# President's Message - May 2011 - (30-04-2011)

**Dear friends,**

It is heartening and satisfying to observe that we have always ranked *integrity* as one of the most fundamental requirements of our profession. All stakeholders of the profession abide by this fundamental principle. I find it quite apt to recall the example of our first President of India, Bharat Ratna Dr. Rajendra Prasad, also fondly known as *Deshratna*, who had called upon our profession to realise the role of the *first line of defence to the unwary public against money grabbers and opportunists* and asked us to have greater share of responsibilities when he was in ICAI in 1954. That holds importance for us even today. Academically brilliant, a throughout first-class-first, and personally very simple and straightforward, he was often called a common man’s President. It is cited that he voluntarily declined to accept his complete monthly salary of ten thousand rupees with a sumptuous allowance of two thousand five hundred rupees, as he found it quite high. He finally brought this down to an acceptable salary of two thousand five hundred rupees. We really need to learn from his simplicity. In fact, Mahatma Gandhi saw his own reflections in him and said:*There is at least one man who would not hesitate to take a cup of poison from my hands.* Mahatma later acknowledged in his autobiography: (Dr. Rajendra Prasad’s)*devotion made it impossible for me to take a single step without…(his)…help.* Even Jawaharlal Nehru described him as *‘Bharat’*, and exclaimed once on his strengths:*We often commit mistakes. Our steps falter, our tongues falter and slip. But here is a man who never makes a mistake, whose steps do not falter, whose tongue does not falter or slip and who has no occasion to withdraw what he once said or was undone what he once did.*

Dr. Rajendra Prasad always believed in the purity of means: *In attaining our ideals, our means should be as pure as the end.* I am sure, our members and students will find his instance quite encouraging and inspiring. Let us have faith in his way of attaining ideals. Let us believe in his simplicity.

Let us observe some of the recent significant developments that have a merit to transcend our expectations, and a strength to bring us closer to the high ideals of our profession.

## International Initiatives

***SAFA Events in Pakistan:*** I wish to inform that I alongwith the ICAI Vice-President CA. Jaydeep N. Shah, immediate past-President CA. Amarjit Chopra, ICAI Secretary Shri T. Karthikeyan, and Central Council colleagues CA. Sumantra Guha, CA. Pankaj Tyagee, CA. Devaraja Reddy and CA. Abhijit Bandyopadhyay visited Karachi recently to attend the SAFA meetings and ICMAP (Institute of Cost & Management Accountants of Pakistan) International Conference on 'Corporate Finance & Economic Challenges'. CA. Bandyopadhyay presented a paper titled *Corporate Governance – The Foundation for Corporate Citizenship & Sustainable Business at Conference.*We attended various Committee meetings of SAFA. I being the Chairman of the SAFA SMP Committee highlighted some of the important capacity-building measures taken by our Institute for SMPs and offered our complete support to SAFA members in this regard. CA. Jaydeep N. Shah chaired the SAFA Committee on Education, Training and CPD wherein we apprised of various certificate and postqualification courses offered by the ICAI to its members. We also offered our support to SAFA members in launching such certificate courses in their respective countries. A proposal of an MoU with other accounting bodies of the SAFA region was also discussed.

At the SAFA Board meeting, various committee reports were presented and an emphasis was laid on the byelaws and rules of the SAFA Board, which would be finalised by July 2011. Recognising an increase in number of women in accounting profession, a proposal to establish a women's forum of SAFA was also discussed.

***Proposal for MRA with AIA (UK):*** As you know, we had signed a joint declaration with Association of

International Accountants (AIA), established in the UK in 1928 and recognised by its Government for statutory auditors under the Companies Act, 2006. As per one of the clauses contained in the declaration, our Council has recently approved the proposal for entering into a mutual recognition agreement (MRA) with the AIA paving the way for a mutual recognition of qualifications. Since, AIA is a Recognised Qualified Body (RQB) in UK, it has been proposed that our members can benefit if we have a reciprocity arrangements with AIA. As per the MRA, training at both ends shall be recognised fully. While we have stipulated that AIA members will have to pass our five papers, our members are not required to pass any paper of AIA.

