

# Provisions for Good corporate governance in Companies Act, 2013

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**Key provisions:** The Companies Act, 2013 (Act) contains adequate provisions to promote good corporate governance and protect interest of investors including minority shareholders, they are:

- **Greater accountability on companies provided including through appointment of Key Managerial Personnel (KMPs)**, role of audit committee(s), independent audit, stricter regulation of related party transactions and restriction on layers of companies.
- **Enhanced disclosures mandated** including through board's report, financial statements as well as filings with Registrar of Companies to ensure that all relevant information is available to investors and regulatory agencies; disclosures in respect of significant beneficial ownership also provided
- **Deposits** :Stricter regulation provided with regard to acceptance of deposits by companies.
- Disciplined financial regulation through audit and oversight mechanisms provided. More accountable role for auditors provided.
- **Independence of auditors:** Stringent provisions with regard to independence of auditors provided. Cost audit and secretariat audit provided for specified classes of companies.
- **National Financial Reporting Authority** established to oversee the quality of service of the Accounting and auditing profession and take action against misconduct in certain cases.
- More effective role for Board of Directors and

Committees of Directors provided.

- The requirements of appointment of Independent directors and woman directors provided for prescribed classes of companies.
- Provisions for Vigil mechanism (whistle blowing) provided for prescribed classes of companies.
- Stringent enforcement action through inspection, inquiry and investigation provided so that non compliances are taken seriously and necessary action taken.
- **Serious Fraud Investigation Office recognized** in the Companies Act, 2013 with adequate powers including powers to arrest. **Term "Fraud" defined and stringent punishment provided thereto.**
- Auditors (including cost auditor and secretarial auditor) required to report fraud noticed by them to the Central Government/audit committee/Board.

**Under what circumstances, investigation into the affairs of a company is assigned to SFI0 by the Government?**

As per Section 212 (1) of the Companies Act, 2013, the Central Govt. may assign the investigation into the affairs of a company to the Serious Fraud Investigation Office –

- (a) on receipt of report of the Registrar or Inspector under section 208
- (b) on intimation of a special resolution passed by a company requesting an investigation into its affairs
- (c) in public interest
- (d) on the request of any Department of Central Government or State Government