

# From the President



**CA. M. Devaraja Reddy**  
President, ICAI

ICAI believes that a workplace needs to be open, expressive and happy, and, moreover, a place away from stress in order to be productive. ICAI that caters to the academic and professional requirements of its members and students, besides regularly extending help and assistance to the Government, needs to be transparent and consistent with its professional discipline and ethics. As you all know, ethical conduct is part of our fundamentals, due to which our nation continues to repose its trust in us as facilitators of the country's fiscal discipline. ☺

## Dear Members,

The Indian accountancy profession has consolidated itself internationally to register its wise, strong and empowering global presence. Today, The Institute of Chartered Accountants of India produces world-class professionals who along with the desired IT and soft skills are professionally competent and fit to work in and for international economies in multicultural environment. Well diversified, structured, and broad CA curriculum, which is updated periodically to meet the demands of changed and complex business environment, hones their analytical and multitasking abilities, and time management skills.

While Indian industry is ready to embrace the adoption of Indian Accounting Standards (Ind AS), converged with IFRS, the stage is set for Indian Chartered Accountants to explore professional opportunities abroad. In the fast developing nation, opportunities are plenty and internationally, this demand proliferates. The feature on *Global Opportunities* published in this issue will be useful for the members to learn about the global opportunities.

The reviving economy, fast-paced globalisation and expansion of various sectors are offering a deluge of professional opportunities for the members. Indian accounting reforms consequent to implementation of IFRS Convergence and new prospects emerging in the wake of Companies Act 2013, XBRL, Integrated Reporting, IT Systems, etc. Accountancy is today one of the most significant segments of the expanding economy and the future of the accountancy profession is very promising.

Let us think big and consolidate our skills, energies and strengths to become bigger and better. The future belongs to us, so, let's continue our march towards a glorious and prosperous tomorrow and prove our worth as an indispensable '*complete business solution provider*' of the modern day businesses.

## ICAI Extends Help to ICPAU in Further Consolidation of Profession

As part of its commitment to help other nations in developing and consolidating accountancy profession in their jurisdictions, ICAI extended help to the Institute of Certified Public Accountants of Uganda (ICPAU) during a meeting with its President CPA Patrick Ben Kagoro and CEO and Secretary CPA Derick Nakajja and offered its revised study material. I along with my Central Council colleague CA. Anil Bhandari visited Uganda (Kampala) Chapter of ICAI.

Earlier about a decade back, ICAI had provided its study material to ICPAU to help them frame their own study material. We talked about the development of accountancy profession in Uganda and deliberated how ICAI could assist ICPAU in achieving the same. I took the opportunity to extend our warm invitation to them to attend the ICAI International Conference that would be held sometime in November in Hyderabad; the President and the CEO of ICPAU appreciated and warmly responded to our invitation.

I also wish to inform that I addressed in a live show at Uganda Broadcasting Corporation TV on *Accounting Profession and its Role in Economic Growth of a Country*, and talked about the mutual cooperation between ICAI and ICPAU.

Uganda (Kampala) Chapter of ICAI had organised a Seminar on *Satyam Revival and Lessons Therefrom*, where ICAI past-President CA. T. N. Manoharan addressed as a keynote speaker. Next day, another Seminar on *Transfer Pricing* was organised, which was attended by the Indian High Commissioner to Uganda Dr. A. V. S. Ramesh Chandra, among other dignitaries. We released a Global Career e-Kit on the occasion for the members who wish to explore their professional aspirations in Uganda. I am sure, the e-Kit will prove to be a useful information for them.

## **Audit Quality in Public Interest – Your Opinion Matters**

The International Auditing and Assurance Standards Board (IAASB) is an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing, assurance, and other related areas, and by facilitating their adoption and implementation. Members should actively participate in providing suggestions and Comments on “Enhancing Audit Quality in the Public Interest: *A Focus on Professional Skepticism, Quality Control and Group Audits*”. The IAASB has also released a companion document designed at soliciting feedback from investors, audit committees, and preparers. The deadline for comment on both documents is May 16, 2016.

## **Panama Papers’ Leak Highlights Global Problem of Tax Evasion**

The *Panama Papers’* leak has brought the focus once again to the complexity of global tax evasion. The documents allegedly illustrate how wealthy individuals and public officials, hide assets from public scrutiny. While the use of offshore business entities is not illegal in the jurisdictions in which they are registered, it has

been pointed out that some of the *shell corporations* may have been used for illegal purposes. This issue will surely be raised at appropriate forums globally. There is need for better coordination amongst the countries and I am sure with the data and technological tools available, we will have better transparency in future.

