Further Detailed Discussion

Concentration of work By Big Fours Worldwide:

Recent Study shows that big four's have captured 80% to 90% of audit revenue worldwide. Whereas in Asia pacific region the revenue of big fours was 21.49 billion US $ in 2017. The European Union want to break up this oligopoly of big fours. For want of reducing such practices of Big fours, EU introduced the **GREEN PAPER.** According to Green paper, two radical changes have been noticed which compulsory joint audit and rotation of audit partners. Along with these changes restriction on non-audit work a firm can provide is also imposed.

STAND OF BIG FOURS IN INDIA

39 members in council out of these some members are from Big fours to save and help MAF's for securing work, controlling ICAF's, generating exceptionally high revenue, influencing government policies and contracts.

Relationship between Multinational Accounting Firms(MAF's) with Indian Chartered Accountant Firms(ICAF):

As per the GATT, the professional of country, where Indian Chartered accountant can do practice, can do practice in India. Other than these eligible professional, firms and individual of other country cannot provide services related to CA in practice in India.

Due to rules of this treaty **Multinational Accounting Firms(MAF's)** came into existence like (PWC, Delloite, Ernst and Young, KPMG). These known firm with heavy brand value and reputation worldwide, made relationship with Indian firms by making Indian CA as their partner. MAF's provides there brand and made heavy capital investment for securing work through Indian professional. Huge entity in India relied on these foreign Indian firm because of their reputation worldwide.

Impact of these relationship on India.

Due to these arrangement MAF's are indirectly carried their professional work through Indian CA which was not allowed before due to GATT. MAF's started to control Indian firms by providing money through a circuitous route. For Example:

a) Introduction of Capital in the name of Skill development programme of Indian Firms and through other means:
    - PWC India received 41 crores from foreign partner for acquisition of Dalal & Shah, Mumbai
    - PwC India entities received Rs.240 crores in Financial Year 2010-2011.

b) Insurance premium has been paid by firms for benefit of other member firms which is Illegal as per Companies Act
    - There is falsification of accounts regarding insurance premium for a 280-crore policy by PwC firms in India in violation of Companies Act.

C) Lovelock and Lewes (LL), a member firm of PwC India failed to point out the high level of NPAs, in its audit report, resulting in Global Trust Bank (GTB) being forced to merge with Oriental Bank of Commerce in 2004. This happened due to accumulated losses of GTB. LL was also found guilty of manipulating share prices and falsification of accounts by Serious Fraud Investigation Office (SFIO). PwC has been found guilty of accounting scandals outside India.

d) Controlled by Foreign Entity:

- The PwC Services, BV Netherlands remitted Rs.240 crores to various PwC entities in India for 'enhancement of skills'. Payment of Income Tax on the said amounts does not legalize the remittance. The remittance shows that the foreign company has control over Indian Firms and is thus indirectly running chartered accountancy business in India and getting its return on the said amount.

Legal stand of MAF's and there ICAFs:

1) As per section 25 of CA ACT 1949," No company, whether incorporated in India or elsewhere, shall practice as chartered accountants".
   The MAF's were originally incorporated as company in country other than India. Hence, they were impersonating as Indian firm by appointing Indian CA as partner.
   For soliciting work from clients, they use there brand as big fours a foreign reputed brand whereas at legal stand they call themselves an Indian firm because all the partners are Indian.
2) As per section 29 of CA ACT 1949, "Where any country, specified by the Central Government in this behalf by notification in the Official Gazette, prevents persons of Indian domicile from becoming members of any institution similar to the Institute of Chartered Accountants of India or from practicing the profession of accountancy or subjects them to unfair discrimination in that country, no subject of any such country shall be entitled to become a member of the Institute or practice the profession of accountancy in India."
3) The MAF's are operating illegally in India in violation of the above law. MAF's operating in India without registering themselves with ICAI.
4) Further CA Act provide certain restriction for maintaining the standard of the profession like restriction on sharing and receiving of fees. Soliciting work through advertisement etc.
   But the Indian CA are using the foreign brand name for soliciting work. Making heavy advertisements on their websites, letterheads, visiting cards etc.

Legal Action Against MAFs and associated ICAFs:

Due the above discussed violation a petition was filed against such practices of MAFs and ICAFs in 2013 in Karnataka High court. The report of the study group has been submitted stating the facts that the bodies corporate formed for management consultancy services were being used as a vehicle for procuring professional work for sister firms of Chartered Accountants (CAs). Members of ICAI were associating with such bodies as Directors, Managers etc. to provide escape route to MAFs.

Also, the Experts Group report has been submitted in wake of Satyam Scam stating that the MAFs are rendering services which are rendered by the CAs in terms of Section 2(2) of the CA Act such as accountancy, auditing, professional services about matters of accounting procedure, presentation or certification of financial facts or data. The MAFs are corporates/juridical persons. They solicit professional work in international brand name. They have registered Indian CA firms with ICAI with the same brand names which are their integral part. There is no regulatory regime for their accountability. Thus, the principle of reciprocity under Section 29 of the CA Act, Section 25 prohibiting corporates from chartered accountancy practice and Code of Ethics prohibiting advertisement and fee sharing are flouted.

The high court had decided no further action was required as the report of high powered in pursuance of Expert report proved that 161 firm out of 171 firm were examined by the committee formed by ICAI.

The Case was closed on that grounds.

But in 2015 an appeal was filled in supreme court against the decision of Karnataka High Court and the appeal also include the manipulation made by PWC Indian till that date. This inclusion of PWC manipulation in the report increase the focused towards big fours. The secretary, ICAI lost the case and Supreme court gives direction to ICAI for acting against such violation. ICAI in June 2018 has issued a notification in compliance with order of Supreme Court.

The notification requires all the CA in practice to provide details of there network firm in past 7 years to ICAI.