

## ICAI is not averse to opening up of the accountancy sector

ICAI President CA. T.N. Manoharan, in an interview to Mr. D. Murali of Hindu Business Line daily, shared his vision and priorities on a range of issues concerning accountancy profession in India. The excerpts from the interview, which appeared in the newspaper's September 14<sup>th</sup>, 2006 edition, are being reproduced here on the request of the members. We acknowledge and thank the Hindu Business Line in this regard.



**Q.** You have crossed the halfway mark in your tenure. How would you describe the mood? Are you reworking your priorities?

**A.** Crossing the halfway mark has been quite satisfying. There are no changes in the priorities listed out in Mission, 2006. However, more time is now devoted to those priorities that are nearing completion—launching and marketing of a new CA curriculum, for instance.

**Q.** How far has the ICAI been successful as a self-regulator, especially in view of the increase in the number of members, more stringent professional standards and increasing expectations of the public from CAs? Is autonomy a luxury that the accounting profession enjoys when compared to what prevails elsewhere?

**A.** As a self-regulator, the ICAI has been doing a great job. The disciplinary cases are being disposed of expeditiously and, of late, the Council has been devoting considerable time to these matters. Members found guilty are punished appropriately depending on the gravity of the offence. In most of the cases, High Courts have either upheld or reduced the punishment awarded by the ICAI. Rarely have the courts enhanced the punishment.

While passing the CA (Amendment) Bill, 2006, Parliament did appreciate that the accounting profession has matured and, therefore, did not consider it appropriate to tinker with the autonomy of the ICAI. We have the autonomy to formulate accounting standards, auditing standards and to enforce disciplinary mechanism.

**Q.** As a service sector, how would you measure the value that has been added by the

profession to the economy? Or, does such a metric have no relevance?

**A.** The profession has contributed immensely to the growth of the Indian economy. Financial discipline, transparency and accountability have been ensured by an effective audit system. Beside statutory audit, CAs have excelled in systems, forensic and internal audits. Further, by counselling and advising clients, CAs have been enabling substantive compliance of tax laws and ensuring enhanced flow of tax revenue to the Government. CAs in Government, PSUs, and the corporate sector contribute to economic decision-making. Many success stories in the corporate sector are attributable to CAs who have been part of the management.

**Q.** Are CAs enthusiastic about Limited Liability Partnerships (LLPs), a concept that is yet to fructify? Or Multi-Disciplinary Partnerships (MDPs)?

**A.** CAs are eagerly awaiting LLPs, as they will help Indian firms consolidate and strengthen. The restriction in the number of partnerships is likely to go with the introduction of LLPs. Similarly, introduction of multi-disciplinary firms will help CAs render multifarious services under one roof. The law relating to LLPs is expected to be introduced in the Winter Session of Parliament. MDPs are a part of the CA Amendment Act, 2006 and may get going by the end of this year.

**Q.** Should professional liability insurance be compulsory for practising CAs?

**A.** This is a matter better left to each firm/professional. Every sphere of economic activity involves certain risk. The skill to measure

and cover risk evolves as the profession embarks on challenging areas of practice.

**Q. We have heard a lot from the ICAI about its stand on WTO issues. Where do things stand now?**

**A.** We are not averse to opening up of the accounting sector. However, it should not be unilateral but on a reciprocal basis. We see opening up under the WTO regime as an opportunity and not a threat. We are in touch with the Commerce Ministry, which has assured that the ICAI will be consulted on matters relating to the accounting profession. We are in discussion with accounting bodies in Singapore, Australia and the UK in this regard. Things are looking positive. While global firms may be keen on becoming Indian, we at the ICAI are keen on making Indian firms global.

**Q. Do you think that, as a regulator of the accounting profession, the ICAI has to enrich its database to have more details about its members—such as, the companies that they audit?**

**A.** The ICAI has been gathering particulars through multi-purpose empanelment forms (MEFs) which facility furnishing to regulators and others who seek lists of firms for various audit allotments. We do not think that we should burden our members to furnish further particulars. Besides, peer review broadly takes care of this aspect. Enhancing quality in audit function is the goal of the ICAI. Peer review, a proactive measure introduced in 2002, has now stabilised. This will get statutory recognition by virtue of the CA Amendment Act, 2006 with a new nomenclature, 'Quality Review Board'.

