

From the President



CA. Naveen N. D. Gupta
President, ICAI

My dear Professional Colleagues,

It is important to empathise that *carte blanche* of ubiquitous nature which has been discernible for the chartered accountancy profession has been due to path of rectitude that the Chartered Accountancy profession has all through followed in its journey of support to the Indian industry and nation. It is also in tandem with the consecrated ordainment that was fervidly put forth in the constituent Assembly debates. I quote from the *History of Accountancy Profession in India*, Volume I, written by ICAI's first President Shri G. P. Kapadia:

No profession can aspire to progress unless it has a vision and sets service to the community as its objective. It has also to be free from restraints and allow for the economic advancement of its entire membership. Its resilience and practice to respond to the changing situation and growing demands on it will determine its continued existence and growth. Technical excellence in the performance of its functions and observance of the highest in professional ethics constitutes the foundation on which its future can be built up.

It sums up the expectations from the Chartered Accountancy profession in all times to come. Consistent with the sermons that were equivocal in the path of what finally led to the creation of the Institute, the Chartered Accountants' fraternity has been espousing the cause of accountability and integrity since its inception. The profession at large realises that it doesn't have to stand just for itself, but for the society and nation too, and this is what our ideals and principles

have consistently and persistently stood for. As members of a responsible profession, we have always been working to uphold public confidence through selfless service to the nation and economy.

Chartered Accountants' profession derives its core sustainability from the strong regimen of ethics and integrity, and it has continued to work towards augmenting and strengthening the governance and accountability in the country. The profession has been and will continue to act as conscientious preservers of public trust, by strengthening its credibility among the stakeholders.

Friends! Given the emerging paradigm of international taxation and its interface with the professional domain of Chartered Accountants, the Institute has considered it appropriate to focus on the imperatives of international taxation regime by flagging the likely areas of thrust and need for related capacity-building. The Government of India is focusing on ease of doing business in country to create a conducive investment climate backed by a transparent legal framework. Therefore, it is all the more apt that our members update the requisite skillsets professionally to help the stakeholders both invested domestically and internationally. The instant issue focuses on international taxation in that context.

You would kindly empathise that the developments in international taxation have opened up a plethora of opportunities. Whilst multinationals are gearing up for a tax regime driven by an agenda to curb the Base Erosion and Profit Shifting (BEPS), the tax authorities in India are taking the lead in implementing tax measures that are now being looked at by more developed countries. New series of measures taken up by the OECD to curb the tax evasion and provide countries the right to tax income, where it is sourced, is something that the Indian tax authorities have always advocated. India has a tax regime suited to the foreign investors, not too different from that of the G10 countries.

ICAI has a pool of knowledge resources through its network of 31 Chapters globally which can always be accessed for sharing the development of jurisprudence of taxation in their jurisdiction to allow for constant knowledge enrichment. I would request my professional colleagues to keep a tab with the emerging developments in international taxation and also make best use of various initiatives by ICAI in international taxation.

Now, let me bring to you some of the significant professional developments that have taken place in the last one month:

Union Cabinet Decision on NFRA and ICAI Response

Section 132 of Companies Act, 2013 provided for the creation of National Financial Reporting Authority (NFRA), and one post of Chairperson, three posts of full-time members and one post of Secretary of NFRA. Union Cabinet chaired by the Prime Minister recently approved the same while specifying the details such as pay scale and other terms and conditions

vis-à-vis the posts of NFRA Chairman, full-time members and Secretary.

I along with ICAI Vice-President CA. Prafulla Chhajed met Hon'ble Union Finance and Corporate Affairs Minister Shri Arun Jaitley, Hon'ble Union Commerce and Industry, and Civil Aviation Minister Shri Suresh Prabhu, Hon'ble Union Railways and Coal Minister Shri Piyush Goyal and Secretary, Ministry of Corporate Affairs, Shri Injeti Srinivas, and submitted representation enumerating our views and concerns, as well as the anticipated operational difficulties. They have assured that the inherent regulatory role of ICAI as provided for in the Chartered Accountants Act, 1949 shall continue.

Against the media reports that ICAI will not have any representation on the NFRA Board, the Ministry of Corporate Affairs has notified the National Financial Reporting Authority (Manner of Appointment and other Terms and Conditions of Service of Chairperson and Members) Rules, 2018, and specified that ICAI President and Chairmen of Accounting Standards Board and Auditing and Assurance Standards Board of ICAI (ex-officio) shall be appointed as members on the Board of National Financial Reporting Authority.

