

## President's Message – August 2011

### Dear Friends,

Father of our nation, Mahatma Gandhi has said: *The spirit of political and international liberty is universal and, it may even be said, instinctive...I want freedom for the full expression of my personality. I must be free to build a staircase to Sirius if I want to...* He wanted independence for the country in its real and fullest sense. India has built itself over the years and, today, we are very proud to admit before the world that we are one of the most politically-vocal nations of our world. We believe in what Mahatma Gandhi had observed once: *The condition of India is unique. Its strength is immeasurable. We need not, therefore, refer to the history of other countries. I have drawn attention to the fact, that when other civilisations have succumbed, the Indian has survived many a shock.* Our Independence Day, 15th August, is not more than a couple of weeks ahead of us and all we need to do at present is to simply extend our enthusiasm and spirit of the *63rd CA Day celebrations*, which we celebrated quite whole-heartedly in the Institute and in its Regional Councils and their Branches with the help, cooperation and support of all our stakeholders. I would like to extend my heartfelt gratitude to them in retrospect.

The *63rd CA Day* was celebrated by many corporate and forums across the nation. Various programmes and cultural activities were organised that witnessed both formal and informal gatherings along with the active participation of the chartered accountants, i.e. members of the Institute. The main function was organised on 1st July at Vigyan Bhawan in New Delhi. ICAI Web TV was made functional by the Hon'ble CA. Rameshwar Thakur, H. E. Governor of Madhya Pradesh. ICAI Connect was formally launched by Shri D. K. Mittal, Secretary, Ministry of Corporate Affairs. Exclusive website for Practitioners and CA Firms was launched by the Hon'ble Shri R. P. N. Singh, Minister of State, Ministry of Corporate Affairs, and ICAI-ROC software was launched by the Hon'ble CA. K. Rahman Khan, Deputy Chairman, Rajya Sabha, Parliament of India. The Day was also celebrated by all the CPE Study Circles for members-in-industry across the nation. Every year on this day, we are reminded of our glorious tradition and the hard and arduous efforts of our forefathers because of which the profession enjoys a standing today. This day is also about our reconciliation with our past and with our understanding that we acknowledge the heritage and greatness of our profession and its role in the intellectual development of our society and state. It is time for all of us to express our love to the grandeur of our profession

At this point of time, I would like to convey my good wishes from the core of my heart: *May all stakeholders grow bigger and taller along with our Institution and the profession!*

Now, let us have a look at some of the significant developments in the accountancy profession in the past one month:

### ICAI Welcomes Dr. M. Veerappa Moily, New Corporate Affairs Minister

I am happy to acknowledge that Dr.(Shri) M. Veerappa Moily has taken charge of the Ministry of Corporate Affairs (MCA) as the new Corporate Affairs Minister. I am sure that under this new dynamic leadership, the Ministry will bring in new dimensions in the development and growth of our corporate world. Here I also wish to record my gratitude and appreciations to the former Corporate Affairs Minister Shri Murli Deora for his support and encouragement in our initiatives for the profession. I am sure that Dr. Moily would play a very positive and proactive role in the Ministry and, consequently, this will give a positive boost to the ongoing uplift of our profession too, as he himself says: *I am a reformist and wherever I go, I have the reform agenda.* We wish him our best wishes for a successful tenure in the Ministry.

### Initiatives with Government Offices/Officials: Partner in Nation-Building

ICAI on MCA Working Group under Agreement with Netherlands Ministry: The MCA has inked an agreement with the Ministry of Economic Affairs, Agriculture and Innovation of Netherlands on corporate governance and corporate social responsibility (CSR). The letter of intent to this effect was signed recently in New Delhi by the MCA Secretary Shri D.K.Mittal and H.E. Netherlands Ambassador to India Mr. Bob Hiensch, on behalf of the Government of Netherlands.

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As per the Letter, working groups in the areas of corporate governance, CSR and other aspects of corporate affairs are to be established by both the sides. Accordingly, the MCA has decided to constitute a working group with the MCA Additional Secretary Shri Sudhir Mittal as the Chairman and representatives of Tata Services Ltd., NTPC Ltd. and other Institutes as members. I have been nominated from the ICAI by the MCA.

