



CA. G. Ramaswamy, President, ICAI

Dear Friends,

In my message, this time, I would like to recall Shri V. Narhari Rao, the first Comptroller and Auditor General of independent India, who had come to our headquarters in Delhi, on the occasion of the First Conference of Chartered Accountants of India, on 5th April, 1954, to deliver the last *distinguished talk* of the Conference on the *Role of an Accountant and Auditor in National Economy*. Through his words of wisdom and with his underlying objective to *secure independence and integrity for the profession*, Shri Rao had urged the members to remain responsible and courageous during discharge of their professional duties. That was quite relevant and reinforcing for the profession considering the formative years that the profession was passing through. Quite humbly, on behalf of our forefathers in profession, I would like to acknowledge that we had started our journey quite courageously with a just sense of integrity, and we have come really a long way following the same courage and integrity through the good and bad times of economy.

The gap between our knowledge and our wisdom always surprises me. I would urge our stakeholders to explore how to bridge this gap and achieve a hundred percent correspondence between them. Our endeavours should aim to create a better and more beautiful world around us, so that we could exist in a graceful cohesion. To me, the culmination

of all human studies must be to create a better and beautiful world around us. I would like to call out the members of my profession to work in unison towards achieving this universal goal.

Let us get updated with some recent and important developments in the profession that have taken place in the past one month:

International Initiatives

It is true that we are at cross-roads between volatile business environment and economy and subsequent changes being made in accountancy. But I personally feel better when I contemplate over the way we have been responding

for quite some time to the needs of the contemporary business environment of our nation. Our membership has grown really big, i.e. 1,82,000 at present, and this demands a responsible vision and growth from the profession and its stakeholders. Internationally too, we have been growing in all possible directions logically while carrying CSR attitude all the time with us. I, along with the ICAI Vice-President CA. Jaydeep N. Shah, visited the Abu Dhabi, Dubai, Muscat and Doha Chapters of the Institute recently towards leveraging our international linkages and initiatives with regard to our profession:

First Foreign IT-Training Centre Opened in Dubai: At Dubai Chapter of the Institute, we have set up an IT-training (ITT) centre, our first such initiative outside the country, which was inaugurated by the Indian Corporate Affairs Minister, Dr. M. Veerappa Moily, who praised our role in the economic growth of our nation while appreciating our proactive partner-in-nation-building endeavours including that for new Companies Bill under preparation and for new reporting framework under XBRL. The event was also addressed by the Indian Ambassador in U.A.E., H. E. Shri M. K. Lokesh and the Counsel General of India in Dubai, H. E. Shri Sanjay Verma. They appreciated that the Dubai Chapter of ICAI is among the most efficient and proactive professional fora in Dubai. This ITT centre would facilitate, I must appreciate, in empowering our students abroad in completing their

articleship and IT training outside India. The Indian Business Professional Council (IBPC) also hosted a programme in the honour of Dr. Moily.

Knowledge Sharing Forum in Doha: Our Doha Chapter recently organised a well-conceptualised and well-attended 'annual knowledge-sharing forum' event and held a seminar on *Strategic Decision Making, Project Financing and Green Building Concept*. The event further strengthened the esteemed position that Indian professionals occupy in Qatar in particular and the entire Gulf region in general. On the occasion, I updated the gathering on the proposed reforms in the regulations governing the profession in India and abroad and bright possibility of ICAI partnering with the Qatari authorities in forming an accounting body that will regulate the profession of accounting and auditing in Qatar. I emphasised on the need of corporate social responsibility and putting something back into the society in line with Qatar's 2030 Vision of diversifying the local economy. Vice-President CA. Jaydeep N. Shah was also the Guest of Honour on the occasion.

International Seminar on Sustainability and Growth in Abu Dhabi: In Abu Dhabi, we attended the 23rd Annual International Seminar with the theme *Towards Sustainability and Growth* of our Abu Dhabi Chapter held recently at the Armed Forces Officers Club, where the Ambassador of India in U.A.E., H. E. Shri M. K. Lokesh, was the Guest of Honour and Dr. Tayab Kamali, Vice Chancellor, Higher College of Technology, and Group CEO, Centre of Excellence for Applied Research and Training, was the Chief Guest. I acknowledged that the words sustainability and growth were important in the context of bringing transparency through corporate governance, and that we would play an important role in the implementation of corporate governance. I asserted that we chartered accountants, known for quality services, were fully committed and involved in the country's growth. Other speakers included ICAI past-President CA. Amarjit Chopra, among others, who spoke on the status of IFRS implementation in India. Issues affecting the corporate world, including leadership, sustainable growth, etc., were discussed too. The Seminar also included an interesting panel discussion on *The Shift of Power from West to East*.