2018 Edition of Guidance Note on Audit of Banks Issued

In view of the impending *bank audit* season, current scenario demands greater accountability from the accountancy profession. We need to commit ourselves to discharging our assigned duties assiduously with independence and integrity, addressing the financial/audit due diligence aspect.

I am pleased to inform that ICAI has released the 2018 edition of *Guidance Note on Audit of Banks*, which comes with a CD containing all relevant directions/circulars issued by RBI up to February 2018. Members are advised to keep track of the regulatory developments through the RBI circulars issued subsequent to February 2018 bearing on the statutory audit of banks/bank branches for the year ended 31st March 2018.

E-Learning for Auditors– Effective Use of Finacle

Recently, ICAI organised a live webcast on *e-Learning for Auditors: Effective Use of Finacle*, jointly with Infosys, which was viewed by more than 7,500 viewers. The video is available at <http://estv.in/icai/14032018/>. ICAI has tied up with Infosys, wherein it will provide 7 e-Learning Modules (12 videos of 120 minutes duration each) on Finacle customised for effective bank audit, assisting auditors in detective controls. The same can be subscribed by any member at a cost, the details of which are available at <http://www.pdicai.org/>.

Advisory regarding Allocation of Work among Joint Auditors in Bank Audit

Revised Standard on Auditing (SA) 299, *Joint Audit of Financial Statements*, deals with the responsibility of joint

audit and allocation of work among the joint auditors, among others. As per the SA 299, where joint auditors are appointed, they should, by mutual discussion, divide the audit work among themselves. The division of work among the joint auditors as well as the areas of work to be covered by them should be adequately documented and preferably communicated to the entity. RBI has communicated to the ICAI that there have been certain issues between banks' joint auditors and their management with regard to the allocation of work among the joint auditors. ICAI has issued an advisory that while allocating work, efforts should be made to ensure that allocation amongst them should be in agreement with the management of the bank. When so required, the said allocation may be carried out in consultation with those charged with the governance of banks.

Growing Acceptance of ICAI Software— Appointment of Statutory Auditors in PSBs

I am happy to share, three banks, Dena Bank, Syndicate Bank and Oriental Bank of Commerce, have selected their statutory auditors using the ICAI application, which will streamline the process of appointment of statutory bank auditors. ICAI has approached all PSBs in this regard asking them to use this ICAI application for the selection of statutory auditors. I am sure, more banks will gradually adopt our application for the purpose.

PNB Matter—An Update

As you know, a High-Power group has been constituted by ICAI to look into the report of major fraud in Punjab National Bank and suggest remedial measures and improvements. The Group has written to various officials of the Bank asking for information in the matter. It has been preliminarily found that internal and concurrent audit in the PNB was carried out by its officials, whereas this in banks is carried out by independent firm of Chartered Accountants. It appears that prima facie the fraud has been done by the collusion of many persons, inside and outside the system. The work of the High Power group is in progress.

Auditing Standards Approved

As you know, in the recent amendments in the FDI Policy, Union Cabinet had approved a policy, where foreign investors investing in companies, can have CA firm of their choice, if they have a joint audit with another auditor, who will not be part of the global network of the first auditor. In view to update the membership with regard to joint audit, the ICAI Council has approved the revised Standard on Auditing (SA) 299—*Joint Audit of Financial Statements*.

Ind ASs on Banks & NBFCs—ICAI's Initiatives

Ind ASs have been successfully implemented in India by the Phase I companies, which have also published their financial statements prepared in accordance with the Ind ASs for the financial year 2016-17. Phase II companies are in the process of finalising their financial statements as per the Ind ASs.

From the President

As per the roadmap laid down by the Ministry of Corporate Affairs, Ind ASs will be implemented for the banks and NBFCs from the financial year 2018-19 onwards.

ICAI believes that successful implementation of Ind ASs in the banking sector would require a thorough assessment of the applicability of key Ind ASs, planning, manpower training, resources and proper system implementation. Manpower training in banks will help in smooth Ind AS implementation in the banking sector, facilitating the evaluation of credit on the basis of Ind AS financial statement. Geared up and ready, ICAI is working to provide necessary support and guidance to its members and other stakeholders, including organising training programmes for bank officials. ICAI, in order to ensure uniform practices across the banking industry, is set to issue guidance on the matter pertaining to the financial instruments standards. Through Ind AS Transition Facilitation Group, immediate non-authoritative guidance is provided on the issues arising from the transition to Ind ASs through the issuance of clarification bulletins addressing the implementation issues. So far, 14 clarification bulletins covering 104 issues have been issued.

