

# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

## NOTIFICATION

New Delhi, the 29<sup>th</sup> September, 2006

(Chartered Accountants)

No.1-CA(5)/57/2006 – In pursuance of sub-section(5) of Section 18 of the Chartered Accountants Act, 1949 a copy of the Report and the Audited Accounts of the Council of the Institute of Chartered Accountants of India for the year ended 31<sup>st</sup> March, 2006 is hereby published for general information.

## *57<sup>th</sup> Annual Report*

The Council of the Institute of Chartered Accountants of India has immense pleasure in presenting its 57<sup>th</sup> Annual Report for the year ended 31<sup>st</sup> March, 2006. The Institute of Chartered Accountants of India (ICAI), which was set up by an Act of Parliament on 1<sup>st</sup> July, 1949, entered into its 57<sup>th</sup> year of existence during the year. The Council, at the outset, commends the members and students for the respect which the Chartered Accountancy Profession commands today in the Society. This has been achieved by excellence, independence and integrity displayed by the members and students all along.

Globalization has altered the pattern of economies world over. No economy can afford to remain insular today. Service sector which is the largest and most rapidly expanding sector in most economies continue to dominate the economic activities of countries at every stage of development. Globally, the trend is clear: as national economies develop and incomes rise, the commercial service sector accounts for a ever larger share of GDP. In India also, the service sector account for over 50% of GDP in 2005-2006 and export of services also witnessed one of the fastest rates of growth in the world. Given the India's vast pool of talented professionals in a wide range of services, India enjoys tremendous potential in export of services.

ICAI believes that given an enabling framework, the profession in India will rise to the occasion and has the propensity to blossom into an internationally competitive profession. Proactive measures at the macro and micro levels are already on and are slated to be further intensified to gear up to meet the imperatives of a truly globalised accounting profession. The role of Chartered Accountancy profession in this new milieu, as a natural corollary, becomes multi-pronged. This is especially so in the context of the various vibrant provisions as embodied in the Chartered Accountants ( Amendment ) Act, 2006 recently notified by the Central Government of India. ICAI sees progressive liberalisation of accountancy services on reciprocal basis, as an opportunity for the profession in India rather than as a threat.

With that perspective, the abridged version of the Report highlights the important activities of the Council and its various Committees for the year 2005-2006, and, in brief, upto the beginning of September, 2006. The Report also covers important events and statistical profile relating to members and students for the year. The Report highlights the important activities of the Council and its various Committees. The Report also covers the seminars and conferences organised, training programmes conducted, relevant statistics relating to members and students and also the accounts of the ICAI for the year 2005-2006.

## 1. THE COUNCIL

The Nineteenth Council was constituted on 5th February, 2004 for a period of three years. In terms of the provisions of the Chartered Accountants Act, 1949, the Council should be composed of 30 members — 24 elected members and 6 members to be nominated by the Central Government. The composition of the Council for the year 2006-2007 commencing from 5<sup>th</sup> February, 2006 is shown separately.

A milestone achieved/witnessed by the Council during the year is the various amendments brought through the Chartered Accountants (Amendment) Act, 2006. As members may be aware, the Chartered Accountants Act, 1949 (No.38 of 1949) came into force on the 1<sup>st</sup> day of July 1949. Later, in the year 1959, certain amendments were made therein through the Chartered Accountants (Amendment) Act, 1959 (No.15 of 1959). The amendments so made did not alter the basic scheme/structure of the Statute in any manner, whatsoever.

Thereafter, and more particularly after the year 1990, initiatives were taken for bringing in amendments in the Principal Act, in keeping with the liberalization policy pursued by the Central Government and having regard to difficulties/problems faced by the Institute at the relevant times in carrying out the various provisions of the Principal Act. As such, after about 47 years, extensive changes have been made in the Principal Act through the Chartered Accountants (Amendment) Act, 2006 (No.9 of 2006) which have been notified by the Central Government in the Gazette of India (Extra Ordinary) dated 23<sup>rd</sup> March, 2006

While the salient features of the amendments brought out through the Amendment Act, 2006 have been published in detail in May, 2006 issue of the Institute's Journal, for the purpose of recapitulation, the following are specifically mentioned for general information: -

- ◆ New disciplinary mechanism (in place of the existing ones) which, inter alia, provides for constitution of a Board of Discipline by the Council, constitution of a Disciplinary Committee by the Council, an Appellate Authority by the Central Government.
- ◆ Enhancement in the strength of the Council.
- ◆ Empowerment to the Council to fix various fees payable by the members.
- ◆ Changes in the acts and omissions covered under the Schedules to the Act, which would include provisions for release of limited advertisement (subject to guidelines to be issued by the Council), multi disciplinary partnership, etc.
- ◆ No bar for sharing (by a member of the Institute ) fees or profits of professional business with certain categories of non-members, to be prescribed, from time to time, in the Regulations, for the purpose of rendering professional services in or outside India.
- ◆ No bar for accepting (by a member of the Institute) share in profits of professional business or other similar arrangements with certain categories of non-members, to be prescribed, from time to time, in the Regulations. (Situation reversal of the preceding one)
- ◆ Ban on solicitation relaxed in the following circumstances:-
  - ◆ If it occurs within the fraternity; or
  - ◆ In the event of responding to tenders or enquiries issued by various users.
- ◆ Ban on undercutting removed.

- ◆ Empowerment to the Central Government to frame Rules in specified areas, which would include the Chartered Accountants (Election to the Council) Rules 2006, the Chartered Accountants (Procedure of investigations of professional and other misconduct, conduct of cases and allowances to members) Rules, etc.
- ◆ Empowerment to the Central Government to constitute a Quality Review Board.

## 2. COMMITTEES OF THE COUNCIL

The Council, in terms of Section 17 of the Chartered Accountants Act, 1949, constituted on 5<sup>th</sup> February, 2006 three Standing, and various Non-Standing Committees to deal with matters concerning the profession. Subsequently, a special purpose "Working Group" for making a holistic review of existing Regulations and suggesting suitable amendments, in the light of the amendments made by the Parliament in the Chartered Accountants Act, 1949 was also constituted. During the year ended 31<sup>st</sup> March, 2006, 182 meetings were held of various Committees of the Council as compared to 164 meetings held during the year ended 31<sup>st</sup> March, 2005.

## 3. AUDITORS

CA. Shashi Kumar, and CA. Manu Chadha, were the Joint Auditors of the ICAI for the financial year 2005-2006. The Council wishes to place on record its appreciation of the services rendered by them.

## 4. STANDING COMMITTEES

### 4.1 Executive Committee

This Committee is responsible for the maintenance of various registers pertaining to students/members/firms, admission, removal and restoration of members, matters relating to members including issue of certificate of practice, matters relating to students including according permission, wherever required, condonation of delay on the part of students/members/firms, matters connected with Branches including opening of new Branches, opening of new Chapters and overseas offices and those connected with employees, maintenance of accounts etc.

Some of the important recommendations made by the Committee during the period under Report to the Council are on matters relating to:

- ◆ Draft amendments in the Chartered Accountants Regulations, 1988, in relation to the new Scheme of Education and Training seeking in principle approval of the Central Government.
- ◆ Draft amendments in the Chartered Accountants Regulations, 1988 seeking final approval of the Central Government, to the new Scheme of Education and Training enabling commencement of Common Proficiency Test.
- ◆ Finalisation of contents of the various subjects of Common Proficiency Test (CPT), Professional Competence Course (PCC) and Final Courses.
- ◆ Transition scheme for the students registered under the existing regulations on implementation of the proposed new regulations relating to new Scheme of education and training.

- ◆ Accreditation Policy for organising oral coaching classes for CPT.
- ◆ Draft amendments in Regulation 48 of the Chartered Accountants Regulations, 1988 for seeking final approval of the Central Government, to the revised rates of stipend payable to articulated assistants.
- ◆ Draft Regulations on allowing a member who is a full time salaried employee of a chartered accountant in practice or a firm of chartered accountants to train articulated clerks, consequent upon his becoming a partner in a firm of chartered accountants.
- ◆ Brand image of the profession by allowing the members to use the prefix 'CA.' to their name.
- ◆ Designing of common logo for use by members/firms.
- ◆ Guidelines on Display of Sign Board in relation to MCA-21 Certified Filing Centers.
- ◆ Grant of deemed seniority in cases of conversion of individual practice into proprietary firm and matter relating to issue of constitution certificate thereof.
- ◆ Review of Guidelines on Functioning of Chapters of the Institute abroad.
- ◆ Fresh clarification on the Scheme of merger of firms of chartered accountants.
- ◆ Sharing of Institute's domain name "ICAI-IN" with websites of firms of chartered accountants.
- ◆ Permission for practice in Corporate Form and guidelines thereto.
- ◆ Establishment of Centres of Excellence at specified places.
- ◆ Mandatory CPE to members of the Institute not in practice.
- ◆ Dress Code for members of the Institute.
- ◆ Introduction of a Certificate Course on Consulting Management for individuals, small and medium enterprises.
- ◆ Allowing the members of ICAI who are also members of the AICPA to certify the financial statements as CPAs.
- ◆ Issuance of Credit Cards to the members of the Institute.
- ◆ Guidelines on Display of Sign Board in relation to MCA-21 Certified Filing Centers.
- ◆ Setting up of branches at Bharuch, Navi Mumbai, Pimpri-Chinchwad in Western Region, Bellary, Kakinada, Rajamahendravaram in Southern Region, Sambalpur in Eastern Region, Gorakhpur in Central Region and Sangrur in Northern Region.
- ◆ Setting up of Chapters of the Institute in Toronto, Canada and Melbourne, Australia.
- ◆ Setting up of decentralised office at Coimbatore.

- ◆ Revision of building grants including separate grant for acquiring land and separate grant for setting up of Computer Labs in branches.
- ◆ Parameters for granting the status of “National”, “International” and “All India” to CPE Programmes.
- ◆ Modalities for engaging members of the Institute for handling cases of violation of Sections 24/24A/25/26 of the Chartered Accountants Act, 1949.
- ◆ Exploring the feasibility for calling for Permanent Account Number(PAN) from the members of the Institute for incorporating the PAN details through entry on records and also for incorporating the requirement of furnishing PAN details in statutory forms viz. form-2 Form 6 and Form 18.
- ◆ Issuance of congratulatory card on completion of fifty (50) years of continuous membership with the Institute
- ◆ Further delegation of authority in respect of condonation of delay in submission of Form 103 beyond the period of one year with appropriate safeguards.

Some of the important decisions taken by the Committee during the period under Report pertain to :

- ◆ Permission to members for becoming members of the Indian Institute of Insurance Surveyors and Loss Assessors.
- ◆ Creation of separate awards for the Best Branch under different categories based on membership strength.
- ◆ Regularisation of employees in branches.
- ◆ Permission for display of Institute’s Flag on the tables in the offices of chartered accountants.
- ◆ Exemption from payment of tuition and registration fees for children of military and paramilitary personnel killed in action.
- ◆ Increase in the amount of various scholarships to students.
- ◆ Increase in the amount of endowment created by the Institute in various Universities for award of Gold Medals/Prizes to students securing highest marks in Accountancy in B.Com. Final Examination.

#### 4.2 Examination Committee

The Chartered Accountants Final, Professional Education - II and Professional Education – I Examinations were held in November, 2005 in 153, 170 and 139 centres respectively in 95 cities all over the country in addition to those at Dubai and Kathmandu and in May, 2006 in 150,166 and 150 centres respectively spread over 93 cities in addition to those at Dubai and Kathmandu.

The total number of candidates who appeared in the Final, Professional Education - II and Professional Education - I Examinations held in November 2005 were 28367,47522 and 16228 and in May 2006 were 26210, 49423 and 32181 respectively.

Besides the aforesaid students' examinations, during the year, Assessment Tests of the Post Qualification Course in Information Systems Audit were also held in the months of September and December 2005 and March and June 2006. Further, examinations of Management Accountancy Course (Part I) were held in November 2005 and May 2006 apart from the Corporate Management Course (Part I) and Tax Management Course (Part I) examinations, which were also conducted along with the students' examinations in May 2006. The Post Qualification Course examination in Insurance and Risk Management was also successfully held in November 2005 and May 2006. The Post Qualification Course examination in International Trade Laws and World Trade Organisation (ITL & WTO) was conducted for the first time in November 2005 and continued in May 2006.

During the year under report, for the convenience of the candidates, the following facilities were continued to be provided:-

- New examination centre was set up in Vellore effective from the November 2005 examination
- The examination centres at Ahmedabad and Bangalore were divided into different zones covering the various localities of the respective cities effective from the May 2006 examinations
- Examination application forms in the OMR format were continued for November 2005 and May 2006 examinations also and the admit cards bearing the candidate's scanned photograph and specimen signature were issued to the candidates. This obviated the necessity of issuance of the identity card to the candidates separately.
- Examination application forms were continued to be made available, besides at all the Regional offices of the Institute and branches of the Regional Councils, at different locations in the metropolis of Delhi, Kolkata and Mumbai. Candidates were extended the facility of downloading the admit card from the Institute's website by using the Personal Identification Number (PIN) indicated by them in the OMR application form.
- Results were continued to be made available on the Institute's IVR system. The results as well as the marks were also made available on the National Informatics Centre's website. Information pertaining to merit list was also made available on the website simultaneously with declaration of results
- Results as well as marks were continued to be made available simultaneously at different locations in the metropolis of Chennai, Delhi, Kolkata and Mumbai
- Facility of downloading of the results as well as marks by the Regional offices of the Institute and branches of Regional Councils was made available simultaneously with the declaration of results
- Facility of on-line printing of the statement of marks by the candidates from the website by using the Personal Identification Number (PIN) indicated by the candidates in the OMR/ICR application form was continued to be made available
- Facility of registering requests in advance for ascertaining results on declaration was continued and candidates registering for the same were provided with their results by e-mail immediately after declaration of results.

- Admit card through e-mail query was continued to be extended to the students for November 2005 and May 2006 examinations.
- Results of May 2005 and November 2005 examinations were continued to be made available on SMS mode.
- Students of Professional Education Examination –I were continued to be offered the facility of online filling of examination application form for November 2005 and May 2006 examinations.

Consultancy continued to be provided to few of the foreign institutions in the examination systems and procedures. The Institute of Chartered Accountants of Nepal (ICAN) successfully conducted its Foundation, Intermediate and Final examinations in June 2005 and Final examination in December 2005 with the continued technical expertise and support of the ICAI. The Institute of Chartered Accountants of Sri Lanka successfully conducted Information Systems Audit (ISA) Assessment Tests in September 2005 and March 2006 with the technical expertise and support of ICAI.

The year under Report also saw the opening and functioning of the In-house Data Management Centre at the office of the Institute at NOIDA.

#### 4.3 Disciplinary Committee

This Committee assists the Council in the maintenance of the status and standards of professional qualification awarded by the Institute. In discharging its avowed responsibility of conducting disciplinary inquiries against members whose cases have been referred to it by the Council upon prima facie opinion, during the year 1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006 this Committee held sittings on 23 occasions for a period spanning 31 days and at venues covering the various regions of the country. During the year under review, the Committee concluded its enquiry in 80 cases, which included cases referred to it in previous years.

### 5. TECHNICAL AND PROFESSIONAL DEVELOPMENT

#### 5.1 Accounting Standards Board

Keeping in view the importance of sound and reliable financial reporting system in a country, various countries across the globe have been formulating accounting standards to be followed in the preparation and presentation of general purpose financial statements. In India, ICAI being the premier accounting body in the country, took upon itself the responsibility of formulating accounting standards more than 25 years ago by constituting the Accounting Standards Board (ASB) in 1977. Since then, the Accounting Standards Board has been working relentlessly towards bringing an overall qualitative improvement in the financial reporting system in the country by formulating Accounting Standards to be followed in the preparation and presentation of financial statements. Over the period of its existence, the Board has issued twenty-nine Accounting Standards. Besides this, it has also issued various Accounting Standards Interpretations and Announcements, etc., so as to ensure uniform application of accounting standards and to provide guidance on the issues concerning the implementation of accounting standards.

The accounting standards issued by the Institute have been granted legal recognition under the Companies Act, 1956. Under this Act, the Central Government has the power to notify the accounting standards upon recommendations of the National Advisory Committee on Accounting Standards (NACAS). As per the said Act, NACAS considers Accounting Standards issued by the ICAI. The NACAS has recommended all 29 accounting standards issued by the 57<sup>th</sup> Annual Report.

ICAI, except AS 8 which has already been withdrawn pursuant to AS 26 becoming mandatory, to the Ministry of Company Affairs, Government of India for notification under the said Act. These standards are expected to be notified by the Government shortly. Until the accounting standards are notified by the Central Government, as per the proviso to section 211(3C) of the said Act, the Accounting Standards specified by the ICAI are required to be followed by the companies.

In recent years, an increasing need has been felt for international harmonisation of accounting standards and keeping this in view, many countries across the globe are converging with the International Accounting Standards (IASs)/ International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB). The accounting standards formulated by the Accounting Standards Board of the ICAI are also based on IASs/ IFRSs issued by the IASB so that international harmonisation of accounting standards can be achieved. The Board, during the year under report, continued its efforts towards bridging the gap further between Indian Accounting Standards and IASs/ IFRSs by issuance of new accounting standards and/ or by revision of the existing accounting standards. As an important step in this direction, the Board has finalised the exposure draft of the proposed Accounting Standard on Financial Instruments: Recognition and Measurement which is broadly based on International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement and purports to lay down recognition and measurement principles for all financial instruments, including derivative instruments, in a comprehensive manner. The exposure draft of the said Standard would be issued shortly for public comments. The Board has already finalised the draft Accounting Standard on Financial Instruments: Presentation, after considering comments received on its Exposure Draft. This draft Standard is broadly based on IAS 32, Financial Instruments: Presentation. Since this standard is closely related to the proposed Accounting Standard on Financial Instruments: Recognition and Measurement and that some of the treatments prescribed in the proposed standard on recognition and measurement would also affect the standard dealing with presentation of financial instruments, it was decided to release both the Standards together. Now, the Board has decided to re-expose the draft Standard on Financial Instruments: Presentation, alongwith the Exposure Draft of the proposed Standard on Financial Instruments: Recognition and Measurement so as to obtain views on the changes made in the Exposure Draft which was issued earlier. Apart from these two Accounting Standards, the revised AS 10, Property, Plant and Equipment. Is almost ready and is expected to be released soon. Besides this, significant progress has also been made in respect of a number of other new/ revised Accounting Standards. These include revised AS 1, revised AS 5, revised AS 12 and new Accounting Standard on ' Non-current Assets held for Sale and Discontinued Operations'.

A brief overview of the other activities of the Accounting Standards Board during the period under Report is as follows:

#### 5.1.1 New Guidance Note Issued

With a view to provide guidance on application of the principles of Accounting Standard (AS) 9, Revenue Recognition, to real estate developers, keeping in view the peculiar nature of their activities, a Guidance Note on Recognition of Revenue by Real Estate Developers has been issued.

#### 5.1.2 Limited revisions to Accounting Standards

The Board has made limited revisions to certain accounting standards wherever it is felt that the revised position is more appropriate in view of the changed thinking in respect of the matters involved and feedback received from various interest groups. As a result of limited revisions to these accounting standards, the differences between these Accounting

Standards and the corresponding IASs/ IFRSs have reduced further. During the period, limited revisions have been made to the following Accounting Standards

- AS 29, Provisions, Contingent Liabilities and Contingent Assets
- AS 15 (revised 2005), Employee Benefits

#### 5.1.3 New/ revised Accounting Standards Interpretations Released

- ASI 29, Turnover in case of Contractors (Re. AS 7, Construction Contracts)
- ASI 30, Applicability of AS 29 to Onerous Contracts (Re. AS 29, Provisions, Contingent Liabilities and Contingent Assets)
- Revised ASI 3, Accounting for Taxes on Income in the situations of Tax Holiday under sections 80-IA and 80-IB of the Income-tax Act, 1961 (Re.: AS 22, Accounting for Taxes on Income)
- Revised ASI 4, Losses under the head Capital Gains (Re.: AS 22, Accounting for Taxes on Income)
- Revised ASI 14, Disclosure of Revenue from Sales Transactions (Re. AS 9, Revenue Recognition)
- Revised ASI 20, Disclosure of Segment Information (Re.: AS 17, Segment Reporting)

#### 5.1.4 Applicability of Accounting Standards to Small and Medium Sized Enterprises

Keeping in view the concerns being expressed by various sections of the Society, the Board had earlier provided relaxation from disclosure requirements to Small and Medium sized Enterprises (SMEs). The Board has now started the practice of providing relaxations/ exemptions from recognition and/ or measurement principles as well to SMEs. During the period under Report, relaxations/ exemptions have been provided to SMEs from certain requirements of AS 15 (revised 2005), Employee Benefits and AS 28 and Impairment of Assets, which are considered to be onerous for such enterprises.

