

Dear Esteemed Colleagues,
In the recent past, the profession has encountered certain challenges. While we are concerned about the implications thereof and are taking necessary steps, we would not get swayed by these to lose focus on our Mission 2006. As the saying goes, “obstacles are those frightful things you see when you take your eyes off your goal”. Therefore, we are simultaneously pursuing proactive measures to accomplish tasks on hand.

Standards for Local Bodies

Recognising the need to harmonise and improve Accounting and Financial Reporting among Local Bodies, the ICAI had constituted an independent Committee on Accounting Standards for Local Bodies (CASLB) in March 2005. The composition of the CASLB is fairly broad-based and ensures participation of all interest-groups in the standard-setting process.

The Committee has finalised a draft Preface to the Statements on Accounting Standards for Local Bodies that would set out the objectives and operating procedures of the Committee and would explain the scope and authority of the Accounting Standards for Local Bodies. After our sustained efforts, the Ministry of Urban Development (MoUD) has decided that the Governmental Level Technical Committee to be constituted under the aegis of MoUD and C&AG, would recommend the Accounting Standards for Local Bodies, issued by ICAI, for acceptance by the state governments.

Corporate Governance

The revised Clause 49 of the Listing Agreement, effective from 1.1.2006, has provided a framework for validation and reporting regarding compliance with corporate governance reforms. The duties of the Board, Audit committee, CEO/CFO of a company have been prescribed and the auditor is required to issue a certificate with regard to compliance of requirements of corporate governance. Our members are functioning as Directors, CEOs and CFOs. The revised edition of the Guidance Note on Certification of Corporate Governance has been recently brought out with a view

to guide our members occupying these positions and more particularly to assist in performing the duty of certifying compliance requirements. I hope members in industry as well as members in practice who are concerned with this responsibility will make use of the publication.

CA (Amendment) Bill

The Chartered Accountants (Amendment) Bill, 2006 was duly passed by both the Houses of the Parliament during the budget session. The Presidential assent has also been accorded. The profession can look forward to better empowerment in the post amendment scenario of the Act governing us.

Bank Audit

We have made representation to the Hon’ble Union Minister of State for Finance (Banking), Mr. Pavan Kumar Bansal and explained about the need to review the decision of giving option to the management of public sector banks to appoint auditors. The various adverse implications were pointed out besides highlighting the importance to preserve the independence of statutory auditors of banks. The Hon’ble Minister has assured to look into the matter. We will pursue the matter to uphold the role of RBI in this regard.

ICAI has brought out the revised edition of the “Guidance Note on Bank Audit” for assistance of the members who carry out bank audits.

Service tax

The withdrawal of service tax exemption notification has been a matter of concern for members in practice. We have represented at all levels in connection with this matter and more particularly to the Hon’ble Finance Minister. Let us hope that our principled stand is vindicated.

Tax Return Preparers

One section of the members are agitated about the provisions of Section 139B intended to create a new class of tax return preparers. We had detailed discussion with the Government in order to remove any apprehension about this provision. It has been clarified by the Government that the intention of Section 139B is not in any way to encroach upon or hamper this area

Institution Above Individual

of practice of members. According to them, the purpose of excluding Chartered Accountants from the purview of Section 139B is two fold: (i) a TRP must attest the return of income whereas, a Chartered Accountant is not required to do so; and (ii) a TRP is governed by the Code of Conduct to be formulated under the scheme whereas, a Chartered Accountant is governed by the Code of Ethics under the Chartered Accountants Act, 1949. Consequently, members can continue to assist their clientele in preparation of the returns of income and get them filed as before.

The objective behind insertion of Section 139B is to bring non-tax payers into tax net. The Hon'ble Finance Minister has clarified that unemployed graduates are expected to be recruited on a stipend basis, trained and designated as Tax Return Preparers. Apparently, the Government desires to achieve through Section 139B what could not be achieved through Section 133B – door-to-door survey; Section 115K – presumptive tax system done away in 1998; and 1/6th economic criteria, which has since been abolished in 2006. In as much as Section 139B is optional and an enabling provision only, members who are in tax practice will not be adversely affected.

Value Addition Services

Majority of the membership in practice is into tax practice and is executing work that flows through various Statutes and Regulations in the country on account of which many offices witness hectic activity during the so-called seasonal period and lull during the rest of the year. An ideal scenario would be for members to venture into non-exclusive areas of practice such as the rendering of management consultancy services. If members can equip themselves with expertise in subjects and areas like AS & IFRS, US & UK GAAP, BPO/KPO, Sox and Corporate Governance, Due Diligence & Valuation, Internal Control evaluation, Forensic Audit, Transfer Pricing, Arbitration, ERP Control Design, Consulting, Implementation, Testing and Post Implementation Audit, Systems Audit & MCA-21, there will be tremendous opportunity for

work and room for everyone. Specialisation, even in few of these areas, would empower a member to emerge as the most sought after professional both by the Industry and the Society.

Keeping in view this objective, appropriate Committees of the Council are endeavouring to bring out technical standards, guides and background material for the benefit of members. The Regional Councils and Branches have also been advised to conduct training programmes and workshops in respect of these areas. It has also been specifically indicated that these training programmes and workshops may be offered to young members at nominal and affordable cost as compared to others.

Such training programmes and workshops should outnumber the CPE Seminars and Conferences on traditional topics. A day should emerge when large number of members are busy in advisory function, and play crucial role in business restructuring, takeovers, mergers, risk assessment, collaborations, joint ventures and decision making on various other business operational areas throughout the year. Time and effort

devoted to equip in this regard would prove to be a meaningful investment that will reap the fruits in the long run besides obviating excessive dependence on statutory work.

Before concluding, it appears appropriate to recall the saying, "Success is a journey, not a destination". As we continue our glorious journey, it's time we pause for a while and take stock of the fast-paced socio-economic changes unfolding around us and adjust the course of our journey accordingly for larger benefit of the society and the nation. I am sure that our capability to set the sail in the right direction will strengthen us with the force of the blowing wind to cross the distance we aspire for.

Jai Hind.



T.N. Manoharan
New Delhi, March 31, 2006



Standing from left to right are Mr. Harish Chandra Agrawal, Chairman, NIRC, Mr. Subodh Kumar Agrawal, Chairman, EIRC, Mr. Sunil Kumar Goyal, Chairman, WIRC, Mr. M. Kandasami, Chairman, SIRC and Mr. Vijay Kumar Garg, Chairman, CIRC. Sitting from left to right are Mr. Sunil H. Talati, Vice President, ICAI and Mr. T.N. Manoharan, President, ICAI

Service Above Self