

Debate in Rajya Sabha on The Chartered Accountants (Amendment) Bill, 2005

This is in continuation with the debate on The Chartered Accountants (Amendment) Bill, 2005 in Rajya Sabha, part of which was published on Pages 878-880 of December 2006 issue of the Journal. Following are the relevant extracts from the debate (uncorrected) held in Upper House of the Parliament on 13th December 2005.

OBSERVATION MADE

5. SHRI MANGANI LAL MANDAL

- There were reports and allegations against the Institute of Chartered Accountants of diversion of funds for establishing some private university. Does the Government propose to bring provisions ensuring transparency in the financial affairs of the Institute? If so, what are these steps?
- We know that the Chartered Accountants Act has been in existence since 1949 and the Chartered Accountants Institute has been working very well. In such a situation, why the Government, at this state, wants to take the power to issue directions to the Council?
- Hon'ble Deputy Chairperson sir, I support the passage of the Bill. These three bills have been brought to amend very old laws. The CAG had asked for uniformity in the three bills. It had also favoured amendments in the three bills so that we could compete at the international level and could achieve economic prosperity besides ensuring discipline with respect to accounting. In some ways, SEBI too has given its suggestions, and the most important point, sir, is that the Joint Parliamentary Committee formed after the scams of 1992 and 2001 had examined the discrepancies in respect of accounting, and it too had given some suggestions. The three Bills have been given a democratic outlook, and along with a democratic outlook, care has been taken that the bills be more transparent. Sir, with regard to the amendments, the hon'ble members have discussed the Naresh Chandra Committee. I support the passage of the Bills

along with all the suggestions.

- Sir, I have a doubt that has not been cleared. It is clear that as per the initial bill regarding the Chartered Accountants, there were 24 members and 6 more were to be nominated by the government. Now some people allege that the autonomy of the Institution is being curtailed. As per the new system, 32 members will be elected and 8 will come through nomination, so the total strength will be 40. Now, will the nominated members enjoy voting rights? I would like to say that if the nominated members do not enjoy voting rights, they will be ineffective.

6. SHRI SANTOSH BAGRODIA

- No individual Chartered Accountant or a group of Chartered Accountants were part of these scams. There were no allegations of that kind. Of course, the Chartered Accountants cannot escape the responsibility completely because the books of all these organisations were also audited by some Chartered Accountants, and, they failed in their duties to find out the intentional fraud, which was happening in those books. To that extent, these professionals cannot escape their responsibility.
- It is expected that by 2020, India will be the leading economy in the world. Obviously, the supporting institutions like the Institute of Chartered Accountants of India, Institute of Cost and Works Accountants, Institute of Company Secretaries of India etc., have to be strengthened. And, in case, the standards of accountancy are improved, it will also help the management to monitor the activities of

the managerial staff much better.

- Even now, there are most departments in the Government where the credibility of the chartered accountants certificate is well-established. It is taken authenticated. It is taken that it is fine. We are talking of an institution of these individuals whose credibility, I should say, is the highest. The Institute of Chartered Accountants is one of the premier bodies of the chartered accountants in the country which has earned acclaim for its professional excellence globally. It is the third largest body of the chartered accountants in the world with one lakh thirty thousand members today. The Institute, perhaps, the earliest regulatory body in the country, was responsible to ensure adherence to the prescribed accounting standards by the companies all these years. The institute has attained its professional excellence and ethics. The Bill proposes greater teeth to the Institute to discipline its erring members. I am fully in support of that.
- At this stage, sometimes I also believe – because I was a Member of the Public Accounts Committee – that members or officers of the Accountant General of Audit should be drawn from chartered accountants. Then only, they will be able to audit complicated accounts of different departments of the State Governments and the Central Government.
- Then, it says, “Preparation of accounts in such manner as may be prescribed.” Who is going to prescribe the manner? Manner will be given by the Government! Sir, are you going to advise the advisers? Is the Government going to form a manner or a format for an institution which is controlling the format for every accounting system in the country?
- This Institute is a creation of Parliament. On the Council of Institute, there are very important and learned chartered accountants and accounting experts of the country. I don't think they need any advice from the Government and this clause should be completely, completely deleted because it sounds to

me like this. Jagadguru Shankaracharya or Pope or any Maulavi should be told how to know about their own religion by some non-experts. This sounds like this.