We welcome Honourable Finance Minister Shri Arun Jaitley’s announcement for a multi-agency panel probe. Investigations pave way for considering and recommending the gaps to be encompassed within explicit regulations to curb such opaque practices.

Being professionals, we must profess ethical practices and detest disreputable counsel. We must edify our clients about the difference between tax planning and tax evasion.

## **New ITR Forms Calling for Broad Information for Certain Assesseees**

Central Board of Direct Taxes (CBDT) has notified the new income tax return forms for assessment year 2016-17 wherein with Assessment Year 2016-17, individuals and HUFs filing their returns of income in ITR-1, ITR-2, ITR-2A and ITR-4S, having total income exceeding ₹50 lakhs will now be required to furnish information regarding assets and liabilities in Schedule-AL of the relevant ITR form. It is a welcome measure as it will help in identifying accumulation of illegal wealth, black money and minimise tax evasion. This complements Government’s earlier legislation the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, legislation aimed at amending the Benami Transactions (Prohibition) Act, to bring tax evaders into the tax fold. At the same time, introduction of Unified Payment Interface (UPI) by the RBI through the National Payment Corporation of India is yet another new age initiative to make our economy as paperless economy having due audit trail that will help the government to track flow of funds.

## **Indian Bankers ‘Bad Loans’ Dilemma**

At a time when the Indian banks are struggling to deal with the problem of bad loans, the global banking regulators’ body Bank of International Settlements (BIS) has proposed a uniform classification for non-performing assets to ensure consistency in disclosures while seeking harmonisation of both quantitative and qualitative criteria of credit categorisation. Indian regulators and banks are striving hard to recover of bad loans from wilful defaulters.

The problem may relate to management or judgement; non-retrieval of loan money will have

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direct inferences on the auditing profession as well. ICAI is highly concerned about the issue and role of its auditors in an unhealthy manner. Financial Reporting Review Board (FRRB) of ICAI is reviewing the financial statements of certain enterprises of the Mallya Group in order to assess the performance of the auditors. Auditors' role in this dilemma, which so far has not come to the fore, if found deficient, shall be dealt with strictly by the Disciplinary Committee of ICAI.

## Brighter Economy Means More Professional Opportunities

There is good news for India economy. The India Meteorological Department has predicted an 'above normal' monsoon this year, which is set to break the cycle of two straight drought years and help revive economy. As you are aware, though the farm sector contributes 15% to India's GDP, it employs more than 50% of its workforce. To complement this emerging good trend, the industrial output growth rebounded in February while the retail inflation has eased in March to a six-month low, reveal the latest data released by Central Statistics Office. The index of industrial production rose an annual 2% in February after three months of contraction while retail inflation rose an annual 4.8% in March, slower than 5.3% in February.

Meanwhile, the International Monetary Fund, in its World Economic Outlook, has also stated that India remains a bright spot against the backdrop of a sluggish global economy and will expand by 7.5% in 2016. As you will appreciate, brighter prospects of growth in economy means more opportunities for us professionals to serve the nation. Let's help our government and stakeholders in the combined efforts towards economic growth of the country for the benefit of all.

## MCA Notifies Companies (Auditor's Report) Order, 2016

Ministry of Corporate Affairs has notified the Companies (Auditor's Report) Order, 2016 (CARO 2016) vide its Notification no. S.O. 1228(E) dated 29<sup>th</sup> March, 2016. This Order supersedes the Companies (Auditor's Report) Order, 2015 dated 10<sup>th</sup> April, 2015 and shall be applicable for the financial year commencing on or after 1<sup>st</sup> April, 2015. The new CARO 2016, which brings in mandatory reporting by the Statutory Auditors, aims to make reporting under this order more contemporary and valuable for corporate stakeholders. It strengthens the corporate governance and evolves transparency in functioning of the corporates. Looking at the urgency of providing

guidance to our members in discharging their professional responsibilities in this regard, the Auditing and Assurance Standards Board of the ICAI has already finalised and released the Guidance Note on CARO 2016 to benefit the members. This is commendable work done by the Board to release the Guidance Note in such a short span of time considering the volume of work involved. I call upon members to update and keep abreast of the changes put forth by CARO, 2016 and the revised requirements and organise themselves to face the challenges ahead proficiently.

## Revised Chartered Accountancy (CA) Course Curriculum

CA education is one of my topmost priorities as I believe in sustained and future-oriented growth of our profession. My vision is that accountancy profession and accountancy education need to always go hand in hand with academic, technological and economic innovations globally. It is with that objective that ICAI revised the CA education and training schemes.

*'Education is the most powerful weapon which you can use to change the world,'* aptly termed by Mr. Nelson Mandela.

