

# From the President



**CA. Naveen N. D. Gupta**  
President, ICAI

My Dear Professional Colleagues,

By *Constitution*, our nation stands for the protection and furtherance of civil rights of its citizens and today as citizens, we can express and profess the way we are. This is a significant aspect of our Constitution that needs to be celebrated and maintained. Bonds of trust and social connectedness that we feel today in our society needs to be retained. Celebrating the spirit of civil society, the policymakers have expressed their commitment time and again to safeguard our rights and independence through examples. As a professional community, we just need to stick to our priority, which is to safeguard and serve the economic interests of our nation and further the public interest.

Today, we are a liberal democracy with high priority to social capital and highly responsive political and administrative systems supporting us and our fellow citizens. Critically acclaimed political scientist Francis Fukuyama defines social capital as the existence of a set of informal values or norms among members of a group that permits cooperation and promotion of virtues and reciprocity among them. Therefore, as a professional community, we must continue to be the example and add to the social capital quotient by increasing the effectiveness of our services and spreading a culture of cooperation and supportive relations among various stakeholders of the profession.

With change in economic scenario, expectations particularly from professionals have increased. More so, from the auditing profession, since auditors play a key role by contributing to the credibility of financial statements and providing key support system in the financial stability of an economy. Here, auditing standards have a crucial role to play, since these help the auditors in ascertaining that challenges and complexities of financial statements are suitably addressed. As per the provisions of the extant Companies Act, the auditors are to comply with the auditing standards that are being formulated and issued by the ICAI in view of the emerging and existing global auditing practices. So far, ICAI has issued 46 Engagement Standards and Quality Control Standards which are aligned with the international standards and best global practices. Besides, guidance notes, technical and implementation guides, and other support materials are brought out from time to time to help and assist our members in meeting their professional expectations.

Voicing expectations from the profession, former President of India Dr. S. Radhakrishnan had said: *In matters relating to the public enterprises which we undertake, our duty should be to see that monies spent are properly spent and that there is no wastage. That is a thing which you have to promote. You will help us in maintaining high standards of public behaviour by your frank and candid accounting and auditing. It is therefore essential that you maintain high standards.* As chartered accountants, we must continue to retain the culture of responsibility and public trust in profession.

Acting in the interests of national economy as legitimate professionals, it is both our privilege and prerogative to profess with ethics and integrity, and maintain such a propriety. Praising our efforts on the CA Day, i.e. 1<sup>st</sup> July, this year, President of India Shri Ram Nath Kovind said: *Today, Indian Accounting and Auditing Standards are at par with global benchmarks and mandate best global reporting practices in our country. Your institution deserves credit for making this possible.* Being practitioners with publicly-declared mandate and duty for upholding the credibility of financial statements, the profession has been and will continue to testify with the auditing standards in letter and spirit, as authentic partners-in-nation-building in the best interests of our economy.

The theme of the instant issue of the Journal is Standards on Auditing and Ethics, with its core to the sustainability and growth of the CA profession.

Now let me talk about some of the significant professional developments that have taken place over the last one month:

## **ICAI Donates to PM National Relief Fund**

As you recall, to help and support the people of Kerala in the times of its one of the worst monsoon disasters, ICAI had constituted a separate account, *ICAI Kerala Flood Relief Fund*, to collect donations from membership fraternity, students as well as employees of the Institute. As announced earlier, ICAI in its Platinum Jubilee year, has recently contributed ₹ 70 lakh towards Kerala's flood victims. I along with my Central Council colleague handed over the cheque to Hon'ble Union Minister for Finance and Corporate Affairs Shri Arun Jaitley, in the presence of Hon'ble Union Minister for Railways and Coal CA. Piyush Goyal as our contribution to the Prime Minister's National Relief Fund.

## **Addressing Professional Agenda**

***MoU and License Agreements on IFRS Standards and Ind AS Copyrights:*** In 2014, ICAI worked with the National Advisory Committee on Accounting Standards (NACAS) and the Ministry of Corporate Affairs, (MCA) and developed a set of 39 Indian Accounting Standards (Ind ASs), in a short span of 6-8 months, which got notified in February 2015 under the Companies Act, 2013. Ind ASs, though substantially derived from IFRSs, differ from the IFRSs since they contain carve-outs and carve-ins for being relevant to the Indian economic and legal environment. Being an accounting standard-setter in the formulation and implementation of financial reporting standards in India, and an active participant in the development and formulation of IFRSs, ICAI is a member of global forums such as AOSSG (Asian-Oceanian Standard-Setters Group), EEG (Emerging Economies Group) and IFASS (International Forum of Accounting Standards-Setters), which are recognised consultative bodies of the IFRS Foundation that oversees the development and issuance of IFRSs.