- For fifty years, this Council never needed this kind of clause. For fifty years, not a single time any kind of such a special audit was required. Some friends have mentioned about some transfer of fund for a college or a university. I don't know if it has happened. I don't know if it has happened legally or if it has happened illegally. If it has happened illegally, there are a number of laws in the country; we can take care of it. Simply by having a special audit, you cannot prevent this kind of transfer of funds.
- There is an acute shortage of the chartered accountants. Just now, somebody referred to this point. We all know that their number is 1,30,000 today. For a country like India, and for a developing economy like ours, 1,30,000 chartered accountants are nothing. The way the economy is doubling and trebling, rather, we should give this Institute more push so that we can have more chartered accountants every year, many more chartered accountants. Otherwise, there will be a problem.
- Sir, the chartered accountants are the most capable and educated lot of the country. I do not want them to go outside because we need them here. But still, their right to go out, their right for free movement should be well established, and I will request the hon. Minister to discuss this issue with the Commerce Minister, and coordinate, and this must happen as quickly as possible.

7. SHRI E. M. SUDARSANA NATCHIAPPAN

- What will happen to those Chartered Accountants who are well-versed, who are experts and who have already migrated to other countries? They are well trained, even though those degrees were not recognised in certain countries. They go to other countries and specialise in certain fields from certain universities and join companies to earn money.

8. SHRI VIJAY J DARDA:

- Deputy Chairperson Sir... Out of the three bills that have been tabled... I stand to speak on and in support of the Chartered Accountants (Amendment) Bill. Today, the whole world is witnessing rapid economic changes. In this globalised scenario, India has to play an important role on the world economic stage. Today, Chartered Accountants have become inseparable part of the economic changes undergoing in the country. At present, there are more than 1,20,000 chartered Accountants and approximately 3,00,000 students are studying to become chartered Accountants.
- Today, when the services sector is being liberalised through the World Trade Organization, there is ample scope to regularise Accounting services. Therefore, in this changed scenario, it is necessary that along with education and training, the standards of Accounting, auditing and capability building ways are also raised. The role of Chartered Accountants had come under suspicion in the aftermath of the share market scams of 1992 and 2001, before the formation of the two joint committees. It had been accepted in the Joint Committees that if Accountants become a part of the corrupt system, then economic control and balance crumbles. The Committees have stressed the need of constitution of an independent Board to enforce quality and quick disciplinary action on Accountants. Through this bill, the disciplinary committee has been further strengthened, so that more than one disciplinary committee can be constituted. The disciplinary procedures mentioned in 21(A), (B), (C) and (D) in the bill appears to be too lengthy. Can a timeframe be fixed on disposing of these cases? The Naresh Chandra Committee had recommended for an independent disciplinary committee. You have accepted the recommendation of the Parliamentary committee and have limited its representation to Law, Finance and Account works, and left out Business, Education and Public Administration. But it is not clear that members of which level would be appointed, as also the fact that how members appointed by the Centre would work independently.
- Apart from this I would also like to draw the attention of the Hon'ble minister to some far-reaching aspects of the Institute and accountancy profession. The Hon'ble President had also given some suggestions in this regard. Chartered Accountants shoulder an important responsibility in the economic management of the country. The Parliament has recently passed the Employment Guarantee Bill, which guarantees at least 100 days work in 200 districts of the country. The Institute can play an important role in managing and running the integrated Rural Development programme under Bharat Nirman by incorporating this programme in this Bill.
- My first suggestion is that there is a need to train local people in Accountancy at the Gram Sabha and Panchayat level. This is a new challenge after the implementation of the Panchayat system. My second suggestion is that application of the new information system in the area of accounting has become very important for everyone—from a small to a very big businessman—and this system be simplified and applied in rural areas...
- My third suggestion is that the management and development of the economy is very important and we shall not allow any degradation of ethical values. I conclude with an excerpt from the speech of the Hon'ble President in which every trained Accountant has been asked to take a pledge on ethical values:
- "I realise the profession I am entering is the trusteeship of financial management and I will assist whichever institutions I audit keeping in view of the social obligations. I will not only bring out the problems of financial management for protecting the interest of all the stakeholders of the enterprise, but also suggest possible solutions with ethics as a way of life".

(To be continued in the February 2007 issue of the Journal)