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THE CHARTERED ACCOUNTANT

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA



**ICAI's
73 Years**

PARTNER IN
NATION BUILDING

Building Trust

with Integrity,
Independence
and Excellence

ICAI-Set up by an Act of Parliament



Invitation to Write Articles

Chartered Accountants and other subject experts, with academic passion and flair for writing, are invited to share their expertise through the ICAI Journal – *The Chartered Accountant*. The article may cover any topic relevant to the accounting world covering auditing, finance, laws, strategy, taxation, technology and so on. While submitting articles, please keep following aspects in mind:

- ❖ The length of articles should be about 2500 words.
- ❖ Articles should be original in nature
- ❖ An executive summary of about 100 words should accompany the article.
- ❖ Articles should not have been published or sent for publishing in any other print or electronic media.

Please send articles to Journal Section - The Chartered Accountant, The Institute of Chartered Accountants of India, ICAI Bhawan, Indraprastha Marg, New Delhi 110 002. Attach photograph, editable soft copy of file, declaration of originality and assignment of copyright in the prescribed format along with the article. E-mails may be sent to eb@icai.in.

Visit https://www.icai.org/post.html?post_id=2557 for detailed guidelines and formats of declaration of originality and assignment of copyright.



The Institute of Chartered Accountants of India

Building Trust with Integrity, Independence and Excellence

The ICAI continues its glorious journey completing 73 years on 1st July 2022, as we celebrate our Foundation Day. The growth story of ICAI and Indian accounting profession since its evolution is phenomenal and fills us with pride and jubilation as we rise to become a leading global institution, the second largest accounting body in the world. 1st July is our moment to rejoice, having worked rigorously with integrity, independence and excellence over the years that has placed Indian Chartered Accountants in an exalted position not only within the country, but across the globe.

Over the years, the accounting profession has built its legacy of excellence by rising above the challenges through professionalism and perseverance. The accounting profession has left no stone unturned to meet the expectations and vision of the policy makers who had granted autonomy to the profession through the Chartered Accountants Act, 1949. The fact that this Act was enacted even before adoption of the Constitution of India shows the paramount importance that has been placed on the profession, to act as *trustees of public interest*.

The journey of the last 73 years signifies ICAI's rise as the prominent institution promoting a widely acknowledged legacy of professional integrity, independence, excellence and service to the nation. Our profession has always raised its bar and rose to the occasion with persistence, laying the seeds of the growth by putting across a roadmap right from its inception to not only serve its avowed mandate but also support the economic development of the nation. We continue building the framework for standard setting, supporting stakeholders in policy formulation and supporting government initiatives to improve governance and financial discipline.

With the rise of globalisation and advent of technology, accounting has become the global lexicon of business. The profession has thus truly come of age and transitioned into the role of a strategic leader much beyond its regulatory mandate. The profession right from its inception has been a pioneer of growth, promoting the culture of

excellence with our unique knowledge and driven by our core values. The ICAI has meticulously laid the foundation stone over the years for the growth of the profession by always pushing itself to evolve with the times, as the catalyst of change and making indelible contributions to the task of nation building. The acknowledgement by Bharat Ratna Dr. APJ Kalam as "*Partner in Nation Building*" is testimony to the recognition of our contribution in boosting confidence and building a legacy of trust and excellence.

The goodwill enjoyed by the ICAI and the profession is earned with a zealous pursuit of excellence. It is important to introspect that achieving excellence is a never-ending journey and the effort to inspire and lead must continue in the future. The ICAI has always been at forefront of bringing world class practices to the country, to be always ahead of the competition and overcome the learning curve. It is the attitude to promote innovation and push the boundaries by undertaking initiatives like Convergence of IndAS with IFRS, revising the Code of Ethics, revision of Companies Act, 2013, Sustainability Reporting, Data Analytics and technology in sync with the ICAI Vision, that is: *'World's leading accounting body, a regulator and developer of trusted and independent professionals with world class competencies in accounting, assurance, taxation, finance and business advisory services'*.

