

# From the President



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

“ On behalf of the Indian accountancy profession, we welcome the announcement made by Prime Minister Shri Narendra Modi Ji to demonetise ₹ 500 and ₹ 1000 currency notes. I appeal to my professional fraternity as they are equipped with requisite knowledge in accounting and finance to be a part of this bold move and guide the nation through this journey. ”

**My dear professional colleagues,**

**I**ndian accountancy profession has been acting responsibly offering its complete support to the Government of India in its initiatives, particularly those relating to economy. More recently, we played a very crucial role in the Government's anti black money drive, *Income Declaration Scheme, 2016*, justifying our status as preferred institution to partner with the Government in that regard.

Subsequently, recently, the Government made another path-breaking move with an objective to eliminate black money and fake currency notes. On behalf of the Indian accountancy profession, we welcome the announcement made by Prime Minister Shri Narendra Modi Ji to demonetise ₹ 500 and ₹ 1000 currency notes. I appeal to my professional fraternity as they are equipped with requisite knowledge in accounting and finance to be a part of this bold move and guide the nation through this journey. As a part of nation building it is our duty that demonetisation is implemented in letter and spirit and I look forward to the support of my fraternity.

This step will not only help in eliminating black money, but choke the antinational activities financed through fake currency, thus ensuring inclusive growth and national security in one go. Despite some initial hardships, this eventually will strengthen our national economy. India being one of the fastest-growing large economies today, it realises the evils of black money and corruption that are among the biggest obstacles in holistic growth and eradicating poverty. The accountancy profession is completely in sync with the Government in this regard. Let me put it on record and extend our complete commitment to the progressive measures of our Government.

Now, let me discuss some significant developments in profession that have taken place over the last one month:

#### **Submission of Pre-Budget Memorandum, 2017**

As an annual exercise, the Government had invited the ICAI for presenting the major suggestions for inclusion in the Annual Budget, 2017-18. Accordingly, presentation was made by ICAI representatives before the Ministry of Finance covering major issues in respect of Direct and Indirect taxes. Further, Pre-Budget Memoranda—covering detailed suggestions on Direct and Indirect taxes were submitted to the Government for consideration.

#### **Update on Goods and Services Tax**

Recently, the GST Council has fixed four-tier GST tax structure of 5%, 12%, 18%, and 28%, with zero rate for

essential items and the highest for luxury and de-merits goods with additional cess. Earlier, it has increased the exemption limit of turnover from ₹ 10 lakh to ₹ 20 lakh (from ₹ 5 lakh to 10 lakh for North East states) providing big relief to the small business. All these quick decisions show the intention of the Government for early implementation of the GST in the country.

We have been supporting the Government by way of extending our suggestions on Model GST Law, Draft rules on Registration, Payment, return and Invoice, etc., and creating awareness among our members and other stakeholders. I am happy to share with you that we have been approached by some State Governments asking for help in drafting their State Goods and Service Tax. To spread knowledge in the new area, ICAI has recently developed video lectures on almost each and every topic of GST, which are hosted on ICAI TV (i.e. <http://icaitv.com/?cat=89>). All stakeholders can also access them without any cost at the e-Lectures tab at [www.idtc.icai.org](http://www.idtc.icai.org). I request all my professional colleagues to register themselves at the aforementioned website for regular GST update.

## ICAI's Registration as Insolvency Professional Agency

I wish to inform you that the notification for final Regulations of Registration of Insolvency Professionals Agency (IPA) and Model Bye Laws has been recently issued by the Insolvency and Bankruptcy Board of India (IBBI) and we at the ICAI have taken due steps for formation of ICAI's Insolvency Professional Agency in the name of *Indian Institute of Insolvency Professionals of ICAI* within these regulations. This is a new area of opportunity for members and I am sure members would avail themselves of it fully by registering themselves as Insolvency Professionals.

## Clarification on Auditor's Rotation under SQC 1 vis-à-vis Companies Act, 2013

I would like to inform you that the Council of ICAI at its recent meeting considered an issue regarding a transitional time gap in the requirements relating to engagement partner's rotation under the SQC 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by ICAI and the provisions related to rotation of auditor under the Companies Act, 2013. The Council noted that in case of audits of listed entities, paragraph 27 of SQC 1 requires rotation of engagement partner after a pre-defined period *normally not more than seven years*. It also noted that since SQC 1 is applicable from April 1, 2009, the provisions regarding the rotation of engagement partner would be applicable from

April 1, 2016 as per SQC 1. It further noted that since the Companies Act, 2013 is applicable from April 1, 2014 and the companies which are existing on or before the commencement of the Companies Act, 2013 have been given relaxation of 3 years to comply with requirement of auditor's rotation, the provisions regarding auditor's rotation would be effective from April 1, 2017. Further, the Companies (Removal of Difficulties) Third Order, 2016 has extended the time for compliance till the date of first annual general meeting (AGM) of the company held after 31<sup>st</sup> March 2017.

