

Proceedings of the 15th All India Conference of Chartered Accountants held on 3rd—5th January 2003 at New Delhi

INAUGURAL SESSION

The three day 15th All India Conference of Chartered Accountants organized by the Institute of Chartered Accountants of India (ICAI) was inaugurated on 3rd January 2003 at Vigyan Bhavan, New Delhi by the honourable Union Minister of Finance and Company Affairs, Shri Jaswant Singh. Shri Singh was the Chief Guest of the Conference. Also present on the occasion were Shri Vinod Dhall, Secretary, Department of Company Affairs, Shri Rene Ricol, President, the International Federation of Accountants, Shri Ashok Chandak, President of ICAI, Shri R Bupathy, Vice President of ICAI and Dr. Ashok Haldia, Secretary, ICAI. The event was also graced by the presence of, among others, the Council Members of the ICAI, Chairmen of the Regional Councils as well as the past Presidents of the Institute.

The lighting of the lamp was followed by a welcome address by Dr. Ashok Haldia.

Heads of Accounting Profession and Current Torch Bearers of Economic Reforms Share Common Consensus

Shri N D Gupta, Chairman, Conference Committee and Past President of the Institute pointed out that Shri Jaswant Singh had given a new identification to the India's economic policy and that the people of India had their hopes pinned high on him for taking more initiatives in the coming budget to improve the economic condition of the country. He drew the attention of the listeners to the fact that the increasing globalisation and new political and economic order had created newer demands for the Profession and that there was a need for the Profession to respond to that demand by identifying newer areas where they can make their contribution.

ICAI Applauds Initiatives taken by the Hon'ble Finance Minister

Shri Ashok Chandak, President, ICAI, mentioned the number of initiatives taken by the honorable Union Minister of Finance and Company Affairs, Shri Jaswant Singh. It was mentioned that the government's initiatives would provide a new direction to the growth and development of the country, for example, introduction of mid term review, setting up of the Naresh Chandra Panel, the Kelkar Committee. Shri Chandak also mentioned that the initiatives taken by the Government were aimed at full public participation and transparency in its working. He added that the same ideology was being followed the Institute also.

Shri Chandak also stated that the Profession in India today was at cross roads, being benchmarked internationally. The Profession was responsible to the public for ensuring high standards of probity in financial transactions and financial reporting. He reiterated that post the recent corporate collapses in the United States, the Institute had already started the process of introspection, for example, setting up of the Peer Review Board and the Financial Reporting Review Board, harmonization of the Indian accounting and auditing standards with the corresponding international standards, comprehensive review of the chartered Accountants Act, 1949. He emphasised that the Institute is proactive in integrating with the mainstream economy and determined live upto shareholders' expectations and meet the emerging challenges. Shri Chandak concluded his speech with a promise of commitment and support by the ICAI to economic development of the country as well as the IFAC's objective of "convergence".

Secretary, DCA Emphasises Harmonisation of Standards

Shri Vinod Dhall, Secretary, DCA mentioned that in the recent past, the Profession of accountancy had seen a tumultuous phase arising out of the collapse of a corporate giant, Enron, in the US, which resorted to accounting malpractice of hiding losses through off

balance sheet items. He added that even before the world could recover from the shock of Enron, WorldCom, another of the corporate giants in the US, admitted to having resorted to accounting malpractice in the form of treating capital income as revenue income. He mentioned that such string of collapses shook the US economy to its roots, resulted in a tremendous loss of market capital, steep fall in the value of the Dollar, unemployment. In other words, these collapses ushered in an era of recession for the US economy. The developments in the US have adversely affected the accounting Profession all over the world when the public questioned as to how an audit firm could let such serious accounting problems slip from its notice. He added that investigations revealed that the concerned firm of auditors had an unhealthy dependence on Enron and WorldCom for its revenues. The US Government's response to this was strict administrative and legislative measures in terms of the enactment of the Sarbanes Oxley Act, 2002, establishment of the Public Accounting Oversight Board etc. Shri Dhall pointed out that such strict measures indicated that self-regulation by Profession had given way to legislative regulation of the Profession in US. Shri Dhall also felt that another reason for the accounting problems in the US was the fact that it had its own accounting standards and did not follow the International Accounting Standards.

Secretary, DCA Urges the Indian Accounting Profession to Exploit the Current Challenges in its Favour

Shri Dhall also stated that the accounts and financial statements no longer were confined to the Board of Directors or the management, they had become a subject of public debate since it was evident that accounts of even a single enterprise could have a tremendous impact on a country's economy. Referring to the challenges before the Profession in India, Shri Dhall stated that one of the major challenges was competition from Professional counterparts from all corners of the globe. He, however, urged the Profession to exploit this dynamic scenario to its advantage and be firm footed. He also informed the participants that under the general directions of the honorable Finance Minister to facilitate corporate growth, the Government had already been in a dialogue with the Institute of Chartered Accountants of India to review, improve and strengthen the role being played by the Profession in the economy, for example, the Naresh

Chandra Panel, the Y H Malegam Committee to review the Accounting Standards being issued by the ICAI, a Committee headed by Shri Amarjit Chopra to review the MAOCARO, 1988 and review of Schedule VI to the Companies Act, 1956, Accounting Standards of the ICAI being given legislative mandate. He assured that though the dialogue had brought to fore divergence of views between the ICAI and the Government on certain matters, no action would be taken by the Government without resolving the matter by proper debate. He also emphasised that the lawbreakers would not be spared.

Shri Dhall also appreciated the efforts already being made by the ICAI to address the issues relating to WTO, peer review and provision of non-audit services.

Need for Global Harmonisation is the Need for Hour for Economic Stability and Development—Opines President, IFAC

Shri Rene Ricol, the President of the International Federation of Accountants felt that the time selected by the Institute to hold the Conference since the Profession was in crisis throughout the world because of unemployment and insecurity. He emphasised on an urgent need for global harmonisation to ensure development of economic activity. He felt that the Profession had three goals before it in the current scenario. The first goal was that of integrity. He pointed out that whereas independence was an objective, integrity was a necessity and an accountant had no choice in that matter. He mentioned that many people in the world were still living below the poverty line and the perspective of an accountant should be to ask himself what he can do to improve their plight and instill trust in all. The second goal for an accountant was competence. Shri Ricol pointed out that the accountant also needed to be open minded and added that what was prevalent and acceptable ten years back was out dated and unacceptable today. He felt that an accountant should ask himself whether what he is doing is right or wrong and should turn to the Institute for appropriate guidance. Shri Ricol pointed out that the third goal of an accountant was globalisation. He pointed out that globalisation created strengths and weaknesses at the same time. He felt that the need of the hour was to try and beat the World's pace, to respond quickly to changes, for example changes in accounting, auditing and ethical standards, since the world was waiting for them. He ended his speech with a conviction that India was the right place to promote this global harmony.