The new education Scheme is in synchronisation with International Education Standards for Professional Accountants issued by International Federation of Accountants [IFAC] with a concept of worldwide development and enhancement of an accountancy profession with harmonised standards, able to provide services of consistently high quality in the public interest. The details of the Revised Scheme of Education and Training for CA Course have been hosted on our website. Simultaneously, the Draft Regulations called the Chartered Accountants (Amendment) Regulations, 2016, consequent upon Revised Scheme of Education and Training for CA Course, have also been hosted on our website for comments. You may please go through the same and offer your comments if any. I am sure that this initiative of the ICAI will go a long way to benchmark CA education at par with global standards of the world.

## SAFA Board and Committee Meetings

I am delighted to communicate that the ICAI is hosting the SAFA Board and Committee meetings along with the SAFA-IFAC Regional PAIB (professional accountants in business) Forum from 22<sup>nd</sup> to 24<sup>th</sup> April in Mumbai. This SAFA-IFAC Regional PAIB Forum gave the professional accountants in business and industry an opportunity of direct interaction with

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PAIB Committee of IFAC among others, while delving upon the vital subjects including governance, internal control and effective business reporting processes.

## ICAI's Initiative for Robust Internal Systems

Our present position should not make us complacent. Improvement is always possible. One of the distinct focus areas in the current year is to cultivate a robust and responsive practices improving the 'transparent corporate governance'. Dynamisms are deployed to implement good cultured human resource processes to bridge the so perceived expectation gap of ICAI stakeholders. In the direction we have taken following consequential initiatives:

- i. Forming an eminent group to study and revise the ICAI Purchase Policy;
- ii. Reconstituted and appointed new group to formulate effective Infrastructure Policy for Centre's of Excellence besides introducing several cost cutting measures;
- iii. Increase the productivity and ensure a timely and fair trial to grievances received;
- iv. HR Transformation Committee is proactively working to put in place an effective and dynamic Human Resources policy in the ICAI in tune with the contemporary times; and
- v. Special training programmes are being organised for the staff of the ICAI to enhance their role and skill sets.

I am confident these measures will make ICAI more vibrant and result-oriented.

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Recently, World Health Organisation (WHO) along with World Bank held a joint conference and detailed mental health as a global Burden of Disease and a serious deterrent to any economy. Promoting mental health and well-being is now a part of the United Nations Sustainable Development Agenda to transform our world by 2030. Today, mental-health conditions account for 37% of the healthy life years lost to non-communicable diseases like diabetes, which, if not checked, will effect a high global loss of US\$ 6 trillion by 2030, according to an estimate.

Incidentally, this also explains our shortened lifespan and unproductive professional life today. Urbanisation and the resulting perception of alienation have added to the situation. In India, as per the information provided by the Union Health Minister at the *Rajya Sabha* in December 2015, the Indian Government is in the process of implementing District Mental Health Programme in

241 districts across India, which includes counselling services at schools and colleges, programmes on workplace stress management and suicide prevention, among others.

A WHO publication *Investing in Mental Health* says: *Investing in mental health today can generate enormous returns in terms of reducing disability and preventing premature death. The priorities are well known and the projects and activities needed are clear and possible. It is our responsibility to turn the possibilities to reality.*

At ICAI, meetings of employees are being organised to create a regular but informal platform to collect feedback and discuss how to effectively function in the institute. A couple of meetings of senior officials have already been organised. ICAI believes that workplace needs to be open, expressive and happy, and, moreover, a place away from stress in order to be productive. ICAI that caters to the academic and professional requirements of its members and students, besides regularly extending help and assistance to the Government, needs to be transparent and consistent with its professional discipline and ethics. As you all know, ethical conduct is part of our fundamentals, due to which our nation continues to repose its trust in us as facilitators of the country's fiscal discipline. Let us continue to uphold our *Code of Ethics* and be ethical in all spheres of our life.

Lord Krishna in Bhagavad Gita advises Arjuna on the root causes of ethical failure and how to avoid that. To quote the Bhagavad Gita's Verses 37 and 38: *...it is lust... later transformed into wrath, which is the all-devouring sinful enemy of this world. As fire is covered by smoke, as a mirror is covered by dust, or as the embryo is covered by the womb, the living entity is similarly covered by different degrees of this lust.*

Let us heed to this divine wisdom, where the control over senses with the aid of spiritual strength has been prescribed to overcome any ethical dilemma.

As I conclude, I would like to wish all of you on the Buddha Purnima that falls on 21<sup>st</sup> May this year, when we commemorate the birth and Nirvana of the ascetic sage Gautama Buddha.

Best wishes,



**CA. M. Devaraja Reddy**  
President, ICAI

New Delhi, 23<sup>rd</sup> April 2016