As we move ahead, the world is changing and the two key forces shaping the economy are technology and sustainability. It is the ability of our profession to keep rising above its comfort zone by continuing to *learn, unlearn and relearn* and be ready to serve the nation. The ICAI always believes in having the foresight and to build the future ready profession has taken various initiatives such as upskilling in technology, revising the CA education and training, and developing networking guidelines for the expansion of firms and businesses. The accounting profession must come together to collaborate and lead the future by being the agent of change, catalyst to reforms and creating value for stakeholders and raise the bar for its legacy with every passing year.

| -Editorial Board ICAI: Partner in Nation Building

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CA. (Dr.) Debashis Mitra
President, ICAI

My Dear Professional Colleagues,

"All Birds find shelter during a rain. But Eagle avoids rain by flying above the Clouds."

— APJ Abdul Kalam

The Institute's logo is Garuda, the Eagle and the Profession takes pride in flying beyond barriers in pursuit of Excellence, Independence & Integrity.

The reason for choice of Garuda, the Eagle, which was suggested by Shri Aurobindo to ICAI in 1949, in the ICAI Emblem lies in a strong symbolic resemblance in qualities of a Garuda and a Chartered Accountant i.e., being fearless, decisive, strong, innovative and ability to face challenges.

CA. G.P. Kapadia, the first president of ICAI in the book "History of Accountancy Profession in India" writes as under: -

"The Chartered Accountant is a person on whom every section of society could rely and rely strongly. His certificate would be one by way of a seal and a hall-mark which would at once inspire confidence in the minds of

all concerned as certification by a person fully competent and holding a charter from the Supreme Legislature of the country for the purpose. In the performance of any type of duty, the Chartered Accountant would have to think not only of the interests that he is serving, but of the general interest that he is expected to serve in his relation to society. He must be above reproach, he must reflect the highest ethics of the profession, he must possess the expert knowledge which can throw light on important problems and issues and he can by his accomplishment and behaviour assume his rightful place as one who can give and provide the necessary guidance in respect of all matters relating to his specialised field of knowledge."

As a partner in Nation Building, it is very important that we contribute to the growth of the Nation and enjoy its trust. In a changing and challenging scenario our adaptability to change will certainly be tested. But over the long period of our existence, we have exhibited our ability to change with the changing times.

Since its formation on 1st July, 1949 the Institute has grown manifolds. Today it is the second largest accounting body in the world having 5 Regional Councils and 166 Branches in India. It has 44 Overseas Chapters and 33 Representative Offices. We are present in 77 cities and 48 Countries of the world. Our success is not only because of our size but because of the respect we command.

Some of the important activities and events of the Institute in the month of June are as under:

AKAM ICONIC Day

ICAI celebrated the Azadi ka Amrit Mahotsav (AKAM) Iconic day on 8th June, 2022 in which we had the honour of gracious presence of Shri Arun Singh, Hon'ble Member of Parliament as Chief Guest and Shri Rajesh Verma, IAS, Secretary, Ministry of Corporate Affairs as Guest of Honour. Both the dignitaries lauded the role of ICAI and profession in the economic growth of the country and also appreciated the various programs conducted under the AKAM celebrations. During the day various seminars took place on the themes *Strengthening Funding & Financing of the Indian Entrepreneurial Ecosystem, Practical Ideas to go Green*

From the President

and make our Planet Sustainable, Women from Empowerment to Excellence - Contemporary Perspective, Strategies for Economic Revival. The Institute also organised CA Students National Talent Search Competition 2022 which was graced by Hon'ble Member of Parliament Shri Rahul Kaswan and Sister B. K. Shivani who spoke on *Role of Youth in making India Vishwaguru Bharat.*

Earlier on 7th June, the Institute participated in a AKAM programme organised by the Ministry of Corporate Affairs. We explained the activities done by ICAI as Partner in Nation Building to Hon'ble Finance Minister Smt. Nirmala Sitharaman and Hon'ble Union Minister of State for Corporate Affairs Shri Rao Inderjit Singh.

I compliment my colleagues from Central Council, Regional Councils and Branches for their support in making the various initiatives of AKAM a grand success.

