

**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA  
UN-STARRED QUESTION NO. 2115  
ANSWERED ON TUESDAY, MARCH 22, 2022**

**FRAUD PREVENTION/INVESTIGATION/PROSECUTION**

**QUESTION**

2115. Shri B. Lingaiah Yadav:

Will the Minister of Corporate Affairs be pleased to state:

(a) the steps proposed to be taken by Government to review and revamp our systems of fraud prevention and investigation and prosecution for financial frauds?

**ANSWER**

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION; MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF PLANNING; AND MINISTER OF STATE FOR CORPORATE AFFAIRS.

(RAO INDERAJIT SINGH)

(a) Serious Fraud Investigation Office (SFIO) formed through a Government Resolution is an Investigating Agency under Ministry of Corporate Affairs (MCA), which was given statutory recognition under the Companies Act, 2013 (the Act). The Central Government orders and assigns to SFIO, investigation cases involving many companies where alleged fraudulent activities by corporates are reported which includes cases of misappropriation of funds by the promoters / top management and cheating the lenders.

Details of cases ordered and assigned to SFIO are given as under:

Financial Year	No of Cases Ordered and Assigned to SFIO	
	No of Cases	No of Companies
2018-19	33	414
2019-20	26	326
2020-21	20	49
2021-22 (as on 17.03.2022)	14	95

The Government has taken a number of measures to curb and prevent corporate frauds which are as under:

- (i) Fraud' as a substantive offence has been introduced in the Act;
- (ii) Stricter norms of Corporate Governance have been provided in the Act;

(iii) It has been made mandatory for every existing or prospective directors to obtain a "Directors Identification Number" (DIN);

(iv) In case of incorporation of a new company or change of address of an existing company, the Ministry of Corporate Affairs (MCA) has made it mandatory for professionals to verify details of the company and to personally visit their premises and certify that the premises are at the disposal of the company.

(v) MCA has also undertaken pre-emptive measures aimed at sensitizing people through investors awareness programs which are organized regularly in association with the three professional institutes namely Institute of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICoAI) and Institute of Company Secretaries of India (ICSI) in various cities.

(vi) Section 143 (12) has been introduced in the Companies Act, 2013 by which an auditor of a company in the course of the performance of his duties as auditor, if he has reason to believe that an offence of fraud involving such amount(s) as may be prescribed, is being or has been committed in the company by its officers or employees, the auditor shall report the matter to the Central Government.

Section 143 (14) provides that the above provision shall mutatis mutandis apply to the cost accountant conducting cost audit under section 148 or the company secretary in practice conducting secretarial audit under section 204.

Section 143 (15) provides that if any auditor, cost accountant or company secretary in practice do not comply with the above provisions then he shall be liable to penalty.

(vii) MCA has set up Central Scrutiny Cell (CSC) which became effective from 23.03.2021 where Straight Through Process (STP) Forms are scrutinized.

(viii) SEBI has advised Stock Exchanges to set up a surveillance mechanism to monitor the periodic filings and disclosures made by listed companies to find out probable financial reporting irregularities & non-disclosures and generate early warning signals on possible misrepresentations in financial statements.

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