THE MINISTER FOR FINANCE AND  
CORPORATE AFFAIRS  
वित्त एवं कारपोरेट कार्य मंत्री

(Ms. NIRMALA SITHARAMAN)  
(श्रीमती निर्मला सीतारमण)

(a) to (d): Complaints regarding professional misconduct of statutory auditors is enquired into by Board of Discipline (for minor offences)/ Disciplinary Committee (minor and major offences) under the Chartered Accountants Act, 1949 and the Rules framed thereunder. Auditors found guilty of minor/ major lapses are awarded appropriate punishment as prescribed under Section 21 of the said Act.

Further, in case of contravention of section 139, 143, 144 and 145 of the Companies Act 2013, punishment can be awarded under section 147 of the Companies Act 2013, which can include imprisonment up to one year if criminal intent is established. An auditor can also be removed and debarred under section 140 of the Companies Act 2013 if found to be involved in serious fraud. Over and above, the National Financial Reporting Authority (NFRA) has been established under section 132 of the Companies Act, 2013 to review the quality of audit conducted and award penalty and in serious cases debar for a period ranging from 6 months up to 10 months.

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