For almost about a decade, a need had been there to have the formal arrangements regarding the copyrights over the intellectual property in IFRSs and Ind ASs, and the mechanisms for sharing of

knowledge database. Concluding the long-pending issues under discussion, ICAI has entered into an MoU and Licence Agreements with the IFRS Foundation on 2<sup>nd</sup> October 2018, to formalise the mutual understanding and acceptance about the rights of each of the parties in the copyrights in IFRSs and Ind ASs, in view of the notification of Ind ASs under the Indian Companies Act, 2013, provisions of Indian Copyrights Act, 1957 and Bern Convention. The MoU was signed by ICAI on behalf of MCA, since the Ind ASs are notified by MCA under the Indian Companies Act, 2013. Arguably, our history bears the testimony that we have resolutely upheld the societal trust and importance. This MoU reaffirms our position as national standard-setter in India and recognises our research and contribution towards the harmonisation of Ind ASs with IFRSs consistent with G-20 commitments. We have been committed to ushering the best global practices in India be it accounting, auditing, or ethics.

I along with my Central Council colleagues (and AOSSG Vice-Chair) CA. S. B. Zaware and CA. Dhinal Shah, IASB Chair Mr. Hans Hoogervorst, Vice-Chair Ms. Sue Lloyd, IFRS Foundation Executive Director Mr. Lee White, Head (Legal and Compliance) Ms. Mirjam Buyteweg, Director (Communications) Mr. Mark Byatt, and Associate Director (Adoption and Copyrights) Ms. Anna Hemmant, among others, were present on the occasion.

ICAI also entered into three licence agreements with the IFRS Foundation--Adoption Support Contract for Territory-Restricted Access (Online Services), Agreement for the supply of products for print and electronic use, and Trade Mark Licence Agreement. While the first two agreements will enable ICAI to use the material in Part B and C of IFRS Standards online for free, use of such material in the CA Final elective paper titled *Global Financial Reporting Standards*, Ind AS and IFRS Certification course material, the last Trade Mark Licence Agreement will permit ICAI to use the trademark 'IFRS' in the certification courses conducted overseas for its members.

***High Power Group on IL&FS Matter:*** Having noticed the reports in media regarding the diversion of loan money in the Infrastructure Leasing and Financial Services (IL&FS) Limited and its subsidiary companies, recently, ICAI has

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*suo motu* issued notice to the audit firms that have been carrying out statutory audit works of IL&FS and its subsidiary for which information was available in media. Then, ICAI is further in touch with the regulatory authorities that include RBI, SEBI and SFIO (Serious Fraud Investigation Office), who are investigating this matter.

In this regard, recently, ICAI has constituted a High-Power Group on Infrastructure Leasing & Financial Services Limited (IL&FS) under the convenorship of my Central Council colleague CA. S. B. Zaware, to study the systemic issues in the IL&FS matter and suggest remedial measures and improvement in the system and consider any other matter incidental thereto.

**Exposure Draft Issued on Proposed Code of Ethics:** I also wish to inform that ICAI Council at its recent meeting while considering the recommendations to revise the *Code of Ethics* decided to come out with an Exposure Draft on the proposed *Code*. Accordingly, the said Exposure draft was hosted at <https://resource.cdn.icai.org/51979icai-codeofethics2018.pdf> inviting the stakeholders' comments by 7<sup>th</sup> November 2018. The proposed *Code* is based on the 2018 edition of *Code of Ethics* issued by the International Ethics Standards Board for Accountants (IESBA), with necessary changes to bring it in line with our jurisdictional requirements. As you may be aware, the new IESBA *Code* contains changes pertaining to drafting conventions, stricter independence requirement for public interest entities, responding to non-compliance with laws and regulations, provisions pertaining to breach of independence requirements of the *Code*, and the changes in partner rotation, among others. Revised Code of Ethics will be issued by ICAI after considering the suggestions and feedback received from various stakeholders.

**Internal Auditor not to Undertake GST Audit Simultaneously:** ICAI Council has also decided that based on the conflict in roles as statutory and internal auditor simultaneously, the bar on internal auditor of an entity to accept tax audit (under Income-tax Act, 1961) will also be applicable to GST audit (under Central Goods and Service Act, 2017). Accordingly, the internal auditor of an entity cannot undertake GST audit of the same entity. The announcement in this regard is published elsewhere in this Journal.

**Initiatives on GST Audit:** In response to the notification dated 4<sup>th</sup> September 2018 regarding Annual Return Form GSTR-9 (to be filled and submitted by taxpayers), ICAI submitted 23 suggestions. Now that the Government has notified the form GSTR-9C on 13<sup>th</sup> September 2018, which comprises Reconciliation Statement and Certificates, which are to be certified by Chartered Accountants, ICAI has worked out and is planning to submit its comprehensive suggestions on the Annual Return Form GSTR-9 and Reconciliation Statement GSTR-9C shortly.

