

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO. 1399
ANSWERED ON TUESDAY, THE 22ND JULY, 2014
CHANGES IN COMPANIES ACT
QUESTION**

1399. DR. T. SUBBARAMI REDDY:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether any requests/demands have come from various bodies for overhauling of the Companies Act passed by Parliament in 2013;
- (b) if so, the details thereof;
- (c) whether the section relating to communicating the auditor's report to Government, in case of irregularities, embezzlement, is under review and the old clause would be restored;
- (d) whether the role of independent Director in holding him responsible for the decision taken by the company board would be reviewed;
- (e) if so, the details thereof; and
- (f) the other changes being contemplated in the Companies Act to make it more workable in the interest of all the stakeholders?

ANSWER

THE MINISTER OF STATE (SMT. NIRMALA SITHARAMAN)
IN THE MINISTRY OF CORPORATE AFFAIRS

(a) to (f):- A little more than a half of the provisions of Companies Act, 2013 (Act) came into force from 1st April 2014. Following this, several communications were received in the Ministry of Corporate Affairs from bodies such as industry associations, chambers of commerce and professional institutes drawing attention to certain practical difficulties concerning these provisions or seeking clarifications about the same. There was also an interactive session on these issues with the stakeholders on 21st June 2014. Pursuant to this Government have issued suitable circulars, statutory orders and amendments in the Rules to provide transitional time, remove doubts or practical difficulties. Amendments in the Act will be considered if measures out-lined above prove inadequate. Specifically for the difficulties expressed regarding communication of irregularities, embezzlements etc. to the Government through auditors' reports, the Institute of Chartered Accountants of India has been asked to give its comments on the feasibility of having some criteria to determine the thresholds of the quantum of a fraud/suspected fraud for mandatory reporting to the Government by the Auditors.

Section 149(12) of the Act already grants protection to Independent directors (IDs) from prosecution in matters which had not occurred with their knowledge, consent, connivance or where they had acted diligently.
