

MCA seeks views on change in laws to hold auditors more accountable

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DRAWING LESSONS from the alleged role of auditors and their failure to flag irregularities at companies such as Infrastructure Leasing & Financial Services (IL&FS), the Ministry of Corporate Affairs (MCA) has floated a consultation paper seeking industry comments on various aspects of auditing as a profession.

"In most of the cases, the auditor appears to be hand in glove with the management and therefore the questions on their independence and accountability have arisen. In order to pluck the aforesaid scenarios/ instances, the ministry is of the view that the existing regulatory provisions relating to audit and auditors in Companies Act, 2013 and its rules along with Standard

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of Auditing need to be reviewed," the MCA said.

The consultation paper, which details five major threats, said there is a need to overcome the threat of "economic concentration of audit" by the Big Four, and therefore "there is a need to build capacity of home grown Indian firms who may need to be at par with global organizations in terms of audit procedures, audit tools, manpower capacity to audit large organisations".

The MCA has sought views from other government departments, regulatory agencies, and

others in general on how to amend the existing laws that would enhance the independence of auditing firm and make sure they are also held accountable for any misdeeds. The comments have to be submitted by February 28.

"Though auditor is appointed by the shareholders, effective power of their appointment and dismissal lies with the management. Hence, time and again, audit independence has been questioned, as to whether the auditor is really doing justice to the interest of shareholders and is staying true to the audit profession," the Ministry said in the consultation paper.

Apart from this, the fresh consultation paper has sought views on five threats it has identified, namely self-interest, self-review, advocacy, familiarity and, intimidation, and how to tackle them.