On consideration of the matter, the Council of ICAI has decided to issue a clarification on the said matter and provide relaxation in the requirement of rotation of engagement partner as given in paragraph 27 of SQC 1 to be aligned with the rotation of the audit firm in respect of those audit firms which would be rotated by companies in their first AGM held after 31<sup>st</sup> March 2017. Thereby for those companies where the rotation of engagement partner as per SQC 1 is applicable from April 1, 2016, it will now be applicable from the date of the first AGM of the company held after 31<sup>st</sup> March 2017.

## International Initiatives

*IFAC Council and Board Meetings in Brazil:* I along with IFAC Board member (and ICAI past President) CA. K. Raghu, among others, attended the IFAC Council and Board meetings recently in Brazil where we interacted with the CEOs of leading accounting bodies with regard to bilateral initiatives, where discussions were also held on the role of Smart Regulation, building trust and stocktaking on the initiatives like *accountability now* and NOCLAR (non-compliance with laws and regulations).

IFAC meetings were hosted by a Brasilia Accountancy Body, *Conselho Federal de Contabilidade* (CFC). ICAI delegation also called on the senior functionaries of CFC Brasilia for initiating bilateral discussions on areas of education and training. Later, we met Hon'ble Ambassador of India to Brasilia Shri Sunil Lal and sought his support in our initiative with regard to bilateral parleys with CFC and making accounting, auditing, etc., part of work programme areas under the BRICS dialogue.

*Visit to British Columbia Chapter of ICAI:* I had the opportunity to attend the Annual Event of British Columbia Chapter of ICAI on 10<sup>th</sup> November 2016 wherein Canadian National Defense Minister Shri Harjit Sajjan was the Guest of Honour. The well-attended event was also graced by the Consulate General of India H. E. Shri Rajiv K. Chander; both the dignitaries spoke very high of the contribution made by the Indian Chartered Accountants to the economy

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of Canada. ICAI delegation also met CPA British Columbia President and CEO Mr. Richard Rees and Chapter Chairman CA. Deepak Arora, among others. I also addressed the students of Simon Fraser University and interacted with senior functionaries of Langara College, Vancouver.

*Visit to Toronto Chapter of ICAI:* At Toronto Chapter of ICAI, we attended their well-attended annual event and interacted with the office bearers of CPA Canada where the ICAI delegation also included the Chapter Chairman CA. Manmohan Gauba, among others.

*Visit to Abu Dhabi Chapter of ICAI:* ICAI Vice-President CA. Nilesh S. Vikamsey had the opportunity to attend and address the well-attended 28<sup>th</sup> Annual International Seminar on *Prisms of Opportunities*, in Abu Dhabi organised by our Chapter there.

## Expert Group to Look into Issues Related to Audit Firms

The Government had recently constituted an Expert Group to look into issues related to Audit Firms under the chairmanship of TERI (The Energy Research Institute) Chairman Shri Ashok Chawla. Among others, the Group is considering whether joint audits could be implemented for Indian companies. I wish to inform that ICAI has represented to the Expert Group that joint audit is a familiar concept in India followed by large public sector undertakings, insurance companies, public sector banks and also some large private sector companies/groups and that this has stood the test of time too. Also at its 360<sup>th</sup> meeting, the ICAI Council had considered the feasibility of *joint audit* and decided to recommend to the Government that *joint audit* should be extended to listed entities beyond a particular threshold based on net worth, turnover, profit and also to such entities where there are restrictive covenants for appointment of certain audit firms. Our representation has been followed by a consultative meeting with the Expert Group on 21<sup>st</sup> November 2016, where the Expert Group has sought from us some further information and clarification regarding the threshold limit in terms of turnover, net worth or profit, in case joint audit is made mandatory for companies. ICAI will soon respond to the Expert Group in that regard.

## Encouraging Response to Our Latest Placement Drive

I am happy to note that by putting its trust in our young members and taking them in its folds to make them a part of the India's growth story, industry joined us to hire our young professionals during our 44<sup>th</sup> edition of Campus Placement programme for

the August-September 2016 period across the 22 cities in India. In a tremendous response, nearly 100 organisations including public-sector undertakings and banks, with their 175 interview teams participated and made offers to a total of 1,279 newly qualified Chartered Accountants. As many as 8,770 candidates registered to avail themselves of the placement facility. Olam International Limited offered the highest salary for international posting, *i.e.* ₹76.32 (FOREX) lakh per annum and Arcesium India Private Ltd. offered the highest salary for domestic posting, *i.e.* ₹24.00 lakh per annum. I extend my best wishes to all successful newly-qualified CAs in attaining their professional goals and keeping the flag of Indian accountancy profession flying high.

## Stage Set to Hold Two Mega ICAI Events

*ICAI Corporate Forum:* In line with our annual tradition, another high-profile event—10<sup>th</sup> ICAI-CPABI Corporate Forum on the theme of *Provenance to Professional Transformation*, will be organised on 19<sup>th</sup> and 20<sup>th</sup> January 2017 in Chennai, comprising three concurrent events, *viz.*, *Corporate Conclave*, *Financial Services Expo* and *ICAI Awards 2016*. Honouring exemplary work of our members-in-industry for their contribution in the growth of industry and national economy, the 10<sup>th</sup> ICAI Awards 2016, to be held on 20<sup>th</sup> January 2017, will see the presentation of awards under 3 main categories of CA Business Leader, CA CFO and CA Professional Achiever and 63 sub-categories. The entire process is first scrutinised by a nomination committee and then awardees will be decided by an independent group of jury consisting of eminent business leaders.