Seminar on Economic Growth in Muscat: We were also at the Muscat Chapter of the Institute to attend a one-day CPE event recently, where I delivered a key note address at the seminar titled *Adding Value to Economic Growth*. CA. Shah also addressed the

participants on the occasion.

Initiatives towards Nation-Building

Meeting with SEBI Chairman: I had the opportunity to meet the SEBI Chairman Shri U. K. Sinha recently. We requested him to prescribe, through the listing agreement, independent internal audit by the external professional firm of chartered accountants for all listed companies. Alternatively, in case the corporate entity has its own internal audit department, we suggested him to mandate for external monitoring of the compliance of standards of the internal audit system by independent firm of chartered accountants. Further, we also made a suggestion regarding the need for a *Standard Audit Manual* for inspection of mutual funds, which could address the shortcomings and improve quality in the inspection of mutual funds and bring uniformity in reporting the same.

Independent Directors Meeting in Mumbai: I also attended the interactive meeting of independent directors organised by the ICAI from public- and private-sector banks, and financial institutions along with the Vice-President CA. Jaydeep N. Shah and various Council members. Shri T. M. Bhasin, Chairman & MD, Indian Bank, was the Chief Guest and meeting was attended by the 30 independent directors of various banks and financial institutions. This meeting, successfully hosted by WIRC of the Institute, provided a platform to independent directors to share their rich experiences on new emerging concepts in banking sector like risk management, internal control system, effectiveness of audit committee, etc.

Workshop on Financial Statements of Corporates in Mumbai: I along with the Vice-President CA. Jaydeep N. Shah, past-President CA. Amarjit Chopra, and my Central Council colleague CA Manoj Fadnis, among others, attended the *Workshop on Analyzing Financial Statements of Corporates under IFRS* recently held at the RBI Central Office in Mumbai, which was organised by the Centre for Advanced Financial Research and Learning, promoted by RBI. I addressed the efforts made by the Institute in formulation of the Ind ASs (Indian Accounting Standards) converged with the IFRSs and the steps being taken towards the preparation of *frequently asked questions* on Ind AS. Smt. Usha Thorat, Director, CAFRAL, and CA. Prabhakar Kalavacherla, Board Member, International Accounting Standards Board, also addressed at the Workshop. Presentations on would-be financial statements under Ind ASs were made. An interesting observation was that the companies which were

hitherto following the correct accounting principles will not have a significant impact on their top line and the bottom line on adopting the Ind AS. I sincerely acknowledge the efforts of Shri Ravi Mohan, Chief General Manager, RBI and member, Accounting Standards Board of ICAI.

Dr. M. S. Ahluwalia Delivered V. Sankar Aiyar Memorial Lecture at ICAI: I wish to inform you that I attended the V. Sankar Aiyar Memorial Lecture in Chennai recently, which was delivered by Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission. Dr. Ahluwalia's lecture on *Economic Reforms for Inclusive Growth*, was well-appreciated, especially his thought-provoking references to the mission to serve the society, particularly its economically-weaker sections. I am confident that our country will touch great heights of glory under his noble guidance. Dr. Ahluwalia suggested us not to change minds about market economy just because there was a loss of faith in the industrialised countries. Shri Mani Shankar Aiyar, Member of the Rajya Sabha, in the memory of whose father this *Lecture* was organised, presented the introductory remarks. We suggested on the occasion that all flagship programmes of the government should be audited by the chartered accountants. Dr. Isher Judge Ahluwalia, Chairperson, Board of Directors, Indian Council for Research on International Economic Relations, was also present on the occasion.

More Training Programmes in Accounting Concepts: I find it professionally gratifying to communicate that, in line with our joint endeavour with the office of C&AG of India to organise training programmes on accounting concepts for the officials of autonomous bodies, we recently conducted a training programme in Ahmedabad. Shri K. P. Sasidharan, Director General, Autonomous Bodies, Office of C&AG of India, among others, was present during the programme, which was attended by more than 120 participants including the officials of autonomous bodies of Rajasthan and Gujarat, and members of the profession. Another such programme was conducted in Bangalore, which was inaugurated by Shri K. P. Sasidharan and attended by about 185 participants including the officials of autonomous bodies of Tamil Nadu, Karnataka and Puducherry.

