

International Conference

REDEFINING THE ACCOUNTANCY PROFESSION: A MEASURED RESPONSE TO GLOBAL CHALLENGE – A Report

INAUGURAL SESSION

The International Conference on “Redefining the Accountancy Profession : A Measured Response to Global Challenge” was organized by the Institute of Chartered Accountants of India (ICAI) at Jaipur from March 11-13, 2004. It received an overwhelming response with 2,700 Chartered Accountants, including delegates from 12 ICAI Chapters from abroad participating in the Conference. The Conference assumed the real international character not only because of the fact that perhaps for the first time, almost all international accountancy bodies of the world including International Federation of Accountants, Confederation of Asian and Pacific Accountants, South Asian Federation of Accountants, FEE and GFOA of the United States but also the impressive attendance of participants from more than 27 countries across the globe.



Dr. Ashok Haldia, Secretary, ICAI, in his welcome address opined that it is imperative for the profession to undertake introspection and develop a perspective for the changing environment, if it wishes to play a significant role in the economic development.



Shri N.D. Gupta, Past President of ICAI and member of IFAC Board greeted the distinguished delegates. He said that this International Conference was the mark of recognition of the Indian Accounting Profession by the International Accounting Fraternity. He expressed his happiness at the overwhelming response of the members to the Conference.



Mr. Sunil Goyal, President, ICAI, extending a hearty welcome to all the delegates stated that in the global village, the challenges faced by the accountancy profession are more or less common. And across the globe, the accountancy bodies have initiated pro-active steps and positioned themselves to respond to the growing demands of changing environment. He pointed out that the Accounting Standards issued by the

Institute are in line with the International Accounting Standards, which are adapted taking into consideration the applicable laws, customs, usage and business environment prevailing in India. The Institute, being a founder member of IFAC, has as one of its objectives, the harmonization of its auditing standards with the International standards on auditing. Further, with a view to enhancing the reliance placed by the users of financial statements in economic decision making, the Peer Review Board has been constituted to ensure that the members comply with the technical standards laid down by the Institute and adhere to the various statutory and other regulatory requirements. He also mentioned about the constitution of Financial Reporting Review Board.



The President of SAFA, Mr. Badruddin Fakhri, commenced his speech with a message of love and peace. He praised the commendable work of the ICAI in the field of accountancy. He also pointed out that the International Journal on World Cement has predicted that India would rank as the third largest economic power in the year 2050 after China and USA.

The President of CAPA, Mr. Robin Hamilton Harding said that he was proud to be part of this august gathering. He emphasized that it was critical that organizations of all sizes



must understand and implement the international standards. This according to him was imperative in the changing international scenario whereby all investors wish to understand the financial reporting requirements in the same language. He felt that the adoption of international standards would strengthen and improve the image of the accountancy profession. For this purpose, CAPA would be assisting IFAC in undertaking a survey to assess as to why some of the organizations are finding it difficult to implement the International Accounting Standards.

The President of IFAC, Mr. Rene Ricol, welcomed the gathering and highlighted that it is a unique feature in the accounting profession that the professionals from 114 countries are working together for the last 50 years with similar standards, competence and norms. He advised the Indian Chartered Accountants' community



to develop their firms and consolidate their practices to achieve competitive advantages to flourish in a globalised environment. He also referred to the temptation approach amongst several countries to adopt "protectionist" approaches in opening the accountancy sector to foreign players. According to him the Indian accountancy profession has attained an impressive growth in the recent years and has been playing very active role in the international fora.



Hon'ble Shri Madan Lal Khurana, Governor of Rajasthan, inaugurated the three-day conference on 11th March, 2004 at Birla Auditorium by the traditional lamp lighting ceremony. The inaugural ceremony was attended by the President of IFAC, President of SAFA, President of CAPA and Presidents of regional accounting bodies in different countries, heads of accounting bodies from USA, Canada, Australia, South Africa, Japan, France and of other countries including those in the South Asia.

Hon'ble Governor observed that the culture in the SAFA countries, especially in India and Pakistan, is significantly same and mutual co-operation of the professionals of these countries would help in giving an impetus for economic growth in the region. The Governor also referred to rich heritage of the accountancy profession in India. Referring to impressive growth charted out by the Indian Institute, he also complimented the Institute for imparting knowledge in the area of information technology. The post qualification course on Information System Auditing, he felt, would also go a long way in improving the skills of Indian professional in the today's economic environment and provide them a competitive edge in the new global economic order.



The inaugural session ended with the vote of thanks delivered by Vice- President, ICAI, Mr. K.S. Vikamsey, who pointed out that this Conference will be written in golden letters in the history of the Institute.

TECHNICAL SESSION-I



● Governance Mandate – Professional Mind Set

Mr. Y. H. Malegam, Chairman, National Advisory Committee on Accounting Standards underscored the

need for better understanding of information technology amongst the chartered accountants for ensuring proper auditing of enterprises. He said that a proper understanding of information technology was required to identify the risks to which business was exposed. He was of the opinion that chartered accountants must hone their IT skills.

He said that at present we are placing too much reliance on verification of the internal controls and too little reliance on transaction audit. Most of the frauds were with the indulgence of the top management and therefore they were difficult to be discovered. He said that there was a need for good corporate governance to ensure scrutiny of organization and the financial reporting of public enterprises. He also said that chartered accountants were the High Priests whose words were believed as truth. Therefore, they had a greater responsibility to tell the truth and only the truth. He pointed out that they should not become mere rule checkers and should not take shelter behind rules and accounting standards. They should verify the individual transactions which were material in nature, irrespective of the extent of internal control or internal audit procedures.