#### 5.1.5 Issuance of Announcements

With a view to address the matters of clarificatory nature raised by the members and others and to ensure effective implementation of Accounting Standards, the Board issued announcements on accounting matters arising from various accounting standards.

#### 5.1.6 Contribution to the IASB Activities and responding to International developments

In India, since Accounting Standards are formulated on the basis of IASs/ IFRSs issued by the IASB as aforementioned, the Accounting Standards Board interacts with the IASB at various levels, e.g.,

- Sending comments on the various draft IFRSs issued by the IASB.
- Active participation in the meetings of the World standard-setters with the IASB.
- Active participation in the meetings of the Regional standard-setters with the IASB.

- Contribution in the discussions on various on-going projects of the IASB, e.g., on the IASB project on 'Management Commentary'.

With a view to keep pace with the developments that are taking place internationally in the area of accounting, the Board is examining revisions made to various IASs by the IASB for considering the same in the revisions of the corresponding Indian Accounting Standards.

As a part of the Accounting Standards Board's interaction with the IASB, Sir David Tweedie, Chairman, IASB and Mr. Warren McGregor, Member, IASB, addressed the members and special invitees on the Board at one of its meetings. At the meeting, Sir Tweedie and Mr. McGregor were apprised about the steps being taken by the Board for convergence with IASs/ IFRSs and the problems being faced in the process. Sir Tweedie and Mr. McGregor appreciated the efforts being made by the Board and expressed their views on the problems being faced in achieving convergence with the IASs/ IFRSs. However, they emphasised that there was a need to achieve total convergence with the IASs/ IFRSs in India. To achieve this, they suggested that the Board should send a note explaining main differences in Indian Accounting Standards vis-à-vis IASs/ IFRSs and the reasons therefor. In deference to their suggestion, a detailed note in this regard has been sent to the IASB.

#### 5.1.7 Interaction with National Advisory Committee on Accounting Standards (NACAS)

During the period under Report, the Board continued its interaction with the National Advisory Committee on Accounting Standards (NACAS). The Board considered various suggestions made by the NACAS and addressed these suggestions in an appropriate manner to the satisfaction of the NACAS. The NACAS has recommended Accounting Standards 1 to 29, except AS 8 which has already been withdrawn pursuant to AS 26 becoming mandatory, to the Ministry of Company Affairs, Government of India for notification under the Companies Act, 1956. These standards are expected to be notified shortly.

#### 5.1.8 Interaction with Regulatory Bodies

The Board sent its views on various accounting matters referred to it by regulators such as Ministry of Company Affairs, Reserve Bank of India (RBI), etc., from time to time. During the period under Report, the Board sent its views on the issue regarding providing exemption to a company from complying with the requirements relating to disclosure of information concerning geographical segments laid down by AS 17, Segment Reporting, to the Ministry of Company Affairs and on the 'Report of the Internal Group constituted by the Reserve Bank of India to review the extant RBI guidelines on classification and valuation of investment portfolio' to RBI.

#### 5.1.9 Compendium of Accounting Standards

During the period under Report, an updated edition of Compendium of Accounting Standards as on July 1, 2005, alongwith a Compact Disk (CD) has been issued.

An updated edition of Compendium of Accounting Standards as on July 1, 2006, is under preparation and likely to be released shortly alongwith a Compact Disk (CD).

### 5.2 Committee on Accounting Standards for Local Bodies

The ICAI has been deeply involved in accounting reforms in government accounting particularly the accounts of Urban Local Bodies. The ICAI initially constituted a Sub-57<sup>th</sup> Annual Report.

Committee for issuing accounting standards for governments including urban local bodies in 1999. As the first step, the ICAI had issued a Technical Guide on Accounting and Financial Reporting by Urban Local Bodies, which contains recommendations relating to application of accounting standards issued by the ICAI, to urban local bodies. The purpose of this Technical Guide is to provide a broad framework for and direction to State governments, Urban Local Bodies, ICAI members, and others as they work to improve urban accounting and financial reporting systems. The recommendations contained in the Technical Guide have received positive response from many urban local bodies who have shifted or are in the process of shifting from cash basis of accounting to accrual basis of accounting. Of late, the process of shifting to accrual basis of accounting by the Local Bodies has gained momentum as these bodies are increasingly approaching capital markets for raising funds. However, these bodies are following diverse accounting policies and practices in preparation of their financial statements. Hence, a need was being felt for formulation of a single set of high quality financial reporting standards for Local Bodies which will set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events in general purpose financial statements of Local Bodies. Recognising the need to harmonise and improve accounting and financial reporting among Local Bodies, ICAI, constituted an independent Committee on Accounting Standards for Local Bodies (CASLB) in March 2005. The composition of the CASLB is fairly broad-based and ensures participation of all interest-groups in the standard-setting process. Apart from the members of the Council of the ICAI, the CASLB comprises the representatives of the Ministry of Urban Development, Controller General of Accounts, National Institute of Urban Affairs, Ministry of Panchayati Raj, Directorates of major Local Bodies, Academic Institutions and other eminent professionals co-opted by the ICAI.

The CASLB was initially constituted primarily for formulation of Accounting Standards for Local Bodies. Recently, the Council, has decided that the Committee, apart from formulation of Accounting Standards for Local Bodies would also take steps in facilitating improvement in accounting methodology and systems of Local Bodies, and would act as a forum to receive feedback from Local Bodies regarding problems faced by them in the adoption of accrual accounting and in application of the Accounting Standards. While formulating Accounting Standards for Local Bodies, the CASLB will give due consideration to the International Public Sector Accounting Standards (IPSASs) prepared by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) and try to integrate them, to the extent possible, with a view to facilitate global harmonisation.

During the period under Report, the Council has cleared Draft Preface to the Statements on Accounting Standards for Local Bodies which sets out the objectives and operating procedures of the Committee on Accounting Standards for Local Bodies and explains the scope and authority of the Accounting Standards for Local Bodies. The Preface is likely to be issued shortly. The draft of the Framework for the Preparation and Presentation of Financial Reports by Local Bodies has been circulated among the specified outside bodies and the Council members of the Institute and its exposure draft for public comments would be issued soon. The Framework sets out the concepts that underlie the preparation and presentation of financial statements and would assist the Committee on Accounting Standards for Local Bodies in the development of future Accounting Standards for Local Bodies. The Committee has also finalised the draft of accounting standards for Local Bodies on "Borrowing Costs" and "Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies", and these will be circulated to specified outside bodies and the Institute's Council members shortly. The CASLB has also undertaken many other projects for preparation of Accounting Standards for Local Bodies corresponding to International Public Sector Accounting Standards.

The Governmental Level Technical Committee being constituted under the aegis of Ministry of Urban Development (MoUD), Government of India and C & AG, would recommend the Accounting Standards for Local Bodies, issued by ICAI, for acceptance by the state governments. Apart from accounting standards, the ICAI will also support the Technical Committee in its endeavours towards various other aspects of financial reporting including preparation of asset registers, performance measurement, budgeting, costing, internal control and audit.

The Office of the Comptroller and Auditor General of India (C & AG) constituted Government Accounting Standards Advisory Board (GASAB) in August 2002 "in order to establish and improve standards of governmental accounting and financial reporting and enhance accountability mechanisms for Union and the State Government accounts." The ICAI is a member of the GASAB and is also represented on its various Sub-Committees formulated from time to time by GASAB. The representative of the ICAI participates in the meetings of GASAB held during the year and contributes to the technical activities of the Board. The CASLB prepares comments on drafts at various stages prepared by GASAB.

During the period under Report, the GASAB constituted a Committee under the convenorship of the President, ICAI for finalisation of 'Operational Framework for implementation of accrual accounting in Government'. In accordance with the Terms of Reference of the said Committee, the Operational Framework for implementation of accrual accounting in Government was finalised and submitted to the GASAB. As per the decision of the GASAB, the draft Operational Framework has been circulated by the GASAB, Secretariat amongst the State Governments for their comments. The GASAB has decided that the Committee would consider the comments received, if any, on the draft and, thereafter, submit the draft Operational Framework after modifications, if necessary, to the GASAB.

Recently, the ICAI has undertaken two pilot projects with the Controller General of Accounts (CGA), Government of India, for bringing in accounting reforms in the Ram Manohar Lohia (RML) Hospital, New Delhi and the identified divisions of the New Delhi Zone of the Central Public Works Department (CPWD), funded by the World Bank. The CASLB would also provide the necessary support in successful implementation of these two pilot projects.

### 5.3 Auditing and Assurance Standards Board

The Auditing and Assurance Standards Board (AASB) was constituted as a technical organ of the ICAI in September 1982 in the form of a Non-Standing Committee named Auditing Practices Committee (APC). Following the international trend, the Council of the ICAI converted APC into AASB in the year 2002. The conversion of APC into AASB introduced participation of representatives from regulators and industries on the Board to ensure greater transparency, efficiency and safeguarding public interest.

#### 5.3.1. Mission and Objectives

The primary mission of the AASB is to review the existing auditing practices in India and develop Auditing and Assurance Standards. The AASB represent a codification of the best practices in the area of auditing. The AASB also undertakes preparation Guidance Notes on issues relating to auditing, whether generic in nature or industry specific. The AASB recently also undertook the task of issuing clarifications on issues arising from the Auditing and Assurance Standards. As on date, the AASB has thirty-four Auditing and Assurance Standards, three Statements, three General Clarifications and thirty seven Guidance Notes, including four industry specific Guidance Notes, to its credit.

### 5.3.2. Meetings during the Year

The AASB held nine meetings during the year 2005-2006. The Board during the year considered the draft of revised Preface to Auditing and Assurance Standards, Statements on Auditing and Guidance Notes issued by the Board and also considered the drafts of various proposed Auditing and Assurance Standards, namely, Revised Auditing and Assurance Standard (AAS) 3, Audit Documentation, proposed Auditing and Assurance Standard (AAS), The Examination of Prospective Financial Information, proposed Auditing and Assurance Standards (AASs), Understanding the Entity and Assessing the Risks of Material Misstatement and The Auditor's Procedures in Response to Assessed Risks and Revised AAS 19, Subsequent Events; Statement on Companies (Auditor's Report) Order, 2003; as well as Guidance Notes, namely, Guidance Note on Audit of Banks (2006 edition), Guidance Note on Audit of Payment of Dividend, Guidance Note on Audit of Capital and Reserves, etc.

The AASB has also initiated a project of establishing the applicability of Auditing and Assurance Standards to the Small and Medium Entities(SMEs) in consonance with the international developments.

### 5.3.3. Harmony with International Standards

The AASB has carried out a project of comparison of Auditing and Assurance Standards vis-à-vis corresponding International Standards. The different parts of the Study on the subject as prepared by a study group have been allotted to various study groups constituted in all regional councils throughout the country for consideration of the same and suggest the necessary revisions required to the AASs to bring them in line with the corresponding International Standards.

#### Clarity Project

The International Auditing and Assurance Standards Board (IAASB) of IFAC has initiated a Clarity Project for clarifying the professional requirements in the International Standards on Auditing (ISAs) issued by the IAASB. As per the clarity project, the IAASB has tried to minimise the length of the Standard and also adopted a new approach where the standard portion and the application guidance portion had been segregated into two sections within the Standard. Accordingly, the IAASB has issued the Exposure Drafts for revision of some of the ISAs, and has also given a time schedule for the revision of other Standards. The AASB noted that the Auditing and Assurance Standards were required to be revised under the Clarity Project to bring them in line with the respective International Standard on Auditing. Accordingly, the study groups constituted by the Board for consideration of the comparative analysis of AASs vis-à-vis corresponding International Standards have been requested to also consider the effect of the Clarity Project on the Auditing and Assurance Standards and accordingly suggest for the revision of the Auditing and Assurance Standards.

#### Participation at the Meeting of IFAC with National Standard Setters

The ICAI actively participates in the meetings of National Standard Setters. During the year, a meeting of the IAASB was held with National Standard Setters. The AASB also represented the Institute at the said meeting.

### 5.3.4. New Releases:

Statement on Companies (Auditor's Report) Order, 2003 (2005 edition)

The ICAI, pursuant to the issuance of the Companies (Auditor's Report) (Amendment) Order, 2004, has in August 2005 issued the Revised 2005 edition of the Statement on Companies (Auditor's Report) Order, 2003. The 2005 edition of the Statement on CARO, 2003 contains detailed clause-by-clause guidance on all the reporting requirements under the amended Companies (Auditor's Report) Order 2003.

#### Guidance Note on Audit of Banks (2006 edition)

The AASB has issued a thoroughly revised 2006 edition of the Guidance Note on Audit of Banks. This edition is an update to the previous edition issued in 2005. The 2005 edition of the Guidance Note was revised on account of new circulars of the RBI. The revised Guidance Note also contains specific guidance on issues relating to Service Tax, Fringe Benefit Tax, Banking Cash Transaction Tax, and Basel II recommendations.

#### Guidance Note on Audit of Payment of dividend

The AASB has issued the Guidance Note on Audit of Payment of dividend in order to keep the members abreast in resolving the technical intricacies involved in auditing payment of dividend. The Guidance Note deals, in detail, about internal control evaluation and various verification procedures required to be done by the auditor. The Guidance Note takes into account both, corporate as well as non-corporate entities. The Appendix to the Guidance Note contains extracts of various relevant Acts and Rules relating to payment of dividend, the objective being to make the publication a complete, self-contained document for use by the members and others.

#### 5.3.5 Other Activities:

##### Presentation before the President, IFAC and CEO, IFAC

- During the year, Mr. Graham Ward, President, IFAC and Mr. Ian Ball, CEO, IFAC attended a meeting of the AASB. At the said meeting, a presentation was made on the constitution, working procedure, projects in progress and achievements made by the Board at the international arena. The President, IFAC appreciated the achievements made by the Board.

##### Reserve Bank of India

- The AASB has revised the draft format of auditor's report in case of nationalized banks and banking companies, which after approval from the Council of the ICAI has been submitted to RBI for consideration and notification.
- The Board participated in the 9th High Level meeting organised by the Department of Non-banking supervision of RBI, New Delhi to monitor the activities of NBFCs.

##### Comptroller and Auditor General of India

- The AASB had constituted a study group for preparation of the draft of the Long Form Audit Report (LFAR) pertaining to insurance companies, on the lines of the one applicable to banks. The study group had nominees from Insurance Regulatory and Development Authority (IRDA) and the Office of C&AG. The Board has submitted the draft prepared by the study group to the Office of C&AG for notification under section 619 of the Companies Act, 1956.

### 5.3.6. Projects in Advanced Stages:

Apart from the projects completed during the year, the AASB has also undertaken a number of ambitious projects such as bringing out/revising existing Auditing and Assurance Standards corresponding to the International Standard on Auditing issued by the International Federation of Accountants (IFAC), formulating Guidance Notes on various emerging issues in the area of auditing etc. The AASB has also commenced the process for revision of a number of Guidance Notes issued in the past, formulation of Guidance Notes on certain new topics of relevance identified by it for the purpose.

### 5.4 Research

Research plays a crucial role in underpinning the knowledge base of any profession. Recognising the contribution of research activities in enhancement of the quality of services rendered by the profession, the Council of the ICAI constituted Research Committee as a Non-Standing Committee in 1955. Since its inception, the Research Committee of the ICAI has been working vigorously to provide guidance to the members of the Institute in various areas of professional interest particularly, accounting and auditing, so that the highest of the traditions and technical competence might be maintained in the services being rendered by the members of the Institute. The Committee has also been prompt in responding to the need for accounting guidance on contemporary issues, which arise due to amendments in laws and other developments related to economic reforms in the country.

#### Mission and Objectives

The primary mission of the Research Committee is to conduct research in various fields which have a direct and indirect bearing on accountancy and to render research services expected of professional research institutions. The Committee formulates Guidance Notes on accounting aspects which are issued under the authority of the Council of the ICAI. It also brings out Technical Guides, Studies, Monographs, etc., on generally accepted accounting and/or auditing principles and practices designed to enhance the value of the services rendered by the profession. The Committee also conducts a competition for the 'ICAI Awards for Excellence in Financial Reporting' annually, with a view to encourage improvement in the presentation of financial statements in the country.

#### Guidance Notes and other Research Publications

During this period, the Committee formulated four Guidance Notes. Of these, three Guidance Notes, viz., Guidance Note on Accounting for Fringe Benefits Tax, Guidance Note on Accounting by Schools and Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under The Income-tax Act, 1961 have been issued under the authority of the Council of the Institute. The Guidance Note on Measurement of Income-tax Expense for Interim Financial Reporting in the context of AS 25 has been approved by the Council and will be issued shortly.

The Guidance Note on Accounting for Fringe Benefits Tax deals with accounting for Fringe Benefits Tax, particularly with regard to the recognition and presentation of the Fringe Benefits Tax in the financial statements. With the objective of bringing about uniformity and making improvements in the accounting systems being followed by schools, the Committee formulated the Guidance Note on Accounting by Schools. The objective of this Guidance Note is to harmonise the diverse accounting practices being followed in schools including Fund Based Accounting and to recommend uniform formats of income and expenditure account and balance sheet. The insertion of sub-section (1A) to section 115JAA, of the Income-tax Act, 1961 by the Finance Act, 2005 (granting credit in respect of MAT paid),

raised certain issues regarding the treatment of such credit, like, in view of Accounting Standard 22, Accounting for Taxes on Income, whether the credit available is deferred tax or not. The Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under The Income-tax Act, 1961 deals with the aspects of accounting and presentation of MAT paid and the credit available in this regard. The fourth Guidance Note on Measurement of Income-tax Expense for Interim Financial Reporting in the context of AS 25, as its name suggests, provides guidance on the estimation of the income-tax expense to be disclosed in the interim financial reports. It also includes illustrations to explain the guidance.

During the period under Report, the Committee has also issued revised 'Guidelines on internal Audit – Tea industry'. This publication covers the recent developments in technical aspects of the tea industry insofar as they relate to tea cultivation, tea manufacture and tea marketing, and in the light of these developments, provides guidance for effectively conducting internal audit of various functional areas of management, such as, personnel, production, materials, finance, etc.

Besides the above, the Committee also took up the task of preparation of 'Formats of financial statements for Members of Stock Exchanges' upon the request of Securities and Exchange Board of India. These formats would prescribe the information which should be given in the balance sheet, profit and loss account, schedules and the notes annexed thereto, inter alia, bringing about the applicability of accounting standards to members of stock exchanges. These formats have been considered by the Council and will be sent to SEBI shortly.

### Important Projects in Progress

Apart from the projects completed during the year, the Research Committee has also undertaken a number of projects on certain new topics of relevance identified by it for the purpose. The objective is to provide guidance to the members on various emerging issues in the area of accounting, etc. The Committee has also commenced the process for revision of a number of Guidance Notes issued in the past. The Committee has also taken up the task of updation of its publication Technical Guide on Accounting and Auditing in Not-for-profit Organisations

### Compendium of Guidance Notes – Accounting (As on July 1, 2006)

An updated edition of 'Compendium of Guidance Notes – Accounting' as on July 1, 2006, has been issued alongwith a Compact Disk (CD) to be distributed free with the book.