Maiden Speech by the Honourable Union Minister of Finance and Company Affairs¹

Shri Singh initiated his address with a strong conviction that freer the market, stronger the regulatory mechanism. He added that the Institute was as much a part of the regulatory mechanism as the Government. He pointed out that it was not possible to have reforms in the absence of a strong regulatory mechanism, which in turn cannot be strong if it is governed entirely by a rulebook. He added that was where self-regulation came in. He also pointed out that the need of the hour was recognising the transformation that had already taken place and was still taking place.

He was of the view that though the regulatory mechanism was there since a very long time, the system was characterised by excess regulation. He added that accordingly, the Government had recognised the need to redefine the role of Government in regulatory system and had set in motion a number of steps to keep not only with but also ahead of time. That, he emphasized, was the challenge before the Profession in India.

He clarified that the concern of the Government today was reorientation of public and private policies to create enabling environment for public and private coordination and partnership. He added that the role of the Government was being redefined to being that of the facilitator and not just a regulator. He also stated that the monetary, fiscal and other incentives were being linked to productivity which in turn would increase wealth of India and help removing poverty in the long run.

He added that another focus area of the Government was streamlining the public investment and social welfare programmes. Another area of Government action was repairing the market failures, strengthening infrastructure and legal system. He pointed out that for the Profession in India and development of corporate governance, the need was of simplifying the policies since India today was afflicted with a plethora of policies. He added that there was a need for a kind interface between the Government and the citizens.

He then drew attention of the Conference towards the need for greater coordination between public and private sector. He felt that for sustained and high growth, well-governed state and orderly functioning of the markets was essential. He was of the strong view that the Government should withdraw from areas where the private sector had performed more productively and

efficiently. He added that the role of the Government should remain largely that of social sectors and infrastructure since Government is the ultimate risk taker.

Shri Singh stated that the Profession should take the responsibility of ensuring better corporate governance and best international practices. He pointed out that in a free economy the organisations had access to domestic as well as international markets, and are being run by independent Board of Directors, the interference of the Government being almost nil. Accordingly, the companies had greater risk to bear due to factors like information technology revolution, shrinking of the world into a village, greater competition and other factors like exchange fluctuation. He emphasised that the chartered accountants should contribute to corporate governance through strengthening of management information system, asset liability management system, measurement, monitoring and management of risk, project appraisal and post evaluation, performance audit and quality audit, predicting sickness etc.

He ended his address by emphasizing the need for chartered accountants to discharge their duties without fear or any pressures. He emphasised the need for more transparent accounting practices and improvement in integrity of the Profession.

TECHNICAL SESSION I—THE CRISIS OF CORPORATE GOVERNANCE

Shri Vinod Jain, Central Council Member, ICAI initiated the First Technical Session by introducing the speakers and the theme of the technical session.

Shri Amarjit Chopra, Central Council Member, ICAI gave an outline of the technical sessions which would be covered during the three days of conference.

Shri Vinod Dhall, Secretary, Department of Company Affairs, Government of India was the Chairman of Technical Session I. He mentioned that corporate governance is at present merely in the nature of fashionable talks in the boardrooms, conferences, seminar, etc. After the collapse of Enron, there is a need to focus on the role of corporate governance in its true sense. It is no longer merely an issue of talking but of doing and achieving the goal. Corporate governance is not only the responsibility of top level management or the employees but of a company as a whole. He further recognized the role of the board of directors comprising independent directors as a key to good corporate governance. He highlighted the important role

¹ The complete text of the Speech is published elsewhere in the Journal.

played by the audit committee but pointed out that there is a question mark on efficiency of audit committee.

He briefed about the upcoming National Centre for Corporate Governance, a joint venture between government and private sector, which shall act as a thought center and shall provide training on the principles of effective corporate governance.

He pointed out that in a liberalised economic environment freedom has been given to companies to work in a self-regulatory framework but when things go beyond the statutory set up then the role of regulatory bodies play a vital role in regulating and controlling companies.

He mentioned at the end of his address the important role played by the Institute of Chartered Accountants of India and its members at large in implementation of the principles of good corporate governance. He briefly introduced the eminent speakers of the Technical Session I.

Special Address by Mr Rene Ricol, President, IFAC, “The Winds of Change—Emerging Issues and Imperatives for the Accounting Profession”

Shri Rene Ricol, President, IFAC emphasised integrity as a fundamental characters of a member of the accounting profession. His address briefly touched the following aspects:

- ◆ Convergence of the same vision of what an enterprise should be considered as a whole.
- ◆ To share the same vision of globalisation, that is to say world co-operation, which involves the mobilisation of energies all over the world, always with respect for national and regional cultures.
- ◆ Strengthening of regulation of the Profession.
- ◆ A fierce determination to restore trust in the financial markets.
- ◆ Accept the responsibility in the present crisis of confidence.
- ◆ Good corporate governance is *sine qua non* for effective external audit.

Legal Reforms for Better Corporate Governance

Shri Abhishek M. Singhvi, Sr. Advocate, Supreme Court of India primarily focused on the following key areas where the legal framework has to be strengthened:

- ◆ Insider trading should be considered as a significant aspect of corporate governance.
 - ◆ More and more powers should be entrusted to SEBI and there should be an increase in the workforce to implement the powers.
 - ◆ Punishment should be made more stringent.
 - ◆ Introduction of whistle blower provisions in the law.
- He proposed certain amendments to be made in var-

ious provisions of the Companies Act, 1956 which though are very small yet are significant, like changes to be made in Section 397 and Section 398 dealing with oppression and mismanagement, proper maintenance of minutes book including authentication of minutes book by an outside independent person.

He concluded that good corporate governance could be achieved only by an holistic approach, keeping in view all the legislations and statues applicable to corporates.

Corporate India – A Wake-up Call

Dr. Mritynjay Athreya, Management Consultant in his presentation on “Corporate India – A Wake-up Call” dwelt at length on governance crisis comprising four elements, viz., Public Governance, Corporate Governance, Professional Governance and Self-Governance. In this context, he emphasized the respective responsibilities of chief finance officer, non-executive directors, chief executive officers, regulators, shareholders and press. He stressed upon the auditors to follow the Institute’s Motto i.e., *Ya Eshu Suptsheshu Jagriti*. Also, he called upon the auditors to be agents of change in the current economic scenario.

Corporate Governance – A Public Sector Perspective

Shri V. S. Jain, CMD, Steel Authority of India Limited briefed that the focus of corporate governance in a public sector enterprise is primarily in three areas – at whole level, at operating level and other related issues. He suggested that to achieve good government in public sector enterprises independent directors should be introduced in the board and the government should be kept away from the governance. The primary focus should be on the quality of the independent directors. They should be given adequate powers to discharge their responsibilities and should be compensated reasonably.

He further mentioned that there is excessive governance at the operating level in the sense that there are several agencies monitoring the operations for which he suggested that the corporate laws should be amended and should be applied uniformly for public and private sector.

