

ICAI in Media: Glimpses of April, 2018 and May, 2018

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REGULATORS

Rules for global auditors to be looked

A recent Supreme Court order has prompted the Institute of Chartered Accountants of India (ICAI) to set up a nine-member committee to examine the legal framework for the entry and exit of global audit firms in the country. Prafulla P. Chhajed, vice-president, ICAI, has been appointed convener of the committee that will suggest measures for effective implementation of the SC judgment. In March this year, following a petition alleging illegal operation of global audit firms with Indian chartered accountants, the Supreme Court had asked for the establishment of a three-member expert panel. The order had put the spotlight on the Big Four audit firms – EY, PricewaterhouseCooper, Deloitte and KPMG.



ICAI proposes Commerce as compulsory subject from Class VI

Mumbai, April 19, 2018

The Institute of Chartered Accountants of India (ICAI) has proposed that commerce subjects should be included in the syllabus from class VI.

Commerce stream these days have taken new dimension in terms of career selection. Students prefer commerce stream irrespective of their academic standing.

Mukesh Singh Kushwah, convener, Career Counselling Group, ICAI, said, "During the initial school years, students are taught science and social science, but there is no commerce base being taught at schools." He said that they have written to the Ministry of Human Resource Development requesting to include some topics of commerce in the school curriculum from class VI.

ICAI emphasised on the need of introducing commerce subjects at school level so that students will be in a better position to select the stream they wish to follow when the right time comes. Commerce being an important part of economy may help the students to shape a better future.

Business Standard

May 07, 2018

When auditors raise the red flag

STUDIPTO DEY

Over the past few months, there have been several instances of auditors raising the red flag against certain questionable business and accounting practices followed by their clients. The qualifications and observations noted by auditors included doubts over the ability of a firm or one of its subsidiaries to continue as a going concern, questions around the adequacy of a company's internal control mechanism or even certain transactions undertaken by the promoters. In one case, the statutory auditors even refused to sign quarterly financial results, unless the promoters presented a clear path on how they plan to return the money borrowed from the firm.

So, is the audit fraternity finally coming to terms with increased scrutiny of their action? Most auditors agree in light of the spate of scams and frauds—both in India and globally—the profession is under a scanner like never. "It is not surprising the auditors are being extra vigilant," says Dinesh Kanabar, CEO, Dhruva Advisors.

What may have also contributed to stepped-up vigilance on the part of auditors are the new provisions on rotation of audit firms. However, there are many in the fraternity, like former ICAI president Amarjit Chopra, who feel one may be making too much out of the observations made by auditors. Chopra is of the view that concerns raised by auditors are also a reflection of the state of the economy. "When the economy is booming and the promoters are in a position to infuse funds in the corporate, either on their own or through the bankers, or strategic investors, going concern issue may not be relevant. But when there is a downturn, these concerns become more relevant," he says.

Shalish Haribhakti, chairman, Haribhakti & Co, strikes a middle ground. He says, "The qualifications and reservations were always there. It is natural that more analysts are noticing these qualifications and commenting on them. This

is a healthy trend," he says. Vishesh C Chandio, CEO, Grant Thornton India thinks it is natural for auditors to learn from events around them. "Auditors ought to enhance their professional scepticism when events in an industry or environment suggest the need to do so," says Chandio.

Hetal Dalal, COO, Institutional Investor Advisory Services, feels the recent focus on the role of auditors, following a spate of scams and fraud, is justified. "Some of the recent frauds could have possibly been avoided had auditors tested the level and quality of financial control rigorously," she says.

Kanabar says the degree of trust and reliance that the auditors may have placed on management representations in the past is now replaced with scepticism. "A management note to the accounts 'disclosing' what has been done or general comments on the adequacy of controls are no longer sufficient."

Chopra points out that the role of the regulators, be it the RBI or SEBI or ICAI or others, has undergone a significant change over the years.

Moreover, the International Auditing and Assurance Standards Board, an independent standard-setting body, too has upped the ante for auditors. It regularly keeps upgrading the standards on auditing, including those on reporting by the auditors.

There is also an issue of expectation gap that the audit fraternity needs to address. "This seems to be a classic example of the 'expectation gap' between what the auditor's role and responsibility is and what is the perception of their responsibilities by the public at large," says Chandio.

"An auditor does not sign off on the financial health of business they audit. They merely express an opinion on the accounts they audit," explains Kanabar. It is important to understand this distinction, he says, Chandio too agrees that this perception versus reality gap needs to be reduced through public education.

