

ICAI to issue norms on fraud reporting by auditors

Accounting watchdog the Institute of Chartered Accountants of India (ICAI) will bring out a guidance note for auditors on detecting corporate fraud. This follows the new Companies Act making it mandatory for auditors to report corporate frauds to the government within a specified time frame.

Under the new Act, if the statutory auditor has sufficient reasons to believe an offence involving fraud is being or has been committed in a company, it has to be reported to the government within 60 days of coming to know about it.

As such, the accounting regulator will also soon come out with a guidance document for its members on detecting and reporting fraud, said ICAI president K Raghu. It will provide a framework for detection of fraud in a company.

"This is for the first time that such responsibility of reporting on frauds directly to the Central government has been given to the statutory auditors... It is felt that this reporting requirement is quite demanding from the statutory auditors' perspective," said Raghu, adding the ICAI guidelines would help auditors report frauds at the earliest after detecting them.

ICAI's Auditing & Assurance Standards Board has constituted an expert panel to examine the provisions for fraud reporting, identify practical implementation issues and develop appropriate implementation guidance for the auditors, Raghu said.

He added that new law has placed "considerable responsibility" on statutory auditors and is "quite demanding" from their perspective. In recent years, many instances of alleged corporate misdeeds and financial frauds have come to light in companies such as Satyam and Reebok.

(Business Standard)