### ICAI Awards for Excellence in Financial Reporting

In order to recognise and encourage excellence in presentation of the financial information, the ICAI, through its Research Committee, has been holding an annual competition for the 'ICAI Awards for Excellence in Financial Reporting'. This prestigious Competition propagates that financial reporting should be committed to the canons of accountability, transparency, integrity, reliability, timeliness and social responsibility. Earlier the Competition was held under three categories. From this year, the Competition has been restructured. The Competition for the year 2004-05 was held under seven categories based on functional classification of various industries. Category I covered Manufacturing and Trading enterprises (including processing, mining, plantations, oil and gas enterprises). Category II covered Finance sector (including NBFCs, mutual funds, investment bankers, HFCs, etc.) and Category III covered Service sector (including hotels, consultancy, transport, stock exchanges, R&D, private hospitals). Category IV and Category V covered Banking, Insurance and Financial Institutions, and Information Technology, Communication and Entertainment

enterprises, respectively. Category VI covered Infrastructure & Construction sector (including power generation and supply, port trusts, roads) and Category VII is the residuary category which covered enterprises which are not covered by the other six categories like, Section 25 companies, educational institutions, NGOs, charitable hospitals, etc. For the Competition for the year 2004-2005, ninety-nine enterprises in different categories participated. The awardees were selected by a panel of judges, appointed by the ICAI, on review of accounting practices adopted by the participating enterprises for the period ending on any day between 1<sup>st</sup> April, 2004 and 31<sup>st</sup> March, 2005 (both days inclusive), without regard to their financial condition and operating performance. Accordingly, the awards signify that the accounting practices followed by the concerned enterprise during the year are the best amongst the enterprises that participated in the Competition. One Gold Shield and one Silver Shield was awarded in each of the seven category for the best entry and the next best entry, respectively. As a special case, Annual Reports of two companies in two categories (one in each category) was selected for award of Commendation. The Gold Shield winners of the seven categories are Dr. Reddy's Laboratories Limited, Housing Development Finance Corporation Limited, Thomas Cook (India) Limited, ICICI Bank Limited, Infosys Technologies Limited, The Tata Power Company Limited and Financial Management Service Foundation, respectively. The Silver Shield winners of the seven categories are J.B. Chemicals and Pharmaceuticals Limited, SBI Capital Markets Limited, The Great India Health Care Management Limited, Andhra Bank, Nucleus Software Exports Limited, Larsen and Toubro Limited and Vidya Dairy. The winners of Commendation award are Abhishek Industries Limited and Wipro Limited. A special function for presenting the 'ICAI Awards for Excellence in Financial Reporting' for the year 2004-05 was held on February 2, 2006, at Hotel Intercontinental Eros, New Delhi. Hon'ble Shri Prem Chand Gupta, Union Minister for Company Affairs, was the Chief Guest for the function. The Hon'ble Minister also gave away the awards to the awardees.

A Resume of the important activities of the Research Committee is given in Appendix to this Report.

## 5.5 Corporate Laws

The year 2005-06 was a year of significant achievements. The Committee completed successfully several projects undertaken by it.

### MCA-21 The Flagship E-governance Project: -

The Committee participated in the deliberations of MCA 21 project initiated by the Ministry of Company Affairs, which will enable an easy and secure access to MCA services in a manner that best suits the corporate entities and professionals besides the public. To popularize the MCA 21 project, the ICAI requested its Regional Councils to ensure maximum participations of ICAI members in MCA-21 programmes. The MCA 21 pilot project was launched at Coimbatore on 18<sup>th</sup> February 2006. Dr. Manmohan Singh, Hon'ble Prime Minister of India launched the MCA 21 Pilot Project at Vigyan Bhawan, New Delhi on 18<sup>th</sup> March 2006. A large number of Chartered Accountants attended the said programme. The project has also been launched at various branches of the ICAI spread across the country. To popularize the Certified Filing Scheme, the details of the scheme alongwith the Registration form was hosted on the Institute's website. To facilitate the process, the online application form has been hosted w .e .f. 01-08-2006.

The Ministry of Company Affairs, Government of India had constituted a Technical Group headed by its Regional Director (Northern Region) to examine and scrutinize e-forms in the light of provisions of the Companies Act 1956. The ICAI has submitted its views/suggestions on revision of e-forms and the same was well accepted.

## LLP Law:

The Ministry of Company Affairs has finalized the Concept Paper on LLP Law appreciating the suggestions received from different stakeholders. The ICAI had contributed in the process and its views were well received. Concept Paper has prescribed Audit of accounts of Limited Liability Partnerships whose turnover exceed such amount as may be prescribed.

## Suggestions/comments on various issues relating to Corporate Laws:

The Committee has submitted its suggestions on various matters referred to the ICAI by the Ministry of Company Affairs and other Government departments such suggestions on Foreign Contribution (Management & Control) Bill 2005, Reports on the Observance of Standards and Codes (ROSC) Study on Insolvency and Creditor Rights (India), Nidhi Companies, Expert Group Constituted by MCA to examine the issues relating to streamlining the Prosecution Mechanism under the Companies Act 1956, Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Bill, 2005.

## Post Qualification Courses:

The Committee recommended two post qualification courses viz. "Protection of Creditor's Rights and Insolvency Law" and " Corporate Valuation" and the Council of the ICAI has approved these courses in principle.

## Training Programmes:

During the year, the Committee organized Training Programmes on Arbitration and on Independent Directors for the benefit of the members. The Committee also organized seminars and conferences covering a wide range of contemporary topics connected with corporate and allied laws. The Committee also organized two Training Programmes for officials of the Indian Company Law Service at Mumbai and Kolkata. The Committee also organized Workshop on Cyber Frauds and its Prevention for Haryana Police Officials, Workshop on Simplification of Procedural Aspects under the Companies Act, 1956 and FICCI-ICAI National Conclave on Corporate Laws, Disclosure Requirements and changing face of Schedule VI.

## Working Group on Corporate Valuers:

The Ministry of Company Affairs has constituted two working groups to examine the requirement and make suggestions for an Institutional framework for Corporate Valuers and to suggest a Model Curriculum for the Corporate Valuers. Both the Groups have completed their deliberations. The ICAI had its nominee on both the Committee.

## 5.6 Fiscal Laws

The Fiscal Laws Committee did pioneering work in the field of State-Level VAT and brought out a publication "State-Level VAT in India – A Study". It also prepared a Model VAT Audit Report and forwarded the same to all the State Governments for their considerations while framing the relevant rules.

Due to the efforts of the Committee, after detailed consultations, the Government has started utilizing the services of chartered accountants at the Desk Review stage in excise audit.

The Committee took up the revision of the Guidance Note on Tax Audit under section 44AB of the Income-tax Act, 1961 and the fifth edition of the same was published. A

comprehensive study on International Taxation namely "Aspects of International Taxation – A Study" was also published.

A detailed memorandum was submitted to the Parliamentary Standing Committee on Finance on the important subject of "widening of tax base and tax evasion and computerization of tax administration". Subsequent to the submission of the memorandum to the Parliamentary Standing Committee on Finance, the ICAI made a personal presentation before the Committee through its Chairman. Arising out of the presentation, the Chairman of the Parliamentary Standing Committee requested for further clarifications on the views expressed by the ICAI, which was also duly submitted.

As usual, the Committee submitted Pre-Budget Memorandum – 2006 from which some of the suggestions were accepted by the Government and incorporated in the Statute. A Budget Workshop – 2006 was held in which eminent members of the profession presented the views of the ICAI on the various proposals contained in the Finance Bill, 2006. Subsequently a Post-Budget Memorandum – 2006 containing a critical analysis and the suggestions of the ICAI on the various clauses of the Finance Bill, 2006 was submitted to the Government. Also, a special issue of the Journal containing articles by eminent members on the clauses of the Finance Bill, 2006 was published.

The Government through a Budget Notification withdrew the exemption given to practising chartered accountants in respect of services other than accounting and auditing services, because of which all services rendered by practising chartered accountants became liable for service tax. The ICAI submitted a representation to the Chairman, Central Board of Excise and Customs. Further, a representation was sent to Hon'ble Finance Minister in this regard. The President also had a personal meeting with the Hon'ble Finance Minister in this regard. On account of these vigorous efforts the Government granted exemption to chartered accountants in respect of representation services arising out of issue of a notice by the competent authority.

Significant inputs in the form of legal decisions and gist of circulars and notifications on direct and indirect taxes were provided for publication in the Journal of the Institute.

The Committee organized an All India Conference in pursuit of excellence at Visakhapatnam, a National Conference on Fiscal and Allied Laws at Trissur and a large number of seminars and conferences to disseminate information and knowledge on the issues arising in the fiscal laws.

## 5.7 Financial Markets And Investor' Protection

The phenomenal buoyancy in the growth of Indian Financial Markets in the recent times has captured an important place in the arena of investment centers elsewhere in the globe. With the large inflows from Financial Institutions (FI's) and Foreign Institutional Investors (FII's), India is seen as the major hub for investments. The Budget 2006 has also made certain reforms for boosting the capital market and taking into account a holistic picture, the Committee gave fresh thoughts and impetus for its various activities for the year 2006-07. To implement various activities in tune with the climate of the financial markets, the Committee drew its action plan comprising the following:

- ◆ Equity Research: The Committee contemplated to bring about a draft Concept Paper on Equity Research and conducting research on equity markets. As a preliminary process, a draft paper is currently under consideration.

- ◆ Streamlining Audit of Stock Brokers Operations: In order to suggest to SEBI on a macro level with social objective in streamlining audit of stock brokers operations and their accountability, the Committee is in the process of undertaking a study on this subject.
- ◆ .Research paper on the Impact of Direct Taxes vis-vis-vis the Financial Markets and Common Investors: The Union Budget is seen as a potential document by every investor for the futuristic moves and prosperity for investment in the stock market. In order to evolve a research into this aspect, the Committee thought it fit to prepare a draft research paper which is currently under process.
- ◆ Publication:
  - Guidance Note on Clause 49: The work relating to the publication, which was started last year, was successfully completed and Committee published the revised draft guidance note (2006) on certification of Corporate Governamnce as stipulated under Clause 49 of the listing agreement.
  - Investment Banking for Investors: Common Literature for Investors on Portfolio Investment and Banking
  - Do's and Dont's': Literature on Dos' and Don'ts' for Investors
  - Handbook on Capital Market Regulations: The book has been published..
- ◆ Programmes:
  - Investor's Awareness Programmes at various places throughout India was contemplated. Programmes were already held at Guntur, Agra, Ghaziabad, Ambala during April to July 2006. Other programmes are currently under finalisation.
  - Public Programme on Union Budget 2006 and Capital Market: A programme on the subject was held on March 7, 2006 at Mumbai, which was addressed by eminent investment experts, economists and others. The programme was well attended by around 600 persons.
  - National Conclave of Investor Associations and Consumer Forums at Chennai: is being finalised.
- ◆ Pro-active Dialogue with the Regulatory authorities.

The Chairman of the Committee is engaged in meeting with the Senior Officials of SEBI, RBI, BSE, NSE, MCDX and other regulatory authorities. In this connection, a pro-active interaction was held with the Executive Director of SEBI.

## 5.8 Expert Opinions

In times of economic growth, the business transactions have become more complex and intricate. Further, the accountants and auditors have to perform their functions within the framework of various accounting and auditing standards, which are gaining much importance and acceptance over the past few years. In such complex environment, the members of the Institute are often posed with certain tricky situations, where an authentic

view is required. Keeping these situations in mind, the Council of the Institute constituted the Expert Advisory Committee for answering the queries of the members of the ICAI on wide ranging issues. The Committee deals with the queries relating to accounting and/or auditing principles and allied matters and as a general rule, does not answer queries which involve only legal interpretation of various enactments and matters involving professional misconduct. It also does not answer queries which concern a matter which is pending before the Disciplinary Committee of the ICAU, any court of law, the Income-tax authorities or any other appropriate department of the government. The Advisory Service Rules have been framed by the Council in accordance with which the Committee answers the queries.

The Advisory Service Rules are available on the web-site of the ICAI, at its hyperlink, [www.icaai.org./resource/eacrule.html](http://www.icaai.org./resource/eacrule.html) or can be obtained from the Institute's Head Office at New Delhi. For further queries, the Secretary, Expert Advisory Committee, can be contacted through e-mail at [eac@icaai.org](mailto:eac@icaai.org).

Although, the Expert Advisory Committee has been appointed by the Council, an opinion given or view expressed by the Committee represents only an opinion or view of the Committee and not the official opinion of the Council of the Institute. The Committee provides an independent and objective opinion on the basis of the facts supplied by the respective querists. During the period from 01.04.2005 to 20.09.2006, the Committee finalised 61 opinions on wide ranging issues like accounting for Minimum Alternative Tax (MAT) under section 115JB and credit available in respect thereof, disclosure of partly secured bonds, creation of deferred tax asset in respect of provision for final mine closure expenditure, treatment of deferred tax assets on the adoption of Tonnage Tax Scheme, applicability of AS3 and AS 28, deferred tax effect of adjusting impairment loss directly against revenue reserves pursuant to transitional provisions under AS 28, etc.

The opinions as issued to the querists by the Committee are also published in the Compendium of Opinions. Till now, twenty-four volumes of the Compendium, containing opinions finalised by the Committee upto January 2005 have been released for sale. Volume XXV of the Compendium, containing opinions finalised by the Committee between February 2005 and January 2006 is under compilation.

Some of the opinions finalised by the Committee are being published in every issue of the Institute's Journal 'The Chartered Accountant'.

## 5.9 Continuing Professional Education

### Overview

The reporting period is a landmark in the Institute's endeavor to continue to maintain the status of Indian Chartered Accountants as a well-rounded professional comparable only with the best in the World. ICAI has always striven for excellence in the standard of professional services rendered by its members. Every possible initiative has been taken and implemented by the Continuing Professional Education (CPE) Committee of the Institute to assist the members to maintain superior standards of professional services.

In line with the international best practices, the CPE Requirements for the Calendar year 2006 has been revised so that:

- All members in practice (with certain exceptions) are required to obtain a minimum of 20 CPE credit hours during the calendar year 2006.
- Members engaged otherwise than in practice are recommended to earn a minimum of 10 (Ten) hours of CPE Credit during the calendar year 2006.
- The requirements of CPE Credit hours for members residing abroad are recommendatory only.

## Launch of CPE Portal

The Committee has taken the initiative of maintaining the database of the CPE credit of the members online and has developed an Online CPE Portal (<http://www.cpeicai.org>) for recording and maintaining the records of CPE hours earned by the members of the ICAI.

The system facilitates the members in keeping themselves updated with the CPE credit hours earned by them. The members can view the status of CPE hours by logging into the CPE Portal using their User ID and password. The portal also provides the information on upcoming events across India and abroad organized by various POU's such as Central Committees, Regional Councils, Chapters abroad, CPE Chapters, CPE Study Circles and CPE Study Groups.

## Empowering the Programme Organising Units

With a dual objective of maintaining uniformity in the subjects to be covered by the CPE Programme Organising Units (POUs) and to enable them to determine the CPE Credit hours, without approaching the Office. CPE Calendar has been released after due consultation process covering topics of practical relevance not only for the members in practice but also to the members in service. Due care was taken to address the CPE requirements of members at metros, big and small cities, mofussil and remote places. As in the early years, the CPE Calendar was divided into two parts viz., Obligatory Topics and Optional Topics. The obligatory topics for the year 2006-07 includes the following:

### ACCOUNTING AND AUDITING

1. Accounting Standards issued by ICAI
2. Audit, Assurance and Quality Standards issued by ICAI
3. Pronouncements and other documents of ICAI on Accounting and Auditing
4. Accounting Standards with sector wise / industry wise practical presentations
5. Accounting Standards & International Financial Reporting Standards (IFRS)
6. US & UK GAAPs
7. Internal Audit Standards
8. Peer Review – System, Procedure and Documentation for Practice Units
9. Sarbanes Oxley Act
10. Accounting of the Urban Local Bodies
11. Forensic Accounting and Audit
12. Internal Audit and Internal Control
13. Service Tax Audit
14. VAT Audit
15. Risk Based Internal Audit

### INFORMATION TECHNOLOGY

16. Audit in Computerised Environment
17. Computer Aided Audit Techniques and other tools
18. Detection and Prevention of Financial Crimes using Computers
19. E – filing returns under Income Tax Act and other laws
20. Information System Audit - Training Programmes, Case Studies, Consultancy and Documentation
21. Systems Audit and related areas viz. Disaster Management, Security Policy, Procedures, Standards and Risk Analysis
22. ERP & SAP

23. Overview of Information Technology Act

**TAXATION**

24. Audit under Income Tax Act – Preparation, Presentation and Documentation
25. Depreciation: Accounting, Taxation and Company Law issues
26. Emerging Issues in Indirect Taxation
27. Issues in Business Taxation
28. Issues in International Taxation
29. Tax Tribunals including National Tax Tribunal – Role of Chartered Accountants
30. Recent Judgements on Direct Tax Laws
31. Service Tax – Law and Practice
32. Taxation of Non-Resident Indians – Recent Developments
33. Stay, Tax Recovery and other Related Provisions under the Tax Laws
34. Transfer Pricing
35. Corporate Taxation
36. Fringe Benefit Tax (FBT)
37. Value Added Tax (VAT)
38. Survey, Search and Seizure – Current Developments
39. Desk Review

**CORPORATE LAWS**

40. Companies (Auditors' Report) Order (CARO)
41. NCLT Law and Practice
42. MCA 21 – Challenges & Opportunities for the Profession

**CODE OF CONDUCT**

43. Code of Ethics of ICAI and relevant emerging issues

**FINANCE AND CAPITAL MARKET**

44. Derivatives: Future and Option
45. Sources of Raising Funds
46. Recent trends in finance and capital market
47. International Finance
48. FDI Rules
49. Project Report and Appraisal

**CORPORATE GOVERNANCE**

50. Listing Agreement
51. Audit Committee Charter
52. Audit Committee and Independent Directors
53. Recent Development in Corporate Governance
54. COSO, COBIT & ERP

**OTHERS**

55. Business Process Outsourcing – Opportunities for Chartered Accountants
56. Knowledge Process Outsourcing – Opportunities for Chartered Accountants
57. Fraud Investigation and Reporting
58. Jurisprudence, Interpretation of Law and Evidences Act

59. Due Diligence & Valuation
60. Money Laundering
61. CA Amendment Act, 2006
62. Merger, Demerger & Networking of CA Firms and Capacity Building

The optional topics include 91 topics of relevance to the members of the Institute in practice and in industry. The Calendar, in addition, also includes 8 broad heads of topics, which are of relevance to the members in industry specifically.

In order to enable the members to meet the increased quantum of CPE Credit hours, the POU's of the Institute particularly, the Regional Councils, Branches of Regional Councils, CPE Study Circles and CPE Chapters have been advised to conduct certain minimum number of CPE programmes commensurate with the members being served by such POU's.

### Maintaining Quality of CPE Programmes

The CPE Committee has formed Regional CPE Monitoring Committees, inter alia, to monitor the quality of the CPE Programmes being organised by the CPE POU's. Monitors and supervisors as required under the CPE Advisory on Monitors and Supervisors are being nominated for CPE Programme Organizing Units (POU's) for achieving the above stated objectives.

### Granting the status of 'National' 'International' and 'All India' to CPE Programmes

The Committee has taken the initiative to evolve suitable parameters for granting the status of 'National' 'International' and 'All India' to CPE programmes, so that the said status can be granted in accordance with the number of participants in the conference, the nationality of the faculty/resource persons/ the region to which the participants/faculty belongs. Towards this objective, the Committee has finalized the parameters for granting the status of 'National' 'International' and 'All India' to CPE Programmes.

### Management and Accounting Research

In order to encourage research in the area of accounting, auditing, management, economics and allied areas, the Committee continued to publish the quarterly research journal Management and Accounting Research. The journal includes technical contributions from experts, both in India and from abroad. The Committee has revised the honorarium payable to authors and reviewers in order to attract quality contribution by experts for this journal.

### Other initiatives of the CPE Committee

The CPE Committee has also been working on the following strategic initiatives:

- Conducting certificate courses on areas of super specialization for the members of the Institute.
- Organising more In-House Executive Development Programmes for the benefits of the members in Industry.
- Revision of the Statement on the Continuing Professional Education
- Revision of the norms for the formation and the functioning of the CPE Study Circles, CPE Chapters and CPE Study Groups for the purpose of maintaining the required quality of the programmes so organised.
- Revision of the course curriculum of the Post Qualification Course on Management Accountancy.