**Q. You have been talking about centres of excellence. What are these?**

**A.** The ICAI has decided to establish Centres of Excellence in 17 centres. A Centre of Excellence will have state-of-art infrastructure to accommodate (a) research activities, (b) training and workshop programmes for members, and (c) academic activities for students. These will be distinct and separate from Regional Council and Branch premises. Land has been acquired for this purpose in Hyderabad, Mumbai, Delhi (Noida) and Kolkata. Efforts are on in other centres, such

as Chennai, Bangalore, Ernakulam, Chandigarh, Ahmedabad and Coimbatore, to acquire land. This is a vision keeping growth of the profession in view and will meet the needs for the next 100 years. Accomplishment of this, I perceive, will require a decade. We have taken few steps already and soon will be gaining pace.

**Q. What is your yardstick of financial governance in the Institute? Any initiatives to reduce costs? KPIs or key performance indicators to ensure accountability? What are the results?**

**A.** Every rupee collected from students and members should be best utilised for

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strengthening the infrastructure and improving the quality of services to them. A rupee saved is a rupee earned. We have been successful in reducing expenditure on electricity, travel and telecommunications. We have an effective audit committee, apart from internal and statutory audits carried out to ensure accountability.

**Q. On the ICAI versus the Big Four.**

**A.** There are no foreign audit firms in India. All the audit firms in India are registered with the ICAI. There are Indian CAs who are associated or working with consulting companies affiliated to the Big Four. As far as the ICAI is concerned, all the 1,32,000 members are equal and are to be treated alike wherever they are placed and in whatever capacity. We are not interested in fragmenting the profession. We want unity among our members. The ICAI would use the services of members with expertise and experience to groom the others. We want Indian firms to grow in size, develop skill sets, database and knowledge bank, have affiliation with international firms and acquire national and international standing. The Indian CA is second to none and we will help our members gear up to face competition not only in the domestic turf but also abroad as the accounting sector opens up gradually and on a reciprocal basis.

**Q. You have an award for the best-presented accounts. Why not for the most independent auditor?**

**A.** Best-presented accounts are comparable, tangible and measurable. These yardsticks are difficult to apply to an individual's conduct, character and attitude. Hence, is not feasible.

**Q. What are the initiatives that will fructify before the end of your term?**

**A.** Launching of new CA curriculum; amending of regulations; empowering members with corporate form of practice in consultancy field; revamping post-qualification courses; examination-related reforms; opening up of new branches; examination centres; chapters; strengthening of infrastructure across the country; establishing decentralised offices of Technical Directorate; entering strategic collaborative arrangements; scheme for establishing computer course training centres in all branches of the ICAI; introduction of few accounting standards for local bodies; internal audit standards and system audit standards, and more such initiatives.

**Q. You have been promoting the use of CA prefix? Does it enjoy any legal backing?**

**A.** Such an initiative does not require any legal backing. It is a convention or a practice. We have planted the seed.

Whether it will be nurtured or made to perish depends on our members. Personally, I am amazed at the positive response across the country. Uniform prefix, logo for members, dress code, ICAI Bhawan nomenclature for all our buildings and a single telephone number for all offices of ICAI are all measures (some of these to be implemented soon) that may appear insignificant but are required in the present-day context.

We are conscious that these steps per se do not enhance the image of the profession but none can deny that these provide it a distinct identity. We are conscious that values and credibility of the profession only can make us respectable. All that we aspire is to build credibility, but with an identity.

**Q. The Institute has been making a case for more freedom to change the curriculum. What is the situation now? Is there a delay in getting the latest syllabus cleared?**

**A.** The ICAI has been conferred with the power to change the syllabus. We have approached the Government as we are changing the curriculum altogether and not merely the syllabus. There is no undue delay in getting the curriculum cleared. Everything has been going on as originally planned. In June, the Government gave an in-principle approval and the draft curriculum was notified. After 45 days, public comments were collated in consequence of which one modification was proposed. This was with reference to Graduates doing PE-II (without passing PE-I) to be allowed to join articleship directly.

However, the Government did not accept this change and insisted that such students should pass PE-II or PCE to get into the three-year articleship training or, alternatively, they should

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pass CPT and get into three-and-a-half years articleship training. This delayed the processing by 10 days. Had we not suggested modification in response to students' requests, we would have got the approval by end-August and launched the course by September 1, 2006. The Course has been launched with effect from September 13. The first CPT will be held on November 12 as originally announced.

**Q. Is there a frequent demand from members for scrapping of mandatory CPE (Continuing Professional Education)? How do you react to that?**

**A.** No. Such demands are rare and isolated. World over the accounting profession is mandated by respective bodies to adhere to CPE. Nothing can inspire stakeholders' confidence in our profession than the demonstrative quest for knowledge and the gains of excellence accruing therefrom. The accounting professional's life is like riding a bicycle—pedalling is akin to learning. To avoid falling, one should not stop learning.