### Meetings with Government Officials

***Meeting with RBI Deputy Governor:*** I, along with my Central Council colleague CA. Manoj Fadnis, met Shri Anand Sinha, Deputy Governor, RBI, recently to discuss the amortisation of impact of additional pension liability due to wage revision under the 9th Bipartite settlement. We informed him that we would endeavour to take a positive view, when the regulator acted in the light of financial stability and saw how it fitted in overall framework of the Accounting Standards. We also informed that we were working on an announcement regarding the circular already issued by the RBI permitting amortisation of pension liability to new optees in banks to cater to the needs of statutory auditors in this regard and that the proposed treatment would be to consider the regulatory dispensation as a matter of emphasis than as a full-fledged qualification.

***Interactive Session with Ministry of Home Affairs:*** An interactive session with the Joint Secretary, Ministry of Home Affairs, Government of India, was held recently on their invitation. The objectives of interaction were to sensitise chartered accountants about common irregularities/ discrepancies with reference to implementation of Foreign Contribution (Regulation) Act, and about financial, accounting and auditing issues of the not-for-profit organisations (NPO) sector. We made a presentation on the basics of accounting for the NPO sector to follow, which was appreciated by all.

### Developments in IFRS Convergence

Our Central Council colleague and Chairman Accounting Standards Board CA. Manoj Fadnis attended the National Standard Setters (NSS) meeting along with Secretary, Accounting Standards Board, Dr. Avinash Chander, in New York recently, where issues regarding the IAS 41 on *Agriculture* were discussed. India explained the current status of the Working Group of AOSSG on Agriculture. An approach (revision) paper on IAS 41, *Agriculture* is ready for comments. A meeting has already been scheduled at Mahatma Phule Krishi Vidyapeeth, Rahuri. Issue regarding rate-regulated activities was also raised, as the Ministry of Corporate Affairs, Government of India, had requested us to prepare a guidance note on Accounting for Rate Regulated Entities. In a separate discussion, the Indian concerns were discussed with representatives from Canada and the concerned IASB officials whereat it was agreed to share our attempt to issue the Guidance.

In the recently-held Foreign Exchange Working Group meeting, revision of the IAS 21, *The Effects of Changes in Foreign Exchange Rates*, was considered, and current Indian accounting requirement of deferring exchange differences on translating long term monetary items at current exchange rate was also discussed.

*Groups Formed to Identify Issues and Formulate FAQs:* A Group has been constituted to identify indirect taxes issues arising out of implementation of Indian Accounting Standards converged with IFRS (Ind ASs). Study Groups were also constituted to formulate Frequently Asked Questions (FAQs) on 12 Indian Accounting Standards to help our members and other stakeholder in the convergence process. Till date, draft FAQs have been received on two Indian Accounting Standards, namely, Ind AS 101,*First-time Adoption of Indian*

*Accounting Standards, and Ind AS 1, Presentation of Financial Statements*, which will be finalised shortly.

## Initiatives for Government

***Uniform Accounting/Auditing Framework for Political Parties:*** Towards our initiative to help our Government, we had prepared a report on *Uniform Accounting & Auditing Framework for Political Parties* covering, *inter alia,* applicability of Accounting Standards, and uniform formats of financial statements and applicability of Standards on Auditing, issued by the ICAI to the political parties, etc. After a discussion with the Election Commission of India, the revised draft, based on its suggestions, has been recently approved by our Council.