He pointed out that there was a belief among the public that the financial statements gave a precise picture of the state of affairs of an enterprise. He observed that in today's environment it had to be realized that financial statements were the outcome of a large series of judgement by management, accountants and auditors and consequently they could not be mathematically accurate.

These days, accounting and auditing standards were under intense scrutiny in the West in the wake of high profile corporate scandals. The experience demonstrated both the importance of accounting and auditing functions in the context of sound corporate governance and also dangers of complacency. He said that East Asian crisis has taught the world that economic reforms without commensurate emphasis on financial management and accountability norms were unlikely to yield optimal results.



Mr. Michael F. Carter, Country Director for India, World Bank, strongly believed that accounting was one of the foundations of accountability, that the cen-

tral role of accountants and auditors in good governance was increasingly being recognized and since accountability and good governance were pre requisites for economic development it was evident that sound financial management was a critical ingredient in the development process. He said that the Indian accounting and auditing profession was a force to reckon with. He however, cautioned that an organized accounting profession and auditing standards do not by themselves contribute to the high quality financial reporting. There was need for strengthening mechanisms to ensure compliance with applicable standards, rules and regulations, efficient monitoring and enforcement of accounting and auditing requirements, effective sanctions against parties responsible for infractions and incentives for compliance with standards, rules and regulations, besides, the need for strong auditor independence.

He observed that strengthening the system of public financial accountability called for the accounting profession, public or private, to work together to help the Government to formulate its accounting policies, standards and practices. He said that the World Bank strongly supported the application of the internationally accepted standards of accounting, control and auditing in the Government and private sector. He said that healthy accounting and auditing profession were essential to develop world class public services and businesses and for India to become a provider of business process services to the world. He observed that India was in a good position to take advantage of opportunities offered by globalisation as was evident from the lead it had taken in the services sector. India's strength in information technology also placed the accounting profession in a good position to explore opportunities overseas.

Mr. Patrick Barrett, Auditor-General National Audit Office,



Australia said that the accounting professionals had to ensure equity in reporting through four factors – trust, integrity, transparency and performance. One of the roles of the professionals was to give ideas as well as possible solutions to the organizations.

TECHNICAL SESSION—II: SPECIAL ADDRESSES

- *Globalised Capital Market-Divergence and Harmonisation*



Shri.G.N.Bajpai, Chairman, SEBI , while delivering his address at the special session said that Indian capital markets are truly global. Substantiating his point of view

he said that reforms that were carried out in the Indian capital market are far ahead of any other market in the world. Citing the example of settlement time, he stated that in India the settlement period is on T+2 basis whereas in other countries it is either T+3 or T+5 basis. Also, in the Indian scenario regional stock exchanges have inter-connectivity and the move is towards convergence of all stock exchanges into one platform.

Indian capital markets today he said are becoming more competitive in the sense that Foreign Institutional Investors (FII's) are investing in the Indian market. As a market regulator, he stated that the duty is to protect the interest of issuers, intermediaries and investors. This is the top most priority of the market regulator which at present is striving to establish its presence. For the Indian investors, he said that gates are now open to subscribe to the shares of foreign companies by way of Indian Depository Receipts.

Towards setting global standards and benchmark for Indian capital market, Mr. Bajpai stated that convergence of National and International Standards in accountancy and corporate Governance is very much necessary. For this the Government, industry and professionals have to work hand in hand.

- *Integration Of Capital Markets In South Asia*

Dr. Tariq Hassan's (Chairman, Securities and Exchange Commission of Pakistan) paper on the above mentioned topic was read out by his representative who was also closely associated with the Securities and Exchange Commission of Pakistan in the past.

In his address he covered issues relating to capital markets in general and South Asia in particular and emphasized the need for integration of the global capital markets on a common platform to share the global resources in an efficient and effective manner. He also stressed that for all round development and prosperity of nations in the region ,capital market of every country cannot remain in isolation. They must blend and converge homogenously.

He also briefly referred to the need for harmonisation of capital markets and issues arising out of integration of global capital markets and briefly enumerated the

steps that needs to be taken in this direction. He also emphasized that technology will be the most important driving force behind the integration of world markets and felt that Chartered Accountants can play a key role in harmonization of the global markets.

Apart from above, the need for professionals to hone their technical skills, voluntarily comply with ethical standards and expand their area of operations to be able to respond to the increased demands of a changed environment due to globalisation was highlighted.

- ***Regulation of Insurance Sector –A Development Outlook***



Shri C.S.Rao, Chairman, Insurance Regulatory and Development Authority, presented a thought provoking speech on the topic. He stated that there was greater need for strict surveillance on private sector insurance companies. He also asserted saying that new insurance companies were getting protection, but to safeguard them from failure, there was urgency for strict vigilance on their financial reports. He appealed for joint venture between IRDA & ICAI for better reporting and Corporate Governance. He stated that the regulations are clear and they have been made in transparent manner and fair to all the players. Professionalisation, new intermediaries and other enabling regulatory moves have boosted the morale of the industry. The new players have taken their work seriously and are steadily increasing their market share. But there are worries too, the market is not necessarily widening, so the competition has not yet become intense, especially amongst the new players.