WHAT THE AUDITORS SAID

Hindustan Construction Co

■ Auditor for Lavasa Corporation said the net worth of subsidiaries of HCC has been fully or significantly eroded

■ The auditors had doubts about the ability of the firm to continue as a going concern

Religare

■ New auditors launched an extensive review of Religare's books after the RBI inspection report highlighted deviations in several entries

■ The auditors noted the company did not make provisions for non-performing assets of ₹7,98

billion despite the central bank directing it to do so

■ The auditors warned that continued weakness of internal controls at the company could invite penal action from regulators

Fortis

■ The auditor refused to sign off on the group's results for the second quarter of 2017-2018 until the funds allegedly withdrawn without the board's approval—were accounted for

Reliance Naval and Engineering

■ Auditors raise doubts about the company's ability to continue as a going concern

INDIAN NEWS & TIMES

The ICAI takes a strong exception to the contents of the news item published in the newspaper which is incorrect and misleading

NR Indran, Finance, April 23, 2018

The Institute of Chartered Accountants of India (ICAI) has come across few news-items wherein it was stated that "A Chartered Accountant and an Excise and Taxation department officer (ETO) have been arrested for an alleged fraud of Rs 52 crores. The said news was published in couple of eminent publications dated April 17, 2018. ICAI, being the regulator of the profession of Chartered Accountants took up the matter with concerned authorities. The representatives of ICAI immediately contacted ACP Shri Sandeep Malik & SHO Shri Vikas Kaushik seeking details in the aforesaid matter & also requested VAT Department, Haryana to share information about the accused i.e. Rakesh Arora.

On its part, the Institute also verified its records and found that accused Rakesh Arora is not a Chartered Accountant as his name does not appear in the Register of members maintained by the ICAI. In view of the above, it is a matter of grave concern for ICAI that in the aforesaid matter neither the Special Investigation Team (SIT) of Police verified the credentials of the person in question with ICAI before issuing a statement to the media, nor the Publications cross checked the validity of the statement with ICAI before publishing the story. The Institute has already taken up the matter with SIT, Gurugram and has pointed out that such statement should not be issued to media before verifying the facts with ICAI. It would also be requested that in future, if any such case comes for their investigation wherein there is an alleged involvement of an individual claiming to be a Chartered Accountant, the matter be first referred to ICAI for cross verifying the credentials from its records.

The news which has appeared in a section of media certainly has maligned the reputation of Chartered Accountants in the eyes of public and has thus lowered the image and credentials of CA profession. The ICAI takes a strong exception to the contents of the news-item published in the newspaper which is incorrect and misleading in so far as the reference to a 'Chartered Accountant' was made. In such sensitive cases, the concerned Department and Publications ought to have verified the facts with the Institute before issuing any statement wherein the involvement of a Chartered Accountant is suspected.



Overseas Campus Placement Programme: ICAI to Tie-Up with Universities approved by Foreign Embassies

Tax Scan Team, April 30, 2018

As part of the new venture, Overseas Campus Placement Programme, the Institute of Chartered Accountants of India (ICAI) to tie-up with universities/institutions approved by the foreign embassy abroad, said the President CA Naveen N D Gupta.

Last month, the ICAI announced that the Institute is planning to hold a special overseas campus placement for new and experienced Chartered Accountants with a view to providing an opportunity to the overseas employers to recruit the Indian chartered accountants.

'Accounting and financial services' have been identified among the 12 Champion Sectors by the Prime Minister. Since then, ICAI has constantly been in dialogue with its parent Ministry, i.e. Ministry of Corporate Affairs, to draw its action plan to achieve the Vision 2022 given by the Government of India.

To promote the export of Indian CA services as well as to provide an opportunity to overseas corporate in the recruitment of Indian CAs, ICAI will organise Overseas Campus Placement Programme on 24th-26th August 2018.

"I urge all my overseas colleagues to spread words about this in their respective corporate, firm of accountants, etc., and among other potential employers, requesting them to participate in this special drive to recruit our fresh as well as experienced members. You may also participate in the HR meet, to be organised by ICAI in your country, for which the dates will be announced soon," said ICAI President.

He said that interviews will be held in Delhi, Mumbai and Chennai in person, wherein the corporate may participate. Interviews will also be held through video conference on these days for the candidates based in Jaipur, Hyderabad, Kolkata, Delhi, Mumbai and Chennai. The separate announcement in this regard will be published on the ICAI website shortly.

"In order to overcome the language barriers and increase the employability of Indian CAs abroad, ICAI is taking initiatives to tie-up with universities/institutions approved by the foreign embassy abroad. To start with, ICAI is in dialogue with the relevant authorities with regard to French, Spanish and German languages," he added.

DNA

New Delhi, May 1, 2018

'PNB fraud undetected due to late auditor appointment'

Anjul Tomar
anjul.tomar@tribuneonline.in

New Delhi: Pointing out late appointment of auditors as one of the key reasons that led to the Rs 13,500 crore fraud going undetected at the Punjab National Bank (PNB) for a long time, a report by the apex body of chartered accountants has cautioned the banks against appointing auditors towards the end of the financial year.