He also addressed the issue of contradiction between the local and the state government and the public sector undertakings at large.

TECHNICAL SESSION II—BARE BONES—REALITIES OF ECONOMIC REFORMS FOR ACCOUNTANTS

Shri Sunil Gulati, Member of the ICAI council, pre-

sented the welcome address. Shri Jayant Gokhale highlighted the theme of the session and stated that the chartered accountants had a pivotal role to play in the economic reforms. Shri Rameshwar Thakur, Chairman of the technical session introduced the speakers.

Special Address by Shri Arun Jaitely, Former Union Minister of Law, Justice and Company Affairs

Shri Arun Jaitely, Former Union Minister of Law, Justice and Company Affairs, in his special address briefed that India has gone through two phases of economic planning since independence. The first phase, which lasted for more than 40 years, was a regulated phase, where our economy was a closed economy in the hands of the State. Thereafter, the economy has opened up through liberalization and privatization and the State has been acting as a facilitator for economic planning in this phase.

Shri Jaitely stated that the second phase has made our economy more competitive, profitable which in turn has increased its ability to attract investment. This reform process has enlarged revenue for the State and contributed to reducing the poverty level by 10% every year. This process gives greater choice to the consumer in terms of quality as well as price of products.

He stated that the reform process in education sector, telecom industry and pharmaceutical industry are examples of how the process has helped economic development. Earlier, in the closed economy, the amount spent on education was restricted and there were only State run institutions. Now, private initiatives have come in the field of education, in particular, in the field on Engineering, Management and information technology. Similarly, in a liberalised environment, revenue sharing system came into operation in the telecom industry, which has reduced the telephone rates manifold and improved the quality of service. In the pharmaceutical industry also, India now has the world quality research and development. India now produces world class drugs at a fraction of the cost.

Shri Arun Jaitely pointed out that in a closed economy, there was a high rate of direct tax whereas in an open economy, there is a low rate of direct tax and higher rate of indirect tax. He stressed that subsidies are to be removed and users must be charged for use of product/service. However, this has not taken place in power sector, where there are huge power thefts and it is the revenue or the industry that ultimately pays for them.

Shri Jaitely also pointed out that the Accountant should be an educator who could match the various numerical and help in the decision making process. The make-belief oppositions should be ignored. For

instance there was always opposition to disinvestments, which has ultimately resulted in greater quality, more capital and more jobs.

He was of the view that the Accountant should advise the clients on the virtue of fairness, in the sense that since the taxes are now only @ 30%, they are reasonable and the clients should pay them. The chartered accountants play a vital role in influencing decision-making for example, in the valuation of shares for disinvestment. Therefore, the chartered accountants have a professional and social responsibility to convince the economy on the benefits of liberalization.

Special Address by Hon'ble Union Minister of State for Finance, Shri Anandrao Vithobha Adsul

Shri Anandrao Vithobha Adsul, Hon'ble Union Minister of State for Finance, highlighted that the chartered accountant was the key person in economic affairs. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002 has been passed recently to, assist the banks and financial institutions in the recovery of their loans. He pointed out that the CA is the person who looks after the financial health/position of companies, and if he does his job with sincerity the question of bad and doubtful debts/NPAs will not arise.

Special Address by Professor K K Aggarwal, Vice Chancellor, GGS Indraprastha University

Professor K K Aggarwal, Vice Chancellor, GGS Indraprastha University, spoke about the reforms in education. He emphasized education reforms should help in linking of theory and practice. Currently, there are only 2 fields where theory and practice are linked. They are medicine and chartered accountancy. He pointed out that management education is 10% thought and 90% action.

Professor Aggarwal pointed out that there is a misconception that more the number of educational institutions, the lesser will be the quality of education. However, the same is not true if care is taken to maintain the relevance and quality of education while increasing the quantity. He was of the view that there should be a thrust on the service sector since there is a very high degree of productivity in this sector as compared to the primary or secondary sector. The accountants should adapt themselves to new accounting procedures of the service sector.

Shri Rameshwar Thakur concluded the session by emphasizing that economic reforms have elicited positive response from the people and especially from the professional bodies like ICAI. He underlined how the

ICAI is playing an active role in the new economic scenario; how it is actively integrating itself with the globalised world and how it is actively participating at international forums like WTO, IFAC, etc. He concluded that the true professional strength of chartered accountants lies in their high ability, quality works; maintaining high ethical standards and innovativeness.

TECHNICAL SESSION III—THE ROLE AND THE WHOLE—REVISITING THE RELATIONSHIP BETWEEN THE ACCOUNTANT AND THE SOCIETY

The 3rd Technical Session, “The Role and the Whole – Revisiting the Relationship Between the Accountant and the Society” of the Conference commenced at the Convention Hall, Ashok Hotel, New Delhi on 4th January 2003. The session was designed as a panel discussion. Included in the panel were eminent personalities from the field of accounting, academics, journalism, politics and business. Shri Y. H. Malegam, Past President of the Institute of Chartered Accountants of India was the Chairman of the Session. Other speakers on the panel were Sir David Tweedie, Chairman of the International Accounting Standards Board, Shri A K Bhattacharya, Group Managing Editor, Business Standard and Shri Mani Shankar Aiyar, Member of Parliament and Ex-officio of the Indian Foreign Service, Shri Suneel K Maheswari, Faculty at the Marshall University, USA and Shri R.K. Somany, President, ASSOCHAM.

Shri Abhijit Bandyopadhyay, Member, Central Council of the ICAI, delivered the welcome address. Shri Bandyopadhyay in his welcome address expressed a concern at the recent accounting scams in the corporate world which had brought the Profession under a cloud globally. He recognized that the recent happenings in the United States had doubled the responsibility cast on the Profession. He urged the Profession to accept the challenges and move ahead.

Towards Excellence

Shri Y. H. Malegam, Chairman of the Session, initiated the panel discussion by referring to the basic principles of “The Inspired Confidence Theory” propounded by Professor Limberg, Netherlands in 1932-33. The Theory deals with the role of accountants in the society and propounds that the need for an expert examination of the financial information and an objective and independent expression of opinion thereon is what gave birth to the Profession of auditing. The theory also pro-

pounds that Confidence is a pre-condition for the existence of the Profession. Confidence means confidence of the users. If that confidence is destroyed, the auditing function would be destroyed. The confidence is breached in circumstances where either the expectations of the society are more than what an auditor can perform within the parameters in which he functions or when the performance of the auditor is lower than the expectations of the society. Shri Malegam opined that although the theory was propounded 70 years back it was valid in today’s circumstances also.

Shri Malegam identified four imperative issues that arose from the theory. First, independence forms the core of the role of the Profession in the society; second, independence requires to be combined with technical competence; third, the Profession should recognize the existence of the expectation gap, changing needs of the society, quickly responding to those changes and striving to cut down the uncertainty that prevails during the transition period and; finally, continued existence of confidence of the society in the Profession was the crux for the continued existence of the Profession in the society.