The way the market operates is worrying as also some regulations and Government policies are constraining and these need to be looked into. In the case of non-life companies, the continuing underwriting losses and unbridled management expenses are added worries. Health insurance is still trapped somewhere, unwilling to emerge and provide shelter to the people. The readiness, effectiveness and ability of the older public sector players to compete against the energetic new entrants will be a deciding factor for stability of the markets in the years to come. These are some of the concerns that have emerged and will continue to engage the attention of the Regulator.

Cautions have been sounded, against unbridled

market share acquisition, against short sighted investment objectives, against forgetting the focal point of it all – the customer.

These are things the industry should tackle through self-regulation and by working to develop professional practices with the objective of long-term stability and profitability. The regulator will watch the process and see them operationalised with the interest of the customers foremost in mind. He stressed that the insurance industry should become a learning industry and he noted with satisfaction, of having put into practice most of the rules and regulations that has emerged today, during last four years. Our collective aim should be to develop a healthy insurance industry and ensure complete customer satisfaction.

- ***Banking Sector-Maintaining Resilience to Risk and Shock***



Mr.P.S. Shenoy, Chairman, Bank of Baroda, in his address stated that banking system in India is undergoing major reforms. He stated that banking institutions are very much vital not only for the national but also for each and every individual and the impact are so much that it cannot be ignored. He further stated that banking mechanism couldn't be allowed to fail otherwise it will be a national loss. Therefore, he stated that banking institutions have to be protected and international banking system has now become a reality. The information technology has made the banking sector much wider and now it can withstand pressure from foreign banks. At the end, Mr. Shenoy stated that the banking institutions in the country are of monumental importance and therefore all steps should be taken to preserve its culture and credibility.



Mr. S.S. Bhandari, FCA, in his address touched upon the accountants perspective in the banking sector and called upon the professionals to play their part in process of overall financial sector reforms in general and banking sector in particular. He stressed that banking sector is the life line of the nation and all steps should be taken to preserve its credibility.

TECHNICAL SESSION-III PROFESSIONAL PANORAMA

- ***Towards a Healthy Insurance Sector: Imperatives***

and Role of the Profession



Mr. N. Rangachary, Financial Advisor to the Andhra Pradesh Government and Former Chairman, IRDA & CBDT started with the profession of Accountancy. He spoke about the virtues of being a Chartered Accountant. CAs are known for their keen analytical ability, excellent technical skills and meticulous working style. The vast experience in professional interaction with people bears testimony to their effective communications and interpersonal skills. They belong to a community that has the innate ability to assimilate new information and understand the dynamics of change. Above all, they possess the technical acumen that the profession demands and the integrity that the industry needs.

He called upon the Chartered Accountants to imbibe the virtues of integrity & honesty. There is no one description or prototype that satisfies this definition, but “the best” share several common characteristics, including ...

- Unimpeachable integrity
- Superior intelligence and knowledge
- Broad analytical skills
- A solid ethical foundation
- A passion for client service and protecting the public interest.

Shri Rangachary shared his experiences in Insurance Sector and asserted that if the regulation and a regulator had to be effective, there must be an openness and transparency in all the dealings. IRDA has always encouraged public debate on issues which concern regulation and administration of companies. These debates and discussions brought to us a fund of knowledge and perceptions which we used in the framing of regulations and, possibly, set a role which has not been matched by any other supervisory body since then. All these enabled us in the Authority to get closer and closer to the large number of insureds who ultimately depend on the success of regulation to keep their insurance savings safe.

Shri Rangachary spoke about the need for various reforms in the Insurance Sector. In India, the Insurance Sector has been dominated by people who have grown in highly protected tariff market. But in a global and open market, the sector has to be more service-oriented. The IRDA and Government cannot save anyone and for which bigger movement and reforms are the order of the day.

There is need on the part of the regulator to consider regulation pertaining to sharing of information and resources amongst the insurance players by way of creating central information registry. Increasing penetration levels in the country cannot be achieved in isolation but it requires an integrated approach. Further there is need to have a multiple channels of sales and distribution and effective channel management for successful penetration into the market. Also the industry should perceive the need to effectively deploy differentiated sales and marketing strategies for penetrating into the market. There is an urgent need to review the capital requirements of insurance players.

Shri Rangachary also spoke about the pension reforms. In the words of N. Rangachary, Chairman, IRDA, “In recent years, social security has become an increasingly hot topic for debate. People all over the world are living longer, having fewer children, and expecting higher standards of living in their retirement years. These trends mean higher pension costs for government and in some countries, even threaten the viability of the social security system. The result is an often-prolonged discussion as to how to reform social security in order to meet the needs of future generations in India”.

It is evident that the pension reforms issue is highly complex and it would be unreasonable to expect solutions to emerge immediately or over a short period. The solution would emerge over time, in phases, and at a pace that may not appear quick but what is important is the realization of the dimensions of the problem and the focus on the strategy to drive for solutions.

● *Towards a Healthy Insurance Sector: Industry Perspective*



Mr. R. Krishnamurthy, Managing Director & CEO, SBI Life Insurance Co. Limited, stated that the liberalization phase of the Indian economy has come a long way over the last decade. Though there have been hiccups during this phase we have seen a movement towards market and customer oriented approach in every sector with insurance sector being no exception.

The liberalised insurance sector is expected to grow rapidly; it's the right time for companies to develop a

strategic perspective on the sector. According to Shri Krishnamurthy, with our population crossing one billion, it's an attractive market for private sector insurance players. Naturally their focus will be on developing products and services suitable to rich and upper middle class segments, and not on the lower middle class and the poorer section. However strategic thinking is required to bring the poorer sections under insurance cover. Insurance companies have to be encouraged to develop innovative and specific products to address the natural disasters. Commenting on creating the public awareness, he stressed the need to select the appropriate products, how to select the right insurance company and the benefits of insurance as well as consequences of non-insurance.