In order to guide our members in assisting the assesseees in filing their statutory Form 9 and conducting the GST Audit, ICAI has come out with *Technical Guide on Annual Return & GST Audit*, which includes a comprehensive coverage and clause-by-clause analysis of forms GSTR-9, 9A and GSTR-9C. Care has been taken to cover the areas that are related to basic principles, policies and special issues pertaining to the conduct of GST Audit and assistance to taxpayers in filing up of form GSTR-9, among others. I would request my professional colleagues to use this Guide towards the effective delivery of their services.

**Exposure Draft Issued on AS 38 Intangible Assets:** As you may be aware, the Ministry of Corporate Affairs has requested ICAI to upgrade the Accounting Standards, as notified under the Companies (Accounting Standards) Rules, 2006, to bring them nearer to Indian Accounting Standards. Accordingly, ICAI has initiated the upgradation of these standards. Recently, ICAI has finalised Exposure draft of AS 38, *Intangible Assets*, for which Ind AS 38, *Intangible Assets* has been taken as the base. Deadline to send your comments on the exposure draft is 2<sup>nd</sup> November 2018.

## Increasing Professional Opportunities

**Let Us Participate in World Congress of Accountants:** Let us be part of the world's largest accounting congress, World Congress of Accountants that is held every four years, and join the Indian pavilion at the Conference in Sydney. As informed earlier, over 6000 accountants from 130 countries across the world are expected to attend the Congress on 5<sup>th</sup>-8<sup>th</sup> November 2018, who would interact, engage and network with the visionaries and leaders from the field. I take this opportunity to request all of you to attend and enhance your expertise, and keep the flag of Indian accountancy services flying high.

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***Encouraging Response to “Firm Registration Portal within 24 Hours”:*** As a step to ease the operational activities of our members, ICAI had launched a facility, whereby they can get their proprietorship firm registered within 24 hours. I am now pleased to acknowledge that we are getting an overwhelming response from our members to this e-initiative, i.e. *online registration of proprietorship firm within 24 hours*. In just one month, about 200 proprietorship firms have been registered on this e-utility available at <https://sdb.icaai.org/member/default.aspx>. I would, therefore, request my professional colleagues to use this effective e-initiative and save their various resources.

***ICAI Signs MRA with CPA Ireland:*** It is significant to note that ICAI has signed MRA (mutual recognition agreement) with the CPA Ireland on 5<sup>th</sup> October 2018 in Ireland, which will facilitate both the Institutions in mutual recognition of respective professional Qualifications and admit the Members in good standing by prescribing a bridging mechanism between the two Institutes. Under the MRA, an ICAI member in good standing can become the member of CPA Ireland on successful qualification of tests in Irish Taxation and Irish Law and Strategy. This MRA would help both the institutions to foster strong working relations leading to a greater mobility of professionals from both ends. CPA Ireland President Mr. Cormac Mohan and CEO Mr. Eamonn Siggins, and ICAI Central Council member CA. S. B. Zaware and I represented CPA Ireland and ICAI India respectively during the signing of MRA.

***Meetings (with ICAEW and UK NARIC) in London:*** After entering into the MoU with IFRS Foundation in London, we had meetings with ICAEW and UK NARIC (the designated national agency for recognition and comparison of international qualification and skills that functions on behalf of UK government) on 3<sup>rd</sup> October 2018. In the meeting with ICAEW, where my Central Council colleague CA. Dhinal Shah accompanied me, we tried to have an understanding about their thought process and use of blockchain technology in imparting the CA education. We requested them to share their MCQs bank to strengthen our assessment of practical training, and sought their support in developing case studies in the elective papers. Then, in the meeting with UK NARIC, I along with my Central Council colleague CA. S. B.

Zaware discussed the possibility of evaluation of our qualification by them.

***Union Cabinet Approves MoU between ICAI and ICPAK:*** I am happy to inform that the Union Cabinet chaired by the Hon’ble Prime Minister of India has given its approval to the signing of MoU between ICAI and ICPAK (Institute of Certified Public Accountants of Kenya), which will help us execute mutual cooperation and collaboration in knowledge through joint research, quality support, capability and capacity-building, exchange programmes of trainee accountant, conducting courses in continuous professional development and holding suitable workshops and conferences in the direction. Being Kenya’s sixth largest trading partner and the largest exporter to them, India endeavours to become the top foreign trading partner. Considering Kenya’s rising economy among the African countries, I must say, our members will have ample professional space in Kenya and they have already been contributing to their economic growth.