- Implementing e-learning solutions for the Members

#### 5.10 Professional Development Committee

The Professional Development Committee has been making sustained efforts to explore, derive, develop, and make available opportunities for the members of the Institute in different sectors of the economy. The Committee, over the years, has been quite vigorous in trying to generate more professional opportunities for the members by exploring/pursuing new/existing areas where the expertise of the members could be utilised in a productive and fruitful manner. The Committee also tried to ensure that equitable opportunities are available to all members of the profession. As a part of this process, the Committee is continuously interacting with various regulatory/empanelling authorities and users of services of the profession etc. both in India and abroad.

The major achievements/endeavours of the Professional Development Committee in this reporting period are given below:

- Like last year, the Multipurpose Empanelment Application Form was hosted. Members/firms were able to fill up the form offline after downloading the form from the Website and to upload their dully filled up Form after connecting to internet again.
- Issuance of Government Order by the West Bengal Government to procure all the panels of auditors only from the ICAI instead of seeking individual applications from Chartered Accountants and their firms.
- The Professional Development Knowledge Portal [www.pdicai.org](http://www.pdicai.org) developed last year continues its service in providing the members with timely and necessary information on practice development and professional opportunities to the members.
- Discussions with the officials of the RBI on various matters relating to audit of banks.
- Various issues of direct interest to the members pursued with the Office of the C & AG. of India.
- Meeting with the officials of NABARD to discuss various issues of mutual interest.
- Meeting with the officials of the Department of Banking, Ministry of Finance, Government of India to discuss various issues of mutual interest.
- Meeting with the officials of the Khadi and Village Industries Commission.
- Meeting with the officials of the Asian Development Bank (ADB), Indo-US FIRE (D) Project, Department for International Development (DFID), India and World Bank to discuss issues of mutual interest.
- Representations sent to various States/Union Territories regarding the introduction of VAT.
- Representations sent to Principal Finance Secretaries of various States regarding internal audit of Sub-Treasuries and Expending Departments.
- Representations sent to Minister, Panchayati Raj of various States regarding Financial and Accounting reforms and Capacity- building in Panchayati Raj Institutions.

- Information regarding allotment position for Bank Branch Audits for the year 2005-06 hosted on the Institute's website.

Besides the above, the Committee is continuously striving to achieve its objectives, as detailed below:

- ◆ To explore and exploit all available and potential opportunities whereby newer avenues for professional development and growth may be assured for the Institute's members.
- ◆ To educate the users on matters affecting the profession.
- ◆ To conduct courses, seminars, workshops on various subjects in so far as these relate to the core mission of the Committee.
- ◆ To determine the manner and the form in which guidance should be provided to Chartered Accountants in regard to the possible avenues that are developed for them.
- ◆ To improve the communication process with representative bodies of users of the services of the profession so that equal opportunity is given to all members of the profession with due regard to their professional abilities and attributes.
- ◆ To consider ways and means to provide specific assistance in improvement of skills and talents of members (Basically, this will be in the form of recommendations to other Committees of the Institute).
- ◆ Last but not the least, to ensure that existing opportunities of professional development are fully utilised and maintained at equitable and growth-oriented levels.

The Committee is also cautious of its responsibility to educate members in the areas related to new avenues of professional opportunities. It is in view of this, the Committee has organized the following programmes/seminars: -

- Training Programme on 'Sarbanes Oxley Act - An Orientation' at Mumbai.
- Programme on 'Financial and Accounting Reforms in State Governments and the Role of Chartered Accountants' at Hisar.
- All India Conference on 'Practice Development – The Road Ahead' at Nagpur.
- Workshop on 'Consulting - Finding the Edge' at Amritsar.

#### 5.11 Peer Review Board

The peer review mechanism, introduced by ICAI – a leader in this behalf – in the country, as per the feedback received, has been welcomed by the Members of the profession at large.

The Peer Review Board set up by the Council of the ICAI in the year 2002, comprising of Members of the Council and representatives from bodies like the Ministry of Company Affairs, C&AG, Industry and RBI is moving forward in ensuring that the reviews are carried out as per the best global practices. To this end, the Board brought out Peer Review Manual detailing the peer review process and providing insight into its various aspects.

In order that there is consistency and uniformity in carrying out reviews by the Reviewers, the Board imparts training to the Reviewers, before assigning them the Practice Units for review. The training modules, specially developed for the purpose as a book titled "Training Modules for Peer Reviewers" provide for training curriculum for Reviewers and also guidance for the training facilitators on how to conduct reviewers' training.

During the course of training, a number of questions are raised on peer review process, obligations of the Practice Units (PUs), role of the Reviewers, Powers of the Board, insulation from disciplinary jurisdiction etc. While the Trainers try to the best of their ability to answer the posers, the Board thought it appropriate to compile these questions in booklet form and accordingly a publication on FAQs has also been issued.

The peer review process aims to cover all firms of chartered accountants (PUs) in a phased manner in three stages. The PUs are selected on random basis, through a specially developed software. PUs covered under Stage I have been selected in 3 phases and those under Stage II have so far been selected for 2 phases. Selection of PUs under Stage III has also been made under phase I thereof. Details of PUs selected, reviews completed and Peer Review Certificates issued will be found in the Appendix to this report.

## 5.12 Committee for Members in Industry

### **Overview**

The Committee for Members in Industry is involved in encouraging and enhancing close links between ICAI and the Chartered Accountants working in industries in various capacities so as to provide for them, a base of reference in terms of knowledge, expertise, skills and assistance in individual career growth through the development of extensive and intensive relationship with organizations and agencies of the Government, so as to provide the maximum possible exposure to the world of trade, commerce, industry and governance, while simultaneously pursuing the goal of providing the maximum of employment opportunities.

The Committee also provides assistance to members of the Institute in finding appropriate placement opportunities in the industry. In this regard, the Committee is engaged in providing services in relation to the following three categories of members and students of the Institute:

- (i) Newly qualified Chartered Accountants through the campus placement programme
- (ii) Semi-qualified accounting professionals (candidates who have completed their Chartered Accountancy Course articleship)
- (iii) Qualified Chartered Accountants – who are presently serving in industry

All the above services are being administered through the Placement Portal [www.placements-icai.org](http://www.placements-icai.org). The ICAI placement portal provides an opportunity to professionals in finance and accounting and the industry to interact with the objective of building capacity for international best practice oriented finance and accounting culture and Indian industry.

### **Campus Interviews**

The Committee organized Campus Interviews for Chartered Accountants qualified in May 2005 in September – October 2005 and November 2005 in February – March 2006. 842 Chartered Accountants were placed in the Campus Interviews held in September – October 2005 whereas 1158 Chartered Accountants were placed in the Campus Interviews held in February – March 2006.

### **Experienced Chartered Accountants and Semi Qualified Accounting Professionals**

The placement services are also being provided to the experienced Chartered Accountants and semi-qualified accounting professionals through the placement portal. The candidates

looking for jobs can register on the Portal itself and can fill their profile. Further, the entities intending to recruit experienced Chartered Accountants and semi-qualified accounting professionals can register on the Portal itself and can access the database for experienced Chartered Accountants and semi-qualified accounting professionals which are available free upto 31<sup>st</sup> December 2006. The registrations on the portal is growing day by day and the registration level of recruiting entities have crossed the figure of 2500 as on 31<sup>st</sup> May 2006.

As regards the registration level of qualified Chartered Accountants, the number has also crossed 3000 and the registration level of semi-qualified accounting professionals has crossed 1000.

### **CFOs Guild**

The Guild of CFOs is being maintained by the Committee. The Guild is meant for members of ICAI occupying senior positions in industry. The primary objective of setting up such a guild is to develop a platform where highly intellectual and talented pool of people from various organisations can discuss various issues concerning the profession in general and for members in industry in particular. They can plan, formulate and strategize policies for improving the image of Chartered Accountants in the eyes of the industry. Industry-specific seminars/conferences/round table meetings are also planned to discuss the matters pertaining to the industry and make them brand ambassadors of the profession. The present strength of membership in the Guild of CFOs is around 1400.

### **Programmes/Seminars/Conference:**

The Committee organised the following programmes/seminars/conferences for the benefit of the members in industry:

1. All India CMII Conference on 17-18<sup>th</sup> June 2005 at Mumbai
2. Conference on Construction Industry on 9<sup>th</sup> and 10<sup>th</sup> July 2005 at Mumbai
3. Programme for Members In Industry on 23<sup>rd</sup> July 2005 at Indore
4. All India Conference on Professional Accountants in Business: Powerful Enabler for Achieving Remarkable Performance on 12<sup>th</sup> to 13<sup>th</sup> August 2005 at Kolkata
5. National CPE Conference on Professional Excellence' organised by PRC & CMII at Chennai on 8<sup>th</sup> September 2005
6. All India Conference on 22<sup>nd</sup> to 24<sup>th</sup> September 2005 at Goa
7. Industry Focused Programme on Civil Aviation Sector on 20<sup>th</sup> to 21<sup>st</sup> October 2005 at New Delhi
8. National Seminar on 'Professional Enrichment' organized by PRC & CMII on 26<sup>th</sup> November 2005 at Chennai
9. Industry focused National Conference on Information Technology & Automobile Sectors on 3<sup>rd</sup> to 4<sup>th</sup> December 2005 at Pune
10. National Seminar on Programme – a New Dimension on 15<sup>th</sup> and 16<sup>th</sup> December 2005 at Jamshedpur
11. Conference on Entertainment Industry on 24<sup>th</sup> and 25<sup>th</sup> December 2005 at Mumbai
12. 1<sup>st</sup> Workshop on IFRS & US GAAP on 26<sup>th</sup> to 29<sup>th</sup> December 2005 at Hyderabad
13. National Seminar on Real Estate and Construction Industry on 21<sup>st</sup> January 2006 at Chennai organised by PRC and CMII
14. 2<sup>nd</sup> Workshop on IFRS & US GAAPs on February 23-26, 2006 at Mumbai
15. CFOs Meet on 20<sup>th</sup> May 2006 at Chennai
16. Director (Finance)/CFOs Meet on 2<sup>nd</sup> June 2006 at New Delhi

### **CMII Newsletter – Corporate Communique**

Three issues of CMII Newsletter – Corporate Communique has been released:

- (i) Volume V – November 2005
- (ii) Volume VI – February 2006
- (iii) Volume VII – May 2006

## Other Publications of the Committee

The following publications have been released for the benefit of the members in industry:

- 'How to Face an Interview Board' for the newly qualified Chartered Accountants distributed free of cost at the time of orientation programme,
- Sustainability Reporting

The Committee is working on the following strategic initiatives:

- The Committee has started working on the concept paper on Members in Industry which will cover the growing trend of members joining the industry, understanding their expectations and needs and the way forward for the ICAI to cater to this change accordingly. In this regards, the Committee has developed questionnaire (available at the website [www. Placement-icai.org](http://www.Placement-icai.org) under the title 'For Members in Industry' and is taking feedback from the members in industry from various forums such as CFO Meet, seminars etc.
- Marketing of Placement services to further improve the final placement of newly qualified Chartered Accountants.
- Popularisation of Placement Portal.
- Publication of books having relevance to the Members in Industry.
- Publication of CMII Newsletter
- Creation of database of members of eminence and those occupying key positions in the industry.
- Considering the ways and means to enhance the participation of the Members in Industry in the activities of the Institute.
- MOU and Agreement with ICICI Bank Ltd. and Airtel for recruiting newly qualified Chartered Accountants which has led to recruitment of a very large number of candidates
- Organising industry-specific programmes
- Organising Director (Finance)/CFOs meet at various places in the country

## 5.13 Information Technology

### 5.13.1. Overview

Information Technology innovations in the recent years have enhanced the role of IT from business enabler to business driver. Businesses and governments are making increasing use of IT to service their core business functionality and provide more and more facilities and services online – VIP by Institute, Core Banking by Banks, E-Governance by MCA/ Income Tax/ Foreign Trade, Portals, Online Sales, Reservations by Indian Railways/ Airlines, to name a few. At the same time, Indian business scenario is witnessing emergence of more and more IT Enabled Services (ITES) like Business Process Outsourcing (BPO)/ Knowledge Process Outsourcing (KPO) with the removal of trade barriers and the world fast transforming into a global village. With increasing competition, the accountants need to focus on the efficiency and effectiveness of audits/ operations by making increasing use of the computers as a tool for audit/ analysis.

The Committee on Information Technology is involved in converting IT challenges into opportunities for Chartered Accountants to not only survive but also grow in the evolving economy by increasing the efficiency and effectiveness of their operations and by providing more and more value added services that are in increasing demand in the evolving economy. Some of the important initiatives of the Committee are as follows:

5.13.2. Information Systems Audit (IS Audit) / Systems and Process Assurance (SPA) Services – PQC Course on ISA

The increasing deployment of IT solutions by businesses and Govt. while providing value added services has often been found to be lacking with respect to proper systems/ processes/ procedures/ controls/ checks and balances because of which business continuity of some organizations has been at stake. There is an increasing need for third party expert review and reporting on the Information Systems – IS Audit/ SPA.

Considering the emergent need for IS Audit/ SPA, the Committee has introduced a revised syllabus for the Post Qualification Course on Information Systems Audit (ISA) from January, 2006.

5.13.3. Training Resources on Computer Assisted Audit Techniques (CAAT) CAAT Resources CD (V2.1)

As the increasing volumes and variety of financial transactions are now being processed through the computer and physical records are fast disappearing, professional accountants have to extract the data and information using the computer as a tool for audit and analysis. Recognizing this need, the Committee has issued a CAAT Resources CD (V2.1) to provide a facility of training and development in this field through walkthroughs (step-by-step procedures with voice explanations), user guides, presentations, case studies and working copies of a number of CAAT/ GAS tools.

5.13.4. CPE Course on Computer Accounting & Auditing Techniques (CAAT)

The committee offers the CPE Course on Computer Accounting & Auditing Techniques (CAAT), which has been thoroughly revised, through Regional Councils/ Branches/ CPE Chapters to enable members to start using the computer as a tool for data extraction, analysis and reporting.

5.13.5. Technical Guide on IS Audit

The Committee has issued a Technical Guide on IS Audit to provide the framework within which IS Audit has to be performed by ISA Qualified members.

5.13.6. ISA Portal

The Committee has established the ISA Portal at [www.isaicai.org](http://www.isaicai.org) to offer details of its PQC on ISA and CPE course on CAAT, provide course information, facility for online registration, filling-up of the online ISA ET form and details of other Committee activities for the benefit of members. The ISA Portal is the primary means of communication with the members pursuing the ISA/ CAAT Courses.

5.13.7. Twin Services of ROSM & OLPT

To provide exposure to the type of questions asked in the examinations for ISA, the Committee has two online facilities – Online Practice Tests (OLPT) to enable candidates to review their understanding/ preparation level and Researched Online Study Materials (ROSM) wherein one page full of details is provided about the question asked, to enable members to have greater clarity of concepts – a unique testing and learning facility.

5.13.8. IT Enabled Services (ITES)

The Committee has identified ITES as a thrust area for training and development of members in this emerging area and efforts are being made to identify and implement programmes in this regard.

#### 5.13.9. E-Learning

The Committee is in the process of implementing suitable e-learning modules to provide basic level of training through CBT/ CAL modules to be followed up with the professional training sessions which would have training and mentoring by practitioners. This is expected to provide on-demand learning facility and also reduce the professional training requirements as a part of the PQC on ISA.

#### 5.13.10. Technical Guide and Training Programmes on Systems Audit of Stock Brokers

The Committee in the process of coming out with a Technical Guide on Systems Audit of Stock Brokers also provide some training programmes for the benefit of members wishing to provide these services.

#### 5.13.11. Proof of Concept Laboratories (POCL)/ Centres of Excellence in Information Technology (CEIT)

The Committee has established a pilot POCL/ CEIT at Chennai to provide practical hands-on training and exposure to members in emerging IT Areas by offering focused training programmes for their development and training in IT Area. The Committee would be implementing POCL's at Mumbai & Delhi as a part of the Mission 2006 programme of the Institute.

#### 5.13.12. IT Conferences/ Seminars/ Practical Workshops

The Committee keeps organizing IT Conferences/ Seminars/ Workshops at major cities from time to time to provide an opportunity to members to benchmark themselves to best practices being followed within the country and abroad. A short-list of scheduled programmes is as follows:

- Practical Workshops at the Proof of Concept Laboratory (POCL)/ Centre of Excellence in IT (CEIT) at Chennai Using CAAT's/ Systems Audit of Banks/ Using MS-Excel as an Audit Tool from time to time.
- Practical Workshops on Systems Audit of Banks at Delhi, Nagpur, & Mumbai. (Oct 15-16, Dec 29-30, 2006)
- Practical Workshop on Using CAAT's through Video Conferencing at 10 centres on Feb 3, 2006.
- IT Conference on "Empowering Chartered Accountants for the Digital Era" at Kolkatta on Sep 9-10, 2006.

#### 5.13.13. ISA Course for ICAI Members in Nepal in association with the Institute of Chartered Accountants of Nepal (ICAN)

The Committee organized a special ISA batch for the benefit of ICAI members in Nepal in association with the Institute of Chartered Accountants of Nepal (ICAN).

#### 5.13.14. Study Tour for Members of the Institute of Chartered Accountants of Sri Lanka

The Committee organized a special study tour and training programme for members of ICASL for a technology exposure at Chennai POCL/ CIET and field visits to leading technology companies in Bangalore.

### 5.14 Public Relations Activities Undertaken

A proactive strategy was continued to be pursued so as to put forward the Institute's viewpoints, building upon the brand equity of the profession, strength of accounting profession in India and Institute's perspective on contemporary issues as also to address the concerns about the profession as indicated herein: -

- Public Relations Committee continued to provide thrust to the PR activities of the Institute during the year. The Committee has however not been re-constituted in Feb 2006.
- Press interaction including with electronic media, at the Head office, Regional offices and various other cities in the country on the initiatives taken/proposed to be taken, policies and programmes and also for responding to the issues concerning the profession were organised. This included one to one meeting of the President with the leading journalists and TV Channels, on issues which confronted the profession.
- Focused interaction with key journalists, press and electronic media, parliamentarians, Government officials, Regulators explaining the view point and initiatives being taken by the Institute on the issues related to the profession nationally and internationally has been pursued.
- Emphasis on contemporary issues in public debate concerning the profession, in the programmes organised by the Institute, its Regional offices and Branches with a view to develop communication link between the Institute and members for their feedback has been laid.
- Promoting CA Curriculum through structured articles as well as interactive meetings with the press in national as well as regional news papers and TV Channels.
- Providing logistic support to the Committees constituted by the Government of India, under the Ministry of Company Affairs.
- The Committee organized the following five Seminars:
  - National Seminar on Real Estate & Construction Industry on the 21<sup>st</sup> January, 2006 at Chennai jointly with Committee for Members in Industry.
  - National Seminar on “Professional Enrichment” jointly with the Committee for Members in Industry on November 26, 2005 at Chennai which was inaugurated by Hon’ble Dr. Anbumani Ramadoss, Union Minister of Health & Family Welfare.
  - National CPE Conference on “Professional Excellence” jointly with the Committee for Members in Industry on September 18, 2005 at Chennai which was inaugurated by Hon’ble Mr. K. Rahman Khan, Deputy Chairman, Rajya Sabha.
  - CPE Conference on “Professional Enrichment” jointly with Tirunelveli Branch of SIRC of ICAI on 11<sup>th</sup> September 2005 at Tirunelveli.
  - Seminar on “Current Issues of Professional Relevance” jointly with the Insurance Committee of the Institute at Chennai on June 25, 2005 which was inaugurated by Hon’ble Shri K. Rehman Khan, Dy. Chairman, Rajya Sabha.
  - Coinciding with the Seminars, the PR Committee also felicitated past Presidents, Central Council Members who have been in profession for more than 50 years or have made it to the top echelons in government, insurance, banking, public sector companies and public life.
- ICAI Patrika has been redesigned and is continued to be published quarterly to inform and disseminate the important developments at the Institute.
- Recommendations have been made on the draft guidelines for setting up ICAI Archive
- The Committee finalized the norms for display of Institute’s flag on the tables in the offices of Chartered Accountants.
- Proactive initiative for development of professional opportunities for members, creation of a positive image of the profession, highlighting the career prospects for CA students

as also Services rendered by the Chartered Accountants through Advertisements in leading newspapers and magazines including Khaleej Times of Dubai.