He clarified that the Enron, Worldcom debacles, etc. needed to be examined in the context of aforementioned four issues. He added that the misdeeds of a few individuals had led to the disintegration of an 85-year-old accounting firm and had brought the fate of the entire Profession world over under a cloud. He also mentioned that in his reaction to the Enron episode, the US President had noted that the problems had arisen due to factors such as greed of certain auditors and managements, market pressures, failure of auditors to perform their duties diligently, inadequacy of transparent financial reporting, adherence to only rule-based accounting, problems arising between two reporting periods, over dependence of auditors on clients for fees, insufficient disciplinary and monitoring mechanism; and finally, misplaced trust.

Shri Malegam, however, strongly felt that the most significant reasons behind such debacles were the breakdown of the corporate governance system; lack of adequate qualifications of and contribution by independent directors, financial analysts and journalists; and, finally, the increasing involvement of legal profession in the purely accounting areas, e.g. interpretation of Accounting Standards. He reiterated that the accounting and auditing profession was not solely responsible for those unpleasant happenings.

Shri Malegam, however, clarified that those were not the excuses for the Profession but instruments to find causes and remedies. In that context, he identified certain basic issues of concern to be addressed in India. The first

issue was to consider the risk of an Enron happening in India keeping in view the fact that the Enron episode of US had not replicated itself anywhere else in the world. It was, therefore, necessary to ponder whether there were any special conditions prevalent in the US that led to such corporate failures. The second issue of concern was ensuring independence of auditors. Shri Malegam pointed out that though the Naresh Chandra Panel had come out with certain recommendations addressing that issue, there was a need to evaluate the sufficiency of recommendations. The third issue was that of provision of non-audit services by auditors. He clarified that though auditing was just one of the services provided by the auditor and that there was a need to spread the horizon into other non-audit services also, yet it should be borne in mind that provision of non-audit services to an audit client definitely endangered an auditor's independence. He felt that the solution was not in prohibiting the auditors from providing non-audit services but prohibiting them from providing these services to their audit clients. Referring to the system of corporate governance, which he identified as the fourth issue, Shri Malegam pointed out that though the corporate governance system in India was one of the best as well as the strictest in the world, yet the fact was that there was a wide gap in practice and perception and, thus, an urgent need to address the same. In that context, he identified the areas which needed strengthening, namely, independent directors, role of audit committees, and clearly defining the roles of CEOs and CFOs. The final and an important issue, he stated, was the basis for preparation of the Accounting Standards. He pointed out to the need giving a deeper thought to questions like whether earnings should be the only basis of assessing the performance of a company, whether more non-financial disclosures needed to be encouraged, whether important business assets, i.e., intangibles were being adequately captured in the financial statements, whether fair value measurement should be used as against historical cost, whether the reporting on an annual basis was inadequate for communicating changes to the society, whether the Sarbanes Oxley Act, 2002 had any implications on the professionalism and independence of analysts and its impact on corporate governance; and finally, whether the corporate governance system was adequate. He appreciated the quick response by the US to these developments by establishing a task force to design training programmes on fraud prevention and control for use by students, BOD, CPAs, and general public etc. and establishing institutes for conducting research on fraud.

He urged all, including the Profession, the

Government and regulators to seriously think over the steps to be taken to strengthen the Profession as well as the system of Corporate Governance in India.

Strengthening Trust through Self Regulation

Shri A K Bhattacharya, Chief Managing Editor, Business Standard, at the outset itself, clarified that since he was only a journalist and was not a part of the Profession, the views presented by him were those of the society in the context of the prevailing controversy. He pointed out that the basic relationship between the society and the Profession was of mutual trust, which had, however, got strained due to the recent developments. The perception of the society regarding the Profession had changed that the Profession was not discharging its responsibilities properly. The cracks that had developed in that trust were partly due to the retaliation by the Profession to the controversy surrounding it by consistently taking a stand that auditors were not investigators but only offered their opinion on financial information. He stressed that though the stand that the auditors could not, normally, be held responsible for third party damages, was acceptable from corporate and legal point of view, the same was not acceptable to the society. He urged the Profession to unite to rebuild the trust of the society in them. He was of the strong view that the solution lied in not legislative regulation but self-regulation. He emphasized that the solution to broken trust did not lie in giving disclaimers but independence and competence combined with courage, commitment and conviction. He added that it was also obvious that one could be as independent as one intended to be. Other solution, he added, was transparency in the functions performed by the auditors and a quick and effective redressal system, since the present system was not strong enough to stand delays in justice.

Strengthening the Regulator

Shri Mani Shanker Aiyar, Member of Parliament emphasized the need for greater coordination and harmonization between the Institute and the Government to respond the profound systematic changes in the running of the economy in specific to deliberate attempts of the Government to move away from the socialistic pattern. He also emphasized the need for restoring confidence and integrity of the markets. He also suggested certain measures for achieving this integrity and confidence. First measure, he stated, was to strengthen the role of the auditors since he was the most important regulator in a market. He emphasized that auditor could play an impor-

tant role in establishing the integrity of a company by ensuring that the company was honest, transparent and straightforward in its functioning so that dishonest companies should find it difficult to enter the market.

Also necessary was strengthening the Institute's role as a regulator at both micro as well as macro level, especially its disciplinary mechanism. He strongly felt that ICAI could contribute a lot to improve the role played by the Profession and the economy as a whole since it was a key regulator, not dependent on public vote or ups and downs of the market but on self regulation.

Responsibility of the Profession

Sir David Tweedie, Chairman of the International Accounting Standards Board, dwelled on the relationship of accountant and the society. He explained that the role of an accountant was to report on the financial interaction of a company with the environment around it. It was the responsibility of the auditor to see whether the financial statements gave a true and fair view. In other words, whether they reflected what actually happened at the company. He, however, pointed out that what the accountants failed to see was whether CFOs and CEOs had discharged their responsibilities properly. Touching on the topic of Accounting Standards, Sir Tweedie, mentioned that the problem with accounting standards was that they were based not merely on principles but on generally accepted accounting practices. He stated that this gave leverage to many to adopt some self-suited accounting practices. He pointed out that there had been cases where some big companies had adopted certain self-designed and self-suited accounting policies and since some big audit firms had accepted the same, others had unquestioningly accepted these policies also. Focussing on independence of auditors, Sir Tweedie, clarified that independence was impaired in case of undue financial dependence of auditors on a client, self review by auditors, advocacy i.e. over-familiarity with client and lastly, intimidation by client, i.e., threatening the auditor with removal if he did not give in to the client's wishes. As a measure of change aimed at strengthening the position of the auditor as well as the corporate governance system, he suggested that unacceptable practices be weeded out, establishment of a financial reporting review system, where the management was adjudged by the peers, and the non relenting companies could be taken to the court of law to change its unacceptable accounting policies. He also reiterated the need for Code of Ethics. He warned that the auditor should not indulge in rationalizing the client's actions but should

focus on giving a true and fair view. He reiterated that the auditor should do what was right to win the trust of the community.