Another important strategic perspective, according to him is the consolidating legal and regulatory requirements. The industry is currently regulated by Insurance Act and the IRDA. At some point of time (the earlier, the better) these acts should be appropriately merged, rationalized, simplified and made user friendly. Regarding legal and accounting framework, he marked that with several types of products being developed, insurance companies should also address legal, accounting and management issues. This requires trained personnel, with a focus on drafting a contract, enforcement, claim settlement, dispute settlement and handling breaches of contract.

Finally, Shri Krishnamurthy emphasised on the technology and research and development and stated that technology is extremely helpful in industry growth. E-commerce and web-based activities provide speed, flexibility and agility, adding value to both companies and customers. It reduces operating costs and transaction costs for the company. While for the customers, it provides market and product information that enables them to make informed decisions.

● Gearing up for New Economy-Public Sector



Mr. Subir Raha, Chairman and Managing Director, ONGC, spoke about the role of public sector enterprises in the new economy. He especially referred to the proactive steps taken by ONGC in enhancing transparency and ushering in good corporate governance practices in the company. Commenting on the recent disinvestment exercise carried out by the ONGC, he referred to the highest standards of financial reporting and presentation of the same in a cohesive manner. According to him, this establishes the maturity of the Indian Accounting professionals in the current

scenario and also expressed confidence that ICAI shall continue to take proactive measures in standards setting and emerge a leader in the global arena.

The President, ICAI stated that he showed us a way to work out on such financial reporting models which are not merely represented by numbers but also good enough to measure the performance of the company.

TECHNICAL SESSION-IV

Perspective on Accounting: Today and Tomorrow

● Challenges Before the Profession



Mr. Rene Recol, President, International Federation of Accountants, mentioned that in the global village the challenges faced by the accountancy profession were more or less common. He stated that accountancy bodies across the globe have initiated proactive steps and positioned themselves to respond to the growing demands of changing environment and taken steps to retain their primacy. He wanted India to refrain from embracing protectionist policies in the accountancy and auditing sector. He advised Indian Chartered Accountants community to develop their firms to flourish in a globalised environment. He suggested that adequate safeguards should be created by way of setting up of independent oversight bodies to maintain and enhance public confidence in profession. He also informed that the IFAC proposes to undertake a survey to assess as to why some of the organisations were finding it difficult to implement accounting standards.

● Global Convergence in Standards and Shifting Imperatives in Accounting and Financial Reporting



Mr. Warren McGregor, Member, International Accounting Standards Board, informed about the commitment of IASB to develop, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. He mentioned that in pursuit of its objectives, the IASB cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world. He informed about the constitution of IASB that comprises of 12 full time members, 2 part time

members supported by 25 members of technical staff who were having a variety of professional background. Apart from International Financial Reporting Standards (previously known as International Accounting Standards), the IASB also provides guidance in the form of interpretations and education materials. He also mentioned about the obstacles and challenges faced by IASB in achieving its objectives in today's globalised economic environment such as problems of principle-based and rule-based standards, the politics involved in standard-setting, gaining and retaining the confidence of its constituents, etc. He also mentioned about the implications of Corporate Governance. He stated that for managing financial reporting risk, the pre-requisites were competence, accountability, role separation and auditor's independence.

- ***Audit and Assurance: Bridging the Unbridgeable Expectation Gap***



Mr. John Kellas, Chairman, International Audit & Assurance Standards Board, stated that the gap between the society's expectations of auditors and auditors' performance, as perceived by the society, needs to be bridged. He mentioned that such difference was highlighted in recent financial scandals like Enron, Worldcom etc. He was of the view that though an audit had inherent limitations, e.g., the risk of fraud could not be eliminated completely and detecting fraud was also difficult but if auditors performed to the society's expectation, the possibility of any fraud could be ruled out. He discussed the concept of 'reasonable assurance' and suggested measures for improving performance in various areas such as evaluation of internal controls, detection of frauds, quality control, evaluation of going concern etc. He also informed about ISA 240 and other audit risk Standards. He stated that ISA 240 requires auditors to (a) presume that there will be a risk of improper revenue recognition, (b) test appropriateness of journal entries, (c) review accounting estimates for biases, and (d) obtain an understanding of significant unusual transactions. He also informed about the other related projects of IAASB such as audit materiality, audit of accounting estimates, audit of group financial statements, audit of related parties and related party transactions etc.

- ***Indian Perspective***

Shri Sunil Goyal, President, ICAI, highlighted the efforts made by the Institute in gearing up to identify and face the challenges by the accountancy profession in future.

He mentioned that the Institute has, over the recent years, made tremendous efforts especially in the areas of accounting, auditing and related services and had tried to harmonise them with the internationally accepted accounting and auditing standards, i.e., the International Accounting Standards and the International Standards on Auditing. He added that the need for such harmonisation was also inbuilt into the obligations of the Institute as a member of the IFAC and was also visible in the Prefaces to the Statements of Accounting Standards and Standard Auditing Practices issued by the Institute. He also mentioned that keeping pace with the fast track developments of significance at the IFAC, the Auditing and Assurance Standards Board of the Institute had also undertaken an ambitious project of revising all its Auditing and Assurance Standards *vis a vis* the International Standards on Auditing, in addition to bringing out Auditing and Assurance Standards corresponding to the ISAs in respect of which no such Standards exist. He added that the Institute had till date issued 29 Accounting Standards on various areas of importance in financial reporting and disclosure out of which National Advisory Committee on Accounting Standards (NACAS) constituted by the Department of Company Affairs had recommended 23 Accounting Standards to the Government for being notified under the Companies Act.

