

Chartered Accountants are Guardians of Financial Probity: Somnath Chatterjee



From Left to Right: Dr. Ashok Haldia, Secretary ICAI, CA. T.N. Manoharan, President ICAI, Shri Somnath Chatterjee, Hon'ble Speaker of Lok Sabha and CA. Sunil H. Talati, Vice President ICAI share the dais at the 57th Annual Day Function of ICAI at New Delhi on February 4, 2007.

Following are the excerpts from the speech of Shri Somnath Chatterjee, Hon'ble Speaker of Lok Sabha, delivered as the Chief Guest of the 57th Annual Day Function of the Institute of Chartered Accountants of India at New Delhi on February 4, 2007.

// ...At the outset, I would like to compliment the Institute for effectively regulating the profession of Chartered Accountancy in India and also for constantly endeavouring to promote professional excellence among your fraternity. One feels happy to note that during its more than fifty years of existence, the ICAI has achieved recognition as the premier accounting body, for its contribution in the field of education, professional development and maintenance of highly meritorious and ethical standards of accounting and auditing. The Institute deserves appreciation for its achievements and setting of high standards to help the accounting professionals of our country compete with the best in the world.

...One feels happy to know that the accountancy profession in India has the distinction of not

only being one amongst the largest in the world, but also of enjoying the reputation of being one that is highly professional and technically sound, having a high degree of financial discipline and rigour.

The accounting profession has a very dynamic role to play in the growth and development of a country's business and economy. Its role becomes far more crucial in the wake of a series of concerns such as lack of resources, unplanned investment, high level of development expenditure, and, above all, the need for effecting economy, efficiency and accountability in the utilisation of scarce resources. It is the responsibility of this profession to provide systems, standards, procedures, tools and training to bring about financial discipline, control and accountability at all stages of developmental expenditure and

resource mobilisation. It has to provide realistic methods of evaluation and future projections and also the ability to foresee and avoid pitfalls inherent in the development process.

The twin forces of liberalisation and globalisation have led to a remarkable surge



CA. T.N. Manoharan, President ICAI, speaks at the ICAI's 57th Annual Day Function.

in the volume of business in the last couple of decades, highlighting the need for greater vigilance, scrutiny and transparency in the working of business organisations. These forces have also led to unprecedented changes in the corporate world and have been instrumental in creating innovative means for communicating financial information to the market place. The field of information technology too has witnessed remarkable advance resulting in dramatic changes in the way business is being transacted all over the world. The wide expansion of global markets has greatly influenced the movement of funds. Innovative financial instruments have been evolved to deal with new global economic realities and a more complex business environment. As a result, the world of accountants has also undergone a sea change, presenting newer challenges and further opportunities.

As Chartered Accountants are entrusted with the authority to attest on the corporate accounts and practices, they are the guardians of financial probity. Transparency, accountability and responsibility are integral components of not only good governance practices, but also the hallmarks of your profession. Your commitment to these values is not a mere desirable qualification

but an essential requirement of your profession. It is undoubtedly a continuous challenge to your profession to constantly meet the demands for quality information and honest disclosures on the financial transactions in the capital market. There is no doubt that the higher the quality and integrity maintained by you in your role as key providers and verifiers of financial information, the stronger and more resilient will be the capital market and, resultantly, the economy. I understand that your Institute has taken a number of initiatives towards laying down ethical guidelines and standards. The suo motu decision of its members to undertake peer review and financial reporting review, re-inforces their commitment for improving the quality of their functions which definitely sends the right signal to the stakeholders. The ICAI's initiative to restore the credibility of the auditing process



A view of the gathering at the ICAI's 57th Annual Day Function at New Delhi.

of Public Sector Banks by engaging only the RBI-nominated auditors for this important job is commendable and is in public interest. This will, no doubt, help in ensuring greater transparency and accountability in the functioning of banks.

With economic reforms and liberalisation of the economy, there has been a remarkable change in the way Chartered Accountants are now looked upon. In the constantly changing world, one can find a major shift in the role of an accountant. Today's accountant is a total business solution provider. The new economic realities have



*Shri Somnath Chatterjee,
Speaker of Lok Sabha at the
57th Annual Day Function..*

further changed the form, content and context of accounting and auditing. With more and more people entering the business world, they consider you as 'trustees' of the stakeholders' interest and expect you to be watchful in your role as a business advisor as well as

an auditor.....