Reducing the Expectation Gap

Shri R K Somany, President, ASSOCHAM congratulated the Institute for organizing a conference on issues requiring immediate attention of the Profession. He also informed that the ASSOCHAM had organized six lectures on Corporate Governance in 2002 dealing with various aspects thereof. He pointed out that he would present the point of view of business fraternity on the role and independence of auditors.

He pointed out that the issue of independence of auditors was in debate ever since the birth of the Profession. He mentioned that the trust reposed by the society on the auditor's report was based on the precondition that the auditor had expressed his view in an independent manner. He felt that the aim of the Conference was reducing the expectation gap. Touching upon the subject of audit, he pointed out that, it was marked by two important questions, the first, whether the auditor is objective and independent; and secondly, whether the auditor was able to demonstrate his independence. He reiterated that since the Profession was of great importance to the society, it should strive to come upto the changing expectations of the society with reference to Profession's independence. He encouraged the Profession to take all reasonable steps to confirm the opinion expressed by the auditors on financial statements. He reiterated that independence of auditors was of a fundamental concern to public.

He explained that the modern businesses had become complex and that auditing today, accordingly, involved a number of judgemental matters, based on auditor's knowledge of business, intellectual and professional skills.

He mentioned that the expectation gap did not reduce the responsibility of the Profession. On the contrary, the time had come for the Profession to realize that the prime responsibility of the Profession was to report on the true and fair view to the shareholders and not the management.

He concluded by mentioning that the year 2002 has seen bankruptcies in US because of dubious practices by professionals, CEOs and CFOs. He also pointed out that 2002 was the year for unlearning and relearning for the Profession.

Bracing for the Change

Dr Suneel Maheshwari, Marshall University, United

States of America explained that the Profession was trusted by the society to peep behind closed doors, suspected accounts and report material deviations from generally accepted accounting practices. He mentioned that so far as investors were concerned, an unqualified audit report, inevitably, guaranteed truthfulness of financial statements. He pointed out that Post Enron, the investors' confidence was shaken and that the Profession had come under scrutiny. He drew attention to the pressing need to rebuild the lost confidence and the trust of the society in the Profession. He also pointed out that the future would see a change in the environment and the role played by the auditors. He urged the Profession to take steps to face the changes and suggested certain steps that might be taken therefore.

First, step was to make forensic audit a part of the normal audit. This, he stated, would require a change in the training and education of accountants. He also, incidentally, mentioned the protection offered by the Sarbanes Oxley Act, 2002 to the whistle blowers. The second step, he stated was imposing rotation of auditors. Thirdly, the concept of secondary audit could be introduced. Fourthly, he felt, there should be a cap on the fees from each client so that there was no undue dependence of the auditor on a particular client for revenue. As the fifth measure, Dr Maheshwari suggested that there should be a restriction on non-audit services. He felt that auditors should not be permitted to provide consultancy to their audit clients. He added that a loss of revenue by non-provision of consultancy services to audit clients could be off set by revenue generated by secondary audit engagements. Sixthly, there was a need to reform the role and contribution of audit committees in corporate governance. Seventh measure was that CEOs and CFOs should be made to certify the truth and correctness of financial statements. Another important step was simplification of rules and standards, so that accounting standards provided few leverages in interpretation and still few exceptions. He also emphasized on the need to educate the masses regarding what audit actually was to increase transparency and rationalizing the expectations of the society. Lastly, the suggested, to achieve excellence, the Profession should follow a Code of Ethics, both in letter and spirit and have zero tolerance to deviations therefrom.

He concluded by emphasizing that the relationship between the Profession and the society had altered permanently. He also emphasized on the need to change the culture of the Profession and open the, so called, 'Black Box' to achieve excellence.

TECHNICAL SESSION IV—TAMING THE GIANT — COMING TO GRIPS WITH THE FINANCIAL SECTOR

Shri Sunil Goyal, Central Council Member, ICAI initiated the session. He stated that, the opening of insurance sector has provided a competitive edge to the Chartered Accountant community as a whole. Shri Manoj Fadnis, Central Council Member, ICAI introduced the theme of the session. He indicated that ICAI has taken a step towards developing professionals by introducing a new course on Risk Management.

The session was chaired by Shri N Rangachary, Chairman, Insurance Regulatory Development Authority. In his opening remarks he highlighted the fact that financial sector has always been a part and parcel of economy. Financial sector has a very important role in the development of economy. He advocated that one great change observed in the financial sector is towards professionalisation.

The Business of Risk and the Risk of Business

Shri Anuroop 'Tony' Singh, MD & CEO, Max New York Life Insurance Co. Ltd. recognized that life insurance industry as one of the biggest service industry to prosper and grow. He also highlighted the important role to be played by the actuaries in the insurance industry. He covered the broad aspects of fundamentals of life insurance, concept and types of risks and risk management. He briefly classified the risks in four categories i.e. asset risk, product risk, inherent rate risk and operations risk.

Mark the Middle – Auditing, Accounting and the Capital Market Intermediaries

Shri D. Chatterji, FCA primarily focused on the proper financial and non-financial disclosures, which ensures corporate transparency. He advocated that it is difficult to make all vital information available to all sections at the same point of time. At his endnote he defined that an audit is not an aim to merely detect fraud but it is an assurance of fair accounting practices adopted by the entities.

The Accountant and the Fund Manager

Shri Alok Vajpeyi, President, DSP, Merrill Lynch primarily focused on the quality of earnings rather than the quantity of earnings. He further highlighted the principles and importance of corporate governance in the financial and corporate sector.

The Chairman of the session in his closing remarks mentioned that the regulators and the regulations are the same for the new insurance companies and the old insurance companies. He pointed on the fact that accounting framework should be reviewed periodically and training is critical not only for accountants and auditors but user as well.

He further advocated that reasonable steps should be taken to bring the financial sector in line with international practice.

SPECIAL ADDRESS BY SHRI G N BAJPAI— BANKING, INSURANCE AND THE FINANCIAL SECTOR — A FRAGMENT OF A VISION OF THE FUTURE²

Shri G. N. Bajpai, Chairman, Securities and Exchange Board of India in his opening remarks stated that:

“Tomorrow, the most precious word in the Banking, Insurance and Financial Services World would be the “Integration”, Integration of the opportunity zones to unleash the values buried in their inter linkages. People would talk more and more about outsourcing, strategic alliances, leveraging and networking”

Shri Bajpai while delivering Special Address stated that financial markets are a part of the changing business paradigms, across the globe. In fact, the financial markets are the first to unleash the creativity and imagination and lead the revolution.