New Scheme of Education and Training

With an aim to develop the next generation of professionals, ICAI has undertaken revision of the Chartered Accountancy course to make it more aligned to the Technological changes, International Developments and National Education Policy. You must be aware that the Ministry of Corporate Affairs has accorded its in-principle approval to the Proposed Scheme of Education and Training and it has been webhosted for public comments along with detailed questionnaire seeking suggestions. We are conducting extensive webinars and outreach meetings at Regional offices and branches in order to seek the opinion of all stakeholders. Inputs from members overseas are also being sought through webinars and outreach meetings held in foreign chapters. We are receiving encouraging response to our outreach. The last date of receipt of comments is 1st July 2022. Your feedback is of immense importance.

Technical Guide on Financial Statements of Non-Corporate Entities

The Institute of Chartered Accountants of India apart from issuing Accounting Standards for Non-company entities, always takes necessary initiatives to ensure effective and consistent application of these Standards. Moving forward in the direction of further strengthening and standardising the financial reporting system of Non-company entities like sole proprietorship firms, partnership firms, limited liability

partnerships, trusts, Hindu Undivided Families, Association of persons and Co-operative societies, etc., the Accounting Standards Board of the ICAI has issued a *Technical Guide on Financial Statements of Non-Corporate Entities*. The Institute constantly strives to augment the financial reporting framework for various entities and provide guidance to support the stakeholders.

International Day of Yoga Celebrations

With a view to promoting an enriching lifestyle, the Institute has been organizing and celebrating the International Day of Yoga since the year 2015. Taking the initiative forward, this year too, an exclusive session on "Yoga for Work Life Balance" was organised on June 21, 2022 wherein Yogrishi Swami Ramdevji virtually addressed ICAI Members & Students and guided on how Yoga can help in creating calmness; increasing body awareness; sharpening concentration and relaxing the mind. The Branches and the Regional Councils also organised programmes on Yoga for the wellbeing of the Membership.

World Congress of Accountants (WCOA) - 2022

The preparedness of the WCOA 2022 is in full swing and ICAI is geared up to make this a mega, memorable and an outstanding event. A dedicated and comprehensive website has been launched for providing access to all information and updates on WCOA 2022. Various social media handles have also been activated for the promotion of the WCOA. I urge the Membership to promote the WCOA 2022 and also attend the Congress in large numbers and grab the once in a lifetime opportunity to attend this 'Olympics of Accountants' being held in our country for the first time in more than 100 years history of the Congress.

We also extend our gratitude to the supporting international organizations namely Confederation of Asian & Pacific Accountants (CAPA), South Asian Federation of Accountants (SAFA), ASEAN Federation of Accountants (AFA), Pan African Federation of Accountants (PAFA), Accountancy Europe, Edinburgh Group, Chartered Accountants Worldwide (CAW), Fédération des Experts Comptables Méditerranéens (FCM), European Federation of Accountants and Auditors for SMEs (EFAA) and XBRL International who are working determinedly for promoting the WCOA 2022.

From the President

Mr. Scott Hanson, the Director of IFAC was present in India from 17th to 23rd June to oversee our preparations. He was very satisfied with our efforts and was extremely positive about the success of the Congress.

Expanding ICAI Network – New branches

The Council has approved setting up of two new Branches of Central India Regional Council (CIRC) at Bhagalpur (Bihar) and Hanumangarh District (Rajasthan) to further expand our national network to 166 branches. I hope that these Branches will serve the cause of the Members and Students.

Residential Meet of CA Members in Public Service

The Committee for Members in Entrepreneurship and Public Service of ICAI had organized a Residential Meet of CA Members in Public Service from 24th- 26th June 2022 at Ooty which was attended by about 52 of our Members from various public services namely; IAS, IPS, IRS, IFS, Judiciary, ITAT, NCLT, NCLAT and other Regulatory services. The Residential Meet dwelled upon the significant issues relating to the Accounting Profession such as Role of Accountants in Main Streaming Sustainability in Business; Profession for Better World: Priorities for Transforming Profession; and Trust, Transparency and Accountability & the importance of Effective Enforcement system. Suggestions made for the wellbeing of the profession will be given due importance. I thank the Members in Public Service for kindly attending the programme and showing solidarity with their alma mater.