- Strengthening the quality of response to the members and students, in the Institute's offices and through the internet, strengthening the grievance handling mechanism, and communication through the journals and student's newsletter for improving the quality of services given a focused attention.
- Preparing the film on the achievements/ initiatives of the Institute during 2005-06
- Image building of the ICAI both professionally and socially and Creation of general awareness through series of TV Spots is on anvil.
- Brochures on the Profile of the ICAI and on Services rendered by Chartered Accountants will also be brought out shortly.
- The Website of the ICAI given a face-lift and made more informative and user friendly. Video clippings of important events are also being hosted on the website.
- Meetings with Chief Ministers and Finance Ministers of various states.
- Meeting with Secretaries of various Departments of Govt. of India and other State Governments.
- Council Members, as allowed by the Council, have been giving statements to the Press subject to certain conditions.
- Terms of Reference of the PR Committee have been amended so as to include promotion of social causes/image of the profession and the Institute.
- PR Policy of the Institute is being finalized.
- Providing PR support for the programmes organised by the regional councils and the branches.

#### MEDIA EVENTS

- Programme for Directors (Finance)/ CFOs on 29<sup>th</sup> July 2006 Mumbai.
- To commemorate the Chartered Accountant's Day, organization of the Conference on "Role of Accountancy Profession in Promoting Economic & Social Development" on 1<sup>st</sup> July 2006 at New Delhi. Union Minister of Company Affairs Shri Prem Chand Gupta was the Chief Guest at the Conference.
- Organisation of the 56<sup>th</sup> Annual Function of the ICAI held on February 3, 2006 which was inaugurated by Hon'ble Shri K Rahman Khan, Dy. Chairman, Rajya Sabha.
- Presentation of the 'ICAI Awards for Excellence in Financial Reporting' for the year 2004-05 at New Delhi on February 2, 2006. Hon'ble Shri Prem Chand Gupta, Union Minister of Company Affairs gave the Awards to the representatives of the organizations declared to be the winners.
- International Conference on 'Role of Accountancy Profession in Anchoring Economic Growth' on 19<sup>th</sup>-21<sup>st</sup> January 2006 at Mumbai. Conference was inaugurated by Dr Y.V. Reddy, Governor RBI and Mr. Graham Ward, President, International Federation of Accountants and Sir David Tweedie, Chairman, International Accounting Standards Board were the Guests of Honour at the inaugural session.
- Organized media coverage of the International Conference on ' Accounting Profession: Adding Value to New Horizons of Economic Growth' held on 1-2 September, 2005 at New Delhi, which was inaugurated by His Excellency Dr. A.P.J. Abdul Kalam, Hon'ble President of India.
- ICAI and FICCI joint National Conclave on Corporate Laws, Disclosure Requirements and the Changing Face of Schedule VI on 8<sup>th</sup> July 2005 at New Delhi. Hon'ble Shri Prem

Chand Gupta, Minister of State for Company Affairs (Independent Charge) was the Chief Guest.

- Celebration of the Chartered Accountants' Day on 1<sup>st</sup> July 2005 which was inaugurated by Shri H.R. Bhardwaj, Hon'ble Minister of Law & Justice. The function was also graced by Shri K. Rehman Khan, Dy. Chairman, Rajya Sabha, Hon'ble Shri Suresh Prabhu, MP and former Minister of Power and Hon'ble Shri C. Ramachandraiah, Member of Parliament.
- All India CPE Conference on "Current Issues of Professional Relevance" held on 25<sup>th</sup> June 2005 at Chennai which inaugurated by Hon'ble Shri K. Rahman Khan, Hon'ble Deputy Chairman, Rajya Sabha.
- Union Ministry of Home Affairs (MHA) and the ICAI organized a joint seminar on Foreign Contribution Regulation Act, 1976 (FCRA) at New Delhi on 24-25th June, 2005 which was inaugurated by Hon'ble Union Home Minister Shri Shivraj Patil and Hon'ble Shri Sri Prakash Jaiswal, Minister of State for Home Affairs was the Guest of Honour at the inaugural session. The valedictory address was delivered by Hon'ble Union Finance Minister Shri P. Chidambaram. Union Home Secretary, Shri V.K. Duggal also addressed the seminar.
- Interactive Workshop on Simplification of Procedural Aspects under the Companies Act 1956 organised by ICAI under the aegis of the Union Ministry of Company Affairs on 16<sup>th</sup> June 2005 at New Delhi. Hon'ble Shri Prem Chand Gupta, Union Minister of Company Affairs inaugurated the Workshop and the then Secretary, Ministry of Company Affairs Smt. Komal Anand delivered the Valedictory address.
- High-powered Meeting on Strategic Finance and Developmental Considerations for Major Metropolises and Urban Local Bodies on the 2nd June 2005 at New Delhi
- National Seminar on Emerging Professional Opportunities in the WTO Regime on May 14, 2005 at Hyderabad. The programme was inaugurated by Mr. C. Ramachandraiah Member of Parliament and Mr. Konijeti Rosaiah, Minister of Finance, Government of Andhra Pradesh presided over the Seminar.
- Training Programmes on Independent Directors
- Presentation of Model Audit Report for State Level VAT prepared by the ICAI to the, Member Secretary to the Empowered Committee of the State Finance Ministers on May 4, 2005 at New Delhi
- Hon'ble Dr. Asim Kr. Dasgupta, Chairman of the Empowered Committee of State Finance Ministers on VAT dedicated Guidance Note on Accounting for State-level Value Added Tax brought out by ICAI, to the Nation on April 15, 2005.

#### INTERNATIONAL

- Visit of Mr. Graham Ward, President, International Federation of Accountants (IFAC) and Mr. Ian Ball, Chief Executive IFAC to India during April, 2006.
- Visit of delegation of State Audit Institution (SAI) of Oman led by their Dy. President His Excellency Naseer Al – Rawahy, to ICAI at New Delhi on June 4, 2005 to discuss the role of ICAI in institutionalization of accounting profession in Oman including setting up of its own accounting body. The delegation of SAI of Oman again visited New Delhi in Jan 2006.
- Visit of delegation of Mongolian Institute of Certified Public Accountants to New Delhi in Jan , 2006.
- The Institute hosted the Coordination Committee Meeting and Conference of International Innovations Network (IIN) at New Delhi on January 22-24, 2006.

- Mr Sunil Goyal, Past President of the Institute elected President of the South Asian Federation of Accountants (SAFA) for the year 2006
- On the occasion of the 20<sup>th</sup> SAARC Charter Day, the Institute organised a debate on 'Right to Information – Necessary for Accountability'.
- Mr. Kamlesh S Vikamsey, President ICAI elected as the Deputy President of the Confederation of Asian and Pacific Accountants (CAPA)
- President of the Institute, Mr. Kamlesh S Vikamsey has been appointed to the Board of the International Federation of Accountants (IFAC).
- Mr. R.K. Kasliwal was nominated by the Council as Member on the Advisory Panel of IASB's Extractive Activities Project Team.

Meeting of the Developing Nations Permanent Task Force of IFAC held in Oct 2005 at Kolkata and coinciding with this the International Conference on 'Values & Perspectives of the Accounting Profession in the Developing Nations' was organised at Kolkata on Oct 17, 2005.

### 5.15 Trade Laws and WTO

The Committee had been established with the mission to establish and assure the expertise and authority of the Institute of Chartered Accountants of India in all matters concerning Laws of Trade including Trade in Goods and Services in particular, and the implementation of international trade regimes including the WTO regime in general, both nationally and internationally and to create and expand a base of expertise in these matters among the membership of the Institute through such ways and means as are considered to be most effective so as to fulfill national stated and unstated aspirations, concerns, and needs in all these regards.

Moving ahead with its mission during the period under report, the Committee continued to strive for capacity building of members in the rapidly changing world trade scenario in order to technically equip the members of the Institute to face the challenges and derive advantages to broaden the scope of their expertise in the new world trading regime and to contribute towards the economic development of India.

#### Post Qualification Course in International Trade Laws and World Trade Organisation

- After the successful launch of the Post Qualification Course in International Trade Laws & WTO (ITL & WTO) in November 2004, over 200 Members have been registered in the Course from across the country.
- Three batches of the 30 days Personal Contact Programme (PCP) for the Post Qualification Course in ITL & WTO were successfully conducted during the period at New Delhi, Mumbai, Chennai, Hyderabad, Kolkata, and Kanpur. Eminent faculty consisting of senior Government officials in different Ministries, such as Ministry of Commerce, Ministry of Finance, Ministry of Textiles, Ministry of Agriculture, Ministry of Environment & Forests, Competition Commission of India, Export Inspection Council of India, Copyright Board, faculty from noted law firms, JNU, Delhi University, IIFT, people from trade and industry, professionals and other research based organizations in the field of WTO gave presentations and delivered lectures during the PCP.
- The Committee recommended to realign the syllabus and course structure of the Post Qualification Course in International Trade Laws and WTO with a view to give a focused outlook to the overall structure of the Course.

- Interactions were held in different cities with the members registered in the Post Qualification Course in International Trade Laws and WTO with regard to various aspects of the Course and interactive meeting through Teleconferencing with the members registered in the Post Qualification Course in International Trade Laws and WTO was also organized to discuss issues on Competition Laws and Policies. Members in New Delhi, Mumbai, Chennai and Kanpur had joined in the teleconferencing.

#### The WTO Pathfinder – A Technical Update on WTO Matters

During the period under Report, three issues of the 'The WTO Pathfinder– A Technical Update on WTO Matters' were brought out one each in April 2005, August 2005 and December 2005. The publication being an awakening campaign material carried useful technical updates on WTO for the benefit of members and other stakeholders. Some of the important topics dealt with in these issues are as follows: -

- ◆ Hong Kong Ministerial Conference – A Report
- ◆ India's Revised Offer on Services to the WTO
- ◆ Trade Policy Review: An Overview of the Mechanism & the Recent Review(s)
- ◆ Frequently Asked Questions: TRIPS and Health
- ◆ NAMA Negotiations – A Simple Guide
- ◆ Current Negotiations under GATS
- ◆ Moving Ahead : From Process to Product Patent Regime
- ◆ Competition Law and Policy – An Understanding
- ◆ China's WTO Compliance
- ◆ General Agreement on Trade in Services: Basic Elements
- ◆ WTO News

#### Seminars / Conferences / Awareness Programmes/ Study Tours

During the period under Report, the Committee on Trade Laws & WTO organised the following programs:-

- A Seminar on Foreign Trade Policy was organized on 29th April, 2006 at Hotel Le Royal Meridien, Mumbai, hosted by the WIRC of ICAI. The Seminar was inaugurated by Hon'ble CA. Suresh P. Prabhu, Member of Parliament. The Seminar was well attended by the Members. On the occasion, the Committee had also brought out a Background Material for the Seminar. Eminent faculty in the field of foreign trade had addressed the Seminar during the technical sessions on 'Highlights of Foreign Trade Policy', 'Key Note Address on Annual Supplement 2006 to Foreign Trade Policy with specific reference to Customs Procedures', 'Export Promotion Schemes and SEZs' and 'Export of Services – An Acknowledged Opportunity'. The Seminar was addressed by eminent personalities from various Government, print media, banking sector, industry etc.
- A Seminar on 'Knowledge Process Outsourcing – Opportunities for Chartered Accountants' was organized on 26<sup>th</sup> May, 2006 at Bangalore hosted by Bangalore Branch of SIRC of ICAI. The Seminar was very well attended by the membership in view of its contemporary theme. On the occasion, the Committee had also brought out a Background Material for the Seminar.
- A Seminar on WTO – Emerging Opportunities was organized on 24 August, 2006 at New Delhi. The Seminar dwelt upon issues of Anti-Dumping – Effects and Analysis; Anti-Dumping Duties - Major Issues and Emerging Scenario for Developing Nations -

Remedial Measures; Anti-Dumping Investigations - Procedural aspects, Imposition and Maintenance of Antidumping measures; Practice in Anti Dumping – Opportunities & Challenges for Chartered Accountants; Subsidies & Countervailing and Safeguard Measures; Subsidy & Countervailing Duty – An understanding of meaning, forms & effects; Safeguard Measures : Concept and Related Issues; Opportunities & Challenges for Chartered Accountants : Subsidies & Countervailing and Safeguard Measures; Special Economic Zones (SEZs) – A New Catalyst for Economic Growth; Operational Issues arising out of SEZ Act & Rules; Knowledge Process Outsourcing – Emerging Opportunities; Setting up a New BPO/KPO – Challenges for Chartered Accountants; Global Outsourcing Opportunities for CA's. Eminent faculty in the respective fields had addressed the participants at the Seminar. The Seminar was very well attended by the members. On the occasion, the Committee had also brought out a Background Material for the Seminar.

- A Study Tour to Europe was organized consisting of 12 participants during July 17 – 25, 2006 for first hand interaction with the multi-lateral and other agencies. The Study Tour had interactions with World Intellectual Property Organization, Geneva, World Trade Organisation, Geneva, Permanent Mission of India for WTO at Geneva, Permanent Mission of Mexico to WTO at Geneva, UNCTAD, Geneva, European Commission, Brussels, Indian Mission to European Union, Brussels, and LeBoeuf, Lamb, Greene & MacRae, LLP Law firm in Brussels. A joint interaction was held at Amsterdam with Royal NIVRA, Netherlands, Chamber of Commerce, Amsterdam, Economic Development Department, Amsterdam, Foreign Investment Office, Ministry of Economic Affairs, Netherlands and the Members in various Accounting firms in Netherlands. The Study Tour also had the privilege of visiting the International Bureau of Fiscal Documentation, Amsterdam. In London, the Study Tour had discussions with Indian Members in London, Practice Assurance Wing of ICAEW, officials of Accounting firms in London and London Stock Exchange and interaction with Law firms in London, Lloyds, London, Department of UK Trade and Investment, London and High Commission of India, London.

#### Research Activities

- With the basic objective of providing guidance to the Chartered Accountants in practice and in service and others concerned to have an insight in various fields and on issues of relevance to International Trade Laws and WTO, the Committee has undertaken research activities in the following fields and intends to bring out focused research publications:-
  - Study on Anti-dumping, Anti-Subsidies and Safeguard Measures.
  - Study on Foreign Trade Policy (2004-09).
  - Study on Intellectual Property Rights.
  - Study on International Commercial Arbitration.
  - Study on Competition Law & Policy
  - Publication on Destination India
  - Publication Special Economic Zones
  - Study on Knowledge Process Outsourcing
- The Committee on Trade Laws and WTO has also undertaken country specific research studies for the following countries. The basic objective of these research studies is to

provide guidance to the Chartered Accountants and others concerned on the trade laws/rules applicable in major trading partners for (a) setting-up businesses in such countries; and (b) operating as professional accountants in such countries:

Australia	Japan	South Africa
Bahrain	Korea, Republic of	Sweden
Brazil	Kuwait	Switzerland
Canada	Mauritius	Thailand
China, Peoples Republic of	Oman	Turkey
Hong Kong	Russia	United Kingdom
Indonesia	Saudi Arabia	United Arab Emirates
Ireland	Singapore	United States of America
Israel		

## Representations to Various Authorities

- The Committee had pioneered in making Institute's recommendations for the Annual Supplement 2006 to the Foreign Trade Policy to Hon'ble Shri Kamal Nath, Union Minister of Commerce & Industry primarily with a view to boost export of services trade.
- During the period under Report, the Committee had also made representations before Export Promotion Councils, SEZs and other Government bodies in the field of International Trade Laws and WTO exploring professional opportunities for Members.

## Knowledge Sharing

The Knowledge sharing page developed by the Committee and displayed at the website of the Institute continued to provide useful and relevant information on the basic understanding of WTO. The page intends to keep the members abreast of latest development in the ever-changing global trading environment.

## Assessment of Initial Offers under GATS

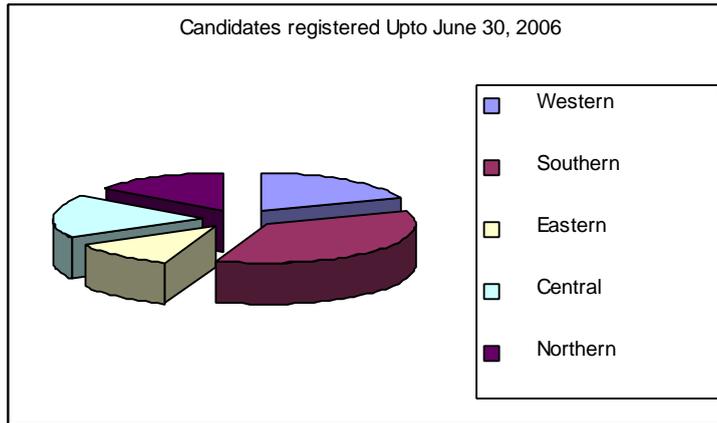
The Committee has been making an assessment of the Initial and Revised Offers under current GATS negotiations, in so far as sector specific/horizontal limitations have been inscribed, by various WTO Member Countries in the areas of services which a Chartered Accountant can render such as accounting, auditing, book keeping, taxation, computer related services to include the software, data processing and data base services, management consultancy, legal and financial services for bringing out a Research Study to suggest possible strategies for deriving comparative advantages there from.

### 5.16 Committee on Insurance and Pension.

- Restriction on validity of the Eligibility Certificate has been removed keeping in view the hardship faced by the DIRM candidates. Now the Eligibility Certificates issued (and to be issued) to DIRM candidates will have unlimited validity with no revalidation requirements.
- The Committee released a book on "Pension Plans" covering the salient features and developments in the area of pension funds in the country. The Book was released by Mr.D.Swarup, Chairman, PFRDA.
- Publication on "A Study on Insurance Survey and Loss Assessment" has been released by Hon'ble Shri K. Rahman Khan, Deputy Chairman, Rajya Sabha. This

publication deals with Insurance Surveyor and Loss Assessor in depth and the regulations attached to it.

- The Committee is consistently making efforts and taking up appropriate measures to publise the DIRM course amongst the members of the Institute. As a result, the number of registrations have reached upto 2860 till June 30, 2006. The region-wise break-up is as under:



Region	Western	Southern	Eastern	Central	Northern
Candidates registered upto June 30, 2006	548	1037	327	534	414

- Orientation Course has been successfully held at four Centres (New Delhi, Kolkata, Chennai and Noida) between December 12 - 31, 2005 and March 20 – 25 , 2006 for the candidates who passed the IRM Technical Examination.

## Initiatives

- For the purpose of developing professional opportunities in the insurance and pension sectors for the members, both in practice and in service the Committee is pursuing various Insurance Companies for exploring the possibility of utilising services of Chartered Accountants and also maintaining full fledged interaction with Insurance and Pension Regulatory Authorities.
- Representation has been sent to all General Insurance Companies to revise the Audit Fees.
- To explore more professional opportunities, representation has been sent to HR, Directors and Director (Finance) of various Insurance Companies for utilising the services of the members who have completed the DIRM course.
- The Committee is developing a separate web portal for the better administration of DIRM course including online Eligibility Tests, dissemination of knowledge and single window clearance for the stakeholders to identify the members who wish to develop specialization in insurance and pension sectors.
- Revision of the existing IRM course in line with the latest augmentations, to develop and maintain the core competencies of our members in the areas of insurance & pension. The overall objective of revising the existing IRM course is to increase the depth and width of the curriculum with a view to develop appreciable level of core competencies amongst the participating members of the ICAI

(both in practice and in industry) in the area of insurance and pension to enable them to get opportunities throughout the world.

- A new pattern of the question papers has been introduced containing objective type of questions as well as questions requiring short answers or short notes as answers.
- Supplementary Study Materials containing objective type questions, short answer questions, case studies have been released for the guidance of DIRM candidates.
- Topics on insurance and pensions have been arranged for incorporation in the CPE Calendar 2006-07.