In his speech he primarily focused on the changing paradigms of the Banking, Insurance and Financial Services are:

- ◆ Financial Markets are turbulent, globally. Traditional business models when businesses were clearly differentiated.
- ◆ The competitive dynamics of market has changed phenomenally. Today, players in the market complete in one segment and co-operate in other segment.
- ◆ The structure of the players in different opportunity zones is also changing on continuous basis.
- ◆ On exchanges side, more and more products are migrating to the exchanges for trading. Globally, availability of all sorts of financial products (both money market and capital market) on the exchanges is driven by the benefits like transparency, better price discovery, wider dissemination of information and large investing community.

- ◆ On regulators side, deeper co-ordination has become a respectable word.
- ◆ Financial innovation is becoming ubiquitous.
- ◆ Investors are to be perceived as not just the investors but buyers of the financial solutions to perceived and even envisioned problems.
- ◆ Technology is also helping market players redefine the way they have been operating in the market. He further briefed that Imperatives for success are:
 - ◆ *Competitiveness at the individual level:* It may be apparent that nothing but the change is stable in the world. It offers both the opportunities and the challenges to the individuals. It is for the individuals to choose what do they look at.
 - ◆ *Competitiveness at the corporate level:* The corporate to do fewer things but do them better than the best, globally. Corporates need to appreciate that no one can internalize the versatility of competencies. Hence, it would be imperative for them to leverage, outsource, network and create strategic alliances with others.
 - ◆ *Competitiveness at the regulators level:* In this changed business ethos, regulations too demand a in-jandiced perspective. Regulators can not deal with the complexities of the 21st century business environment with the 20th century rules.

Regulators' focus should shift from the regulations to the Development of the Markets.

Regulations should define the broad framework/parameters for the game and within that framework, market participants should be allowed to operate without any intervention.

The convergence of the financial activities and the emergence of new age one stop financial institutions have resulted in a titanic challenge to the regulators, internationally.

- ◆ Competitiveness at the economy level: To strategise to position “India Incorporation: at the global level.

Shri Bajpai concluded that the opportunity zones in Financial Markets are contracting somewhere and at the same time expanding elsewhere. Change and the pace of change in the financial markets, both would be different, tomorrow. Continuous exploration of scopes and exploitation of values would demand a brilliant focus on emerging opportunities, competence building, strategies for the leadership position in the opportunity zones and principles centered business practices. Therefore, we need to create a culture, which embraces change and

² The complete text of the speech by Shri Bajpai is published elsewhere in the Journal.

moves ahead with an objective to lead.

TECHNICAL SESSION V—DIVING THE DEEP — ISSUES AND OPPORTUNITIES

Shri T N Manoharan, Member of the Council of the Institute, gave an introduction on topics to be discussed in the session. Shri P L Singh, Member, Central Board of Direct Taxes, highlighted the role of Chartered Accountants in dealing with new challenges and issues and introduced the speakers.

International Taxation—Current Issues

Dr R C Vaish, FCA spoke on international taxation. He stressed on how traditional concepts like source rule still apply to international transactions. He drew attention on three aspects of the New World economy namely, globalisation, the new WTO regime and the increasing shift towards services. He spoke on how developing countries are gradually gaining importance as active participants in the economic process and not merely as silent spectators. It is because of this that simple tax sparing method does not of reducing double taxation has ceased to work in all situations. Dr Vaish spoke in detail about the three main areas of application rules namely, income characterisation, permanent establishment concept and income attribution and allocation. Allocation of income is increasingly becoming important in case of intangible products. Dr Vaish spoke on the complexities involved in determination of permanent establishment especially in the context of e-commerce. He spoke about the quantum revolution sweeping the world which transcended physical dimension. In these situations it is difficult to pin point the place of permanent establishment. Dr Vaish spoke at length about characterization of income for the purpose of taxability and the issues involved. He also touched upon non-discrimination clauses and the importance of level playing field, which are considered for note purposes and cost allocation aspects.

Finally, Dr Vaish gave his suggestions to practicing professionals in the field. His advice was not to wait for legislative amendments, which were long overdue in any case, but to concentrate basically on some and to focus on the following three aspects.

- ◆ Choice of jurisdiction
- ◆ Choice of structuring entities and transactions
- ◆ Choice of documentation

Issues and Opportunities in Indirect Taxes

Shri S. Madhavan, FCA spoke on the issues and opportunities in Indirect Taxes. The most significant issue in indirect taxes is the implementation of VAT in India which is scheduled to be implemented with effect from April 1, 2003. He highlighted the salient features of the forthcoming VAT regime. They are the dual VAT structure – Central VAT and State VAT and gradual phasing out of CST. Shri S. Madhavan highlighted the significant issues in Service Tax. He pointed out that the definitions of taxable services are ambiguous and open-ended. The other issues are the scope of consulting engineering services and Management Consultancy Services. Shri Madhavan also highlighted the need for integration of customs values with transfer prices. The Kelkar Committee recommendations in the field of VAT, Service Tax and Customs were briefed. The main recommendations are unconformity in State VAT legislation, abolition of local taxes other than VAT, need for separate enactment for Service Tax and inclusion of all services, excepting public utilities and social services for levy of Service Tax. Shri S. Madhavan highlighted the opportunities for chartered accountants in Indirect Taxes. The main areas are –

- ◆ Statutory audits under VAT
- ◆ Certification of Work
- ◆ Tax Planning and Structuring
- ◆ Compliance Procedures
- ◆ Indirect Tax Reviews
- ◆ Litigation and Representation

Ensuring Arms Length Transactions—Ethical and Regulatory Compliance

Shri G C Srivastava, Joint Secretary, Central Board of Direct Taxes, rightly pointed out that the Arm's Length Principle (ALP) was a 70 year old concept. The UN Model and OECD Model provide for taxation of Cross-border transactions. It is an internationally accepted practice that transfer pricing should be governed by the ALP and the transfer price should be the price applicable in case of a transaction of arm's length. In other words, the transaction between associates should be priced in the same way as a transaction between independent enterprises. The ALP, in the context of taxation, is explained in paragraph 1 of article 9 of the OECD Model Tax Convention. In order to provide a statutory framework empowering the tax authorities to determine reasonable, fair and equitable profits and tax in respect of cross-border transactions new Sections 92 to 92 F have

been included in Chapter X of one Income-Tax Tact, providing for a transfer pricing mechanism based on computation of income from cross-border transactions. The main areas where there is scope for improvement are the process of documentation and fixation of penalty, which is at present too high. He concluded that Advance Pricing arrangements are bound to be introduced in India also and the tax department must be equipped with adequate documentation for providing comparable data for this purpose.

TECHNICAL SESSION VI—EMERGING ISSUES

The Sixth Technical Session of the Conference started with a welcome address by Shri N D Gupta, Past President and Chairman of the Conference Committee. In his address, Shri Gupta highlighted the reason behind the theme of the Conference, “Diverse Demands; Disciplined Approach”. He pointed out that the theme was of utmost relevance keeping in view the change in the demands and expectations of the society from the nature and quality of the services rendered by the profession.