The Institute of Chartered Accountants of India (ICAI) in its report to the government has identified the loopholes in the bank systems and has suggested remedial measures to strengthen the banking system in the country.

The report, submitted to the Ministry of Corporate Affairs (MCA), focuses on how to deal with frauds and irregularities of a serious nature that have big financial implications.

The ICAI, which works under the administrative control of the MCA, had constituted a high powered group in February to look into the PNB scam.

Further action on the report will be taken by the government soon. "We are studying the report and will take action wherever it is necessary," a highly placed source in the government told DNA Money.

The report calls for increasing the involvement of external auditors and giving more time for conducting statutory audits.

"Central statutory auditors should be appointed at least during the first quarter of the financial year. Their terms of engagement should be enhanced to perform a comprehensive internal control review," the report says. "PNB auditors were appointed towards the year end. They were expected to complete the audit work and certify the branch financial reports within a short deadline," the report said.

Flagging the issue regarding the RBI inspections, the report said that the regulator's supervision over the branch operations was inadequate in the PNB case.

"The supervision function of this critical sector of the economy can't be performed effectively through off-site surveillance mechanism as is being done," said the report, cautioning it would not result in prevention and detection of major frauds of high magnitude. It suggested that RBI should seek services of external concurrent auditors with suitable skill sets.

ICAI also said it has made representation to RBI for strengthening the concurrent audit of the banking system by bringing transparency in its appointment of auditors.

In the case of PNB's Brady House branch, concurrent audit was being carried out in-house by the bank employees. The concurrent audit system is an important internal control to ensure that all banking transactions are recorded in the books accurately and on timely basis, it said.

Bank branches with sensitive and complex functions such as trade finance, treasury and corporate lending should be subject to a robust system of concurrent audit by an external concurrent auditor, it said.

STRICTURES ON RBI

- RBI's supervision over the branch operations was inadequate in the PNB case
- The report calls for giving more time for conducting statutory audits




ICAI launches New IT Initiatives for Chartered Accountants and Students

Tax scan, May, 04, 2018

The Institute of Chartered Accountants of India (ICAI) has launched a number of IT initiatives for the members and students. Enumerating the recent significant initiatives, ICAI President CA Naveen N D Gupta said that "I am happy to share that ICAI has been leveraging technology to bring its member and student services to their doorsteps." e-Sahaayata at ICAI NOW: ICAI's e-Sahaayata (i.e. <https://help.icai.org>) helps its members and students communicate their concerns regarding the functions of ICAI and get a timely resolution.

"I am happy to inform that e-Sahaayata is now available on the mobile app ICAI NOW too. Having revolutionised the dissemination of information, ICAI NOW makes available the updated content from ICAI website to its users." Downloaded by more than one lakh users, the app has received a positive feedback from its ten-thousand-plus users with an average rating of 4.2. Also, Grievance Monitoring Committee has been constituted in all the five Regions, which will frequently meet, possibly once a week, and review the grievances of our members and students relating to administrative and regulatory matters.

"I sincerely hope, these initiatives will go a long way in the timely resolution of our members' and students' concerns," he said. Online Facility for Change in Email, Mobile and Address: As you know, due to the paucity of time, we often tend to rely more ongoing on online and executing our various works and projects using our mobile phones, tablets, etc., to meet multiple deadlines especially in a virtual-office-like situation. "To facilitate our members with a hassle-free system, ICAI recently launched an OTP-based online form using which our members can update their mobile number and email in the ICAI records. ICAI also launched an online service with regard to the change of address for its members, which can now be done without any paperwork or manual intervention. All the above facilities are available in the dashboard of members, which is available under the e-Services section at <https://www.icai.org>," he said.



SAFA to Form Women Empowerment Committee and to replicate Digital Initiatives of ICAI

Tax Scan Team, May 14, 2018

South Asian Federation of Accountants (SAFA), which is an Apex body of SAARC and an Acknowledged Accountancy Grouping of International Federation of Accountants (IFAC) in its recent Board meeting held on May 11, 2018, in Kathmandu, Nepal has decided to constitute a SAFA Women Empowerment Committee on the recommendations of CA. Naveen N. D. Gupta, President, Institute of Chartered Accountants of India (ICAI). CA. Naveen N.D. Gupta is representing ICAI on the Board of SAFA. CA. Gupta while sharing the details of the various courses/programmes designed by ICAI to provide technical knowledge to the women members by keeping them abreast with the latest amendments taking place in the profession had suggested constituting an exclusive Women Committee at SAFA level. He added that one of United Nations Sustainable Development Goals (SDGs) 2030 is addressing the Gender Gap which is a precondition for meeting the challenge of reducing poverty, promoting sustainable development and building good governance. The SAFA Board unanimously accepted the proposal of ICAI and decided to constitute SAFA Women Empowerment Committee for the women members of the SAFA Region.