He also stated that the public confidence in the accountancy profession has shaken to the roots post the unfortunate events like Enron, Worldcom, Xerox, etc. For rebuilding public confidence and for ensuring independence of the auditors, Sarbanes Oxley Act 2002, was enacted in the USA. In India, the Institute has a strict Code of Ethics in place to regulate the conduct of the members whether in practice or in service and there was a cap on the number of audits that a member could undertake. He stated that all such measures were aimed at ensuring the quality of work provided by the members.

TECHNICAL SESSION-V

Challenges and New Approaches



- ***GATS: A Global Opportunity for Accountants***

Mr. Graham Ward, Past President, ICAEW, UK, while discussing the global

opportunities for accountants stated that for facing the challenges of the future, accountants have to be equipped with analytical skills apart from being capable in traditional areas of education and training imparted by the relevant professional bodies.

- ***Accountancy: Road to Business Chiefdom***



Mr. Bill Connell, Chairman, IFAC Committee on Professional Accountants in Business, emphasised on the public expectations of the business accountant which includes technical skills, business awareness, responsibility for the control environment, custodian of the reliable information for the public and the shareholders. He was of the view that an accountant was expected to perform his duties with integrity, professionalism, independence and objectivity. He highlighted the changes that had happened in business structures and the role of finance function. He mentioned about the publication of IFAC of the year 2002 titled as 'The Role of CFO in 2010' which was the result of interviews with top ten CFO's from around the world. He discussed the concept of 'Enterprise Governance' and mentioned that it covers both corporate governance and the performance management of an organisation. He mentioned that though good corporate governance could prevent failures, but it did not guarantee success; successful strategy execution will be essential for success.

- ***Standards for Government Accounting and Reporting***



Mr. Stephen Gauthier, Director, Technical Centre, GFOA of United States and Canada, informed that the Government Accounting Standards Board (GASB) was established as an arm of the Financial Accounting Foundation in April 1984 to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local government entities. He mentioned that the governmental environment differs markedly from that of business enterprises and the information needs to be met by governmental accounting systems and reports differ accordingly. He explained the features of traditional governmental model, which primarily focus on budgeting and near term financing for tax-supported activities and on modified accrual basis of accounting. He informed about the new governmental financial reporting model (GASB Statement No.34, Basic Financial Statements and Management's

Discussion and Analysis). He mentioned that acceptance of the GASB Standards was widespread though not universal. He emphasised the GASB's cooperation in global harmonisation and convergence with other authoritative standards. He mentioned that increased reference was made to international standards and private sector standards were used for business type activities and government-wide reporting. At the end, he mentioned that though great progress had been made in past 25 years yet there was a need for greater harmonization of the standards to meet the diverse needs.

- ***Corporate Governance in India-Government Perspective***



Shri Jitesh Khosla, Joint Secretary, Department of Company Affairs, Government of India presented a paper on Corporate Governance regime in India with reference to the Government perspective. In his address he briefly dwelled upon the initiatives taken/being taken by the Government in ushering in an era of Good Corporate Governance in Indian Corporate Sector.

He explained that the Government's initiative made a humble beginning with several provisions in this regard being contained in the 1997 Bill. Thereafter several bold initiatives in this context were taken by the Government by amending the Companies Act, 1956 several times depending upon the need of the changing times. One such initiative was the introduction of the Companies (Amendment) Bill, 2003 which was based on the recommendations of the Naresh Chandra Committee I and Report of Joint Parliamentary Committee on the Stock Market Scam. However the Bill was withdrawn after an interactive process with the captains of the industry. He also explained that the Government is in the process of bringing out a concept paper on Companies Act in India.

He stressed that the Government is open to constructive suggestions from all quarters to bring out an era of Good Corporate Governance in real sense and also felt that Corporate Governance cannot be thrust upon anyone and it should come from within.

TECHNICAL SESSION-VI: SPECIAL ADDRESSES



Mr. Satish Seth, Vice Chairman, BSES Ltd. gave presentation on Gearing up for the New Economy. He pointed out that it was the Indian talent which directly or indirectly

contributed to the outstanding performance of most of the Fortune 500 companies. Many of these successful companies are foreign companies but the key positions in these companies are held by persons of Indian origin and therefore, it can be said that it is the Indian brain which has put these companies on the Fortune 500 list.

Mr. Satish Seth was of the opinion that one of the important steps to gear up the economy was to prevent the black market transactions. He pointed out many steps in this direction, one of them being cashless transactions. He also laid emphasis on detecting and eliminating tax evasion measures. One important step in this direction would be to allot a unique identity card to every citizen of India, similar to social security number system prevalent in the USA. This identity number would be unique and would help in tracing all transactions of the individual, by making it compulsory to give this number for opening any bank account, credit card account, availing loans above a certain limit, purchasing cars etc. These information would help in analyzing the financial position of a citizen vis a vis the tax paid by him, and in this way would be a very useful tool to check tax evasion.