**HRD Working Group to Implement ASs in Educational Institutions:** A group has been constituted by the Ministry of HRD for the implementation of accounting standards in all educational institutions of Department of Higher Education of the Ministry. The Group comprises, apart from me, the ICAI Vice-President CA. Jaydeep N. Shah, the ICAI immediate past-President CA. Amarjit Chopra, and my Central Council colleague CA. Manoj Fadnis from ICAI, and Mrs. Neelam Sudhir Kumar, Controller of Accounts, Ministry of HRD, Shri Siddique, Former Finance Officer, Jamia Millia University, Shri A. K. Dogra, JS (FA), UGC, and Shri M. Arumugan, Dy. Commissioner (Finance), Kendriya Vidyalaya Sangathan, New Delhi, who have been nominated by Ministry of HRD. First meeting of this group was held recently.

Very recently, I along with my Central Council colleague CA. M. Devaraja Reddy had the opportunity to meet the Union HRD Minister Shri Kapil Sibal. During the meeting we have again discussed the issues involved in implementation of accounting standards in the educational institutes. We also invited him to the Global Educational Summit to be organised by the Institute soon.

**National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business:** Recently the Ministry of Corporate Affairs has brought out the National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business for the Corporate Sector. I along with the ICAI Vice-President was present on this occasion. The Guidelines emphasised the importance of responsible business towards inclusive and sustainable development, and it is designed to be used by all businesses in the country including the MSMEs. They encourage adopting the 'triple bottom line' approach wherein the financial performance is achieved by also being socially and environmentally responsible. They outline the nine principles and the core elements for each of the principles which are integral to business strategy and operations. Also, they provide a framework for implementation, monitoring and reporting.

**ICAI to Partner in RBI's Financial Literacy Project:** I am happy to inform all stakeholders of the profession as well as the well-wishers of the Institute that the Reserve Bank of India (RBI) has shortlisted the ICAI to be a part of its project relating to financial literacy. As you all know that the RBI had launched its Project on Financial Literacy way back in 2007 to create awareness, especially among the masses, on matters relating to banking and finance. It has asked us to submit a detailed proposal on the activities to be undertaken by the ICAI during this association, which we would submit to the RBI shortly.

**ICAI Attends MCA Meeting on Independent Directors:** A Core Group had been constituted sometime back by the Ministry of Corporate Affairs to make recommendations on issues pertaining to Independent Directors. The first meeting of the Group was held recently under the Chairmanship of the Additional Secretary of MCA, which was also attended by the ICAI Secretary Shri T. Karthikeyan. It was decided to prepare a draft code of conduct for Independent Directors and circulate it among all members of the Group for consideration.

**Quality Review of Audit Services:** Quality Review Board established by the Government of India under the CA Act, 1949, at a meeting held recently has decided to initiate the process of quality review/inspection of audit services of the audit firms.

## **International Initiatives: Building and Strengthening Ties**

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**Conclave for Trade Officials of Missions in India:** I am happy to inform you that we have recently successfully organised a conclave of trade officials of Missions in India, where there were participants from about 37 countries apart from the officials of the Ministry of External Affairs of India. Our External Affairs Minister, Shri S. M. Krishna, gave the keynote address in the forum, where deliberations were held by representatives of embassies focusing on taxation, transfer pricing, doing business in India and our role and support in institutionalisation of accountancy profession. African countries like Uganda and Gambia expressed their interest in seeking our support in developing the accountancy profession and establishing institution in their countries.

**IFAC Leadership to Visit India:** I am also happy to inform that a delegation comprising IFAC President Mr. Goran Tidstorm, and the IFAC Chief Executive Mr. Ian Ball are visiting India in the last week of July 2011 to discuss the thrust areas of IFAC including high-quality technical standards in IFRS while promoting the value of professional accountants, the development of the accounting profession in developing nations, etc. During their visit, they will also have meetings with the Ministry of Corporate Affairs, the Ministry of Commerce and Industry, the Controller General of Accounts and Comptroller and Auditor General of India. Another important agenda to be discussed during their visit will be an increase in fees structure of IFAC for ICAI.