Revision in Accounting Standards

As you may be aware, ICAI has taken up the project of upgradation of existing Accounting Standards to bring them nearer to the Indian Accounting Standards, keeping in mind the aspects, such as simplicity, limited use of fair value concept, lesser disclosures and minimal use of discounting concept. In this regard, the ICAI Council in its March 2018 meeting approved the draft of AS 16, *Property, Plant and Equipment*, which will become effective at a later date as a part of the complete set of upgraded Accounting Standards. The Council, as part of the convergence with IFRS Standards project, approved the inclusion of Appendix C, *Uncertainty over Income Tax Treatments*, to Ind AS 12, *Income Taxes*, corresponding to IFRIC 23 as issued by the International Accounting Standards Board. It is proposed to be effective from accounting periods beginning on or after 1st April 2019.

Meeting with CVC—ICAI Informs about Its Software

I along with ICAI Vice-President CA. Prafulla Chhajed and Central Council member CA. Ranjeet Agarwal met the Chief Vigilance Commissioner Shri K. V. Chowdary and Vigilance Commissioner Shri T. M. Bhasin recently, wherein we stressed on the importance of professional resources, experience and expertise in the allotment of professional services Govt. assignment, which often don't get priority in the present system of tendering where priority is on pricing. Upon our information that ICAI proposes to develop a web-based application to address this aspect, CVC has agreed in principle and advised us to make a representation.

MCA's Stance Resolves IFRS Copyright Matter

As you may be aware, ICAI has been engaged with the IFRS Foundation in respect of some copyright waivers for the use of IFRS standards in the development of Ind ASs. These include

Ind ASs converged with the IFRS and their formulation and notification under the Companies Act, 2013, among others. I am glad to inform that, in recognition of our professional commitment and contribution, the Ministry of Corporate Affairs has communicated to the IFRS Foundation, that since the notified Ind ASs as notified are part of legislative framework, as the nodal Ministry dealing with promulgation of Ind ASs converged with IFRSs; the MCA is releasing yearly corpus of GBP 5,00,000 to IFRS Foundation. Further, the IFRS Foundation may not press for the copyright issues any further, as both ICAI and IFRS Foundation are not-for-profit-making organisations, engaged in the improvement in financial reporting systems in public interest.

ICAI @ Champion Services Sectors

As you may be aware, Union Cabinet has recently approved the proposal of Department of Commerce to give focused attention to 12 identified Champion Services Sectors to promote their development and realise their potential. Accounting and Financial Services is one of those. Union Cabinet has directed the concerned Ministries to utilise the available draft sectoral plans to finalise and implement the Action Plans for the identified Champion Services Sectors, under the overall guidance of the Committee of Secretaries under the Cabinet Secretary.

Since India's services sector has immense potential for employment, such an initiative will enhance competitiveness in the sector through the implementation of focused and monitored Action Plans. This will in turn boost the GDP too, creating jobs and promoting exports. In this regard, MCA had called upon the ICAI to make a presentation on the reforms relating to accounting and finance for achieving the targets as per the Action Plan. I along with my Central Council colleague CA. Babu A. Kallivayalil made a well-received presentation at the MCA in this regard.

Overseas Campus Placement for New and Experienced CAs

The Government of India has identified Accountancy and Finance as one of the 12 Champion Sectors for harnessing expert potential through appropriate skilling and related capacity building. I am pleased to announce that ICAI has planned to hold a special overseas campus placement for both new and experienced Chartered Accountants on 26th-27th June 2018 in India, through the mode of videoconference/personal interview. This placement drive that is being spearheaded by the ICAI network of Overseas Chapters, will provide an opportunity to the overseas employers to access the profiles of Indian CAs, interview them and select those who suit their requirement. Further details in this regard will be available on the ICAI website soon.

ICAI to Host IFASS Meeting in April 2018

I take pleasure to inform that ICAI will host the next meeting of the International Forum of Accounting Standard-Setters (IFASS) on 12th-13th April 2018 in Mumbai, which will be attended by the representatives of its member countries and

observers. Hosting of such events is a credence to ICAI for its role in standard-setting. Already, ICAI is represented on the leadership of CAPA and AOSSG, as President and Vice-Chair respectively. On the sideline of IFASS meeting, interactions of IASB delegation with the top officials of Indian regulators including ICAI, MCA, SEBI, IRDAI and CAG, have also been planned. An industry outreach programme on the new Insurance Standard (IFRS 17) and Expected Credit Loss (ECL) model of IFRS 9 has also been scheduled on 11th April 2018.