India represents more than 90% of female professional accountants of the SAARC Region and this new Committee of SAFA will conceive, formulate and implement plans, policies, and programmes for development of Women Members in the SAARC Region. In another important decision; the Board has agreed with the recommendation of President, ICAI to replicate the survey undertaken by the Digital Accounting and Assurance Board of ICAI for sharing the views on the emerging profile of Chartered Accountant professionals in a digitally driven era and its impact on Accounting and Assurance. The Board has also decided to adopt and promote Digital Competency Maturity Model (DCMM) of ICAI for Professional Accounting Firms amongst the SAFA member bodies. DCMM is an endeavor to provide a set of minimum requirements which the firms can evaluate on a self-assessment basis and build a strategy for upskilling, to leverage the opportunities which will unfold in the digital era.

The Hindu Business Line

New Delhi, April 25, 2018

CA body issues draft on valuation standards

KR SRIVATS

New Delhi, April 25

The CA Institute has come out with drafts of Indian valuation standards, seeking to provide a benchmark to professionals to ensure uniformity in approach and quality of valuation output. The Valuation Standards Board (VSB), which was set up by the CA Institute in 2017, has now released as many as 10 draft valuation standards for public comments by May 12 this year, sources said.

The valuation field plays an important role, among other areas, in insolvency resolution where liquidation value has to be ascertained by resolution professional through the registered valuers. The proposed valuation standards are expected to standardise the various principles, practices and procedures followed by registered valuers/valuation professionals in valuation of assets and liabilities.

The valuation standards set out concepts, principles, practices and procedures which are generally accepted internationally with regard to prevailing legal framework, procedures and practices in India.



May 04, 2018

Rlys Gets Ready for Accrual Accounting

RajaLArora@timesgroup.com

On Track
Railways begins accounting reforms
To roll out accrual-based statements by March, 2019

130 chartered accountants from ICAI assisting in the roll-out

New process to allow railways to report segment-wise revenue
Cash-based accounts will also continue
Railways has 17 zones and 68 smaller divisions

New Delhi: The 165-year-old Indian Railways will usher in its most profound accounting reform since independence as it prepares its financial statements for the current fiscal under the accrual-based accounting system, the process widely followed by the corporate sector.

Railways has been preparing its financial statements through the dated cash-based accounting system. It will continue to prepare cash-based accounts as that is a constitutional requirement. But the shift to the accrual system gives a more accurate financial picture of an organisation.

Accrual-based accounting is being rolled in the railways in association with the Institute of Chartered Accountants of India (ICAI). "As a part of accounting reforms, accrual-based financial statements will be rolled out by March, 2019. Around 130 chartered accountants placed in the field by ICAI are assisting the roll-out," a senior railway ministry official said.

"In accrual-based accounting, revenue is reported in the fiscal when it is earned, irrespective of when it is actually received, and expenses are deducted when they are incurred, regardless of when they are paid. In cash-based accounting, books are prepared when cash is paid or received," said Utkarsh Gulati, a chartered accountant with Lodha & Co.

The new accounting process will allow the railways to report segment-wise revenue, helping more accurately monitor the profitability of different lines of business and services.

"Through accrual-based accounting system, we will be able to analyse step-wise costing of every asset created and services delivered. We will also be able to arrive at micro details such as train, section and rail route costing and profitability numbers," the railway ministry official said.



ICAI members can have Chartered Accountants Australia & New Zealand membership

PTI | May 08, 2018, 07:34 PM IST

Chartered accountants' apex body ICAI today said it has entered into an arrangement with Chartered Accountants Australia & New Zealand whereby its members based in the two countries would be able to have membership of CA ANZ.

The Institute of Chartered Accountants of India (ICAI) has entered into a unilateral arrangement 'Pilot International Pathway Scheme' with Chartered Accountants Australia & New Zealand (CA ANZ).

"The said pathway programme is in addition to the proposed memorandum of understanding, which is before the government for approval," the ICAI said in a release.

The institute has around 1,500 members in Australia and New Zealand. It also has three overseas chapters in Australia and one in New Zealand.

According to the institute, the scheme would aid India's focus for facilitating export of accountancy services and promotion of global mobility of accountancy services in digital world.

"The scheme would increase the professional avenues for our members in Australia and New Zealand by facilitating recognition of Indian accountancy professionals with local accountancy qualification in addition to existing ICAI qualification," the release said.

ICAI members based in Australia and New Zealand would get the membership of CA ANZ "by completing 40 hours of self-study programme and attending a two days workshop in less than one month's time".

The participants shall be evaluated through oral and written assessments during the workshop.

Always bear in mind that your own resolution to succeed is more important than any one thing. - Abraham Lincoln