**Global Reporting Initiatives:** The Global Reporting Initiative (GRI) is a network-based organisation that pioneered the world's most widely used sustainability reporting framework. GRI's reporting framework is developed through a consensus-seeking, multi-stakeholder process. Recently, their representatives Dr. Aditi Halder, Director, GRI Focal Point India, and Ms. Marjolien Baghuis, Director, Communications and Network Relations, had a meeting with the undersigned to discuss the ways to promote sustainability reporting in India. To begin with, it has been decided to hold joint workshops in India to create awareness about the sustainability reporting and its benefits to the stakeholders.

**ICAP Golden Jubilee Celebrations:** I would also like to extend my good wishes to the people of Pakistan, especially the accountancy professionals, as the Institute of Chartered Accountants of Pakistan (ICAP) will also be celebrating the Golden Jubilee soon. I would be visiting the ICAP to be part of the celebrations of the profession and will participate in the two-day ICAP Golden Jubilee Conference to be held shortly this month with the theme Accountants and Social Responsibility.

**India-Japan IFRS Dialogue in India:** A delegation from Japan is visiting Bangalore and Delhi in early August 2011 for the second India-Japan IFRS Dialogue. Key stakeholders from SEBI, RBI, MCA, Ministry of Finance, NSE and CAG have been invited to participate in the IFRS Dialogue to be held in Bangalore.

**International Arbitration Conference in Malaysia:** My Central Council colleague CA. Sanjeev Maheshwari attended the Asia Pacific Regional Arbitration Group Conference 2011 in Malaysia along with the ICAI Addl. Secretary Shri Rakesh Sehgal, which while focusing on international arbitration in challenging times, enabled the delegates to interact with the Chambers of Commerce and also other key functionaries. My Central Council colleagues CA. Rajkumar S. Adukia and CA. P. Rajendra Kumar also attended an international conference organised recently by the Institute of Internal Auditors in Malaysia.

### Initiatives for Stakeholders

**Training Programme on Concepts Applicable to Autonomous Bodies:** Recently, the Institute organised a training programme, An Insight on the Concepts Applicable to Autonomous Bodies, for accounting personnels of autonomous bodies of Maharashtra, Madhya Pradesh, Goa and Chattisgarh, and for members of the profession in Mumbai. I, along with Shri K. P. Sasidharan, Director-General (Autonomous Bodies) of the C&AG of India, my Central Council colleagues CA. Anuj Goyal and CA. Sanjeev Maheshwari, and the WIRC Chairman CA. Shrinivas Y. Joshi inaugurated the programme, which was participated by more than 150 officials of autonomous bodies of the state and members of the profession.

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**FEE's Conference on Audit Policy:** To help bring clarity in the issues of audit quality, sustainable growth of the profession and bridging the expectation gap, the Federation of European Accountants (FEE) recently organised a highlevel conference on Audit Policy. The objective was to bring together all stakeholders and to discuss the role and value of audit and the building of a European market, providing a platform to the leaders of the accountancy profession from various countries comprising the European Union. My Central Council colleagues CA. Abhijit Bandyopadhyay and CA. Rajkumar S. Adukia attended the Conference along with the Secretary of the AASB of the Institute, where eminent personalities including the European Commission's Commissioner for Internal Market & Services; Chairman, PCAOB, USA, and Chairman, Financial Reporting Council, UK, addressed the audience.