### **Conference/Seminars Organised**

- National Seminar on Insurance was held successfully on 16th October, 2005 at Nagpur. It was attended by 125 participants.
- National Seminar on Insurance on "Improving Effectiveness of Audit Committee in Insurance Companies" was held successfully on 23rd December 2005 at Mumbai. It was attended by 110 participants.
- The Committee has conducted a half-day seminar on Insurance at Bhubneshwar on 31<sup>st</sup> January 2006. The topics related to Insurance Surveys & Broking and Professional Opportunities for Chartered Accountants in Insurance Sector were discussed.
- Extended assistance for conducting CPE teleconferencing on "Opportunities for Chartered Accountants in Insurance & Pension Sector" that was conducted on 20th April 2006.
- The Committee conducted a Residential Modular Training Programme on Pension Funds – Issues and Investment Strategies from 26<sup>th</sup> – 29<sup>th</sup> June, 2006 at Mussorie.

### **Number of Successful Candidates in Technical Examination**

<b>S.No.</b>	<b>Month &amp; Year</b>	<b>No. of Passed Candidates</b>
1.	May, 2005	54
2.	November, 2005	77

#### 5.17 Committee on Corporate Governance:

The Committee on Corporate Governance (CCG) was formed in September, 2005. As per its Terms of Reference, the Committee is to interact with the Ministry of Company Affairs and other government departments on various issues relating to Corporate Governance, promote Corporate Governance in enterprises including PSUs, conduct training programmes and/or organize seminars, conferences on its own or jointly with the Ministries/Government Departments etc., consider various issues relating to Corporate Governance issued by the Ministry of Company Affairs from time to time. The Committee has conducted several training programmes on Independent Directors at places like Kolkata, Chennai, Ghaziabad, Delhi, Hyderabad, Dhanbad and Amritsar. More such programmes on Independent Directors are scheduled to be held during the current council year, i.e., 2006-07. A large number of members of the ICAI have participated in such programmes. The Committee is planning to hold two national level conferences on Corporate Governance during the year with special emphasis on the appropriate provisions of the Sarbanes Oxley Act, 2002. The Committee is in the process of bringing out new publications namely, Code on Corporate Governance for Insurance Companies, Code of Corporate Governance for family

owned group of enterprises and role and responsibilities of Independent Directors and Audit Committee etc.

## 6. International Affairs Committee

### A. Recognition of Indian Qualification by other Accounting Bodies:-

During the year, the Committee carried on the process of dialogue for evaluation of the Institute's qualification by select overseas accounting bodies for allowance of exemptions to the ICAI members from examination and training forming part of the overseas bodies' qualification. Being a long drawn process involving the evaluation of qualification, training, continuing professional education and disciplinary requirements as also having regard to the current state of negotiations under GATS and involving domestic sensitivities; the results of the process are slow; yet at the same time the Institute is continuing its efforts for early culmination of the process. The Process of qualification recognition is at various stages of discussion with accounting bodies in the USA, Canada, Australia, UK, Singapore etc.

An MOU with Centre for Education Research & Training of UAE has been executed by the Institute in August, 2006 which inter alia deals with the development of framework of Institutional infrastructure in UAE. Similarly a MOU with State Audit Institution of Oman is under consideration of State Audit Institution and it also deals with institutionalization of accounting profession in Oman including setting up of its own accounting body with the help of the Institute and setting up of a branch office of the Institute at Muscat, Oman. The matter is in advance stage.

Under the aegis of Comprehensive Economic Cooperation Agreement between Government of India and Singapore; the Institute is in dialogue with CPA Singapore for assessment of Qualifications leading to MRA. Both the Institutes have initiated the process of comparative evaluation of each other's qualification and other requirements. The exercise is at advanced stage.

The members of ICAI holding certificate of practice can acquire the membership of the ICA of Nepal upon passing their examination in (i) Commercial Laws; (ii) Direct Tax; and (iii) Indirect Tax. As per examination rules of ICAN, the above three papers are treated as a distinct group in case of ICAI members holding certificate of practice. The regulations governing membership of ICAN allow foreign citizens to practice in Nepal in form of firms only, in which the share of the foreign citizen(s) shall not exceed 51 percent.

### B. INSTITUTE'S Representation at International Forums

The prominent role played by the Institute is evidenced in form of nomination it enjoys in the governing boards of international accounting bodies namely the International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA) in addition to their various functional committees. The ICAI's representative currently holds the office of President of SAFA. Its nominees represent on the following:

#### Committees of IFAC

- International Accounting Education Standards Board,
- Small and Medium Practitioners Committee,
- Developing Nations Committee
- International Public Sector Accounting Standards Board
- Professional Accountants in Business Committee

CAPA: as Dy. President of the Confederation

### SAFA:

- Centre of Excellence on Education, Training & CPD
- Centre of Excellence on Standards and Quality Control
- Centre of Excellence on Ethics and Independence of Auditors
- Centre of Excellence on Best Presented Accounts Award & Best Corporate Governance Award
- Working Group for Restructuring of SAFA
- Working Group on Accrual Accounting in South Asian Region
- Working Group on Best Corporate Governance Practices in South Asian Region
- Working Group on Networking of Firms
- Working Group on Regulation of Accountancy Profession in SAFA Member bodies,
- Task Force on Study of Cost Indices of major Products in SAARC Countries
- Task Force on Mutual Recognition Agreement
- President
- as Permanent Secretary

IASB : Working Group on Accounting Standards for SMEs

### C. International Initiative by the Committee

Mr Graham Ward, President of the International Federation of Accountants (IFAC) and Mr Ian Ball, Chief Executive IFAC visited India during 16<sup>th</sup> to 18<sup>th</sup> February 2005 at the invitation of the Institute wherein they held meetings with Shri Kamal Nath, Hon'ble Minister of Commerce and Industry, Shri Prem Chand Gupta, Hon'ble Minister of State for Company Affairs (Independent Charge) and Shri V.N. Kaul, Comptroller and Auditor General of India. They also visited facilities of WIPRO Limited, Infosys Technologies Limited and BIOCON Limited at Bangalore, where the meetings were held with the key officials of these corporates. They also met Dr Y.V. Reddy, Governor, Reserve Bank of India and Shri G. Anantharaman, Member, Securities and Exchange Board of India. A Conference 'Changing Paradigm in Accounting Profession' was organised at Mumbai, which was attended by about 300 delegates, was also addressed by them.

A Conference on the Role of the Profession in Developing Economies was held on January 9-10, 2005 at Abu Dhabi, UAE.

A Joint Conference with the Institute of Chartered Accountants of Pakistan on the theme Accounting Profession: New Horizons was held on January 14-15, 2005 at Lahore Pakistan.

A Joint Conference with the Institute of Chartered Accountants of Nepal on the theme Professional Accountants: Looking Beyond Frontier was held on January 30-31, 2005 at Kathmandu, Nepal.

An interaction with the Asia/Pacific Group (APG) on Money Laundering was held on March 21, 2005 at New Delhi.

A delegation of officials from the State Audit Institution, Oman (SAI) led by H. E. Mr. Nasser H. Al-Rawahy, Deputy President, SAI visited the Institute on June 4, 2005 to discuss the proposed Memorandum of Understanding (MoU) between SAI and the Institute and take the dialogue forward towards successful conclusion of the MoU.

An awareness programme on Peer Review system and Information System Audit were organised on June 17-18, 2005 at Kathmandu. The Institute has committed its support to

ICA Nepal inter alia in the introduction of Peer Review framework and Post Qualification Course in Information System Audit for the ICA Nepal membership.

A delegation of officials from the Shanghai National Accounting Institute, (SNAI) visited the Institute on July 21, 2005. The delegation comprised of Vice President, Shanghai National Accounting Institute and Director, Personnel and Education Department, Ministry of Finance of People's Republic of China in addition to representatives from Beijing and Xiamen National Accounting Institutes. The discussion focused on mutual areas of cooperation sharing of experience and expertise in providing advisory services to government/ state-owned companies and non-governmental organizations.

The Institute organized an International Conference on September 1-2, 2005 at New Delhi on the theme "Accounting Profession: Adding Value to New Horizons of Economic Growth". The Conference was inaugurated by Dr. Abdul Kalam, Hon'ble President of India who in his address served Chartered Accountants as Partners in National Development. Hon'ble Shri Prem Chand Gupta, Minister of State for Company Affairs (Independent Charge) and Hon'ble Shri K. Rahman Khan, Dy. Chairman, Rajya Sabha were Guests of Honour. The Conference was also addressed by renowned international personalities in the area of accounting and auditing like His Excellency Nasser Al- Rawahy, Deputy President of State Audit Institution of Oman, Mr. John Kellas, Chairman International Auditing & Assurance Standards Board of International Federation of Accountants, Ms. Tatiana Krylova, Chief-Investment & Enterprise Competitiveness Branch of UNCTAD, Mr. Anthony Hegarty of World Bank, Dr. Ernest Kan, Vice-President of The Institute of Certified Public Accountants of Singapore, Mr. Geoff Brayshaw, Past President of the Institute of Chartered Accountants of Australia and doyens of Indian trade and industry and regulators.

The meetings of 58<sup>th</sup> SAFA Assembly and Centre(s) of Excellence and Working Group(s) of SAFA were held in September 1-3, 2005 at New Delhi.

The Institute hosted the meeting of IFAC's Developing Nations Permanent Task Force in Kolkata on October 17-19, 2005 and a conference on the theme "Perspective of Accounting Profession in Developing Nations" coinciding with the meeting of the Task Force was also held.

The Committee organised an International Conference on the theme 'Role of Accountancy Profession in Anchoring Economic Growth' from January 19-21, 2006 at Mumbai, New Delhi which was inaugurated by Dr. Y. V. Reddy, Governor, Reserve Bank of India. The Conference was intended to appraise the participants including all stakeholders of the contribution of the profession of accountancy towards attainment of economic growth objectives. Sir David Tweedie, Chairman, IASB rendered a Special Address at the Conference. The Conference was also addressed by renowned international personalities namely Mr. Graham Ward, President and Mr. Ian Ball, Chief Executive, IFAC, Mr. Kurt P. Ramin, Chairman, XBRL International, Mr. Kanwal Nath, Chairperson, GASAB.

On the sidelines of the International Conference and the International Innovations Network at Delhi, meetings with delegations from AICPA, ICAEW, CNDC – the Accounting Institute of Italy, Mauritius and Mongolia were also held.

The Committee hosted IIN events in New Delhi from 23-25 January, 2006.

The Institute jointly organized a half -day seminar with the Institute of Certified Public Accountants of Singapore (ICPAS) on the theme "Business Opportunities in India & Singapore" on Monday, 26 September 2005. The seminar was organised in the light of the Singapore - India Comprehensive Economic Co-Operation Agreement (CECA).

The Institute bid to host World Congress of Accountants in 2010 was well received and resulted in the shortlisting of India as a possible venue amongst six other countries. The IFAC delegation consisting of Mr. Graham War, President, IFAC and Mr. Ian Ball, Chief Executive had detailed interactions with Lieutenant Governor of Delhi, Chief Minister of Delhi, Principal Secretary – Finance, Government of Delhi, Principle Secretary – Tourism , Secretary – Ministry of Company Affairs and Hon'ble Shri K. Rahman Khan, Dy. Chairman-Rajya Sabha in connection with the ICAI bid. They also visited the India Trade Promotion Organisation (ITPO) and had discussion with their Chairman and Managing Director. Owing to infrastructural limitations of the conference venue, the Institute lost the bid by narrow margin.

The Kuwait Chapter of the Institute was inaugurated on 19<sup>th</sup> April, 2006.

A Chapter of the Institute in Canada is also on the anvil.

The Institute's representatives participated in the IFAC's SMP Forum, SMP Practitioners Seminar and SMP Committee meeting held on 3-6 July, 2006 at HongKong.

A 12 member official delegation headed by Mr. Yao Guanghai, Dy. Secretary General, State Office of Rectification and Standardisation of Market Economic Order, Ministry of Commerce, China visited the Institute on 7<sup>th</sup> August 2006.

The ICAI would be supporting a resource centre namely IFAC Knowledge Net which is intended to provide an internet search engine on the ICAI's website whereby it facilitates searches within ICAI website and IFAC Knowledge Net which will be linked to websites of other IFAC member bodies. The resource provides flexibility in terms of areas / information to which access with or without payment is to be provided.

The ICAI has been increasingly playing a proactive role in positioning the Indian accounting profession on all the international accounting forums, and building up brand image internationally. This has helped ICAI play an important role in the process of setting international standards on accounting and auditing and more importantly, in creating a niche for Indian accountants in the global market for accountants and accounting services.

Considering the needs of Institute's members overseas; the Committee is actively associated with the activities of ICAI Chapters overseas. The Committee has compiled a set of Frequently Asked Questions from the perspective of the Institute's members based in foreign countries. The same have been hosted on the Institute's web-site.

#### D. Initiatives w.r.t. WTO Regime

A Working Group has been constituted by the Ministry of Company Affairs, Government of India under the convenorship of President, ICAI with ICWAI and ICSI as its members) for matters related to trade in accounting, book-keeping and auditing services in the matter of making Plurilateral Requests under accounting, book-keeping and auditing services. The said group has been rendering its advise to Government on the issues so referred.

An Indo UK Accountancy Task Force has been constituted by Ministry of Commerce and Industry, Govt. of India which consist of 7 members from UK side and 6 Members from Indian side respectively. The Group will work upon way forward with regard to promoting bilateral cooperation between the UK and Indian accounting sector and discussed on a probable work schedule for fostering Bilateral Cooperation.

The Committee continued to take up the matter(s) arising out of ongoing negotiations under GATS for Accounting, Auditing and Bookkeeping Services with Ministry of Commerce and Industry & Ministry of Company Affairs wherein Institute has continued to promote members interest taking into account the concerns of the profession by no first seeking effective commitments/offers from other countries and removal of professional and non

professional barriers from the major trading partners so that the Indian accounting professionals get an effective access to these countries.

The Institute continued to render/ provide inputs to Government on various issues relating to ongoing negotiations under GATS.

## 7. OTHER ACTIVITIES

### 7.1 Human Resource Development

#### 7.1.1 HRD Training Programme

The ICAI, as a part of its ongoing endeavours, organised, during the period under Report, training programmes on following areas/subjects to sharpen knowledge & skill and to bring attitudinal changes for providing enhanced and better services to its members & students and also to all concerned:

- ◆ Regular Training Programmes/Workshops for Officers and staff of the Institute covering areas like Human Energy Management, Business & Professional Get Up, New Approach to Improve Overall Efficiency & Morals, Team Building Exercise, Attitude & Executive Effectiveness, Total Quality Personality and Motivation.
- ◆ Regular hands on training in Computers.
  - Specially designed series of Managerial Effectiveness/Executive Development Programmes for middle, senior and top level Executives
  - Periodic/continued sessions on sharing of knowledge, experience and identification of areas of concern/priority aiming Secretaries to Non-Standing Committees
  - Awareness and Interactive Sessions for New Entrants
  - Weekly Workshop Accounting Standards and allied topics
  - Periodic Interactive Orientation Courses for Officers
  - Periodic Interactive Sessions for Staff at various levels
  - Residential Training Programme on Self-Empowerment & Sustaining Team Spirit.
  - Series of Computer Training
  - Workshop on VAT
  - Organisation of tasks specific workshops on subjects like Accounting Standards, Auditing and Assurance Standards, Insurance, etc., besides programmes on general subjects/topics of relevance.
  - Deputation of employees associated with Central and Regional Libraries to IIT Library at Chennai, which is considered as a state of the art Library in the country, for an "On-sight Library Training".
  - Regular interaction with Regional Offices through audio conferencing, video conferencing and web conferencing.

Besides normal and regular HRD programmes, the Regional Offices at Mumbai, Chennai, Kolkata, Kanpur and New Delhi have also organised specific programmes on 'Dare to Dream', 'Positive Attitude – A Pre-requisite to Success', 'Service with a Smile', 'Team Building Exercise', 'Team Work', 'Attitude & Executive Effectiveness', etc.

The regular HRD programmes organised during the period of Report have already crossed the mark of 7500 man hours'

Further HR Initiatives aiming at grievance redressal, timely counselling, enhanced facility management, etc. are as follows:

- Open the month with the grievance seeking and initiation of hardship mitigating process/steps
- Meet the Secretary for grievance addressal any time
- Periodic meetings between Officers and staff with Director (HRD).
- Encouraging employees to offer suggestion(s) through the Suggestion Box maintained.
- Departmental Monday Meetings
- Periodic employee counselling on areas requiring additional/focussed employee attention
- Continued support to lower rung of employees to bring them to mainstream by upgrading performance and delivery levels to the required benchmark

#### 7.1.2 Human Resources - Welfare Measures

The ICAI has always recognised that its Human Resources are the most important asset for all its success in past and also strongly believe that this asset may overcome all hurdles for all times to come and place the ICAI as a Guiding Star. It continued to provide enhanced Welfare measures for its employees, during the year as well.

#### 7.2 Use of Information Technology in Member's and Student's Services

The new millennium is upon us and the changes sweeping across the globe are dramatic indeed. ICAI has progressed steadily and surely into the new millennium. The implementation of Virtual Institute has prepared the Institute to face the challenges posed by the technological revolution.

##### THE INTERNET CHALLENGE

The single biggest challenge facing every organisation across countries is that of the Internet. As the Internet becomes a way of life and opens up vistas of enormous growth, more and more organisations recognize the need to reconfigure and adapt their service models to the new technology. The ICAI, see the Internet Revolution as a long-term paradigm shift and are committed to it to enhance our service levels and quality delivery.

Flexibility and agility are the buzzwords as organisational structures are remodeled to adapt to new technological breakthroughs. 'Educational Institutions and Regulatory Bodies' increasingly recognize the need to respond expeditiously to this changing environment.

##### TOWARDS TOMORROW

The paramount objective of various IT initiatives would be to attain global standards of competitive advantage. The Internet has given a new vibrancy to everyone world over. It is challenging and exciting to be living through a real revolution. Focussed efforts are directed towards transforming ICAI into an effective e-service organisation in the coming years.

## E-PAYMENTS

Membership fee collections are tied up with the payment gateway facilitating online payments. Members are encouraged to use credit cards to pay your membership fees online.

In addition to the above, ICAI has introduced ECS facility thro Bill Junction Payments to facilitate members by way of a mandate for debiting their bank accounts for collection membership fees. The mandate form is sent to the members along with the fee circular where the members have a facility to provide mandate for debiting their Bank Account till they desire to revoke the payment thro ECS channel by informing the concerned regional offices. During the year more than 500 members have used the ECS facility for payment of their membership fees.

ICAI encourages members to make use of the online payment facilities and take steps to make sure their transactions are secure and their personal information is protected. Although you can't control fraud or deception on the Internet, you can take action to recognize it, avoid it and report it.

## KNOWLEDGE MANAGEMENT AND ICAI PORTAL

Various initiatives are launched for efficient Knowledge Management that will tap the vast reserves of experience, learning and knowledge that exist within the Institute. ICAI Portal is effectively used to make a repository of information and knowledge accessible to the members, students and employees at the click of a button.

The portal brings dynamic features to the content. It functions as a Global Gateway to ICAI. The portal provides a single interface to users for accessing Institute's services taking into consideration security requirements.

Using Single Sign-on feature, users have the facility to access information from Internet/ Intranet database applications. The portal helps the Institute in disseminating information in an organised manner.

The portal acts as a single point of access to news and information, back office applications, knowledge and information assets based on user's roles.

So far more than 20000 members and students have used the single sign on facility on ICAI portal and created their User Ids on the site.

## Important URLs of the Institute's websites?

<a href="http://www.icaai.org">http://www.icaai.org</a> :	ICAI Portal
<a href="http://www.icaiarf.org">http://www.icaiarf.org</a> :	Website of ICAI Accounting Research Foundation
<a href="http://220.225.137.148/ICAI">http://220.225.137.148/ICAI</a> :	Portal for Online Services under Virtual Institute
<a href="http://www.meficai.org">http://www.meficai.org</a> :	Portal for Online Multipurpose Empanelment
<a href="http://www.pdicai.org">http://www.pdicai.org</a> :	Portal of the Professional Development Committee
<a href="http://www.cpeicai.org">http://www.cpeicai.org</a> :	CPE portal for online CPE hours
<a href="http://www.placements-icaai.org">http://www.placements-icaai.org</a> :	Placement Portal

## Virtual Institute Project:

Unified centralized system under Virtual Institute Project (VIP) was productionised after legacy data migration & testing in all regional offices from April 1, 2005. The centralized system provides instantaneous consolidation of members & students records.