Two Publications for Investor Awareness Programmes: I am glad to inform that, with regard to our responsibility towards the investors of our country, we have got the two informative booklets, *First steps to Investing - A Beginner's Guide* and *Primer for First time and Existing Investors*, translated in Punjabi, Gujarati,

Telugu and Assamese languages under the guidance of my Central Council colleague CA. Vinod Jain, which were developed by the Ministry of Corporate Affairs for distribution in the investor awareness programmes. We have brought out the same in English version too. Copies of those translations were presented by the Institute to Dr. M. Veerappa Moily, Hon'ble Minister of Corporate Affairs, during an Investors' Meet 2011 held recently.

Professional Developments

Meeting with CBDT Chairman: As you are aware, the CBDT had recently issued a discussion paper on Tax Accounting Standards that are proposed to be followed for the purpose of computing taxable income. In order to discuss the issues arising from that, I recently had a meeting with the CBDT Chairman Shri M. C. Joshi, along with my Central Council colleague CA. Sanjay Agarwal. Concerns that I raised during the meeting were well-received by the CBDT Chairman, who requested us further to submit the detailed suggestions in this regard. We will submit the same shortly.

Delhi High Court Upholds ICAI Decision: I wish to acknowledge before our stakeholders with satisfaction that Delhi High Court has upheld Institute's decision to bar an auditor of Global Trust Bank (GTB) from practising accountancy for five years. We had found him guilty of professional misconduct as auditor during 2000-2001. As you know, it was then that the 1993-formed bank was on the verge of collapse due to reckless lending. Although, a single bench of the High Court had quashed our order in the past. After our appeal against the same, the verdict eventually came out in support of our disciplinary proceedings against him. The Court has also clarified that the procedures prescribed by the unamended Chartered Accountants Act, 1949, i.e. Sections 21, 22 and 22A, would be applicable to all pending proceedings in information case and not the procedure prescribed after the amendment made by the Chartered Accountants (Amendment) Act, 2006. We can now initiate an inquiry against an accused on the basis of information or complaint.

ICAI Proposes Norms in Internal Audit: Realising that quality is one of the fundamental assumptions of internal audit and there has been a steep rise in attention on internal audit, we have till date issued 17 Standards on internal audit to cover the basic principles and practice of internal audit and establish the basis for its performance evaluation. To enable the internal auditors in performing quality audit, I wish to inform

our stakeholders that the Council of the Institute has recently decided that wherever the Standards on internal audit are being complied with, internal audit reports may mention that the audit has been conducted in accordance with the Standards issued by the Institute. We are also in dialogue with the Ministry of Corporate Affairs in this regard and have recommended making it mandatory for all companies to mention in their



internal auditor's report that the audit has been conducted in accordance with the Standards on internal audit issued by the Institute. I am sure that this change would promote credibility and consistency in the internal audit reports.

ISA Faculty Meet at Centre of Excellence Hyderabad: I am happy to inform our stakeholders that we recently organised the ISA Faculty Meet at Centre of Excellence Hyderabad, where eminent and expert faculties from all over the country participated. This event gave me an opportunity to interact personally with each of the faculty participants there. Hopefully, a new revised and an updated curriculum of the ISA course will be released shortly to help our members at large.

ICAI Corporate Forum to be held in Bangalore: To provide our members in profession and industry a platform to interact, and to appreciate our members who have done exceptionally well in professional/social milieu, I wish to inform our stakeholders that we will now be organising our 5th Corporate Forum in December 2011 in Bangalore, which will have a series of events like Career Ascent, Gulf Campus, Financial Services Expo, Corporate Conclave, ICAI Awards, etc. The Infosys Chief Mentor, Shri N. R. Narayana Murthy, has agreed to head the jury for the ICAI Awards. The Awards ceremony will take place at the magnificent and historic Bangalore Palace. Details about

application process for nomination, deadline, etc., can be collected online from the Institute's website and also published elsewhere in the journal. In this regard, I wish to acknowledge the efforts made by my Central Council colleague CA. K. Raghu in planning and conceptualising this mega event.

