

## The Emerging Professional Accountant

*Professional Accountant (PA) today has plenty of opportunities. Responsibilities are growing. His functional responsibilities in Accounts and Finance are increasing day by day though the machines do some of the jobs. Apart from the traditional areas, today a PA may be a Director Finance (DF) or Chief Finance Officer (CFO) and is expected to shoulder many more responsibilities as a member of the management team. Perhaps, his role is much wider now than ever before for two reasons. First: He is a qualified professional member in a national public autonomous body under an act of parliament. That gives him enough authority. This authority is backed by the vigorous academic exposure and the training that he undergoes. The second one: As DF/CFO his proximity to the power say the board, enables him to serve the stakeholders better. His responsibilities emerge from his engagement contract and from the regulatory provisions. Trust and faith play a great role, says the author who is President SAFA. Read on...*



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Organisations repose confidence on professional accountants. It depends on the quality service, dependability, proactive involvement and the kind of ownership to issues he shows up. He should own the issues that he takes up. His contribution beyond what is formally required of him makes him an asset to the organisation and a friend to the management. Proactive involvement and the degree of comfort level that he provides to the tune of genuine expectations in the entity makes him not only a great professional service provider but a great friend as well. A PA in an organisation has unlimited opportunity to help address the issues of stakeholders than any other professional. It is an opportunity and a challenge as well.

It is pertinent to refer to what Dr Fakhruddin Ali Ahmed, 5<sup>th</sup> President of India, said at the inauguration of first-ever Commonwealth Conference of Accountants held in New Delhi in February 1975. (*The Chartered Accountant, March 2012 - Cover Page*). This stands relevant and valid even after so many decades.

*“The Chartered Accountants by virtue of their Qualifications, experience and training can render valuable services in these difficult times in areas which are vital to economic growth. It should be the duty of the members of the profession in the present context to approach problems in an objective pragmatic manner. Apart from examining accuracy of transactions, the*

*modern auditor should also look into the propriety of such transactions...principles, standard terminologies and precise definitions of various accounting concepts. This was desirable from the point of view of providing reliable information in the financial statements for the benefit of the intending investors, members of the public, government agencies and financial institutions. This will enable individuals and organisations to form a fairly accurate judgement of the financial position by a study of audited financial statements of companies”*

PA is a friend, philosopher, guide and advisor to the board and the organisation. Several external agencies rely upon his work. Today if something goes wrong, he is more questioned for what he is than others. It is particularly so in the context of and on the aspects of corporate finance, accounts, budgets, financial institutions, governance so on and so forth.

Apart from what he does as professional accountant hitherto, in the current scenario he is required and expected to pay more and proper attention and take care of two fast emerging important issues as pivotal of his duties. One is disclosures and the second one is compliance.

In fulfilling these responsibilities, PAs should not leave any stone unturned and should not in any way shy away from ensuring proper disclosures are made available in the meetings of various committees especially the audit committee and the board

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meetings. PAs will have to ensure the effective mechanism required in this regard devised and is in place.

Professional Accountants will have to work in close coordination and cooperation with other statutory professionals who are required to address these issues. As a team they can collectively work together so that the benefits as contemplated by the legislations are derived.

There are several legislative and regulatory provisions which expect/cast responsibility on PAs to adhere / help adhere to and comply with. In this context it is pertinent to refer to few of the statutory requirements in the Companies Act, 2013 enshrined in Section 134 (5) (e) and Section 134 (5) (f), 143 (12) and 149 (12). These provisions can be effectively complied with when enough and timely disclosures are made available. Disclosures help compliance.

Section 134 (5) (e): *the directors, in the case of a listed company, had laid down internal financial controls to be followed by the*

*company and such internal financial controls are adequate and were operating effectively.*

*Explanation – For the purpose of this clause, the term “internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information;*

Who can ensure this provision is complied with! Professional Accountant has great opportunity to do this. PA as Director Finance, who is member of the board holds himself responsible as one of the collective members of the board. The provision in clause ‘e’ of subsection 5 of Section 134 says that “the directors, in the case of a listed company, had laid down internal financial controls.....”

Though the above clause refers to listed companies, a PA, in whatever organisation he is associated with, should apply and observe the provisions of the issue of ‘internal financial controls’. These controls should be properly devised and were operating effectively irrespective of the size of the organisation to the utmost extent possible. This is useful both to the entity and the PAs. These controls help enhance the quality and efficiency of his services as professional accountant in business or an external auditor. It helps take the credibility

levels to a higher platform. This enables disclosures made available at various levels and hierarchies in the organisation ultimately reach the respective committees including the audit committee and the board.

The PA needs to devise his own mechanism along with the other professionals to ensure the company adheres to what is required in these sections and ultimately that exercise serves the purpose for which legislators have enshrined these provisions in the Act.

