

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

STARRED QUESTION NO:83

ANSWERED ON:09.07.2009

PROTECTION OF INVESTORS

Sukur Shri Jadhav Baliram;Venugopal Shri K. C.

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the status of investigation of the affairs of Satyam Computer Services Ltd.;
- (b) whether any irregularities have come to the notice of the Government in other companies after the Satyam scam;
- (c) if so, the details thereof;
- (d) whether the Government is planning to introduce any new law in this regard;
- (e) if so, the details thereof; and
- (f) the steps taken or proposed to be taken to check irregularities committed by such companies?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF CORPORATE AFFAIRS (SHRI SALMAN KHURSHID)

(a) to (f): A statement is laid on the Table of the Lok Sabha.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO.83 FOR 09.07.2009 REGARDING PROTECTION OF INVESTORS.

(a) The report of investigation into the affairs of Satyam ordered by the Central Government under section 235 of the Companies Act, 1956 has been received from the Serious Fraud Investigation Office (SFIO). The Central Bureau of Investigation (CBI) has also conducted its investigation as to the criminal liability arising from the events relating to Satyam. Action under law is now being taken to prosecute those found involved on the basis of these investigations, alongwith appropriate action by various other regulatory bodies/agencies.

(b) & (c): Satyam scam is an aberration and the events are specific to the company in question. No other scam of this nature has come to notice since then.

(d) to (f): An elaborate regulatory framework is in place to deal with incidents of fraud. This framework provides for statutory disclosures about the affairs of companies intended to inform the stakeholders the truth about the state of affairs of companies under the Companies Act. To facilitate making of such disclosures by companies, and for stakeholders and regulatory agencies to easily access and view them, Government has set up an electronic registry with round the clock access through internet. The Government has powers of inspection of the books of accounts of companies and also to investigate their affairs, if need be, under the Companies Act, 1956. In addition, the Act provides for appointment of independent, statutory auditors to audit the accounts, and report to the shareholders. Such audited accounts are also displayed on the electronic registry for general viewing. While the reporting requirements are regulated under the Companies Act, 1956, the conduct of auditors is regulated under the Chartered Accountants Act, 1949. In addition, for listed companies, compliance with these statutory requirements is required to be certified by a company secretary in practice, who in turn is regulated under the Company Secretaries Act, 1980. Government has amended the Chartered Accountants Act, 1949 and the Company Secretaries Act, 1980 in 2006 to provide for a more effective disciplinary mechanism to deal with cases of misconduct by Chartered Accountants and Company Secretaries respectively. In 2006, the Government has notified Accounting Standards to enable accounts of companies to be drawn up and disclosed on the basis of fair, transparent and internationally accepted principles. Government proposes to reintroduce the Companies Bill, 2008 as the Companies Bill, 2009 which seeks to make more stringent provisions in case of frauds by companies, their directors and auditors etc.