***Special Group on MPLAD Scheme:*** I wish to inform all of you that a special group had been reconstituted recently under the convenorship of our Central Council colleague CA. Jayant Gokhale to study the Guidelines of Members of Parliament Local Area Development (MPLAD) Scheme of the Central Government. The purpose of this constitution is to recommend areas for improvement with regard to accounts and audit part in the scheme. The Group has finalised its recommendations which would be likely to be discussed in the *Rajya Sabha* Secretariat in a meeting scheduled to take place in the last week of April.

***Technical Guide for Telecom Operators:*** A project to provide guidance on some complex accounting issues arising out of recognition of revenue of Telecom Operators by means of bringing out a *Technical Guide on Revenue Recognition of Telecom Operators* has been undertaken as part of our research initiative. An exposure draft of the above mentioned Technical Guide was hosted on the Institute website as well as sent to major telecom companies for comments. Ministry of Telecommunication while sending its comments on the draft, has expressed its wish to associate itself in the formulation of the Guide citing concerns from the regulatory point of view.

Accordingly, on invitation of the Department of Telecommunication (DoT), an ICAI group had discussions with Ms. Sadhna Dikshit, Advisor (Finance), and Shri Saurabh Kumar Tiwari, Deputy Director General (Licensing & Finance-II), and other officials of the DoT, on the concerns of the DoT and how to address the issues requiring guidance in the proposed Guide. It was decided that the DoT would send us their additional comments after further internal discussions by April 2011. Thereafter, the revised draft of the Guide will again be discussed with the DoT.

***Suggestions to Ministry of Home Affairs:*** Our comments/ suggestions on the Draft Foreign Contribution (Regulation) Rules, 2011 have been submitted to the Ministry of Home Affairs, Government of India, as the Ministry had invited our comments/suggestions on the Draft from the general public and stakeholders.

***Submission of Post-Budget Memoranda, 2011:*** This is to inform all that Post-Budget Memoranda, 2011 on Direct Taxes and Indirect Taxes have been finalised and submitted to the Ministry of Finance, Government of India. It is a matter of pleasure that that two of our suggestions contained in Post-Budget memorandum relating to direct taxes have been accepted. The suggestions so considered and accepted have been hosted on the Institute website. Similarly, on Indirect Taxes, important suggestions have been accepted by the Government. The most significant of which was with respect to Point of Taxation Rules, 2011 where chartered accountants have been allowed to pay service tax on receipt basis as per our suggestions. To apprise the profession with this development, a note carrying all significant changes made in service tax, particularly Point of Taxation Rules, 2011, was prepared and hosted on the Institute website. It has also been sent to the registrants of *IDT Net*, a networking portal for members practising in indirect taxes.

## Professional Opportunities

***Filing Statements in XBRL and Implications:*** As you may be aware that the Ministry of Corporate Affairs has released a circular mandating certain class of companies in phase one for filing financial statements for the year ending 31st March, 2011, in XBRL formats, creating a new professional opportunity for all members, as we can help our clients in tagging the financial statements with the taxonomy and filing the instance documents so created with the MCA. Though the circular covers only a small class of companies, it is expected that some more will be covered in the next phase and eventually all companies will come under it, thereby giving an opportunity to professionals for XBRL filings for all its clients. Training programmes for the purpose shall be organised by the Institute, where XBRL India will provide the technical inputs, and the training schedule will be hosted on the Institute website. I am sure that our members will take the circular in right spirit and prepare themselves for such opportunities.

***DISA Holder to Conduct System Audit:*** I am pleased to inform all members of the profession that the RBI vide its recent circular relating to submission of system audit reports has allowed a holder of a *Diploma in Information System Audit* (DISA) of the ICAI to conduct system audit of Authorised Payment System Operators and Entities, apart from a Certified Information Systems Auditor (CISA) and registered with Information Systems Audit and Control Association (ISACA).