Section 149 (12) is very important provision in the Companies Act, 2013 in the context of liability of certain types of directors. A professional accountant as finance director and board member has a distinct role to play in helping such directors through proper disclosures and compliance. As a colleague and as a qualified professional he should reach out to the directors, if necessary by walking an extra mile in helping them adhere to what is prescribed in this section as a guide and friend because he is in the know of many things which the other directors are not privy to. Purpose of sub section 12 of Section 149 will serve well when appropriate and timely disclosures to the board members and the board are made. This will help outside directors including independent directors as this provision refers to these categories of directors. Disclosures help facilitate informed decisions. A PA is an insider and as member of the board should strictly adhere to

the issues of confidentiality. A PA has a great opportunity to be a good friend and guide to the board members.

As to the Section 143 (12), PAs, both employed and external will have to ensure proper compliance and disclosures. Once proper disclosures are made to the Chairman, Managing Director, Audit Committee and the Board in this regard, further things will take their own shape. Here the essential thing is, as a PA he ensures the disclosures are made in time to the right authorities or people. What is required of a PA here is that he needs to be **professionally more sceptic** to come to appropriate professional conclusions and to make right judgement of what is what. As a professional accountant in business he should ensure proper disclosures are made wherever required and if he is an external auditor should ask for the needed disclosures. PAs should ensure proper reports are made in time to the audit committee, board and other authorities.

Section 143 (12): *Notwithstanding anything contained in this section, if an auditor of a company in the course of the performance of his duties as auditor, has reason to believe that an offence of fraud involving such amount or amounts as may be prescribed, is being or has been committed in the company by its officers or employees, the auditor shall report the matter to the Central Government within such time and in such manner as may be prescribed:*

*Provided that in case of a fraud involving lesser than the specified amount, the auditor shall report the matter to the audit committee under section 177 or to the Board in other cases within such time and in such manner as may be prescribed:*

*Provided further that the companies, whose auditors have reported frauds under this sub-section to the audit committee or the Board but not reported to the Central Government, shall disclose the details about such frauds in the Board's report in such manner as may be prescribed.*

Section 134 (5) (f): *“the directors had devised proper systems to ensure compliance with the provision of all applicable laws and that systems were adequate and operating effectively.”*

This provision also speaks like the Section 134 (5) (e) as to the collective responsibility of directors. PA as member of the board is expected of ensuring the compliance-- particularly ensuring that a proper system as required is in place. Many of the board members may not be acquainted with hundreds of legislations and thousands of provisions including sections, sub sections, clauses, provisos, notifications, circulars or case laws. Therefore, when a PA is a member of the board as CFO or DF he is expected of to help the board and the company to help ensure compliance of the provisions in this section apart from his collective responsibility.

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Another important provision is Directors responsibility statement: Section 134 (3) (c) and 134 (5) (a) to (f) where in clause (c) speaks about the Directors Responsibility Statement and the clause (a) to (f) speak about the matters that are to be stated in the Directors Responsibility Statement which include matters related to accounting standards, accounting policies, accounting records, going concern basis, internal financial control

systems and compliance systems with respect laws. What is expected of a PA in this regard?

Many of the board members may not be acquainted or aware of these matters. So as informed professionals, PAs should reach out his colleagues on the board to help ensure they understand these matters so that they consider them appropriately as informed board members.

Integrated Reporting and Sustainability Reporting are two fast emerging areas where PAs have a distinct role to play across the globe.

May be these expectations in a sense, seem to be new, the reality is that PAs need to take care of these things.

Many of the corporate failures across the globe would have been probably prevented if proper disclosures were made to the committees and the boards for them to take informed decisions.

Focussing on disclosures and compliance may be, in a sense, new or additional responsibilities and challenges to Professional Accountants. But taking care of them places PA on a higher stand.

Viewing that these are not the issues relating to finance, accounts, taxation or audit and resisting will not be in the interest of Professional Accountants.

Getting tuned to the changes that take place from time to time helps professionals excel.

Charles Darwin says *"It is not the strongest of the species that*

*survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."*

Professional Accountant will continue to be a good friend, philosopher, guide and advisor to the board and the organisation and to other stakeholders.

Bhartruhari an ancient Sanskrit renowned scholar says about a good friend as follows:

*"पापान्निवारयति योजयते हिताय  
गुह्यं च गूहति गुणान्प्रकटीकरोति।  
आपद्गतं च न जहाति ददाति काले  
सन्मित्रलक्षणमिदं प्रवदन्ति सन्तः॥"*

A good friend is one who discourages and helps prevent committing sins. Thinks good of the friend. Keeps confidentiality. Says always good about the friend. Remains with, in times of need like a friend in need is a friend indeed.

The emerging scenario for a professional accountant seems to be same across the continents.

A right advise and right guidance from a professional accountant will go a long way and remain invaluable in providing comfort and a PA will be remembered for that.

Dada J P Vaswani says:

*"Even though you may have earned a million rupees, your day is incomplete unless you have done something for someone who will never be able to repay you."*

Thus the PAs will stand out and continue to help create wealth and help boost the world economies. ■