## ICAI Awards for Excellence in Financial Reporting:

To encourage and recognise excellence in preparation and presentation of financial information in India, ICAI will organise the next edition of its mega event, *ICAI Awards for Excellence in Financial Reporting*, on 7<sup>th</sup> February 2017 in New Delhi, where the prestigious awards will be given under 14 categories. IFRS Foundation Trustee and former SEBI (Securities Exchange Board of India) Chairman Shri Chandrashekhar Bhaskar Bhave has kindly consented to chair the Jury for deciding the awardees.

I would request you to take your time out to participate in these important events that aim to promote and award the people of excellence in profession.

## Update Your PAN Details in ICAI Records

I urgently wish to request all practicing members to submit their PAN details to their respective Regional Offices if they have not done already, in order to

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avoid the blocking of e-filing account by the Income Tax Department. As you know, many members have still not updated their PAN details in the Institute's record, despite the announcements and reminder emails sent by ICAI in that regard. In the recent past, the Income Tax authorities had blocked the e-filing accounts of the members who either did not submit their PAN details to the Institute or of those, in whose cases discrepancies were found between records as available with ICAI and the database of Income Tax Department on account of the mismatch in name/PAN/date of birth. These blocked accounts had been reactivated after a lot of efforts and during this period, the affected members had faced a lot of hardships. We have also informed such members through e-mail. Using <http://appforms.icaai.org/panupdate/index.html>, members may submit their PAN and other details to settle the issue of mismatch, etc., if any, at the earliest.

## Revised Editions of Guidance Notes Released

I am pleased to inform that as part of its constant endeavours to provide up-to-date knowledge and guidance to its members in response to the dynamic business environment, ICAI has issued revised editions of three Guidance Notes, i.e. *Guidance Note on Audit Reports and Certificates for Special Purposes*, *Guidance Note on Audit of Consolidated Financial Statements and Guidance Note on Report under Section 92E of Income-tax Act, 1961*. With an aim to prepare members better for their professional responsibilities, these comprehensive and self-contained Guidance Notes have been issued in light of developments like coming into force of Companies Act, 2013, issuance of Indian Accounting Standards by ICAI and notification of Companies (Indian Accounting Standards) Rules, 2015. I sincerely hope our members will make the best use of these resources to strengthen their competence.

## Group to Look into Disciplinary Mechanism Provisions of Chartered Accountants Act, 1949

With an aim to streamline the disciplinary provisions and enable effective and timely disposal of complaints, we have constituted a 6-member group of Central Council members to look into the intricacies involved in the areas wherein changes are required and thereafter propose amendments to the Chartered Accountants Act, 1949 and the Rules framed thereunder. As you know, this, i.e. formation of a separate group for the purpose, had been decided at a meeting of the Board of Discipline (under Section 21A), earlier this year, while considering an item pertaining to amendments in the Chartered Accountants Act, 1949 pertinent to

the disciplinary mechanism and the applicable Rules framed thereunder.

## Beware of Wrong and Misleading Marketing of ICAI Course by Private Colleges/Educational Institutes

I wish to inform all stakeholders about some misleading advertisements/information being spread by some educational institutions/private organisations representing as an institute in the area of finance/accountancy and offering admission for *CA course*, while claiming to enable students to prepare and complete five premier courses/programmes in five years. These institutions have provided information on their websites and published advertisements conveying they offer professional courses including the *CA course*. I wish to inform that ICAI is the only regulatory body in India empowered to conduct chartered accountancy examination and produce/enrol Chartered Accountants. Further, it has not entered into any affiliation or partnership with any institute/organisation for this purpose. However, for a limited purpose of conducting oral *coaching classes*, ICAI does grant accreditation to Regional Councils and Branches of the Institute, colleges and schools provided they fulfil certain requirements. For further details, you may refer to [http://www.icaai.org/post.html?post\\_id=6695](http://www.icaai.org/post.html?post_id=6695).

I also wish to inform all aspiring chartered accountants that students of *CA course*, during the period of their training as articulated/audit assistants, are not permitted to take any other course of study or training, whether academic or professional, or engage in any business or occupation without prior permission of the Council of ICAI. ICAI may permit a student to pursue only one course if there is no clash of training and coaching class timings.

December brings celebrations back. It is the month for a personal audit too. While we would like to celebrate the success we had this year, we also take the learning from our failures. December also brings the joy of celebrating the birthdays of Prophet Muhammad and Jesus Christ that we celebrate as *Id-e-Milad* (also known as *Milad-un-Nabi*) and Christmas in India. Riding on these celebrations, we will very soon enter the year of 2017, another year of growth, happiness and hope with the possibilities to achieve and prove our professional excellence.

Best wishes

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

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