

MCA seeks opinion on proposed audit curbs

The Ministry of Corporate Affairs (MCA) has put out a paper seeking suggestions on issues dealing with auditor independence, corporate governance and audit regulations from stakeholders.

The government has sought opinion on restricting the number of audits by an audit firm and its partners following concerns in a number of cases. Some of the proposals could have a major impact on the “Big Four”– Deloitte, KPMG, Ernst & Young and PwC.

The Ministry of Corporate Affairs (MCA) has put out a paper seeking suggestions on issues dealing with auditor independence, corporate governance and audit regulations from stakeholders.

“Recently various instances of failure of auditors have been noticed such as IL&FS case etc., and it is also seen that the quality of audit reports have been compromised,” the paper said noting that “ in most of the cases the auditor appears to be hand in glove with the management” raising questions on their independence and accountability.

The MCA has sought a five-year ban on auditors of IL&FS Financial Services for alleged role in hiding bad loans.

The paper seeks to ‘examine the existing provisions of law and make suitable amendments therein to enhance audit independence and accountability’ and has sought comments by February 28.

The suggestions include auditors be prohibited from providing any non-audit services and partners be barred from joining clients for a cooling off period besides limiting the number of partners at a firm.

(Economic Times)