● *Gearing up for the New Economy*

Mr. Tejendra Khanna, Chairman, Ranbaxy Laboratories Ltd., welcomed the gathering and delivered his special address on the gearing up for the new economy. He laid emphasis on the efficient use of public resources as one of the means for gearing up of the economy, since currently, productivity of public resource utilization in India is very low. He suggested that ICAI and other professional bodies should attempt a rating exercise on the productivity of public resources used in all the States of the country.

He was of the opinion that the Government should use the funds collected from both tax and non-tax sources for public welfare. This should be ensured by Chartered Accountants who audit Government Organisations and they should report on whether the funds are being utilized for social welfare schemes, and if so, to what extent.

This identity card (electronic) would also serve as a multi-purpose card and eliminate the need for separate ration card, PAN card, bank transaction card, election identity card etc., and thereby the administrative mechanism would be simplified.

TECHNICAL SESSION-VII

● *Emerging Concerns for the Accountancy Sector*

Mr. Ian Ball, Chief Executive, IFAC, submitted his speech on "**Translating GAAP into Government Accounting**". He highlighted that GAAP is essential for improving accountability, transparency and good governance in Government Accounting. He reflected that the deficiencies in Government Accounting have also contributed to the downfall of Corporate giants like Enron, Worldcom and Parmalat. Some of the common problems are understated income, disguised liabilities, off-balance sheet borrowings, non-transparent transactions and events and lack of reporting or under reporting of assets. He pointed out that one of the effective reforms in Government Accounting would be to move from cash to accrual basis of accounting which would result in improved resource allocation, better quality policy-making, better control of capital, lesser incidence of fraud and improved financial management. The Government Accounting Standards Board (GASB) should take into consideration the International Public Sector Accounting Standards (IPSASs) developed by IFAC and for this purpose the GASB and IFAC need to work in coherence for development of these standards.

Dr. Sylvie Voghel spoke on "**SMPs – A Case for International Perspective For Capacity Building**". Some of the points highlighted in the speech are briefed hereunder –

- There is no specific definition of SMP, both at national and international level.
- It is estimated that SMPs are more than 90% of the Accountants in the world, both in developed and developing countries.
- SMPs face problems both at national and international level.
- Creation of a SMP Permanent Task Force by IFAC to help the member bodies to solve their problems.
- The SMP Permanent Task Force would serve as a link between the member bodies on one hand and the IASB and IAASB on the other hand, thereby enabling the member bodies to give the right inputs to IASB and IAASB to help them to formulate technical standards relevant to SMPs.

➤ SMP Permanent Task Force is in the process of creating an international network for exchange of knowledge among member bodies.



Mr. Ignatius Schoole, Executive President, The South African Institute of Chartered Accountants highlighted the “**Ethical Dilemma**” in the flurry of corporate scandals all over the world. These scandals have resulted in a substantial dent in public confidence in financial reporting. He observed that the need for ethical behavior has manifested itself in different manners throughout the reporting world. As a result, the Governments and other regulatory bodies are investigating the profession in an attempt to come up with better procedures, greater regulation and stronger oversight to force people in the reporting chain to act in an ethical manner with integrity, objectivity and independence. He was of the view that the threats to ethics are not just for accountants, but for every person in the reporting chain since they run the risk of getting trapped by one of these threats namely, self interest threat, intimidation threat, self review threat, familiarity threat and advocacy threat. He pointed out that there are two possible solutions to the ethical dilemma – FEE (Federation des Experts comptables Europeens) approach and the IFAC approach. The FEE approach is a conceptual approach and addresses ethical behaviour throughout the reporting chain, particularly at board level, investors, analysts, rating agencies and the financial press. The IFAC’s main recommendations are in the areas of monitoring of corporate ethics codes, effectiveness of financial management and control and strengthening of technical standards and reporting practices.

Further, he stressed on the importance of auditors’ role which includes awareness of threats to auditor independence, improving audit effectiveness through audit quality control processes and strengthening of audit standards. He concluded by driving the principle that as professionals, our key intention should always be public interest and never our own personal gain.



Mr. Abbas Ali Mirza, Chairman, Standard Committee, Accountants and Auditors Association of U.A.E. made a presentation on “**Financial Reporting Standards – Implementation Issues and the Way Forward**”. He pointed out that over 90% of Institutional Investors want unified global standards (based on Global Investor Survey by Mc Kinsey & Co.) However, they have conflicting views on whether to adopt US GAAP or IFRS. He quoted Sir David Tweedie,

Chairman, IASB on the daunting tasks for the IASB which was to draw on the best of national accounting standards to produce a single set of global accounting standards which the world’s capital markets (investors) can trust.

He drew the attention to the three main impediments to implementation of accounting standards – namely, (1) high technicality of certain standards (e.g. IAS 12/14/22/36) which makes them difficult to understand and apply; (2) Subjectivity in application of certain standards due to imprecise language used (e.g. IAS 24/28/37) and (3) Contradicting options given by certain standards (e.g. IAS 16/23/40). He also detailed the impediments to “IFRS” implementation.

He pointed out that the problems present in the current financial reporting system are underestimating the capital markets, making reports difficult to understand, hyping and spinning, smoothing, minimum reporting, minimum auditing and preparing cost myopia.

He illustrated the vicious circle resulting from poor financial reporting as follows -

- Incomplete information creates **Uncertainty**
- Uncertainty creates **Risk** for investors and creditors
- Risk makes investors and creditors demand a **higher rate of return (ROR)**
- Higher ROR means **higher cost of capital** for the company and produces **lower market values** of company’s securities.