Further Internet Modules were made operational in August 2005 facilitating members and students to submit regulatory forms online, view their profiles and pay fees online.

### Benefits of VIP:

'Virtual Institute' project brought a paradigm shift in the functioning of the Institute taking the Institute to a qualitatively new way of working. The project creates a single integrated system for catering to the entire community of chartered accountants, irrespective of their geographical locations, through the virtual medium of Internet. Listed below are some direct and indirect benefits derived from the implementation of the project:

### Direct Benefits:

- All India database of members and students
- Instantaneous consolidation of members & students records
- Dynamic MIS
  - Members counts
    - ✓ Segregated into Associates, Fellows and Region wise
    - ✓ Women members data decade segregated into Associates, Fellows and Region wise
    - ✓ Statistics based on qualifications of members
    - ✓ CoP, Fellowship related statistics
  - Student Counts
    - ✓ segregated into PE-I, PE-II and Final students
    - ✓ segregated into male, female
      - Online multipurpose empanelment
      - Instantaneous generation of List of Members, List of Firms & List of Voters
      - Online member & student services
      - Online fee payment of fees for members & students
      - Preparation of panels for professional development committee
      - Inter regional transfers of members and students is online and instantaneous
      - Efficient and timely delivery:
        - ✓ Centralised Journal mailing labels increasing efficiency of Journal delivery
        - ✓ Centralised Firm Name Approval
        - ✓ Centralised script certificates
        - ✓ Mass e-mailing

### Indirect Benefits:

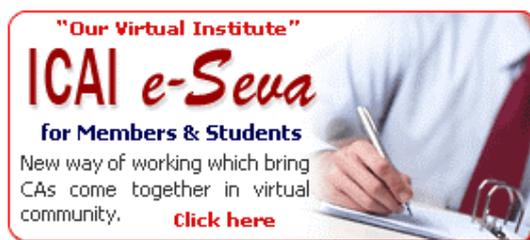
- In-house Primary delivery centre with disaster recovery site facilitating 24 X 7 operations of the Institute
- Broadband Internet Access to every official of the Institute
- Corporate e-mail account to every official of the Institute, Council Members, Regional Council Members, Branches and partnership firms
- Server farms hosting the Institute website and mail server – huge saving on server hosting
- Corporate network facilitating inter office connectivity

- Free inter office voice calls using VoIP on the corporate network
- The IT infrastructure created under Virtual Institute is a step towards e-Learning implementation

The Primary Delivery Centre (PDC) is a high-end establishment with Oracle 9i database server with Real Application Cluster (RAC) running under Sun Cluster, Citrix application server farm and a web server farm. The Disaster Recovery (DR) site hosts a scaled down setup. In the event of a disaster at the PDC, the data is secured and critical operations can be resuscitated by connecting to the DR site.

### Virtual Institute & e-Initiatives

Members & Students can avail online services of the Institute by visiting ICAI e-Seva link on the Institute website [www.icaai.org](http://www.icaai.org)



The fee collections are tied up with the payment gateway facilitating online payments.

Students:

Students can now avail PE1/ PE2/ CCT registrations, Articles Registration/ Re-Registration, Deed of Articles, Final Registration, Articles Vacancy Availability online in addition to viewing their profile, test results and exam results.

Members:

Members earlier had to take time out from their busy schedule to come to the Institute for simple issues such as payment of fees, firm name approval. These details are now available to them at the click of a button. Members are able to make request for CoP registration, Fellowship registration online. They can now download their profile online.

### 7.3 Audit Committee

With a view to provide an oversight into the effectiveness of the Institute's internal control systems and financial reporting processes, the Council of the ICAI constituted the Audit Committee.

The Terms of Reference of Audit Committee are very wide. Besides having access to all the required information from within the Institute, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors and the Institute. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters. Among others, it oversees the financial reporting process and the disclosure of the financial information of the Institute to ensure that the financial statements are true and fair. It focuses primarily on:

- Any changes in accounting policies and practices.
- Major accounting entries based on exercise of judgment by management.

- Qualifications in draft audit report.
- Significant adjustments arising out of audit.
- Compliance with Accounting Standards.

It reviews periodically the adequacy of internal control systems with the auditors and management as well as policies relating to data security integrity etc.

An integral part of functioning of the Committee included holding meetings across the year; considering and reviewing the internal and external audit work plans; evaluation of financial policies and review of internal audit reports.

During the year the Committee also gave its recommendations regarding the following matters:

- Preparation of quarterly accounts of the Institute including Regional Councils and branches, so that the half yearly accounts and thereafter, the annual accounts of the year 2005-06 could be conveniently prepared and timely presented to the council.
- Monitored and reviewed the annual accounts' objectivity and effectiveness and approved the same with a few suggestions;
- Reviewed the scope of work of internal auditors with a view to strengthening the control mechanism.
- Reviewed the structure and reporting lines of internal audit.
- Initiated a move towards complete reconciliation of publications, title wise, of the Institute, its branches, Regional Councils and Noida stores.
- The Committee also directed the office for complete reconciliation of inter-unit balances periodically and verification of assets at regular intervals as well as, framing of an appropriate expenditure control mechanism.
- The Committee also decided that all the committees be requested to give budgeted variance statement showing the variance in actual expenses incurred as compared to the budgeted amount.
- The Committee emphasised on non continuation of statutory auditors of branches, Regional councils, decentralised office and head office as well as the internal auditors for a period of more than 3 years.
- Initiated the work relating to documentation & evaluation of Internal Control Systems prevalent in ICAI.

#### 7.4 Financial Reporting Review Board

ICAI being the premier accounting body in the country, has been working relentlessly towards establishment of sound and reliable financial reporting system in the country. Towards this end, the ICAI has, inter alia, been issuing Accounting Standards as well as providing guidance on issues arising in implementation of such accounting standards. Similarly, with a view to improve auditing practices prevalent in the country, the ICAI has been issuing Auditing and Assurance Standards. However, it was felt that with a view to improve financial reporting system and auditing practices prevalent in the country, the implementation of various standards should be monitored and an appropriate action should be taken where there are non-compliances. The ICAI has taken-up the responsibility of performing this role, as a service to the nation, by constituting the Financial Reporting Review Board.

The Board reviews general purpose financial statements of certain enterprises and auditors' reports thereon, selected on a random basis, with a view to monitor compliance, inter alia, with the Accounting Standards and Auditing and Assurance Standards. In cases, where any non-compliance is observed, the Board refers the case to the Secretary to the Council of the Institute of Chartered Accountants of India for initiating action against the auditor under the

Chartered Accountants Act, 1949. Insofar as the management of the enterprise is concerned, the Board informs irregularities to the regulatory body(ies) relevant to the enterprise.

During the year under report, the Board reviewed general-purpose financial statements of sixty-four companies for the financial year 2003–04 and the auditors' reports thereon, selected on a random basis. As per the Operating Procedures of the Board, the preliminary review of these statements was conducted by the Technical Reviewers selected from the panel maintained by the Board. The review reports submitted by the Technical Reviewers were considered by the Financial Reporting Review Groups constituted for this purpose. The Board then considered the reports submitted by the Groups. The reviews of 61 companies have already been completed. Certain issues regarding remaining 3 companies are under the consideration of the Board and these reviews are expected to be completed shortly.

During the year under report, with a view to apprise the members of the Institute and others concerned about the major non-compliances observed during the review, the Board started the practice of compiling non-compliances observed from time to time and publish the same in Journal of the Institute and also host them on the Website of the Institute. First note on such-non-compliances was published in the February 2006 issue of the Institute's Journal. This practice is expected to continue in future as well.

For the coming year, the Board has selected 50 companies for review of general purpose financial statements and auditors' reports thereon for the year 2004-05, on a random basis. As per the Operating Procedures of the Board, the preliminary review of these statements would be conducted by the Technical Reviewers selected from the panel maintained by the Board. For considering the review reports submitted by the Technical Reviewers, the Board has constituted five Financial Reporting Review Groups in different parts of the country. Significant progress has already been made on review of these financial statements.

## 7.5 Committee on Internal Audit

### 7.5.1 Mission

The Committee on Internal Audit (CIA) was constituted as a Non-Standing Committee of ICAI on 5th February 2005 to reinforce the primacy of ICAI as a promoter, source and purveyor of knowledge relating to internal audit and other aspects relating to it in the Society so as to enable its members to provide more effective and efficient value added services relating to this field to the Industry and others and help the latter to systematic and strengthen their governance process by systematising and strengthening their control and risk management process.

### 7.5.2 Objective

The objective of the Committee, as defined in its Terms of Reference, is to review the existing Internal Audit Practices in India and to develop Standards on Internal Audit (SIAs), to develop Guidance Notes and Issue Clarifications on the issue arising from SIAs, so that these may be issued under the authority of the Council of the ICAI.

### 7.5.3 During the Year

- ◆ The Committee brought out a publication, Technical Guide on Risk-based Internal Audit in Banks.

- ◆ Finalised the proposed Standard on Internal Audit (SIA) 1, Planning an Internal Audit. The final Standard is being issued under the authority of the Council by September 2006.
- ◆ Considered the draft of the proposed Standard on Internal Audit, Basic Principles of an Internal Audit. The Exposure Draft of the proposed Standard is being published for public comments in the September 2006 issue of the Journal.
- ◆ Finalised the Revised General Guidelines on Internal Audit as well as the Technical Guide on Internal Audit in Oil and Gas Refining and Marketing (Downstream) Enterprises. The documents are being given final shape and would be published soon.
- ◆ In association with the Western India Regional Council of the ICAI, organised a Two Day National Conference on Internal Audit – Five Years After Enron, in July 2006 at Mumbai.

#### 7.5.4 Other projects in progress

##### Standards on Internal Audit

- SIA, Documentation in Internal Audit
- SIA, Internal Audit of Enterprise Risk Management
- SIA, Risk Assessment and Internal Controls
- SIA, Quality Assurance in Internal Audit
- SIA, Analytical Procedures in Internal Audit

#### 7.5.5 Other Technical Documents

- Guide on Assessment of Internal Controls w.r.t. Clause 49 of the Listing Agreement
- Guidance Note on Internal Audit of Treasury in Banking Industry
- Internal Audit and Corporate Governance
  - Guidelines on Internal Audit –Aluminium Industry
  - Technical Guide on Internal Audit in Oil and Gas (E&P) Enterprises
  - Internal Audit of ATM Transactions and Plastic Cards

### 8. Other Matters

#### 8.1 Annual Function of the ICAI

The 56<sup>th</sup> Annual Function of the ICAI was held on 3<sup>rd</sup> February, 2006 at New Delhi. Hon'ble Shri K. Rahman Khan, Deputy Chairman, Rajya Sabha was the Chief Guest. Prizes and medals to the meritorious students in the examinations conducted by the ICAI, shields and certificates of appreciation to the outstanding Regional Council and Branches of the ICAI, were awarded. The Function was attended by a very large number of invitees including senior Government Officers, members, students, officers and staff of the ICAI. The Chief Guest showered flowers of appreciation on the profession of Chartered

Accountants.

## 8.2 Chartered Accountants' Day

In commemoration of the Chartered Accountants Day, a Function was organised on 1<sup>st</sup> July, 2006 at New Delhi. A chain of seminars and conferences were organised across the nation to mark the day. The main event was organised in New Delhi as a conference on the theme 'Role of Accountancy Profession in Promoting Economic & Social Development'. Hon'ble Shri Prem Chand Gupta, Union Minister of Company Affairs, was the Chief Guest on the occasion. The conference explored the role of accountancy profession and deliberated on several issues including development through good governance, transparency and accountability, accounting and auditing standards in context of SMEs and SMPs and transition to new trade order. Besides the above, the Regional Councils and their Branches at various places also organised the Function locally in a befitting manner.

## 8.3 Amendments in The Chartered Accountants Act, 1949 and The Chartered Accountants Regulations, 1988.

### 8.3.1 Amendments in the Chartered Accountants Act, 1949

The Chartered Accountants (Amendment) Act, 2006 was notified by the Central Government after the assent of the President of India in the Gazette of India (Extra-Ordinary) dated 23<sup>rd</sup> March, 2006. In terms of the provisions, as contained in Section 1 of the said Act, the Central Government is empowered to appoint different dates for different provisions of the said Act and, based on that, the respective provisions would come into operation.

From the middle of August, 2006, the Central Government has given effect to the following provisions of the Chartered Accountants (Amendment) Act, 2006:-

<b>Section as per the Amendment Act, 2006</b>	<b>Section as per the Parent Act (viz., the Chartered Accountants, 1949)</b>	<b>Effective date</b>	<b>Subject matter</b>
1	1	8 <sup>th</sup> August, 2006	<i>Short title, extent and commencement</i>
2	2	8 <sup>th</sup> August, 2006	<i>Interpretation</i>
3	4	8 <sup>th</sup> August, 2006	<i>Entry of Names in the Register</i>
4	5	8 <sup>th</sup> August, 2006	<i>Fellows And Associates</i>
5	6	8 <sup>th</sup> August, 2006	<i>Certificate of Practice</i>
6	9(2)(b)	19 <sup>th</sup> August, 2006	<i>The Chartered Accountants (Nomination of Members to the Council) Rules, 2006</i>
6	9(2)(a)	5 <sup>th</sup> September, 2006	<i>The Chartered Accountants (Election to the Council) Rules, 2006 [Constitution of the Council of the Institute]</i>
7	10	8 <sup>th</sup> August, 2006	<i>Re-election or re-nomination to the Council</i>
9	12	8 <sup>th</sup> August, 2006	<i>President and Vice-President</i>
12	15A (new Section)	8 <sup>th</sup> August, 2006	<i>Imparting education by Universities and other bodies</i>
16 [except clause (i)]	19	8 <sup>th</sup> August, 2006	<i>Register</i>

17	20	8 <sup>th</sup> August, 2006	<i>Removal from the Register</i>
22	24A(3)	8 <sup>th</sup> August, 2006	<i>Deletion of sub-section (3)</i>
23	26	8 <sup>th</sup> August, 2006	<i>Unqualified persons not to sign documents</i>
25	29A (new Section)	8 <sup>th</sup> August, 2006	<i>Power of Central Government to make Rules</i>
26	30	8 <sup>th</sup> August, 2006	<i>Power to make regulations</i>
27	30B	8 <sup>th</sup> August, 2006	<i>Rules, regulations and notifications to be laid before Parliament</i>
28 [except new Sections 30D and 30E]	30C, 30D and 30E (new Sections)	8 <sup>th</sup> August, 2006	<i>Power of Central Government to issue directions</i>

### 8.3.2 Amendments in the Chartered Accountants Regulations, 1988

During the year, the Central Government accorded its final approval to amendments in Regulation 48(1) for increasing the rates of stipend payable to articled clerks joining training after passing PE-II Examination.

A milestone achieved during the period under Report is obtaining approval of the Central Government on the new scheme of education and training (arising out of the recommendations of the Committee on Review of Education and Training), which has enabled the Institute to introduce the Common Proficiency Test in the afternoon of 13<sup>th</sup> September, 2006.

With a view to revamp the various provisions of the Chartered Accountants Regulations, 1988, in the light of the provisions as contained in the Chartered Accountants (Amendment) Act, 2006 and of the difficulties experienced/problems faced in the past, a Special Purpose Working Group on Review of Existing Regulations was set up at the Central Council level and the Working Group is, at present, giving final touches to the recommendations to be made by it to the Council based on the inputs received from members, Regional Councils, Officers etc.

### 8.4 Central Council Library

Central Council Library is globally connected through Internet, fully computerized & operational. Library material including database of books, journals and articles can be searched through subject, author, title, topic, keyword and publisher wise. This record is available on Internet Online Services [www.icai.org-overview-library\\_services-CCL-online\\_search](http://www.icai.org-overview-library_services-CCL-online_search). Reference service is also provided to the Researchers and Scholars from different Universities, besides PE-I Course Students as a special case. Noida Office of the Institute and Vishwas Nagar Students library have also been provided with library facilities by the Central Council Library, along with nucleus Libraries provided to each Directorates of the Institute.

The following 17 Web Services appearing in [www.icai.org/](http://www.icai.org/) Library Services are also being updated by the Library regularly:-

1. Accountant's Browser (w.e.f.1990 onwards: Collection of 12,000 Articles compiled from different Professional Journals)
2. Articles from the Chartered Accountant Journal (1951 to 2005: with search facility)

3. Recent Additions of Books alongwith Archives
4. Online Search of the Books in the Library: A complete Catalogue of Books & Journals.
5. Chartered Accountant's Index (Journal of ICAI)
6. CD's available in Library
7. Photographs of different Seminars/Conferences/Functions held available in the Library
8. List of WTO Books available in the Library.
9. List of SAFA Books available in the Library.
10. List of Recommended Books
11. Library Security Deposit Rules Students/Members
12. Library News & Views
13. List of Journals /Newspapers subscribed by the Library
14. Library Services – form for Members/Students
15. Addresses of Reference Libraries
16. Bibliographic details of : Conference/Seminar
17. Suggest Books/Journals

Other than AFW Softlink – Library Software, the following specialized database is being provided to the Members/Visitors/Faculties of the Central Council Library:-

1. Networking through Delnet, a network of libraries in India and abroad is operational in library, through it's huge catalog of books in all the Subjects can be accessed and resources shared from libraries through out India.
2. A strong base of more than 12,000 articles from all professional Journals including articles from ICAI Journals for last 50 years "Chartered Accountant" is also available in Library software Services..
3. Library has also acquired Prowess Lan Version- A CMIE Product, which is the most reliable and empowered corporate database of 8000 Companies. The database provides financial statements, ratio-analysis, funds flow, product profiles, return & risks on the Stock Market etc. It is being updated periodically.
4. Grand Jurix Software for all legal decisions. It is being updated periodically.
5. ITR online for all Income Tax Cases reported. It is being updated periodically.
6. Excus- Software for electronic library for excise, customs & service-tax & allied laws. It is being updated periodically.

Besides the above, Library facilities are also provided at the Regional Centers and Branches throughout the country. Efforts are on to link different Regional Libraries Database after Computerizing, these Libraries, and Central Council Library is also making efforts to acquire more online Databases for the Professional Development of ICAI/Services.

## 8.5 Editorial Board

Surging ahead with its mission to keep the ICAI members and other readers of The Chartered Accountant journal up to date on various subjects, emerging areas, aspects and challenges of the profession in today's fast paced age of globalisation, the Editorial Board has achieved many a landmark during the period of this report (April 2005 and March 2006).

A 'Brand Ambassador' of ICAI and the most visible indicator of the Institute's profile for the members, students and external audiences, The Chartered Accountant today matches the set global standards of professional journals, be it content quality, in-depth topical coverage, interactive features, international standard layout/designing, paper quality, overall look and feel or greater reach. It is increasingly being recognized as one of the most reliable and reader friendly tool of professional knowledge update, not only for the members

but also for allied professionals, institutions and a cross-section of the economic world in India and abroad, if the readers' feedback is any indication. With ever-widening reach and readership base, the total circulation of the journal stands at more than 170,000 today.

As many as 12 meetings of the Editorial Board were organized during the period under the report. The following were the key achievements of the Editorial Board:

#### Features and Articles:

- ◆ During 1<sup>st</sup> April 2005 and 31<sup>st</sup> March 2006, in all 1917 pages were printed in comparison to 1530 pages during corresponding period the previous year. In all 179 articles were published during the year under report in comparison to 150 published during the previous year.
- ◆ Several new features, including 'Professional Horizons', 'Tech 4 You', 'Career Watch', 'Accounting & Auditing Standards', 'Interview', 'Readers Queries' (with 1 CPE Hour reward for best answers), have been introduced. It decided to introduce some more new features/columns namely 'International Taxation', 'Economic Indicators', 'Web Watch', and 'Professional Practice Tips' in the journal.