***"Partnership" in the CA Act, 1949, CWA Act, 1959 and CS Act, 1980:*** I wish to inform members of the profession that the Ministry of Corporate Affairs has issued a general circular dated 4th April, 2011, clarifying that the word "partnership" wherever occurring in the Chartered Accountants Act, 1949, the Cost and Works Accountants Act, 1959 and the Company Secretaries Act, 1980 shall mutatis mutandis be construed as including those limited liability partnerships (LLPs) where all the other partners are natural persons (individuals) and that the word "partner" shall also be construed accordingly. The matter was considered by the Council recently and, you will be pleased to note that it has been decided to allow all existing CA firms to convert themselves into LLPs, which would enable CA firms to grow bigger and increase their capacity. A much-awaited proposal, it has also been decided that, upon conversion, firms will be permitted to retain their seniority and all benefits of merger, networking, etc., will be available to the LLPs. We will soon bring out a format for making an application for conversion to an LLP. Thus, small and medium firms may enhance their capacities by including personnel with multidisciplinary competency, and grow big.

***ICAI-CBEC MoU:*** As you are aware that, in the year 2010, we have entered into an MoU with the CBEC to facilitate setting up of the certified facilitation centres (CFC) by the chartered accountants in practice under the ACES Project of CBEC, which can upload returns and other documents for central excise and service tax assessees. I am pleased to inform you that the scheme has been renewed through an extension agreement for a further period of two years. Till recently, more than 600 CFCs have been registered under the ACES project. A list of our CFCs registered with ACES has been hosted on our website.

## Capacity Building Measures

***Portals for SMPs would be a Reality:*** I am happy to acknowledge before the members of our profession that necessary steps have been taken to create a website where small and medium practitioners may create their portals as per the norms laid down by the Council of the Institute. Thus, all CA firms will be able to upload details of their firms on the proposed website from their end and it shall also provide them an opportunity to reach out to the international practitioners. It has also been initiated to arrange for e-library, knowledge portal (including blogs, discussion forums, etc.), CA net-book facility, downloadable resources for reference including software for office management for members and firms. I sincerely hope that this would be helpful in enhancing the knowledge base of the members in practice.

***Recommended Fee Structure on Professional Assignments:*** I am pleased to inform you that the Council has considered the Minimum Recommended Scale of Fees for professional assignments done by our members, which is about the fee as per the work performed for various professional assignments and the amount quoted under respective heads of professional work. The fee has been recommended separately for metros and nonmetros. I am sure that the prescribed fee will enhance the productivity and capacity-building of practitioners and CA firms and benefit largely the SMP segment.

***Benevolent Measures for the Profession:*** To strengthen the competence of members and firms, we have initiated IT measures to empower them by providing tax-solution software with initial license free of cost for two years. Such a technological empowerment will eventually help our members in efficient documentation and knowledge and contact management and enable them in strengthening their practices in the field of taxation and audit.

## Other Important Initiatives

***Members in Industry Outreach Programme:*** I am pleased to inform the profession that the first Members in Industry Outreach Programme was organised at the GMR Group Corporate Office in Bangalore, where I, along with my Central Council colleague CA. K. Raghu, had the opportunity to interact with our members on issues concerning the profession. We also met the Chairman of GMR Group, Shri G. Mallikarjuna Rao, and discussed with him about the Institute and its initiatives. This programme was held to bring our members in industry closer to the Institute by enhancing interactions between the Institute and those members on matters of professional interest and by encouraging senior members to renew their membership and newly-qualified professionals to apply for membership. Such outreach programmes will also help us in understanding the expectations of the members in industry. At least, 25 such programmes would be conducted across the country. Corporates having more than 50 chartered accountants will be picked out and requested to conduct these programmes.

***Launch of ICAI Web TV:*** It is a matter of pride and happiness for me to launch the ICAI Web TV, which will host educational videos to enable our members in industry as well as others to watch lectures of eminent speakers on their computers and mobile phones at their convenience. The idea behind this exercise is to help those members, who usually find it difficult to participate in professional programmes of the Institute due to their professional pressure and commitments. It will also cast important events of the Institute live including webinars, i.e. webseminars, and enable those members in participation.