.....The ever-changing market environment has been posing numerous challenges to the accountancy profession also. With better economic opportunities, a class of investors is emerging with adequate funds and necessary inclination to invest, but it has to rely on your profession for giving meaningful information in order to make informed investment decisions. These investors need simple, quick and easy to understand responses from you as total solution providers. With e-commerce gaining ground, the increasing proliferation and complexity of global financial issues, transactions and standards have enhanced the challenges for your profession. As professionals, you must make full use of the latest advances in the information technology as this makes communication faster and more effective.

I must compliment your Institute for its innovative endeavours to bring about continuous reforms in its education and training-related programmes aimed at enabling the Chartered Accountants to learn the best of competencies.....

As specialists in accounting, auditing, tax consultancy, finance and business advice, you are in the best position to provide the right

inputs towards the development of a result-oriented tax policy and better tax administration. Your professional advice is much desired by the Government for the formulation of tax-related policies and also in the designing of tax laws with a view to ensuring the adoption of the best practices. With the adoption of Value Added Tax regime, the policy makers will be able to reach out to the large number of dealers and assesseees falling within the ambit of VAT with your help.

Our Tenth Plan document identified quality of governance, transparency and accountability as some of the key priorities before our development planners. These are some areas which fall within the core competencies of the Chartered Accountants. Your profession is, therefore, expected to provide a business model for increasing the momentum of economic activities through good governance and competitiveness. Chartered Accountants have an important role in enabling institutional reforms and capacity building in financial management system at all levels of governance so as to ensure high quality of accounting and financial reporting. It is also necessary to evolve a mechanism for



CA. T.N. Manoharan presents a memento to the Shri Somnath Chatterjee. Others seen in the photograph are Dr. Ashok Haldia, Secretary ICAI and CA. Sunil H. Talati, Vice President ICAI.

assessment of quality of programme delivery, in particular, measuring social cost, as it relates to the problems of poverty and ecology. We also need to encourage civil society participation by providing qualitative financial and related information on Government's policies and programmes, particularly at the level of urban local bodies and Panchayati Raj Institutions.

Since a large part of our population lives in rural areas, the ICAI is also required to play a pivotal role in the rural sector development by suggesting suitable measures for improving efficiency of financial intermediation and access to financial services in the rural areas, and also for fostering linkages in the agricultural sector between farm and non-farm value addition. As reported, 70 per cent of marginal farmers do not have a bank account and 87 per cent have no access to credit from a formal source. The interest charged on informal borrowings averages about 48 per cent per annum. This essentially means that the farmers who depend on such credit will never come out of the debt trap as the agricultural sector cannot realistically look forward to a phase of more than 50 per cent growth rate in the foreseeable future. Its adverse effects we are witnessing across the country today.

The ICAI, has an important role to play in suggesting legal, policy and institutional measures in improving the efficiency of the financial markets in the rural sector. The Institute should come forward to help the Government in assessing various subsidies so as to ascertain whether these are reaching the targeted beneficiaries and yielding the desired outcomes. I have no doubt that the ICAI, through its wide demographic reach with its more than hundred branches throughout the country and with nearly one and a half lakh members, having the requisite expertise, is ideally positioned to take up a developmental role in various sectors of our economy.

Living as we do in the globalised 21st century, we need to view the world around us not only as offering greater opportunities for achieving individual progress and prosperity but also placing ourselves in a position of greater responsibility towards addressing the problems of the world. The people dying of poverty, the sick, the dispossessed, the illiterate, those denied the basic rights and entitlements for a dignified human existence, wherever they may be, should also be seen as part of the collective responsibility

of the global citizens.

Everyone from the professionals to those even representing the governance structure at different levels, enjoying comfortable living standards today, are increasingly beginning to talk the language of the corporate world where the overriding consideration is maximising profit and gains and of promoting the rights of those who are already socially and economically empowered. As professionals, largely associated with the economically advanced sections of the society, advising and assisting in the financial management and tax planning, you should not forget your overriding social responsibilities. We must realise that stark contrasts of affluence and deprivation cannot co-exist for long in any society. Only through the collective endeavour of all sections of the society can we uplift those who have not been effectively touched by nearly six-decades of developmental planning. On the balance sheet of developmental planning we all must ensure that the social cost is favourable to the common man.

I congratulate the ICAI on completing 57 years of service to the nation. I am sure that your fraternity would remain ever committed to play their role as a 'trustee' of the stakeholders' interest and render quality services to the business world, keeping the larger social interests in mind. I also take this opportunity to congratulate the recipients of various meritorious awards of the ICAI for their outstanding performance in different areas, particularly, to the higher rank holders in the accounting examinations."□



CA. Sunil H. Talati presents a Vote of Thanks on the occasion.