He advocated “Quality Financial Reporting” (QFR) which would provide complete information that would reduce uncertainty, which would consequently reduce risks which would in turn lower the ROR, the outcome of which would be lower cost of capital and higher stock market values.

He was of the view that in the new century, we must be receptive to review and change in the well-established rules and regulations. There are new values emerging in the society that suggest the need for new approaches to reflect upon. The main drivers now are competitiveness, technology, governance and stakeholder consciousness.

He focused that the tomorrow’s company annual report would reflect not only the financial but also the social and environmental aspects of the company’s activities to give a better balanced view of the company. Further, tomorrow’s company would invest money in R&D, training and product branding which would yield new ideas, products and services, thereby contributing to value addition in business each year by its people. He also highlighted that the annual report of the tomorrow’s company will neither be annual nor will it be a report. It will be an up-to-date, informative, permanent dialogue.

He concluded his speech by quoting the words of Sir Winston Churchill "This is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning".

Mr. Sunil Goyal, President, ICAI, thanked the speakers for their valuable views. He summarized the views presented by the distinguished speakers. He was in agreement with the views expressed by Mr. Ian Ball on the necessity of reforms in Government Accounting. As regards Mr. Angelo Caso's views on SMPs, he pointed out that the consolidation of firms of chartered accountants on one hand and the emergence of large number of small and medium practitioners (SMPs) requires identification of new avenues and different cost strategies to achieve the desired growth. He also pointed that his opinion was in line with Mr. Ignatius Sehoole, regarding the need for people to act ethically throughout the financial reporting chain demonstrating integrity, objectivity as well as independence.

Emerging Concerns for the Accountancy Sector: Continental Perspective



Mr Goran Tidstrom of the Federation des Experts Comptables Européens (FEE) while putting forth the European perspective on the emerging concerns for the accountancy profession, highlighted the aspects germane to the regulation of capital market and application of International Financial Reporting Standards and their increased relevance particularly subsequent to the introduction of the common currency 'Euro'. He enumerated the functions of the Committee of European Securities Regulators (CESR) and the impact thereof on the financial reporting process for listed companies. He attributed importance to the corporate governance in regimenting and strengthening the capital market mechanism. He presented the status and scenario of the financial reporting directives and emphasized the adoption of IFRSs as regulatory enforcement. He put forth his perspective on the implementation of international standards on auditing and a more flexible endorsement procedure, public oversight mechanism and the support being rendered by FEE by cognizance and addressal to the concerns and challenges.

Mr Robin Harding, President of the Confederation of Asian and Pacific Accountants (CAPA) described a professional as a person, who is a constituent of a very

small range of alikes, who put the public interest before the private interests. Mr Harding emphasized the adoption and implementation of the international standards on accounting and auditing by the member institutions of the International Federation of Accountants and CAPA. Mr Harding also stated that to address the challenge of the heightening expectations from the profession, the CAPA member bodies shall share a common electronic library embodying the pool of respective knowledge resources.



Mr Leonardo Rodriguez of the Inter-American Accounting Association presented the American perspective on the concerns of the accountancy profession and stated that in view of the novel economic realities arising out of globalisation, strategic alliances, joint ventures, business process outsourcing, research collaborations resulting into the genesis and development of professional co-operation worldwide have gained significance as never before. He also put forth the impact of the developments on the accountancy profession in particular and expressed that accounting concepts relating to recording of foreign currency transactions, foreign exchange risk management, consolidation of the financial statements of the foreign subsidiaries, multinational transfer pricing have emerged as the focal practice areas. He stated that in a scenario featured by the majority of small and medium practitioners, the role of Inter-American Accounting Association was of great importance. He highlighted the strategic plan of the Association, which encompassed the objectives addressing *inter alia* the creation of environment for high quality professional services by the accountants, comprehensive professional development of accounting fraternity, rating the quality of services on a continuing basis, and societal awareness of the principal and ethical values of the accountancy profession.

Mr Badruddin Fakhri, President of the South Asian Federation of Accountants expressed that with the promulgation of Sarbanes Oxley Act in the United States and similar legislations in other countries, corporate governance had tended to improve. He put forth the long-term significance of disciplined corporate behaviour before the gathering and stated that all layers of management had role in ensuring the implementation of governance codes. He stated that SAFA had been playing pivotal role in creating the awareness about the robustness of the ethical attributes of the profession.

BREAKOUT SESSIONS ON PROFESSIONAL OPPORTUNITIES ABROAD – COUNTRY PERSPECTIVE

Two breakout sessions were held in the International Conference on 12th and 13th March 2004 on the creation of professional opportunities for accountants on foreign soils and the dynamics of the profession in such countries. The sessions were addressed by the following speakers:

Chairmen of Institute's Chapters abroad

- 1. Mr Surinder Kaul, United Kingdom
- 2. Mr P.V. Rao, Kenya
- 3. Mr K.S. Achar, UAE
- 4. Mr Abbas Ali Mirza, Dubai

Representatives of SAFA member bodies

- 1. Mr Khaliq-ur-Rahman, ICA Pakistan
- 2. Prof Dr Khawaja Amjad Saeed, ICMA Pakistan
- 3. Mr Pradeep K. Shrestha, ICA Nepal
- 4. Mr Anwaruddin Chowdhury, ICA Bangladesh
- 5. Mr Indrajith Fernando, ICA Sri Lanka

Representatives of other accounting bodies

- 1. Mr Chen Yugui, CICPA, China
- 2. Dr Sylvie Voghel, CGA Canada
- 3. Mr Greg Larsen, CPA Australia
- 4. Mr Earnest Kan Yaw Kiong, ICPAS, Singapore

The sessions enabled the delegates to appreciate the status of profession in respective countries and how to make professional forays in respective countries. The presentations given were very lively and provided the gathering to ascertain the specifics of the ways and means to render professional services in respective countries.