Celebration of International MSME Day

The Institute celebrated the International MSME Day on June 27, 2022 across the country. In the main function held at Delhi, Hon'ble Minister of State of MSME Shri Bhanu Pratap Singh Verma was the Chief Guest and Secretary, Ministry of MSME, Govt. of India Shri B.B. Swain was Guest of Honour. On the occasion, the Institute launched MSME Setu Programme wherein ICAI through the Committee on MSME & Start-up will establish the linkage between ICAI & Prospective MSMEs in Aspirational Districts as a key strategy for enhancing the productivity and competitiveness as well as capacity building of MSMEs. Another

initiative launched is MSME Yatra wherein in 75 days 75 programmes will be organised in various parts of the country for Capacity Building of MSMEs.

Meeting with the Leaders

I along with ICAI Vice President CA. Aniket Sunil Talati and CA. Atul Kumar Gupta, Past President, ICAI met Hon'ble Speaker of Lok Sabha Shri Om Birla and extended invitation to him to be the Chief Guest at the CA Day programme on 1st July. Discussions were also held on matters related to the profession and various ICAI initiatives.

Accompanied by ICAI Vice President CA. Aniket S. Talati, CA. Prafulla P. Chhajed, Past President, ICAI and Central Council member CA. Mangesh P. Kinare we met Hon'ble Union Ministers Shri Nitin Gadkari and Shri Piyush Goyal to discuss with them the latest developments related to profession and extend them invitation for the World Congress.

Conclusion

As we come together in jubilation to celebrate the 74th Chartered Accountants' Day, we celebrate the spirit of integrity, independence, and excellence which are the foundation of our identity. This is the occasion to celebrate our glorious journey as trustees of public interest and catalysing economic development of the country as partner in nation building. CA Day is our proud moment to celebrate our collective achievements. The commitment to professionalism, trust and ethical values shall continue as in the past. Our thoughts, ideals and action will determine our future. In the words of Swami Vivekananda *"We are what our thoughts have made us; so take care about what you think. Words are secondary. Thoughts live; they travel far."*

Wishing all of you a Very Happy 74th Chartered Accountants' Day.



CA. (Dr.) Debashis Mitra
President, ICAI

New Delhi, 27th June, 2022



ICAI Vice President CA. Aniket Sunil Talati meeting with Shri Nitin Jairam Gadkari, Hon'ble Union Minister of Road Transport & Highways. Also seen in the picture are ICAI Past President CA. Prafulla P. Chhajed and Central Council Member CA. Mangesh P. Kinare (1st June, 2022).



ICAI President CA. (Dr.) Debashis Mitra welcomes Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance & Corporate Affairs at Azadi Ka Amrit Mahotsav held at Vigyan Bhawan (7th June, 2022).



ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket Sunil Talati informing activities of the ICAI to Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance & Corporate Affairs, and Shri Rao Inderjit Singh, Hon'ble MoS (I/C) for Statistics and Programme Implementation & Planning and MoS for Corporate Affairs, at Azadi Ka Amrit Mahotsav programme held at Vigyan Bhawan (7th June, 2022).



ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket Sunil Talati meeting with Shri Piyush Goyal, Hon'ble Union Minister of Commerce and Industry, Consumer Affairs, Food & Public Distribution & Textiles, along with ICAI Past President CA. Prafulla P. Chhajed and Central Council Member CA. Mangesh P. Kinare. (31st May, 2022).



ICAI President CA.(Dr.) Debashis Mitra & ICAI Vice President CA. Aniket Sunil Talati along with Past President, ICAI CA. Atul Kumar Gupta meeting Hon'ble Speaker of Lok Sabha Shri Om Birla. (13th June, 2022)



ICAI Vice President CA. Aniket Sunil Talati along with Central Council Members CA. Dayaniwas Sharma, CA. Prakash Sharma and CA. Rohit Ruwatia Agarwal during a outreach meet on CRET (12th June, 2022).



ICAI Vice President CA. Aniket Sunil Talati along with Central Council members CA. Anuj Goyal and CA. Gyan Chandra Misra at the National Conference on Financial Market, Ghaziabad (28th–29th May, 2022).



ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket Sunil Talati with Shri Rahul Kaswan, Hon'ble Member of Parliament and Central Council Members at the inauguration of National Talent Search Competition 2022, New Delhi (8th June, 2022).

ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket Sunil Talati with Sister BK Shivani and CA. Sushil Kumar Goyal, Central Council Member, ICAI at the National Talent Search Competition 2022, New Delhi (8th June, 2022).



ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket Sunil Talati with Chief Guest Shri Arun Singh, Hon'ble Member of Parliament and Guest of Honour Shri Rajesh Verma, IAS, Secretary MCA, at the inauguration of ICAI ICONIC Day – Celebrating Azadi Ka Amrit Mahotsav, Delhi (8th June, 2022).



ICAI President CA. (Dr.) Debashis Mitra along with Chief Guest Shri Jagdeep Dhankhar, Hon'ble Governor of West Bengal at 14th Annual conference of VIP Road Chartered Accountants Study Circle-EIRC. Also seen in the picture is Central Council member CA. Sushil Kumar Goyal. (18th June, 2022)



ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket Sunil Talati felicitating Mr. Scott Hanson, Director, IFAC at the meeting of the Organising Committee of WCOA. Also seen in the picture are ICAI Past Presidents CA. Prafulla P Chhajed, CA. Atul Kumar Gupta and Central Council member CA. Sanjay Kumar Agarwal, Delhi (20th June, 2022).

ICAI President CA. (Dr.) Debashis Mitra attending and addressing a session Chaired by Shri Inder Deep Singh Dhariwal, Joint Secretary, MCA at the Azadi Ka Amrit Mahotsav celebrations organized by the Ministry of Corporate Affairs, New Delhi. Also seen in the picture are Ms. Mithlesh Adviser (Cost Audit Branch) and CS. Devendra V Deshpande, President, ICSI. (7th June, 2022).



ICAI President CA. (Dr.) Debashis Mitra along with Central Council members CA. Anuj Goyal, CA. Hans Raj Chugh and CA. (Dr.) Raj Chawla at the National Outreach programme on CRET for Members and Students of ICAI at Haridwar (21st June, 2022)

ICAI President CA. (Dr.) Debashis Mitra and ICAI Vice President CA. Aniket Sunil Talati and CA. (Dr.) Girish Ahuja with Yogrishi Swami Ramdev Ji on 8th International Day of Yoga at Haridwar (21st June, 2022)





ICAI President CA . (Dr.) Debashis Mitra , ICAI Vice President CA. Aniket Sunil Talati and members of the Central Council, ICAI with Yogrishi Swami Ramdev Ji at 8th International Yoga Day at Haridwar. (21st June, 2022)

ICAI President CA.(Dr.) Debashis Mitra and ICAI Vice President CA. Aniket Sunil Talati at a programme organized by Dehradun branch of CIRC of ICAI. Also seen in the picture are Central Council members CA. Hans Raj Chugh, CA. Sanjay Kumar Agarwal, CA. Anuj Goyal, CA. (Dr.) Raj Chawla and CA. Gyan Chandra Misra. (21st June, 2022)



Group photo taken at the occasion of Residential Meet of CA Members in Public Service held at Ooty from 24th -26th June, 2022. Seen in photo are ICAI President CA. (Dr.) Debashis Mitra, ICAI Vice President CA. Aniket Sunil Talati, CA. Suresh Prabhu, CA. K Rahman Khan, Justice CA. Anil R Dave, Justice CA. (Dr.) Vineet Kothari, Justice CA. Dinesh Mehta and Central Council members CA. Hans Raj Chugh and CA. Dheeraj Kumar Khandewal.



Group photo on the eve of International MSME Day held on 27th June, 2022. Seen in the photo are ICAI President CA. (Dr.) Debashis Mitra, ICAI Vice President CA. Aniket Sunil Talati , Shri Bhanu Pratap Singh Verma , Hon'ble MoS, MSME, Shri B B Swain, Secretary, MSME and Central Council members CA. Dheeraj Kumar Khandelwal and CA. (Dr.) Raj Chawla .