Special Address by Sir David Tweedie, Chairman, IASB on Role and Responsibilities of the Accountancy Profession

The welcome address was followed by a special address by Sir David Tweedie, Chairman, International Accounting Standards Board. Sir Tweedie pointed out that it was the responsibility of the Profession to ensure that the financial statements of a company reflected its economic reality. He mentioned that the International Accounting Standards Board had been set up as an independent body, away from any sort of pressures, whether political or others, to develop high quality accounting standards on certain core accounting issues. He also informed that the focus of the IASB was to make accounting standards principle based and not just rule based so that the true and fair view would override everything else having a bearing on the determination of amounts and disclosure included in the financial statements. Touching upon the issue of the agenda of IASB, Sir Tweedie highlighted that the IASB was striving to achieve improvement in financial reporting practices as also “convergence”, i.e., a situation where there would be just one set of best global standards to be followed by all the countries around the world. This, he mentioned, would increase transparency and reduce fudging of

accounts. He appreciated the Institute of Chartered Accountants of India in its efforts towards harmonisation with the International Accounting Standards. He also urged the ICAI to identify issues on which accounting standards could be developed and make a proactive contribution in the projects of the IASB.

Contribution of Chartered Accountants in Municipal Accounting

Another emerging area of importance to the Profession in India is governmental accounting, which was touched upon by Shri Alok Shiromany from Indo USAid FIRE-D Project. Shri Shiromany highlighted the urgent need to improve the accounting, financial reporting and management systems in municipal bodies to do away with unreliability of the financial statements of such bodies, frauds and misappropriation of assets etc. He also pointed out to the need for these bodies to move from cash to accrual basis of accounting. Shri Shiromany identified the following as some of the areas of contribution by chartered accountants in municipal accounting:

- ◆ Development of accounting manual based on accrual basis of accounting.
- ◆ Consultancy regarding preparation of the first set of financial statements after change from cash to accrual basis of accounting.
- ◆ Statutory and internal audits.
- ◆ Consultancy regarding management information systems, budgeting, financial management etc.
- ◆ Consultancy regarding costing and pricing of services.
- ◆ Identification and valuation of assets for resource mobilisation.
- ◆ Support in accessing capital markets and financial institutions by improving the credibility of these bodies.

Shri Shiromany emphasised the need to replicate the reform of municipal bodies initiated in certain states in the entire country. He also urged the Institute to play a proactive role in organising, workshops and training programmes for members as well as such municipal bodies. He was of view the Institute could also play a great role in troubleshooting, i.e., addressing issues raised by these bodies in their transition from cash basis to accrual basis of accounting.

CFO – Emerging Role

Shri V Srinivasan, CFO, Satyam Computer Services Limited, dwelled on the subject of the changing role of

the CFO and the changing expectations of the society from CFOs, which he pointed out was the most widely researched and debated subject in the current scenario. Shri Srinivasan highlighted how the finance function, traditionally considered as the lifeblood of an organisation had moved on to being its eyes and ears as well and how a CFO had, consequently, moved up the value chain in an organisation; from being a mere data gatherer, the CFO had transformed into being a strategist and more. The new portfolio of a CFO of the present times included the following activities:

- ◆ Harmonisation with global accounting standards, understanding and compliance with the cross border laws due to integration of the Indian economy with the international economy.
- ◆ Preparing the company for facing the competition from multinational companies which had the advantage of economies of scale, latest technology and cheap capital.
- ◆ Changing business models, for example, marketing through Internet to reduce negative working capital.
- ◆ Keeping abreast with the latest technological changes which made the accounting function redundant and gave way to online real time accounting.
- ◆ Increasing ethical management.
- ◆ Coordinating all the functional areas of the organisation.
- ◆ Increasing the focus on corporate governance.
- ◆ Evaluating actual performance against forecast.
- ◆ Eliminating inefficiencies.
- ◆ Strategy formulation and implementation.
- ◆ Organisational restructuring to face global challenges.
- ◆ Identifying inorganic growth opportunities and risk management.
- ◆ Investment decisions.
- ◆ Managing intangibles like human resources, brands, intellectual property rights, customer relations, etc.
- ◆ Being a brand ambassador, i.e., a conduit between the company and the outside world and *vice versa*.

Shri Srinivasan also emphasized the need for acquiring skills like leadership ability, in-depth knowledge of the company as well as the industry, functional knowledge, effective time management, managing people and capital, knowledge of global market and technology, good communication skills and above all integrity. Shri Srinivasan concluded that the future saw CFOs as performance improvers, knowledge managers, and strategic manager.

Electronic Commerce—Effect on the Audit of the Financial Statements

Shri Mujahid Eshai, member, Central Council, Institute of Chartered Accountants of Pakistan, addressed the Conference on the issue of impact of e-commerce on auditing. At the outset, he made it clear that e-commerce had a far-reaching impact on audit and, therefore, there was an urgent need to revamp all the auditing standards. He also emphasised that e-commerce should and could not be dealt with on a standalone basis. He pointed out that e-commerce had changed areas like knowledge of business, organisational structure, business environment, nature of liabilities, auditing techniques, risk assessment and the nature of services rendered to an organisation. What had, however, not changed, Shri Eshai emphasised, was the overall objective and scope of an audit. In other words, the end result had not undergone any change but the manner of achieving that result had changed.

Shri Eshai pointed out that e-commerce had impacted the internal controls in a big way. Therefore, the auditor should pay attention to systems security and reliability. He added that the internal controls in an ecommerce environment were fraught with new types of problems and that the tool available to the auditor for countering these problems was learning the new technology. He also added that in such circumstances, it might be necessary to undertake an operational audit to evaluate the economic efficiency of an organisation; an Information Technology audit to check impact of computerisation on internal controls, especially, security features; and a network security audit including within its scope hardware, software, operational and physical security, file creation, data integration and archive, systems maintenance, back up systems, disaster recovery plans, etc. He also added that the areas of concern to the management in an ecommerce environment included:

- ◆ Systems security
 - ◆ Exposure of data to others
 - ◆ Data transmission
 - ◆ Legal liability
 - ◆ Internal controls to pre-qualify vendors
 - ◆ Internal controls for record retention and retention of source data
 - ◆ Segregation of duties
- He added that certain areas that needed the attention of both the management and the auditor were:
- ◆ Adequacy of substantive audit approach
 - ◆ Requirement of embedded audit modules
 - ◆ What records should be retained and in what form

- ◆ Review of exception reports
- ◆ Control failures
- ◆ Statutory issues
- ◆ Safeguarding of electronic records

He emphasised that an audit in an e-commerce environment would not be complete unless the auditor had a knowledge of e-commerce system, knowledge of the environment in which the company operated, risk assessment, mode of processing transactions, and legal and taxation issues. He also added that the auditor, in an e-commerce environment should take cognisance of the fact that such an environment had a significant impact on the audit trail and therefore, a hundred percent check of audit records might be necessary. Auditors should also note that a good systems was based on effective control and did not depend on substantive testing for its integrity. He emphasised that unless the auditors understood this, there was a danger that the attest function might be taken over by people who are not accountants.

