

**GUIDANCE NOTE ON
REPORTING ON FRAUD UNDER SECTION
143(12) OF THE COMPANIES ACT, 2013
(REVISED 2016)**



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

**Guidance Note on Reporting on
Fraud under Section 143(12) of
the Companies Act, 2013
(Revised 2016)**



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First Edition : February, 2015

Second Edition : February, 2016

Committee : Auditing and Assurance Standards Board

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Website : www.icai.org

Price : ₹ 200/-

ISBN No : 978-81-8441-741-8

Published by : The Publication Department on behalf of the Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi - 110 002.

Printed by : Sahitya Bhawan Publications, Hospital Road, Agra - 282 003

February/2016/P0000(Revised)

FOREWORD

The Companies Act, 2013 had introduced Section 143(12) and corresponding Rule 13 of the Companies (Audit and Auditors) Rules, 2014. These provisions require the statutory auditors to report to the Central Government about every fraud/suspected fraud committed against the company by the officers or employees of the company. The Auditing and Assurance Standards Board of the Institute of Chartered Accountants of India, in February 2015 had issued the Guidance Note on Reporting on Fraud under Section 143(12) of the Companies Act, 2013 to provide appropriate guidance on this section so that the requirements of the section can be fulfilled in letter and spirit by the auditors.

After the issuance of this Guidance Note, both Section 143(12) and Rule 13 of the Companies (Audit and Auditors) Rules, 2014 have been amended. The amended provisions require reporting by statutory auditor to Central Government only for individual frauds of Rs. one crore or above. The amended provisions have also made certain changes in the procedure and particulars of reporting under this section. These changes necessitated appropriate changes to be made in the Guidance Note earlier issued.

I am happy that the Auditing and Assurance Standards Board has brought out this revised edition of Guidance Note on Reporting on Fraud under Section 143(12) of the Companies Act, 2013 for the benefit of the members. The Guidance Note incorporates all the necessary changes due to amendments in law at appropriate places. I am also happy that the Guidance Note is comprehensive and self-contained reference document for the members.

At this juncture, I wish to place my appreciation for CA. Abhijit Bandyopadhyay, Chairman, CA. J. Venkateswarlu, Vice Chairman and other members of the Auditing and Assurance Standards Board for bringing out guiding literature for the benefit of the members. I am sure that the members would find this revised Guidance Note immensely useful in discharging their responsibilities under the amended provisions of the Companies Act, 2013.

February 10, 2016
New Delhi

CA. Manoj Fadnis
President, ICAI

PREFACE

The Companies Act, 2013 had introduced Section 143(12) which requires the statutory auditors of companies to report to the Central Government about fraud/suspected fraud committed against the company by officers or employees of the company. This Section read with corresponding Rule 13 of the Companies (Audit and Auditors) Rules, 2014 require reporting of every fraud to the Central Government irrespective of amount of fraud. In February 2015, the Auditing and Assurance Standards Board of the Institute of Chartered Accountants of India had issued the Guidance Note on Reporting on Fraud under Section 143(12) of the Companies Act, 2013 to provide guidance to the members on this new reporting requirement.

As the readers may be aware that subsequent to the issuance of the Guidance Note, Section 143(12) has been amended by the Companies (Amendment) Act, 2015 issued in May 2015 and Rule 13 of the Companies (Audit and Auditors) Rules, 2014 has been amended by the Companies (Audit and Auditors) Amendment Rules, 2015 issued in December 2015. The amended provisions require inter alia:

- Reporting by statutory auditor to Central Government only for frauds which involve/expected to involve individually an amount of Rs. one crore or above.
- In case of fraud involving lesser than above amount, statutory auditor to report matter to the audit committee/Board of company instead of Central Government.

The amended provisions have also made certain other changes in the procedure and particulars of reporting under this section. These amendments necessitated revisions to the Guidance Note issued in 2015.

I take immense pleasure in placing in hands of the members this revised edition of Guidance Note on Reporting on Fraud under Section 143(12) of the Companies Act, 2013 which incorporates

all the necessary changes due to amendments in law at the appropriate places.

At this juncture, I wish to place on record my sincere thanks to CA. K. Sai Ram, Chennai and CA. V. Balaji, Bangalore for taking time out of their other pressing preoccupations to revise the Guidance Note and to give it its present shape and form.

Finally, I wish to express my deep gratitude to CA. Manoj Fadnis, President, ICAI and CA. M. Devaraja Reddy, Vice President, ICAI for their guidance and support to the activities of the Board. I also wish to thank all my colleagues at the Central Council for their cooperation and guidance in formulating and finalizing the various authoritative pronouncements of the Board.

My sincere thanks are also due to my colleagues on the Board, viz., CA. J. Venkateswarlu, Vice Chairman, CA. Prafulla Preme Sukh Chhajed, CA. Pankaj Inderchand Jain, CA. Nihar Niranjana Jambusaria, CA. Shrinivas Yeshwant Joshi, CA. Dhinal Ashvinbhai Shah, CA. Nilesh S. Vikamsey, CA. Babu Abraham Kallivayalil, CA. K. Raghu, CA. G. Sekar, CA. Sumantra Guha, CA. Shyam Lal Agarwal, CA. Sanjiv Kumar Chaudhary, CA. Naveen N.D. Gupta, CA. Charanjot Singh Nanda, Shri P. K. Mishra, Shri Salil Singhal, Shri R.K. Jain, CA. Radha Krishna Agrawal, CA. Kamlesh Amlani, CA. Aseem Trivedi, CA. Krishna Kumar T., CA. Rajeevan M and CA. Sanjay Vasudeva for their support and guidance to the Board. I also wish to thank the special invitees to the Board, viz., CA. Vijay Sachdeva, Dr. Sanjeev Singhal, Shri Narendra Rawat, CA. Aniruddh Sankaran and Shri R. Kesavan for their support and guidance to the Board.

I am confident that the revised Guidance Note would be well received by members and other interested readers.

February 10, 2016
Kolkata

CA. Abhijit Bandyopadhyay
Chairman,
Auditing and Assurance Standards Board

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PART - A
OVERVIEW