Guidance Note on Certification of XBRL Financial Statements: The Ministry of Corporate Affairs had vide their circulars of July 2011 required that the XBRL financial statements be certified by a professional, *inter alia*, a chartered accountant. This certification requirement is appearing in the Forms 23AC-XBRL and 23ACA-XBRL notified by the Ministry to upload the XBRL financial statements under MCA 21. I am glad to inform you that we have recently released the *Guidance Note on Certification of XBRL Financial Statements*, which has been developed to help the chartered accountants effectively and efficiently carry out these certification engagements in the most value added manner. The Guidance Note, among other things, provides guidance on the duties and responsibilities of the management *vis a vis* the chartered accountant with respect to the XBRL mode financial statements as well as the detailed procedures to be undertaken by the chartered accountants to provide the assurance sought under Forms 23-AC XBRL and 23-ACA XBRL. This is also been hosted on the Institute's website.

Residential Certificate Course on Internal Audit: I am pleased to inform you that we recently launched the first batch of the Residential Certificate Course on Internal Audit at the Centre for Excellence in Hyderabad, which aims to deliver a programme dealing with the issues that impact internal audit profession at present and in future. The Course will help our members in acquiring knowledge on the theory and practice of internal audit and its allied functions and on our role in them, and how these impact contemporary business enterprises. Duration of the *Course* is 200 hours comprising ten classroom days, case-study preparation, self study and e-learning. Classroom sessions will cover contemporary topics including internal controls, corporate governance, risk management, etc. To strengthen the content and add value to the course, group assignments and case studies have also been incorporated.

Infrastructure Initiatives

Ahmednagar Branch Building Inaugurated: I am happy to inform that I recently inaugurated the building of the Ahmednagar Branch of the WIRC in the presence of the ICAI Vice-President CA. Jaydeep N. Shah and my Central Council colleagues, among others.

Laying Foundation Stone of Trichur Branch: I am glad to inform our stakeholders that I happened to lay the foundation stone for the building of the Trichur Branch of the Institute recently. CA. K. Shanmukha Sundaram, SIRC Chairman, was also present on the occasion.

Best Wishes for Forthcoming CA Examinations

When this issue reaches you, an estimated two and half lakh students might have started appearing at the November 2011 Chartered Accountants Examinations of our Institute at 345 examination centres in India as well as abroad. I would like to extend my heartiest wishes to them and hope that they would perform well and come out with flying colours.

Acclaimed ontologist G. K. Chesterton associates education with the *soul of a society*. Will Durant calls it a *transmission of civilization*. Political activist Emma Goldman considers it our effort to unlock *the wealth of sympathy, the kindness and generosity hidden in the soul of a child*. To me, education must enable us to deal with the existing differences and indifferences in our society and with the situations that drive us away from the world of sympathy, kindness and generosity. If we are educated, we will always move towards a unified society. Therefore, if we are not united, there has to be some flaw somewhere in our being educated

or in the process of our education. Carl Rogers, one of the founding fathers of psychotherapy research, is ready to call a person educated on a condition if we have learnt how to learn and change. In the same context, now, we will be able to understand why Al McGuire, a well-known basketball coach, said: *I think everyone should go to college and get a degree and then spend six months as a bartender and six months as a cabdriver. Then they would really be educated*. Education is in fact a patient and an ongoing process where we simply are required to be diligent.

All educational degrees or diplomas should prepare us to be ready to learn for the rest of our lives. Acclaimed social psychologist Erich Fromm justifiably asks: *Why should society feel responsible only for the education of children, and not for the education of all adults of every age?* Education is not just about books, colleges or institutions. We start feeling the presence of education in our lives when we finish up with our formal education and we deal with the realities of life. We will never precisely realise its presence in our life unless we reflect on the way we carry out our work, the way we approach a problem, or, the way we think about the processes that run around us. I am sure this is what Albert Einstein meant by when he said: *Education is what remains after one has forgotten everything he learned in school*. I would like to advocate this understanding and propagate this around us and among all my readers: let us not miss a chance to learn after our formal learning is over.

We are a country of numerous faiths and beliefs, and, with pride, I admit that we quite agreeably always celebrate and rejoice with the people of all faiths in their moments of joy. In keeping up with the true spirit of celebrations, I would like to extend my best wishes on behalf of the Institute to all towards the celebrations on *Id-ul-Zuha* (also *Id-ul-Aḍha* or *Bakr-Id*) and on *Guru Nanank Jayanti* (founder of Sikh faith Guru Nanak Dev's birthday). May the prayers offered and greetings shared by the devotees bring further happiness and peace to the people of our nation! *Amen!*

Best wishes



CA. G. Ramaswamy
President, ICAI
October 24, 2011