#### Content Focus & Contributors:

- ◆ The issues of topical interest that were focused as 'Themes' of the journal during the year that was were: 'Bank Audit' (April 2005), 'Corporate Governance' (May 2005), 'Value Added Tax' (June 2005), 'Accountancy Profession in Global Perspective' (July 2005), 'Service Tax' (August 2005), 'SMPs & SMEs' (September 2005), 'Risk Management' (October 2005), 'Indian Capital Market' (November 2005) 'Information & Communication Technology' (December 2005) and 'Financial Reporting Standards and Disclosures' (January 2006), 'Rural Development' (February 2006) and 'Union Budget 2006-07' (March 2006).
- ◆ A standard panel of expert authors from different professional areas (subject wise and region-wise) has been formed to ensure publication of quality and topical content in the journal. Comprehensive guidelines have also been prepared for the authors in this regard. The authors, who are also the members of the ICAI, are given 4 CPE credit hours for every article published in the Journal.

#### Layout, Design, Printing & Advertisements:

- ◆ A new avatar of the journal was born from July 2005 Special Issue, as holistic changes were effected in the basic layout, design and overall look and feel of every section of the journal matching established international standards. The entire journal switched over to 4 colour printing format ever since.
- ◆ The design and feel of the Mast Head of the journal has been upgraded to give it an international look. The 'Cover Page', 'Content Pages' and 'Announcements' pages of the journal have been particularly redesigned in addition to upgrading the quality of the graphics published in the journal.
- ◆ The quality of the paper used for printing the journal was upgraded, matching global standards as part of the drive to give a facelift to the journal.

- ◆ Fresh initiatives were taken for a comprehensive brand promotion and greater reach of the journal. Special copies of the journal printed on a high quality paper are being sent to the VVIPs and the who's who of political, bureaucratic and economic world. The list of the VVIPs who are sent the complimentary copies of the journal has also been updated and enlarged.

### Other Initiatives

- ◆ An elaborate exercise was undertaken involving ICAI Headquarters, Regional Offices, Printer of the Journal and relevant Post offices and authorities concerned to resolve the problems of despatch and delivery of the journals, a series of corrective and preventive measures were taken. These measures included corrections in members' database, pin codes, address- label printing process, streamlining of the mailing list and complaint-response mechanism, stricter monitoring of the despatch of the Journal, hosting of the Journal issues in advance, procurement of new Postal Licence No. from Mumbai, etc.
- ◆ It was decided to despatch the Journal in the last three days of the month, so that it reaches the Members and Subscribers in most part of the country at least by first week of every month.
- ◆ The Journal is now being despatched/posted in specially-designed plastic envelop so as to avoid wear-tear of the journal during the process of its posting.
- ◆ A Journal Page and Editorial Board page on the ICAI websites have been comprehensively upgraded and updated to keep the members better informed. Every issue of the journal is hosted on the ICAI website immediately on the posting of the journal to the Members and Subscribers.

## 9. MEMBERS

### 9.1 Membership

During the year ended 31<sup>st</sup> March, 2006, 9443 new members were enrolled by the ICAI bringing the total membership to 1,30,946 as on 1<sup>st</sup> April, 2006

During the year ended 31<sup>st</sup> March, 2006, 2315 associates were admitted as fellows, compared to the figure of 3246 in the previous year.

#### Total Members as on 1.4.2006

Category of Members	Fellow (1)	Associate (2)	Total of Columns (1) and (2)
In Full Time Practice	46775	21251	68026
In Part-time Practice	3257	6408	9665
Not in Practice	7136	46119	53255

### 9.2 Chartered Accountants' Benevolent Fund

Established in December, 1962, the Chartered Accountants Benevolent Fund continues to provide financial assistance to needy persons who are or have been members of the ICAI and their dependents, for maintenance of the dependents, their educational and medical

needs etc. The number of life members of the fund increased from 63071 as on 31<sup>st</sup> March 2005 to 70753 As on 31<sup>st</sup> March 2006. The financial particulars of the fund are as follows:

**THE CHARTERED ACCOUNTANTS BENEVOLENT FUND**

	During the year <u>Ended 31.3.2005</u>	During the year <u>Ended 31.3.2006</u>
	Rs.	Rs.
1. Total Assistance provided	44,26,777/-	45,05,000/-
2. Administrative Expenses	5,40,441/-	13,732/-
3. Surplus (Deficit) of the Fund	13,81,087/-	36,70,477/-
4. Balance of the Fund	1,73,48,362/-	2,10,18,839/-
5. Balance of Corpus	4,94,54,000/-	5,72,36,500/-

10. STUDENTS

10.1 Students Statistics

The number of students registered for the Foundation/Professional Education (Course – I), Intermediate/Professional Education (Course - II) and Final Course during the years 2001-2002 to 2005-2006 are as under:

Year	Foundation/ PE (Course – I)	Intermediate/ PE (Course – II)	Final
2001-2002	34,215	29,403	11,524
2002-2003	35,524	33,283	11,102
2003-2004	38,188	34,232	11,390
2004-2005	39,000	34,190	11,061
2005-2006	38,901	39,467	13,010
Total	1,85,828	1,70,575	58,087

10.2 Accreditation Scheme

During the year, accreditation was granted to 19 Institutions for organising oral coaching classes for students of Professional Education (Course - I), 11 institutions for Professional Education (Course - II) and 3 institutions for Final Course. The names of 18 institutions for PE-I and 11 institutions for PE-II were deleted for non-compliance of certain requirements for the financial year 2005-2006. In addition, accreditation of 2 institutions, which were granted accreditation for conducting oral coaching classes of PE-I Course, was withdrawn on account of poor performance. As on 31<sup>st</sup> March, 2006 the total number of accredited Institutions for Professional Education (Course - I) is 169 (178 as on 31<sup>st</sup> March, 2005), Professional Education (Course - II) is 95 (95 as on 31<sup>st</sup> March, 2005) and for Final Course is 10 (7 as on 31<sup>st</sup> March, 2005).

43 Institutions organised classes for the benefit of students of Professional Education (Course - I) for November 2005 Examination and 82 institutions organized classes for May, 2006 Examination. 7 institutions organised classes for the benefit of Professional Education (Course - II) students for November, 2005 Examination and 56 institutions for May, 2006 Examination. 6 Institutions organised classes for the benefit of students of Final Course for May, 2006 Examination.

### 10.3 Review of Study Materials

As a part of continuous process, the study materials are reviewed by various subject experts and their comments and suggestions wherever considered appropriate are incorporated in the next print of the study module after due editing and verification.

### 10.4 Important publications released during the year:

During the year the following publications have been released for the benefit of students of Professional Education (Course – I), Professional Education (Course – II) and Final Courses:

- (i) Compilations of questions set in previous examinations with answers
- (ii) Compilation of questions set in previous examinations
- (iii) Select Cases in Direct and Indirect Taxes
- (iv) Audit Documentation under Self Development Booklet Series

### 10.5 Students' Counselling

Counselling Services have been in operation in Regional Headquarters to help students getting clarified their academic queries in various subjects of the curriculum.

### 10.6 250 Hours Compulsory Computer Training

The number of students registered for 250 Hours Compulsory Computer Training in different regions for the period from of 1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006 are as follows:

Region	1 <sup>st</sup> April, 2005 to 31 <sup>st</sup> March, 2006	1 <sup>st</sup> April, 2004 to 31 <sup>st</sup> March, 2005
Western Region	3505	4422
Southern Region	4271	3282
Eastern Region	5015	1691
Central Region	2435	2503
Northern Region	6965	2305
Total	22191	14203

To provide the training in an appropriate batch-size, the Board of Studies widened the scope of accreditation and 23 new Institutions were granted accreditation. As on 31<sup>st</sup> March, 2006 number of accredited institutions engaged in conducting 250 Hours Compulsory Computer Training was 318 (61 institutions as on 31<sup>st</sup> March, 2005).

### 10.7 Course on General Management and Communication Skills

During the year, 251 batches of the 15 days' Course on General Management and Communication Skills were organized by the Regional Councils and their Branches at 47 Centres across the country (inclusive of Dubai Centre) and 10887 students participated in these programmes (8000 students participated during 2004-2005).

### 10.8 Seminars and Conferences

During the year, the Board continued its policy of promoting organisation of One Day Seminars, Elocution/Quiz Contests, Regional/State Level Conferences and other Educational Events. Branch/Regional Level Elocution/Quiz Contests were organized by 5

Regional Councils and 36 Branches. Final Elocution/Quiz Contest was held at Chennai in January, 2006.

7 Branches of various Regional Councils organized One Day Seminars. S.I.R.C. and 8 Branches of Regional Councils conducted other Educational Events.

Alwar Branch and Agra Branch of C.I.R.C. organized Faculty Development Programmes on 26.06.2005 and 16-17.06.2005 respectively.

18<sup>th</sup> All India C.A. Students' Conference was organized on 8<sup>th</sup> & 9<sup>th</sup> December, 2005 at Indore and 2<sup>nd</sup> National Convention was organized on 14<sup>th</sup> & 15<sup>th</sup> January, 2006 at Pune.

#### 10.9 Scholarships

During the year, Scholarships were granted to 155 students out of the funds of the Institute (19 Merit Scholarships, 13 Merit-cum-Need based scholarships, 123 Need-based scholarships). Further, scholarships were also awarded to 21 students out of the income from various endowments set up for the purpose.

#### 10.10 Students' Newsletter

The monthly C.A. students' newsletter – 'The Chartered Accountant Student' containing useful articles, academic updates, write-ups and other relevant announcements continued to be popular and proved useful to the students. The publication proved to be popular among the members too. During the year 2005-2006 total copies delivered to students were 12,00,489 and 3,48,661 copies. The number of pages of Students' Newsletter were also increased from 24 to 28 for value addition.

The first prize (Rs.2000/-) for the best article was awarded to Mr. Yogesh Sharma, for his article on "Outsourcing of Accounting Services - Vision for the next Decade" published in the Newsletter of Baroda Branch of WICASA.

#### 10.11 Continuation of Professional Education Course Book System in the Sunday Test Scheme

The Scheme of Professional Education Course Book System in the Sunday Tests was introduced last year for Business and Corporate Laws, Company Law and Secretarial Practice, Direct Tax Laws and Indirect Tax Laws. The scheme was also extended for the current year.

#### 10.12 Conducting Virtual Classes using the infrastructure of Reliance Infocomm Ltd.

12 Virtual Classes were conducted during the month of March and April, 2006 on various subjects of Professional Education (Course – I), Professional Education (Course – II) and Final with the help in-house and extend experts in the relevant fields.

#### 10.13 Online Eligibility Tests for Professional Education (Course – II) on pilot basis.

During the month of December, 2005 Online Tests for all subjects of Professional Education (Course-II) were conducted. Online Examinations were held in Chennai, Calcutta and Mumbai in all subjects of Professional Education (Course-I), Professional Education (Course-II) and Final Courses during the months of May and June, 2006.

#### 10.14 Students Exchange Programme

Under the aegis of Students Exchange Programme 22 students (ICASL-10, ICAN-12) of SAFA member bodies came to India and participated in 18<sup>th</sup> All India CA Students' Conference at Indore on 8<sup>th</sup> & 9<sup>th</sup> December, 2005. 5 students of ICAI also visited Nepal at the invitation of The Institute of Chartered Accountants of Nepal (ICAN) from 28<sup>th</sup> January to 3<sup>rd</sup> February, 2006.

#### 10.15 Branches of Chartered Accountants Students' Association

With a view to actively involve students of the Chartered Accountancy Course in the development of a spirit of fellow-feeling and promotion of social, cultural, academic and intellectual development etc., the ICAI has always been encouraging students to set up branches of Chartered Accountants Students' Association. In this Process, so far 35 branches of Students' Association have already been set up.

#### 10.16 Recognition of CA Course with Ph.D. Programme

With constant follow up with various universities, the Committee on Commerce Education & Career Counseling has been successful in obtaining recognition for CA Course from 76 universities besides the 4 Indian Institutes of Management and the Association of Indian Universities for the purpose of Ph.D. /Fellow Programme.

#### 10.17 Point Seminars/Career Counselling

During the year, 9 Joint Seminars with the coordination of various Universities were held. 30 Career Counselling Fairs/Programmes for interacting with the students community were organized at various places in India.

#### 10.18 S.VAIDYANATH AIYAR MEMORIAL FUND

During the year ended 31<sup>st</sup> March 2006, 60 scholarships of the value of Rs.500 each per month were given to the students undergoing the Chartered Accountancy course. The membership of Fund was 705 as on 31<sup>st</sup> March 2006 as against 349 as on 31<sup>st</sup> March 2005. The balance in the credit of the Fund was Rs. 8,80,678 as on 31<sup>st</sup> March 2006 as against Rs.9, 02,384 as on 31<sup>st</sup> March 2005.

### 11. REGIONAL COUNCILS AND THEIR BRANCHES

11.1 The Institute has five Regional Councils, namely Western India Regional Council, Southern India Regional Council, Eastern India Regional Council, Central India Regional Council and Northern India Regional Council with their Headquarters at Mumbai, Chennai, Kolkata, Kanpur and New Delhi respectively.

11.1.1 The total number of branches of Regional Councils is 111.

11.1.2 The total number of Chapters of the Institute outside India 16.

11.1.3 The total number of Reference libraries all over India is 36.

#### 11.2 Branch Building

During the period under Report, a number of branches of Regional Councils continued to evince interest in having their own premises. In all, 58 Branches have their own premises.



have been set up at Nagpur, Surat and Vadodara (Western Region), Ernakulam and Coimbatore (Southern Region), Indore (Central Region) and Chandigarh (Northern Region).

## 12. Finance and Accounts

The Balance Sheet as on 31<sup>st</sup> March, 2006 and the Income & Expenditure Account for the year ended on that date as approved by the Council are enclosed.

## 13. Appreciation

13.1 The Council is grateful to members of the profession who functioned as co-opted members on its Committees and to the non-members who assisted the Council during the year 2005-2006 in the conduct of its educational, technical and other developmental activities and in its examinations.

13.2 The Council wishes to place on record its appreciation of the continued assistance and support given by the Central Government and its nominees on the Council during the year 2005-2006.

13.3 The Council wishes to place on record its heartfelt gratitude to the dignitaries who were kind enough to grace the various programmes of the ICAI. The Council also desires to place on record its sincere appreciation to the various functionaries at State level who graced the programmes organised by the organs of the ICAI.

13.4 The Council also acknowledges its appreciation of the sincere interest evinced by various State Governments in the numerous initiatives taken by the ICAI and the steps already/being initiated by them, pursuant to such initiatives.

13.5 The Council also acknowledges its appreciation of the sincere and devoted efforts put in during the year 2005 - 2006 by all officers and staff of the Institute.

STATISTICS AT A GLANCE

MEMBERS (FROM 1.4.1997)

TABLE I

Year (As on)		Western Region	Southern Region	Eastern Region	Central Region	Northern Region	TOTAL
1.4.1997	Associate	14649	11013	4906	3972	6971	41511
	Fellow	11042	8975	4369	4560	8049	36995
	Total	25691	19988	9275	8532	15020	78506
1.4.1998	Associate	16160	11564	5187	4351	7406	44668
	Fellow	11501	9420	4558	4909	8733	39121
	Total	27661	20984	9745	9260	16139	83789
1.4.1999	Associate	17935	12515	5562	4875	8001	48888
	Fellow	12038	9942	4779	5345	9374	41478
	Total	29968	22457	10341	10220	17375	90366
1.4.2000	Associate	17771	13023	5807	5057	8411	50069
	Fellow	12200	10369	4941	5617	9784	42911
	Total	29971	23392	10748	10674	18195	92980
1.4.2001	Associate	19243	12915	5732	5215	8498	51603
	Fellow	12868	10749	5077	5995	10100	44789
	Total	32111	23664	10809	11210	18598	96392
1.4.2002	Associate	20771	13456	5872	5493	9074	54666
	Fellow	13540	11248	5296	6400	10580	47064
	Total	34311	24704	11168	11893	19654	101730
1.4.2003	Associate	23194	14446	6374	6318	10287	60619
	Fellow	14279	11742	5572	6909	11135	49637
	Total	37473	26188	11946	13227	21422	110256
1.4.2004	Associate	24515	14943	6515	6714	10697	63384
	Fellow	15091	12377	5836	7557	11846	52707
	Total	39606	27320	12351	14271	22543	116091
1.4.2005	Associate	26351	15724	6785	7552	11640	68052
	Fellow	15834	12969	6146	8207	12338	55494
	Total	42185	28693	12931	15759	23978	123546
1.4.2006	Associate	28528	16,700	7172	8480	12898	73778
	Fellow	16385	13358	6313	8539	12573	57168
	Total	44913	30058	13485	17019	25471	130946

MEMBERS (FROM 1.4.1950)

TABLE II

	As on 1.4.1950	As on 1.4.1951	As on 1.4.1961	As on 1.4.1971	As on 1.4.1981	As on 1.4.1991	As on 1.4.2001
Fellows	569	672	1,590	3,326	8,642	22,136	44,789
Associates	1,120	1,285	4,059	7,901	16,796	36,862	51,603
Total	1,689	1,957	5,649	11,227	25,438	58,998	96,392

	As on 1.4.2002	As on 1.4.2003	As on 1.4.2004	As on 1.4.2005	As on 1.4.2006
Fellows	47064	49637	52707	55494	57168
Associates	54666	60619	63384	68052	73778
Total	101730	110256	116091	123546	130946

STUDENTS GROWTH PROFILE (FROM 31.3.1996)

	During the year 1995-96	During the year 1996-97	During the year 1997-98	During the year 1998-99	During the year 1999-2000	During the year 2000-01	During the year 2001-02
Foundation/ PE (Course I)	29,015	28,209	37,052	43,809	44,180	35,999	34,215*
Intermediate /PE (Course II)	19,288	21,354	24,652	28,253	27,508	23,405	29,403**
Final	8,675	9,275	9,394	12,227	10,787	9,026	11,524
Total	56,978	58,838	71,098	84,289	82,475	68,430	75,142

	During the year 2002-03	During the year 2003-04	During the year 2004-05	During the year 2005-06
Foundation/ PE (Course I)	35524	38188	39000	38901
Intermediate /PE (Course II)	33283	34232	34190	39467
Final	11102	11390	11061	13010
Total	79909	83810	84251	91378

\* includes PE(Course I) students registration from 1.10.2001 to 31.3.2002 : 5006

\*\* includes PE(Course II) students registration from 1.10.2001 to 31.3.2002 : 11848

## *Composition of the Nineteenth Council (2006 – 2007)*

President	:	CA. T.N. Manoharan, FCA
Vice-President	:	CA. Sunil Talati, FCA
Period	:	5 <sup>th</sup> February, 2006 onwards
Secretary	:	Dr. Ashok Haldia

### Members of the Nineteenth Council ( 2006 – 2007 )

#### Elected Members

CA. Abhijit Bandyopadhyay	Kolkata
CA. Amarjit Chopra	New Delhi
CA. Anuj Goyal	Ghaziabad
CA. Charanjot Singh Nanda	New Delhi
CA. G. Ramaswamy	Coimbatore
CA. Harinderjit Singh	New Delhi
CA. Harish Narendra Motiwalla	Mumbai
CA. Jayant Gokhale	Mumbai
CA. Jaydeep Narendra Shah	Nagpur
CA. K.P. Khandelwal	Kolkata
CA. Kamlesh Shivji Vikamsey	Mumbai
CA. Manoj Fadnis	Indore
CA. Pankaj Inderchand Jain	Mumbai
CA. Rajkumar S. Adukia	Mumbai
CA. S. Gopalakrishnan	Hyderabad
CA. S. Santhanakrishnan	Chennai
CA. S.C. Vasudeva	New Delhi
CA. Shanti Lal Daga	Hyderabad
CA. Sunil Goyal	Jaipur
CA. Sunil Talati	Ahmedabad
CA. T.N. Manoharan	Chennai
CA. Uttam Prakash Agarwal	Mumbai
CA. V. Murali	Chennai
CA. Ved Jain	New Delhi

#### Nominated Members

Smt. Anita Kapur (w.e.f. 31.10.05)	New Delhi
Shri Jitesh Khosla	New Delhi
CA. K.C. Parashar	Jodhpur
CA. Pawan Kumar Sharma	Guwahati
Shri Sidharth Kumar Birla	New Delhi
Shri Sunil Chander (w.e.f. 26.12.05)	New Delhi

#### Auditors

CA. Shashi Kumar, FCA	New Delhi
CA. Manu Chadha, FCA	New Delhi