***Successful Campus Placement (February-March 2011):*** I am really happy to inform all our students and newly-qualified chartered accountants that the response to campus placement programme during February-March 2011 has been excellent. Sort of history was created, as against the registration of more than 5,000 candidates, 1,863 candidates, i.e. more than one third of the registered, got the offer. A record number of 223 interview teams participated. Banking industry was the largest recruiter this year and ICICI Bank topped the list of recruiters by appointing 337 candidates.

***Directives to POUs regarding CPE Programme:*** Continuing Professional Education (CPE) programmes, conducted by the Institute, are an integral part of chartered accountants' lifelong learning required to maintain standards of excellence in their professional services. Our Institute has been providing continual inputs to its members through seminars, lectures, workshops, background material, etc., with the help of all its Branches and Regional Councils. Recently, a communication has been sent to all programme organising units (POUs) as well as to all Non-Standing Committees with a request to follow the set of existing CPE guidelines in letter and spirit, that includes adherence of CPE programmes to the announced schedule, starting the programmes with technical sessions instead of introductions, presenting mementos in the form of technical/professional books, hosting of details on CPE programmes at least three days in advance and so on. CPE calendar for 2011-2012 has been hosted on the Institute website for the information of members and POUs.

***Vision 2030 Document:*** A group has been constituted for the project of preparation and development of Vision 2030 and action plan for the next two years, as desired by the Ministry of Corporate Affairs. Another group was constituted to study various reports and key regulatory developments for formulating our strategy to promote the interest of profession, which could be a part of Vision document.

***Interactive Meeting with Chairmen and Heads of ICAI Regional Councils:*** Recently a meeting of the Chairmen of all Regional Councils and Heads of all Regional Offices of the ICAI was held with the ICAI leaders, i.e. President and Vice-President, at the ICAI headquarters in New Delhi. Issues such as CPE programmes, XBRL, infrastructure, services to our members and students, branch accounts reconciliation, other pending matters etc., were discussed in the meeting. There was also a presentation on vision for the year ahead for collecting inputs from other participants. All the participants gave assurance to cooperate in all endeavour of the Institute.

***Appellate Authority is Functional:*** As all members of the profession are aware, the Appellate Authority under Section 22A(1) of the Chartered Accountants Act, 1949 was constituted by the Central Government in March, 2009, but the same was not functional, as the Chairperson of the Authority had not taken charge. Recently, Justice Shri S. N. Dhingra (Retd.) has been appointed by the Government as the Chairperson. I had the opportunity to call on him recently. At this meeting, we discussed the action plan to operationalise the Appellate Authority, and infrastructure requirements for the same. Shri Dhingra along with the representatives of all the three Instiutes would meet the MCA Secretary where it would be, inter-alia, proposed to request for an office space for the Appellate Authority that is currently housed in the ICAI headquarters in New Delhi.

***C&AG Consideration of Criteria in Empanelment:*** As our profession is aware, the Office of C&AG has notified new norms of empanelment this year. Despite our efforts, the C&AG Office informed that it was not possible to defer the present empanelment norms this year. However, it has agreed to have a re-look at the criteria in respect of compensation payable to a partner either on percentage or on an absolute basis. I am pleased to inform you that the C&AG Office has extended the date for filing of documents to 30th April 30 from 25th April, 2011.

***ICAI Nominates on RBI's Working Group on Concurrent Audit System:*** Recently, the Reserve Bank of India has constituted the Working Group on Concurrent Audit System in Commercial Banks. On a request received from the RBI, we have sent our nomination to the RBI on the Group on Concurrent Audit.

***Certificate Course on Internal Audit:*** Despite being given to work in multi disciplinary internal audit teams, chartered accountants have created a niche of their own in that area. To maintain the niche in the area of internal audit, a core competence area of chartered accountants, they would require to periodically assess their skills and upgradation requirements. Considering this, a certificate course on Internal Audit has been launched, which will aim at disseminating technical developments among our members and providing practical implementation guidance to them. Further, to provide more focus on the area, three articles have been published on internal audit in this issue.