New Certificate Courses Introduced

In order to reskill our members and empower them suitably as a capacity-building measure, the ICAI Council recently approved the revised *Certificate Course on Internal Audit*, with revision in curriculum and inclusion of new thoughts in the areas of governance, risk management and compliance. Further, public finance and government accounting is another area where a need has been felt to develop skillset and empower our membership, and, therefore a new *Certificate Course on Public Finance and Government Accounting* has been launched.

Increase in Members' Strength for Setting up a Branch

Under Regulation 159(1) and (1A) of the Chartered Accountants Regulations, 1988, in view of the online services being provided by ICAI to its members and students, the Council at its March 2018 meeting has decided to increase the minimum number of members required for setting up of a Branch from 150 (place-level Branch) and 100 (district-level Branch) to 200 members for both level of Branches.

ICAI Registered Valuers Organisation Formed

Companies (Registered Valuers and Valuation) Rules, 2017 had been notified on 18th October 2017, introducing the setting up of a new organisation to be called as *Registered Valuers Organisation* (RVO). This RVO shall enroll, educate and train members to enable them carry out activities for the effective *valuation* procedures and methods, develop the profession of registered *valuers*, promote continuous professional development of valuation professionals, establish and promote high standards of practice and professional conduct. This will lead to upcoming professional avenue for our members. I am happy to inform that ICAI has formed *ICAI Registered Valuers Organisation*, a Section 8 company, to enroll and educate its members to become registered valuers. ICAI RVO held its first Board meeting recently.

Rising Initiatives of IIIPI

I am pleased to inform that the Indian Institute of Insolvency Professionals of ICAI (IIIPI) after completing one year in 2017 has now share of over 60 per cent of all insolvency professionals (IPs) of the country. IIIPI's exclusive arrangement with ICAEW (UK) for knowledge partnership provides its member IPs access to their online Insolvency and

Restructuring Group at highly-discounted rates. IIIPI and World Bank Group have jointly commenced their training series for the IPs in India. With the launch of an interactive forum, *Knowledge Quest*, and its quarterly journal, *The Resolution Professional*, and that of knowledge SBUs (strategic business units) and foundation course for newly-enrolled IPs in the pipeline, IIIPI is set to play a big role as a premier Insolvency Professional Agency.

Meetings of Insolvency Law Committee

Recently, 4th meeting of the *Insolvency Law Committee* was held, chaired by the Secretary of Ministry of Corporate Affairs Shri Injeti Srinivas. I along with my Central Council colleague and Insolvency and Bankruptcy Laws Group Convenor CA. Nihar Jambusaria attended the meeting. Insolvency Law Committee constituted by the Government makes recommendations to address the issues arising from the functioning and implementation of the Insolvency and Bankruptcy Code, 2016. It has recently submitted its report too.

IFAC SMP Committee Meeting in New York

I had the opportunity to attend the Meeting of SMP Committee of IFAC along with ICAI past President (and CAPA President) CA. Manoj Fadnis on 19th-20th February 2018 held in New York. In the meeting, I made a presentation on the Recent ICAI activities on Digital Accounting and Assurance and the Digital Competency Maturity Model, which was appreciated and received well by the IFAC SMP Committee.

IFAC Global SMP Survey

2018 IFAC Global SMP Survey has been launched on 22nd March 2018, which will remain open until 21st May 2018. The survey will help member organisations and IFAC gain an understanding of the specific challenges and opportunities faced by SMPs and SMEs and as a result, better serve this critical constituency. In the past, numbers of responses from India are not very encouraging and I request all of you to come forward and respond to the Survey (available at <http://www.surveygizmo.com/s3/4116452/IFAC-Global-SMP-Survey-2018>) so that concerns/issues/views currently being faced by Small and Medium Practitioners of Indian accountancy profession are duly collated, the real SMP voice heard, India being hub of SMP practices and these duly considered at the International level.

Initiatives on GST—An Update

GST Council at its meeting held recently has deferred the applicability of reverse charge mechanism under Section 9(4) of CGST Act and TDS/TCS provisions till 30th June 2018. Also, it was decided that return filing in Form 3B will continue till 30th June 2018. ICAI's publication *E-Way Bill under GST* will be revised soon. ICAI has made a representation to clarify that *input tax credit* should not be denied to buyers for the mistake of sellers and to allow KKC (*Krishi Kalyan cess*) credit under the GST law.