Significant Decisions: Some significant decisions have been taken in the Institute in the interest of the profession on agenda relating to the conduct of the profession:

- Broad principle as proposed by the Accounting Standards Board on which the Concept Paper would be developed for the revision of the existing notified accounting standards has been approved.
- Draft Statement/Guidance Note to the Revised Schedule VI to the Companies Act, 1956, as prepared by the Accounting Standards Board of the Institute, has been approved.
- As you are aware, a special group was constituted by us of study the Guidelines of MPLAD scheme with an objective to recommend areas for improvement with reference to the accounts and audit part of the Scheme. The Group had finalised its draft report on the basis of views expressed at a meeting of Rajya Sabha Standing Committee in April 2011. I would also like to recall that in terms of the discussion held in the Committee, the views of the Office of C&AG were also sought on the draft report. Recommendations of this special group on accounting and auditing aspects of the Members of Parliament and Local Area Development (MPLAD) Scheme have been approved.
- Recommendations on the Study Group on formulation of Policy and Procedure for Conversion of Existing CA Firms into LLP have also been approved. I wish to recall here that the MCA had issued a general circular in April 2011 clarifying that the word "partnership", wherever occurring in the Chartered Accountants Act, 1949, the Cost and Works Accountants Act, 1959 and the Company Secretaries Act, 1980 shall mutatis mutandis be construed as including those limited liability partnerships (LLPs), where all the other partners are natural persons (individuals) and that the word "partner" shall also be construed accordingly. We had decided to allow all existing CA firms to convert themselves into LLPs, and bring out a format for making an application for conversion to an LLP.
- Guidelines for professional accountants on Know You Client (KYC), as finalised by the study group under the convenorship of my Central Council colleague CA. Charanjot S. Nanda as constituted by the Ethical Standards Board of the Institute, under which the practicing members are required to gather information about their clients for whom they are doing attest function have been approved. These guidelines will be recommendatory in nature.

Lane Adjacent to ICAI Headquarters Named after Prof. T. S. Grewal: As a tribute to Prof. T. S. Grewal's immense contribution to the commerce education in India, the lane adjacent to the ICAI Headquarters building has been named as Prof. T. S. Grewal Lane. A ceremony was held recently under the chairpersonship of the Mayor of Delhi, Prof. Rajni Abbi, which was attended by a large number of members from Delhi, several Council members, officers and staff of the Institute. Family members of late Prof. Grewal were also present.

**Fast/Firm Action in Disciplinary Cases:** Upholding the Code of Ethics and the law of the profession, two meetings of the Board of Discipline (u/s 21) and seven meetings of the Disciplinary Committee (u/s 21B) of the Institute have been held whereat hearing in 3 and 35 cases were concluded respectively and were finalised but for the last meeting held recently in Hyderabad. Besides, 46 cases were disposed off by the Board of Discipline/Disciplinary Committee till prima facie stage. In the forthcoming meeting(s) of the Board of Discipline/Disciplinary Committee, the prima facie

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opinion of the Director (Disciplinary) of the Institute in 60 cases would be placed.

**Convocations for Newly-Enrolled Members:** I am happy to inform that Convocation for newly enrolled members that were admitted during the September 2010 to March 2011 was held successfully in Delhi recently with a total attendance of 820 enthusiastic members, many of whom came with their family. The programme started with the Institute's Motto song followed by addresses by the dignitaries on the dias including myself, the ICAI Vice President CA. Jaydeep N. Shah, my Central Council colleagues CA. V. Murali and CA. Naveen N.D. Gupta, and the NIRC Chairman CA. Rajesh Sharma. A special address as part of our newly incorporated Mentor Programme was also delivered. The programme was well attended by Central and Regional Council Members from the Northern Region. Convocations will also be held in Mumbai and Chennai very soon and then a little later in Kolkata, Chandigarh, Kanpur and Jaipur as well.

Convocation for Successful Candidates of Master in Business Finance Certificate Course: Convocation for the 47 successful candidates of the first batch of the Certificate Course on Master in Business Finance, who qualified for the Certificate Course, was organised successfully in Delhi recently.