The Chairmen of the Institute's Chapters abroad were unanimous in iterating that there was no dearth of opportunities for professional accountants internationally. They expressed that existence of Chapters, in itself, was persuasive of the cognizance of opportunities and that the empirical approach in liaison with the constituents of the professional and regulatory framework at the international level will engender positive prospects in this direction. The Institute's endeavours to establish the recognition of its qualification in the countries,

where its Chapters are situated were appreciated.

The heads of SAFA member bodies put forth the belief that the professional environment in the South Asian Region was amply homogenous and the services of the Indian chartered accountants were reckoned valuable in the Region. The exchange of members by the respective SAFA member bodies as decided by the SAFA Committee on Education, Examination, Training and CPE was, according to them, a vital step in the direction of the acquaintance of accountancy professionals with the working conditions abroad and the adaptation measures needed to be undertaken to reap the professional benefits. It was opined that considering the thinking going on amongst the accountancy bodies in the Region to adopt the Institute's curriculum as the model curriculum would provide necessary fillip to the proposition.

In the session featured by the exchange of perspectives by the representatives of the accounting bodies in China, Canada, Australia and Singapore, the opportunities substantiated by the mutual co-operation pacts and functionalities of the profession in respective countries were deliberated upon.

VALEDICTORY SESSION

The valedictory session opened with a welcome address by the Secretary, ICAI, Dr. Ashok Haldia. He stated that this conference has been a historic one with over 3000 delegates and participants from a large number of countries taking part in the deliberations on contemporary topics. He stated that such conferences provide opportunity to members of the profession to interact with their fellow members within the country and also across the globe on various issues of globalization in general and concerning the accountancy profession in particular, which in turn helps in networking of firms and also broaden the horizons of the accounting professionals around the globe. He further stated that such conferences help in demonstrating the technical skills and organizing capabilities of Indian accounting professionals.



Mr. S. Sathyamoorthy, Deputy C & AG (Commercial)-Cum Chairman, Audit Board, Office of C&AG of India in his address stated that a galaxy of speakers have already spoken on various topics relevant in today's environment. He said that for today's

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accounting professional growth is a way of life, but at the same time growth is not a cakewalk in today's challenging environment where national/geographical boundaries are fast receding and we are more or less living in a global village. The advent of globalisation has enlarged our vision for better opportunities and greater challenges.

He emphasized that for India to succeed ,the trade and industry has to flourish and called upon the professionals at large and accountancy professionals in particular to grab the challenges and opportunities coming up in India and abroad to help in achieving the success.In the new globalised world order, glow will be returning back to the finance professionals who will be in the driver's seat and will be leading from the front. This also cast immense responsibility on the finance professionals and they will have to be extra careful and responsible in discharge of their duties and should strive to give their best in order to live up to the growing expectations of the changing society with ideals of Integrity, Excellence and Independence.



Shri K. Rehman Khan, Member of Parliament, was the Chief Guest of the session. In his speech he stated that accountancy profession was passing through a global challenge regarding future expectations from the profession and safeguarding the interests of investors. He stated that the profession has made big strides in the last four decades and is alive to the responsibilities the society has thrust upon it. The profession has played and will continue to play a active role in the economic development of the nation and further said that the accountancy profession is the custodian of public trust. He called upon the profession to redefine its role in meeting the challenges of the competitive global environment

Talking about the initiatives of accounting bodies across the globe ,he referred to the need for global standards and disclosure norms that need to be evolved to safeguard the interests of the investors. He also urged them to play a proactive role in guiding the government in drafting proper corporate laws. He stressed the need, that an accounting professional should develop a brand image which portrays him as a complete professional who provides both assurance and advisory services to his client in the area of his specialization

The President, ICAI, Shri. Sunil Goyal, delivered the Presidential Address in the valedictory session .In his address he remarked that though technically this prestigious conference is coming to an end ,but at the same time it marks the beginning of a new era for the accountancy profession, to ponder over the issues deliberated as well as the new strategies evolved at the conference, to chart out a new path for the profession. He felt great sense of satisfaction over the overwhelming response of the members to the conference.

He emphasized that the challenges being faced by the Accountancy profession globally, are more or less common and there is need for all of them to join hands to restore public confidence in Financial Reporting. He also said that there is a need to redefine the role of Accountant in the current Corporate Governance framework and bridge the expectation gap.

He briefly stressed on the issues raised by various speakers at the conference and their relevance in today's environment.

In his concluding remarks he said that the issues as well as their alternative solutions have been identified, it is we, who must reorient and reposition ourselves and learn finer points through such conferences/programmes to have a smooth sailing in an unscathing manner in the high tides.

The Vice-President, ICAI, Shri Kamlesh Vikamsey, concluded the proceedings of the Valedictory Session by proposing a very hearty Vote of Thanks for everyone. He said that the deliberations at the conference, in terms of content and quality, over the last three days have been mesmerizing and rewarding.

In his address he stated that the profession is conscious of the trust and responsibility the Government has in it and that the profession will rise to the occasion and uphold the public confidence in the profession.