***On Disciplinary Cases:*** There are around 125 cases pending for enquiry by the Disciplinary Committee under the unamended Act. As of now two hearings by the Disciplinary Committee under Section 21-D have been conducted in New Delhi wherein in 13 cases, Disciplinary Committee has concluded its hearing out of 46 cases fixed for hearing. This month, during the meetings of the Board of Discipline and Disciplinary Committee (under Section 21B), hearing of nine cases were concluded. Besides the above, 23 cases have been disposed off by the Board of Discipline till prima facie stage. Most recently, notices have been issued in 32 reports for consideration before the Council. On the Satyam matter, recently, an order has been passed by the PCAOB and SEC against the audit firm of the company on 5th April, 2011. We have forwarded this order to our Disciplinary Directorate for taking necessary action arising due to this order.

## Initiatives for Students

***Entry Requirement for CA Course:*** A Group, under the convenorship of the our Central Council colleague CA. Abhijit Bandyopadhyay has been formed recently with other Central Council colleagues CA. Vinod Jain, CA. Manoj Fadnis, CA. Charanjot Singh Nanda, CA. J. Venkateswarlu, CA. Naveen N.D. Gupta, CA. Nilesh S. Vikamsey, CA. M. Devaraja Reddy, CA. Atul C. Bheda and CA. Mahesh P. Sarda as members to review the entry requirement for Chartered Accountancy course and submit its recommendations within a stipulated time to be considered by the Council. I am really pleased to inform you that, after two meetings, draft recommendations on the matter are ready for comments of other competent members of the profession, after which, the recommendations will be brought to the Council for approval.

***15-Minute Reading Time allowance CA Students in Examination:*** In order to bring down stress and anxiety in our students, the Council has taken a decision to allow 15 minutes of reading time to all students during examinations commencing from May 2011 examinations, i.e. students will be given question papers 15 minutes before the scheduled time of commencement of examination to facilitate them with time to go through question papers thoroughly and strategise their answers. All the students will surely benefit from this decision.

***Setting up CA Students' Associations:*** The Council has decided to allow setting up of Chartered Accountants Students' Association at all its branches. Though students association exists at many places, it is the endeavour of the Council to ensure that students' association comes up at all its 126 branches so that the students' activities can go up.

***Workshops for Resource Persons Organised regarding Examinations:*** Two workshops for the resource persons associated with the Institute have been organised with a view to sensitise them for enhancing the quality of valuation of answer books, maintaining timeliness, seeking newer ideas and methodologies for improving the quality of testing process and taking our exams with international benchmark levels. While there were about 350 participants in the workshop for the Northern Region, there were about 550 participants for the Central Region.

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Let me take this opportunity to extend my sincere wishes and congratulations to all our stakeholders a great May Day, also known as International Worker's Day, as it is a celebration of the spirit, rights and solidarity of workers and employees. Recently while attending a gathering of employees of the Institute, I found their spirit quite inspiring and overwhelming. Instinctively, I felt a presence of tremendous power, which was the result of this unity. It can bring progress to the Institute, as together we can create wonders. I would like to see all stakeholders of the Institute smile, cherish and prosper in unison, as I understand, ultimately this happiness will reflect and bear upon the quality of services to be offered to our members and students, and other associates of the profession.

Poet-reformer, nationalist and iconoclast, *Mahakavi* Subramania Bharathi, is of the opinion: *We shall not look at* *caste or religion; all human beings in this land - whether they be those who preach the Vedas or who belong to other castes – are one.* Let us believe in the oneness of mankind and its divinity. Such a unity will bring us peace, happiness and prosperity.

Best wishes

**CA. G. Ramaswamy**
**President, ICAI**