***SEBI Authorises Insolvency Professionals to Act as Administrators:*** Through the SEBI (Appointment of Administrator and Procedure for Refunding to the Investors) Regulations, 2018, SEBI has put in place the revised norms for recovering of investors’ money, wherein a registered insolvency professional will be appointed as administrator to undertake the sale of assets. Adding to the professional opportunities for our membership, the regulator has revised the procedures to be followed for refunding the investors’ money pursuant to failure of complying with disgorgement or refund orders passed by it. In case an entity is not traceable or is not complying with the SEBI directives, the recovery officer can appoint an administrator for selling the properties attached, the regulator said in a notification dated 3<sup>rd</sup> October 2018. Only a person registered with the IBBI as insolvency resolution professional would be considered eligible for the appointment as administrator. Further, it was mentioned that the administrator shall provide an undertaking to the Board of absence of any conflict of interest with the defaulter, its directors, promoters, key managerial personnel and its group entities. Also, an administrator can engage the services of a peer-reviewed Chartered Accountant to verify the claims of investors based on the documentary evidences.

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## Capacity Building Measures

### **Mandatory Usage of UDIN to Prevent Forgery:**

Let me inform and reiterate that in view of increasing instances of forgery involving the stamp and signature of CAs, ICAI has introduced the system of UDIN (Unique Document Identification Number), to register all certificates issued by practicing Chartered Accountants with the UDIN portal of ICAI and the users/ stakeholders can verify the same.

Recently two events were reported in media that captured our attention. First, a Division Bench of Calcutta High Court directed ICAI to act against a CA firm that had prepared balance sheet of an assessee projecting a rosy picture as to the assessee's creditworthiness for availing credit facilities from the bank. However, the firm responded to ICAI that their signatures and stamp had been forged. It has also lodged an FIR against the impersonating body. The matter is being looked into. Second, a case was reported in Mumbai, where it has been reported that a Chartered Accountant allegedly took money from his clients on the pretext of depositing service tax, but he didn't deposit the entire amount. However, on review, ICAI found that the so-called Chartered Accountant is not a Chartered Accountant as his name doesn't figure in the register of members of ICAI.

UDIN system that has been implemented from 1<sup>st</sup> July 2018 on recommendatory basis, will be mandatory for all practicing Chartered Accountants, with effect from 1<sup>st</sup> January 2019. I would recommend and request my professional fraternity, in their own interest, to start using this facility, which will facilitate in avoiding instances of any such fraud and forgery in profession.

## Successful Campus Placements

I take pleasure to inform that ICAI has successfully conducted campus placement programme for August-September 2018, where 111 companies, with 204 interview teams, participated and offered 1593 jobs to members. Highest salary (i.e. cost to company) offered for domestic and international posting were ₹ 22.62 lakh and ₹ 35 lakh respectively. Many well-known companies from different sectors were amongst the top recruiters, which proves that the industry is upbeat about engaging the young Chartered Accountants. At the Institute, efforts are always on and, accordingly, dates of interviews

for the next round of campus placement have been planned much in advance, i.e. to be held on 5<sup>th</sup>-30<sup>th</sup> March 2019 at 17 cities across the nation, while orientation programme in that regard would be organised during 1<sup>st</sup>-10<sup>th</sup> March 2019 at about 10 locations across the nation.

## ICAI Elections 2018

As you are aware, the triennial election to 24<sup>th</sup> Council and 23<sup>rd</sup> Regional Councils of ICAI will be held on 7<sup>th</sup>-8<sup>th</sup> December 2018 at the places having more than 2,500 voters and only on 8<sup>th</sup> December 2018 at all other places. I would request all my professional colleagues to come out in large numbers and exercise their right to vote and elect the right candidate. Let us all observe the Election Code of Conduct in letter and spirit so that free and fair elections could be conducted.

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On behalf of the CA fraternity, I reiterate our commitment to continue to extend our dedicated services to our country in the spirit, in which Shri Ramnath Goenka, a freedom fighter and a doyen of Indian journalism and later a Lok Sabha member too, had in all probability appealed to the journalists' community: *Be forthright, be frank, be fearless, whatever the odds, never hesitate to take a stand if you believe in it. Never hesitate to speak out boldly against the wrongs. And always, ensure that you illuminate the truth behind the events.* As professionals, we will always respect the watchfulness, fearlessness and righteousness and we will continue to profess with ethics and integrity, wherever we are.

In November this year, we have Deepawali and the birthdays of Prophet Mohammed (*Id-e-Milad*) and Guru Nanak, which fall on 7<sup>th</sup>, 21<sup>st</sup> and 23<sup>rd</sup> November respectively. We also have *Govardhan Puja, Bhairav Duj, Chhath Puja (Surya Shashthi)* and Guru Teg Bahadur's martyrdom day falling on 8<sup>th</sup>, 9<sup>th</sup>, 13<sup>th</sup> and 24<sup>th</sup> November respectively. We have to carry forward the message and mission of togetherness, love and peace that our festivals essentially emanate. Let us create a better world around us.

Best wishes



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24<sup>th</sup> October 2018