

# THE PRESIDENT



President  
Kamlesh S Vikamsey

# FROM

Dear Members,  
Good Corporate Governance is vital for the integrity, efficiency and vibrancy of capital market. It implies a well-defined, well-structured and well-communicated system to manage, direct and control the conduct of a company's business. Accordingly, the Board of Directors has the joint responsibility of adopting a formal code of conduct for senior management, and approval of financial statements certified by the CEO/CFO. Further, the companies are required to set up various committees like nomination committee, compensation committee and governance committee as a part of corporate governance framework. The other major developments, critical from the viewpoint of accountancy profession include change in the definition of independent director, strengthening of the responsibilities of audit commit-

tee and improving the quality of financial disclosures. These changes have necessitated that the nomination committee of the board should be composed entirely of independent directors, which in turn would be responsible for nomination of board members and assessment of their performance. Clause 49

of the Listing Agreement prescribes that in case of non-executive chairman, at least one-third Board should comprise independent directors and in case of Executive Chairman, at least one-half of Board should comprise independent directors. Dr. JJ Irani Committee on Company Law 2005 also emphasized the role of independent directors in enhancing the quality of Corporate Governance.

All this forward movement in Corporate Governance arena shall certainly lead to a surge in the demand for professional Chartered Accountants, who are the best professionals to act as Independent Directors because of their training and expertise in financial discipline. Keeping this in mind, as decided by the Council, the Committee on Corporate Governance is organizing a series of training programmes on Independent Directors. Three such programmes have already been held in Ooty, Mumbai and Ahmedabad in August, September and October this year respectively and these have drawn overwhelming response from the members. Five more such programmes are scheduled to be held in New Delhi, Kolkata, Mussorie, Chennai and Ghaziabad between November 2005 and January 2006.

The ICAI is also preparing a database of Independent Directors to meet the requirements of Listed Companies, and the same shall be placed on its website shortly. It is also intended to bring out a publication for the guidance of independent directors.

ICAI has decided to host an International Conference on "Role of Accountancy Profession in Anchoring Economic Growth" from January 19 to 21, 2006 at Mumbai. The

Conference will dwell upon a wide range of issues and would be a good opportunity for value addition on emerging developments. The Conference will see the participation of great luminaries of the accountancy profession from across the globe. Details of the same have also been hosted on the website and also appear elsewhere in this issue. I urge upon you to actively participate in the Conference and make it a memorable one.

The Government of India has introduced a Bill, viz. "Foreign Contribution (Management and Control) Bill, 2005" which is hosted on the website of the Ministry of Home Affairs for feedback from the stakeholders. Considering the implications of the Bill, the ICAI has already submitted its comments as part of its objective focusing on transparency and accountability in the affairs of NGOs, and on strengthening the role of Chartered Accountants.

In continuation with our support to Government initiatives for reforms in Company Law, the ICAI has extended all technical support to the Expert Group on Streamlining Prosecution Mechanism under the Companies Act, 1956 constituted by the Ministry of Company Affairs under the convenorship of Mr O.P. Vaish, Sr. Advocate. The Group has submitted its report to the Hon'ble Minister of Company Affairs (Independent Charge), Mr. Prem Chand Gupta on 17th September 2005.

I am happy to share with you that ICAI, through South Asian Federation of Accountants (SAFA), has plans to help develop the accountancy profession in South Asian Association for Regional Cooperation (SAARC) countries. It will

also continue to assist accounting bodies of these member countries of SAARC in dealing with compliance regime of International Federation of Accountants (IFAC) and in challenges arising out of internationalization of accounting standards.

The Council has recently approved the proposal of the Accounting Standards Board of the ICAI for providing relaxations to the Small and Medium-sized Enterprises (SMEs) from some of the measurement principles of Accounting Standard (AS) 28, Impairment of Assets. Considering the fact that detailed cash flow projections of SMEs are often not readily available, SMEs have been given an option to measure the 'value in use' on the basis of reasonable estimates thereof instead of computing the 'value in use' by present value technique. Consequently, if an SME chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate, etc. would not be applicable.

Members of the ICAI, while carrying out audit assignments, might come across a situation where the records of the client are incomplete or destroyed (partially or completely) on account of a natural calamity or otherwise. While guidance on reporting responsibilities of the members in such cases has been provided to the members by way of publications such as the Statement on Qualifications in Auditor's Report, Auditing and Assurance Standard (AAS) 28, The Auditor's Report on Financial Statement, Opinions of the Expert Advisory Committee, and a publication titled, "Audit and Certification in case of Missing Records", issued by the Research Committee of the

Institute, the Council, for the benefit of the members has also issued an announcement providing specific guidance under different circumstances.

As a part of its comprehensive programme to improve the clarity of international standards, the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) has issued exposure drafts of four proposed standards in a new drafting style. The IAASB has developed its new drafting style based on responses to its 2004 Proposed Policy Statement and Consultation Paper on Improving the Clarity and Structure of IAASB Standards and Related Consideration for Practical Statements in International Standards in Auditing. Key elements of the new drafting style include: basing the standards on objectives, as opposed to procedural considerations; use of the word "shall" to identify requirements that the professional accountant is expected to follow in the vast majority of engagements; eliminating the present tense to describe actions by the professional accountant, which some had regarded as ambiguous in terms of obligation; and structural improvements to enhance the overall readability and understandability of the standards. The enhancements contained in the re-drafted standards also respond to the findings of the 2004 IFAC report, "Challenges and Successes In Implementing International Standards: Achieving Convergence To IFRSs and ISAs", which identified such issues as the length and complexity of international standards as major challenges to convergence for such constituents as accountants in developing nations and Small and



Medium Practices and entities. May I request members to take note of these developments and participate actively by sending their comments.

In a fast changing socio-economic context, competencies in generic skills rather than specialized knowledge in a particular area, are more useful in facing the vagaries of the socio-economic scene. In this context, the study of basic disciplines and skills are more valuable than acquiring limited applied knowledge of a particular activity. Alvin Toffler perceptually observes: "The illiterates of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn and relearn". The Dearing Report of the UK, which envisions the 21st Century society as a 'learning compact', has rightly identified 'learning to learn' as one of the four key skills to be developed among the learners. I am confident that all members of the accountancy profession, by constantly updating their skills and knowledge and by practising an appropriate value system as Quality Individuals from a Quality Institution, would contribute in building a Quality India.

With warm regards,  
Sincerely yours,

**Kamlesh S. Vikamsey**  
President  
New Delhi, November 2, 2005.