### CA Final and CPT Results Declared: A Female-Power Show

**May 2011 CA Final Examination:** The results of the CA Final Examination have been declared recently. Pass percentage of male and female candidates for both Group I and II are 19.81 and 21.91 per cent, respectively. Pass percentage of male and female candidates for Group I and Group II are 35.97 and 37.09, and 25.51 and 29.22 per cent, respectively. Female candidates have done better than their male counterparts in all the Groups individually too. EIRC (eastern region) has given most pass percentage for both Group I and II this year, i.e. 26.78, whereas NIRC and CIRC stand close second and third with 21.76 and 20.56 per cent, respectively, as pass percentage for both Group I and II. Individually too, EIRC has the best pass percentage for Group I, i.e. 41.64 per cent, as well as for Group II, i.e. 31.66 per cent. It is noteworthy that the top three all-India rank holders for the CA Final Examination are all female candidates: Maitreyee N. Rajaput, Arti Jain and Charmy S. Seth. I congratulate all of them and would like to make an appeal to all other female student candidates: Hard work pays. Always keep your spirits high.

**June 2011 CPT (Paper-Pencil mode) Examination:** The results of the Common Proficiency Test (Paper-Pencil Mode) held recently were also declared. This time, 33.31 per cent candidates have been declared pass. Here too female candidates have taken a lead with a 36.26 pass per cent against male candidates with 31.67 pass per cent. Region-wise, overseas candidates have fared better than those from other regions in India with 57.24 pass per cent, whereas NIRC and EIRC were distant second and third with 38.44 and 36.73 pass per cents respectively. Region-wise too, female candidates have done better than their male counterparts.

**June 2011 ISA Assessment Test:** Results of the Information Systems Audit (ISA) Assessment Test held on 18th June, 2011, have been declared. Pinal Bhupendrabhai Jariwala and Puneet Gupta have achieved top ranks in old pattern and new pattern respectively.

We are all set to celebrate the true spirit of independence with all our heart. But at the same time, let us not forget that all independence comes with a responsibility that when we coexist, fundamental laws of cooperation, tolerance and mutual progress must govern our existence. Let us express our belief in each other's individuality. Let us have respect for all citizens of our beloved nation. Let us not forget that when it comes to choosing between humanity and human boundaries - our choice and guiding angel must always be humanity. Nothing should supersede our need for love and tolerance. One of the celebrated philosopher during the French revolution, Jean Jacques Rousseau, expressed in his most important treatise, The Social Contract: Man was born free, and he is everywhere in chains. One man thinks himself the master of others, but remains more of a slave than they.

It is sad that we continuously fight in our life to achieve salvation and independence in their fundamental sense, and, in the course of that, we do achieve success, glory and even financial independence, but the goals and vision with

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which we start our struggle are generally forgotten and abandoned. So is the case of our freedom struggle, about 64 years have passed since we got independence, i.e. in 1947, we are still enslaved by our desire. Despite having achieved a social standing in life, we are still bound by the boundaries set by race, religion, region, gender and language. While I understand these boundaries are natural for common people, I am sure at the same time that these would never exist for an emancipated and grown-up society. We should have come out of this slavery after such a long journey we have undertaken in a politically free country.

Independence is when we do the right thing freely. However, I understand that a literal independence will never exist as we all are bound together by our needs, sorrows and joys. It is fine that we are not independent that way. But the fact that some people on the basis of race, religion, region, gender and language are being forced to succumb to their independence and are forced to lead an isolated life within our own social space, we still have to go a long way to achieve independence in its most fundamental sense.

Right to *independence* comes out of a more fundamental duty called *responsibility*. Unless we will be ready to be responsible, independence will have no real and productive existence in our life. That is why a modern political philosopher Emma Goldman says: *The most unpardonable sin in society is independence of thought*. Voltaire, the French historian and philosopher, too has similar opinion when he expresses ironically: *The true character of liberty is independence, maintained by force. Injustice in the end produces independence*. Here, he too is referring to independence without responsibility. We are independent and, going by the natural succession, we must be both responsible and independent. Emotions of mutual tolerance and progress must govern our existence. Let us have a faith in each other's individuality. Let us have respect for all citizens of the nation. Our actions must always be guided by humanity and not by man-made or political boundaries. Nothing should supersede our need for love, tolerance and progress.

Happy Independence Day to all!

**CA. G. Ramaswamy**  
**President, ICAI**

July 24, 2011