



Dear Colleagues,

Let me begin by wishing all of you a Very Happy and Prosperous New Year, and I sincerely hope that all your professional initiatives bring you the expected results.

Several important things happened during the last month. First, the Joint Parliamentary Committee (JPC) submitted its report. Second, the Naresh Chandra Committee submitted its report, and third, there were overwhelming responses to some of the Institute's initiatives. And finally, the brightest star on India's legal firmament, Mr. Nani Palkiwalla, passed away.

Not only was Mr. Palkiwalla *lunus stella lumanaris* – a moon among stars – in the legal world, he also had a firm grasp on both Economics and Accounting. The thousands who have, over the years, attended his speeches on the Union budget will testify to that. He addressed members of our profession continuously for over 35 years and shed the bright light of his legal genius on many gray areas of fiscal policy. His passing away signals the end of an era which will be deeply mourned by members of our profession as by the rest of the country.

The JPC has in its report raised a number of issues in regard to the role expected to be played by the regulators and the role actually played by them. In all matters commented upon by JPC, the possible role of chartered accountants is undeniable. One does hope that the resultants of the JPC's recommendations will bring a breath of fresh air in so far as a total independent and professional approach to the matter of regulation of exchanges and brokers. The JPC also talked about auditor management relationships but very properly, left it to the Naresh Chandra Committee to make its own recommendations.

The year 2002 is over and with that the debate on the role and responsibility of the accounting profession in the wake of cases of corporate collapse in the United States, has settled. It is a matter of great satisfaction that the Committee on Corporate Audit and Governance headed by Shri Naresh Chandra has reposed faith and confidence in the Institute and the accounting profession in India.

The report of the Committee not only reaffirms the stand which the Institute has been taking for quite some time, but would also go a long way in further ensuring independence and integrity of the auditors. The Committee has not recommended for setting up of a Public Accounting Oversight Board. The Committee has by and large endorsed the recommendations made by the Council which adequately addressed not only the present day needs of the Government, Regulators and Society at large but also the anxiety of the Council to bring in a more versatile and vibrant disciplinary mechanism. In fact, the Committee itself has echoed the view-point of the Institute thereby exhibiting to the world at large that whatever delay that had happened in the past

in the disposal of disciplinary cases was not because of the lack of enthusiasm on the part of the Council, but because of the inherent limitations in the procedure/system/legal framework embodied in the statutes themselves. Through these columns, I have been sharing with you the initiatives taken by the Institute from time to time. The Institute has always been proactive to the expectations of the society, arisen may be because of South Asian crisis or the cases of corporate collapses elsewhere in the world or be it, perceived notion of failure of the accounting profession. This is why the profession in India has been able to maintain its strength and emerged stronger and stronger out of every crisis. The report of the Committee is available on the website of the Department of Company Affairs and is also in brief given elsewhere in this issue of the Journal.

Further evidence of the universality of the Institute's approach to various issues is that, in our recent interactions with the accounting bodies of Russia, Turkey, Israel and Egypt, we found that the accounting bodies in these countries were willing to go by our codifications of the ethical principles and our approach to almost all matters ranging from the education and examination system to CPE and Professional Development. Incidentally, during visit to these countries, several MOUs were signed on which action will now be taken.

The Council in its meeting in December, 2002 approved of five drafts of Auditing and Assurance Standards. These are AAS 26 – Terms of Audit Engagements, AAS 27 – Communication of Audit Matters with those changed with Governance, AAS 28 – The Auditor's Report on Financial Statements, AAS 29 – Auditing in a Computer Information Systems Environment. The Council has also approved the revision of SAP 4 – The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements.

The Institute has also taken special initiatives to clarify issues arising out of introduction of new Accounting Standards and the effect on auditor-auditee relationships. As a part of this initiative, the Auditing and Assurance Standards Board is holding an All India Seminar at Hyderabad on the 11th and 12th January, 2003. The theme of the seminar is 'Auditors, Auditees and Regulators – Old Relationships, New Realities'.

As members are aware, the 15th All India Conference of Chartered Accountants was held between 3rd and 5th of January, 2003. Detailed reports including some of the major speeches appear in this issue of the journal. The Conference was attended by delegates from nine countries and there were over fourteen hundred delegates for the Conference itself. Addressing the Conference, Mr. Rene Ricol, the President of IFAC pointed out that whereas independence is an objective, professional integrity is a necessity and professional accountant has no choice in the matter. He also felt that while globalisation creates strengths and weaknesses at the same time, the need of the hour is to try and beat the pace at which the rest of the world is progressing, by responding very quickly to changes – in accounting, auditing and ethical standards – since the world is waiting for them. These are words of wisdom which we should do very well to keep always in mind. Hon'ble Shri Jaswant Singh, Minister of Finance also said that the profession should take the responsibility of ensuring better corporate governance and the following of international best practices. The full text of his speech appears in this issue of the journal and I am sure that all members of the profession will draw encouragement from his words.

The Institute is being asked by various State Governments to suggest measures for economic restructuring of the States. This points to two very important changes taking places within the

FROM THE PRESIDENT

Government environment. First, that economic restructuring and development is increasingly being seen as much the domain of the accountant and financial expert as that of the economists, and no wonder. Changes which have been taking place in the global environment have clearly shown up the bankruptcy of traditional economics. Governments are also feeling that unless one strikes at root and puts the financial health of the entity, be it the nation or an enterprise, as the first priority, no radical changes are possible. In fact, economic reforms will also grind to a halt unless and until there is greater transparency and accountability in Government function.

For us, as the community of professional chartered accountants, the second aspect is perhaps of direct concern. And which is, that unless we also put our shoulders to this nation-wide effort, the Government by itself, with a largely untrained machinery in so far as proper accounting is concerned, will not be able to attain the objectives of a better economic quality of life for the citizens. Like all things which have very long term implications, the change in the attitude of the Governments will also take some time to become translated in to time bound implementation plans and action programs. Nevertheless, the signs are already there. In turn, this means that the signal to our community to get ready for these new challenges and responsibilities has already been given. It is now therefore, up to us to see what best we can make of these opportunities and how well we equip ourselves to take up these challenges.

New Delhi,
8 January, 2003



Ashok Chandak
President

Great minds have purpose. Others have wishes.

—Washington Irving