From the President

ICAI has also submitted a representation that Input Tax credit should not be denied to buyers due to default of seller as GST law provides a precedent condition to avail ITC that seller must have paid tax to the Government. Recently ICAI has also submitted a simplified user-friendly model of GST return filing, wherein credit be enabled in simplified manner to the recipient without prepayment of taxes with various safeguard to capture defaulted suppliers.

Meeting with Indian Railways Financial Commissioner

I along with Central Council member (and ICAI-ARF Director) CA. Atul Kumar Gupta had a meeting with the Indian Railways Financial Commissioner Shri A. K. Prasad, Principal Executive Director (Finance) Shri Naresh Salecha and Director (Accounts & Accounting Reforms) Shri Sanjeev Sharma. We discussed the ongoing accounting projects for the rollout of accrual accounting system in the Indian Railways on all-India basis through the ICAI's Accounting Research Foundation.

Let us Strengthen Our CABF

It should be incumbent upon all CA professionals to stand together and united in the hour of crises that come to anyone amongst us. One way to do this is by strengthening the Chartered Accountants' Benevolent Fund (CABF) of ICAI, which is a philanthropic initiative for the welfare of our member colleagues in distress and of the families of our deceased colleagues. Let us strengthen the Fund so that the help remains available to all of us and our families, in crisis.

I am happy to inform that our immediate past President CA. Nilesh S. Vikamsey has donated ₹11 lakh to the CABF. I extend my sincere appreciations to him for this generous gesture.

Renew/Restore Your Membership

We have found many instances wherein individuals either have not enrolled themselves as member of the Institute after passing their CA Final examination or had taken the membership, but their membership stands inactive due to non-payment of membership fees, thereby depriving themselves to use the designation of *Chartered Accountant* and other professional benefits, such as the subscription of ICAI Journal, Regional Council and Branch newsletters, the entitlement to carry out professional assignments, and audit empanelment benefits.

ICAI Council has provided an opportunity to the members, who have not been on the Register of Members of ICAI for years on account of non-payment of fee, may restore with retrospective effect by paying the applicable membership fee of those years and restoration fee along with GST @ 18%. Members, who duly submit their application for restoration on or before 31st March 2018, will also be eligible to vote in the elections to ICAI Council and Regional Councils to be held in December 2018. Please refer link <https://resource.cdn.icai.org/49377icaimss240318.pdf> for further details. It will also facilitate cases where employer regulators seek

confirmation from the Institute vis-à-vis membership status of a candidate and inactive membership causes disadvantage to the candidates. I urge all such candidates to come forward and take/renew their membership at the earliest by making use of this opportunity.

ICAI Extends Heartfelt Condolences

With profound grief, I wish to inform that our past President (1973-74) and fourth from the Eastern Region, Shri Salil Kumar Gupta passed away recently on 6th March 2018. His concerns for the enrichment of the professional heritage along with the profession's need to take on the social responsibilities of its times is worthy of being remembered.

Then, recently, the profession got the news of the sad demise to two more noble souls from our profession— CA. Shivji Kunwerji Vikamsey (former Central Council member and father of our two past Presidents, CA. Kamlesh S. Vikamsey and CA. Nilesh S. Vikamsey) and NIRC past Chairman (1968-69) CA. P. N. Mehta, who played key role in the consolidation of accountancy profession in their (i.e. Western and Northern) Regions respectively during their tenure.

Expressing sincere gratitude to those noble souls for their invaluable professional contribution, the accountancy profession of India wishes: *May the noble souls rest in peace!*

It is encouraging to note that with the opening up of world economy, newer professional avenues are coming in our way. As Chartered Accountants, we just need to continue offering our professional competence and expertise in the best interests of our country. We know that our role will become more onerous with time, but we will always be able to rise to the occasion responding to the challenges and criticality of our times, using our strong character, and an honest approach to development.

Let me wish you a happy *Easter* (1st April) celebrating the resurrection of Jesus Christ from death. Also, I sincerely extend my best wishes for happy birth anniversaries of Hazarat Ali (1st April), the son-in-law of Prophet Muhammad, and Gautam Buddha that we celebrate as *Buddha Purnima* (30th April). Also, this is time to celebrate Bohag Bihu (15th April), which is the Assamese New Year celebrating the Spring Festival in Assam. Let us celebrate and share each other's happiness and merriment.

Prime Minister Shri Narendra Modi said: *A national festival is an occasion to refine and rebuild the national character.* Let us celebrate our festivals together defining and strengthening nationalism in our fundamentals.

Best wishes



CA. Naveen N. D. Gupta
President, ICAI

New Delhi, 27th March 2018