

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 174
ANSWERED ON THURSDAY, THE 05TH DECEMBER, 2013
[AGRAHAYANA 14, 1935 (SAKA)]**

INCREASE IN FRAUD CASES

QUESTION

174. SHRI JEETENDRA SINGH BUNDELA:

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

कारपोरेट कार्य मंत्री

- (a) whether as per a report the cases of fraud in corporate sector are increasing continuously;**
- (b) if so, the details thereof along with number of such cases which have come to the notice of the Government during each of the last three years;**
- (c) the action taken by the Government thereon;**
- (d) whether the Government proposes to set up any regulator in view of increasing cases of fraud in corporate sector; and**
- (e) if so, the details thereof?**

ANSWER

**THE MINISTER OF STATE
(INDEPENDENT CHARGE)
IN THE MINISTRY OF CORPORATE AFFAIRS**

(SHRI SACHIN PILOT)

कारपोरेट कार्य मंत्रालय में राज्य मंत्री (स्वतंत्र प्रभार)

(श्री सचिन पायलट)

(a) to (c): Reports appearing in a section of the media indicate that a Section 25 Company, "Thought Arbitrage Research Institute" has published a study indicating, inter alia, occurrence of frauds in companies due to factors like inadequate internal control procedures, diversion of funds by promoters/ top management, failure of auditors in detection of frauds, etc. These factors are in any case widely recognised causes of frauds in companies. During the last three years, the Ministry has ordered investigations under section 235 of the Companies Act, 1956 in 134 cases of corporate frauds through the Serious Fraud Investigation Office (SFIO) of the Ministry. Year-wise details are as under:

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Year	No. of companies ordered for investigation
2011-12	12
2012-13	46
2013-14 (Till date)	76*
Total	134

** (this includes 58 companies belonging to five groups which are being investigated for chit fund activities in West Bengal and other States)*

(d) & (e) Serious Fraud Investigation Office (SFIO) was set up for undertaking investigations in corporate frauds under the provisions of the Companies Act, 1956. Further, Government has initiated a number of measures to prevent and deal with occurrence of frauds in companies, such as:

- **Definition of “Fraud” as a substantive offence in the recently enacted Companies Act, 2013;**
- **Stricter norms of Corporate Governance and their implementation under the new Companies Act;**
- **Conferring statutory status to the SFIO;**
- **Amendments to securities laws through Securities Laws (Amendments) Ordinance amending the Securities and Exchange Board of India (SEBI) Act, the Securities Contracts (Regulation) Act (SCRA) and the Depositories Act enabling SEBI to deal effectively to violations of laws by companies and individuals including those running Ponzi schemes;**
- **Increasing application of technology for helping to detect potential frauds through data mining and Forensic Audit technique.**