POST ENRON DEVELOPMENTS—COUNTRY PERSPECTIVE

Shri Asil Talwate, the President of the Sri Lankan Institute informed the Conference that their Institute had decided to:

- ◆ publish a code of recommended audit practices.
- ◆ issue an audit manual containing recommended audit procedures.
- ◆ establish a lead professional practice review of chartered accountants using audit manual as the benchmark.
- ◆ establish a committee to review auditors' independence rules and code of ethics.
- ◆ require the auditors to disclose non audit fees.
- ◆ issue of code of recommended practices on corporate governance.
- ◆ focus on harmonisation with international accounting and auditing standards.
- ◆ institute corporate governance disclosure awards.
- ◆ take quality improvement initiatives.

He also informed that the Central Bank of Sri Lanka too had issued a code of corporate governance for financial institutions.

He pointed out that the entire Profession across the world should take steps to improve its image and should, therefore:

- ◆ take a consistent stand regarding auditors' rotation and independence

- ◆ establish a close information sharing network
- ◆ focus on educating the public regarding the role and responsibilities of audit *vis a vis* forensic audit.

Finally, he urged all the accountants of the world to unite for meeting challenges.

Shri Khaliq ur Rehman, the President of the Institute of Chartered Accountants of Pakistan pointed out that accounting bodies world over were taking steps to improve accounting, financial reporting, auditing and corporate governance practices. He pointed out that though Pakistan had not faced any major financial crisis such as Enron, it had responded positively to the Sarbanes Oxley Act, 2002 by taking measure to increase corporate responsibilities, enhancing financial disclosure for quality and transparency, restriction on services by relatives of auditors, strengthening the audit committees' role, mandatory compliance by the auditors with the IFAC Code of Ethics, restriction on non audit services other than exempted services, rotation of auditors. He also mentioned that certain changes had also been proposed in the corporate and taxation laws to meet the challenges of the changing scenario.

Shri M A Barea, President of the Institute of Chartered Accountants of Bangladesh strongly felt that the recent clouds on the Profession had been there not due to the breakdown of the regulatory mechanism but because of the greed of some people. He pointed out that the threat being faced by the Profession today was that of "moral hazard". He emphasised that rules and regulations were effective only for those who were morally strong but failed to work for those who had no morality left. He also stated that the laws could not restrain the mind but could check the mindless. He pointed out to the need for strengthening corporate governance system and also the internal controls in an organisation. He felt that the need of the hour was rearmament of the Profession, moral strengthening of the top levels of the management and focusing on central not peripheral issues.

VALEDICTORY SESSION

The valedictory session opened with a welcome address by the Secretary. He stated that Chartered Accountants are part of the supply chain management relating to provision of financial information to society at large. He also informed that more than 1500 delegates representing various countries, particularly SAARC countries have attended the Conference.

Shri N.D. Gupta, Chairman, Conference

Committee, gave a brief synopsis of the conference. While detailing themes of various technical sessions, Mr. Gupta also stated that various speakers of technical sessions dealt with the subject in such impeccable manner that they drew spontaneous response from member He appreciated the delegates for their tremendous response to the proceeding of the conference.

Shri Ashok Chandak, President, ICAI delivered the Presidential Address³ in the valedictory session. He explained at length objectives of the conference and the selection of topics in the backdrop of Enron episode. During his presidential address, he touched upon the issues raised during the conference, viz, information technology revolution, corporate governance, expectation gap including auditors independence and informed the delegates about various initiatives taken by the Institute in this regard. In this context, he referred to Peer Review Board, Financial Reporting Review Board, cap on audit fees, exposure of an auditor to single client, compulsory computer training, harmonization of accounting and auditing standards with international trends, etc. Finally, he stressed that we must utilize such opportunities to re-orient and re-position ourselves to sustain our independence, excellence and integrity and, thus, remain ahead of such developments.

Sir David Tweedie, Chairman of the International Accounting Standards Board, started his address by drawing attention to the recent shocks that shook the world of accountants and auditors. In this context he rightly pointed out that what actually happened was a result of speed and deliberate heating on the part of the top management and negligence on the part of the auditors. What was required therefore was a sense of morals and ethics in professional life. Sir David stressed that since India has a strong tradition in which these values are deeply entrenched, it is upon the professional accountants here to show the way to the rest of the world. What Indian accountants need to do is to participate more and more in international foray and try to create a stronger presence in front of the world. He also cautioned that if we fail to do so, like the United States of America, we will gradually move away from principles based accounting to rule-based accounting and that would surely and unfortunately marks the end of professionalism.

Sir David's address was followed by a scintillating address by Shri Suresh Prabhu, Former Union Minister of Power. Mr. Prabhu, himself a member of the

Institute, very efficiently and lucidly explained how the world was moving rapidly towards global reference and how the accounting standards in one country affected the utilization of funds provided by invests in another country. Shri Prabhu rightly stressed on the important role accountants had to play in acting as the true watchdogs of the economy. He lauded the Institute on the initiative taken by it to provide continuing professional education to its members and complimented it on the success of the Conference. He ended with the hope that the delegates here would be amply rejuvenated after attending the Conference and would discharge the various task of being true watchdogs of the economy with renewed vigor and fresh focus.

The next speaker was the Chief Guest of the session, Shri Sharad Yadav, Hon'ble Minister of Consumers Affairs. The Hon'ble Minister started his address in a lighter vein which drew much laughter from the crowd. In his characteristic style, he smoothly moved from the mundane to the serious when he stressed on the chartered accountants' moral obligation to the country in bringing out in the open any wrong doings on the part of corporates and other bodies which are using the common man's hard-earned funds. He urged them to do this regardless of the government in power. He drew attention to the disparity between the standard of living of the common labourer or farmer (the last man as he called them) and the likes of the people present in the gathering. He said that all of us collectively needed to work together, for the upliftment of that 'last man', and unless and until that end was achieved, all success stories would ultimately come to naught. On this soul-searching mate he ended his address.

The Vice-President, Shri R. Bupathy, delivered the Vote of thanks. Apart from thanking the eminent persons on the dais, he called for a special applause for Shri N.D. Gupta, Chairman of the Conference Committee without whose special efforts the Conference would not have been such a huge success. He thanked the Institute's staff and officers for working day and night tirelessly for the success of the conference. Last but not the least he gave repeated thanks to the 1500 odd participants without whose presence the Conference would not have been what it was. On this note he brought down the curtains on the three days' 15th All India Chartered Accountants Conference. ■

³ The complete text of the Presidential Address is published elsewhere in the Journal.