Leaderspeak

Shri M. Venkaiah Naidu, Hon'ble Vice-President of India

डि. प्रशांत कुमार रेड्डी, भा.प्रशा.से.
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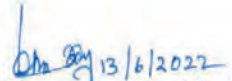


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MESSAGE

The Hon'ble Vice-President of India is happy to know that The Institute of Chartered Accountants of India, New Delhi is celebrating the CA day on 1st July, 2022 and publishing a special issue of its journal "The Chartered Accountant" on this occasion.

The Hon'ble Vice-President extends his greetings and congratulations to the management and all the staff members of The Institute of Chartered Accountants of India and wishes the event all success.


 (D. Prasanth Kumar Reddy)

New Delhi
13th June, 2022.

Shri Om Birla, Hon'ble Speaker, Lok Sabha



अध्यक्ष, लोक सभा SPEAKER, LOK SABHA INDIA MESSAGE

I am extremely pleased to learn that the Institute of Chartered Accountants of India (ICAI) is celebrating 'Chartered Accountants Day' coinciding with its 74th Foundation Day on July 1, 2022.

Since its inception, the Institute of Chartered Accountants of India (ICAI) has emerged as one of the most respected institutions in the field of accounting education and professional excellence. The Institute has contributed to the formulation of effective Government policies, laws and regulations in order to have transparent and efficient financial administration and governance. That way, it has made an exemplary contribution to the growth and development of our economy.

It is heartening to see that all of its members strive to carry forward the legacy of trust, excellence, and integrity built by the Institute. I am sure that in the years to come, the institute will scale new heights and will continue to play a vital role in nation-building.

On its Foundation Day, I place on record my appreciation for the hard work and dedication of our CA professionals in maintaining financial transparency, discipline and inclusive welfare of the society.

I extend my heartiest greetings and congratulations on this joyous occasion to ICAI and the entire CA fraternity.


(Om Birla)

Shri Amit Shah, Hon'ble Minister of Home Affairs & Cooperation

अमित शाह



सत्यमेव जयते

0406 11/07/22

गृह मंत्री एवं सहकारिता मंत्री

भारत सरकार

दिनांक 04 जून, 2022

डॉ. देबाशीस मित्रा जी,

भारतीय सनदी लेखाकार संस्थान द्वारा अपने 73वें स्थापना दिवस के अवसर पर दिनांक 01 जुलाई, 2022 को विज्ञान भवन, नई दिल्ली में आयोजित कार्यक्रम हेतु "मुख्य अतिथि" के रूप में मेरी उपस्थिति के सम्बन्ध में है।

कुशल, सतर्क और जवाबदेह चार्टर्ड एकाउंटेंट राष्ट्र की संपत्ति हैं। भारतीय चार्टर्ड एकाउंटेंट अपने कौशल के लिए दुनियाभर में जाने जाते हैं। आज भारतीय सनदी लेखाकार संस्थान ने समाज का आत्मविश्वास और भरोसा अर्जित किया है जिससे संस्था ने दुनिया में दूसरा सबसे बड़ा लेखा निकाय बनने का गौरव प्राप्त किया है। समाज में ईमानदारी और कुशल कार्पोरेट प्रशासन की संस्कृति को आगे बढ़ाने में हमारे चार्टर्ड एकाउंटेंटों का योगदान हमेशा ही महत्वपूर्ण रहा है।

मैं, भारतीय सनदी लेखाकार संस्थान के सभी पदाधिकारियों को स्थापना दिवस की बधाई देते हुए भविष्य में उनके सभी प्रयासों के लिए अपनी शुभकामनाएँ प्रेषित करता हूँ। अपरिहार्य प्रतिबद्धताओं के कारण इस समारोह में मेरा सम्मिलित हो पाना संभव नहीं है।

धन्यवाद सहित।

आपका,

(अमित शाह)

डॉ. देबाशीस मित्रा,

अध्यक्ष, भारतीय सनदी लेखाकार संस्थान,
आईसीएआई भवन, इंद्रप्रस्थ मार्ग,
नई दिल्ली - 110 002

कार्यालय : गृह मंत्रालय, नॉर्थ ब्लॉक, नई दिल्ली-110001

दूरभाष : 23092462, 23094686, फैक्स : 23094221

ई-मेल : hm@nic.in

Shri Narayan Rane, Hon'ble Minister of Micro, Small & Medium Enterprises

नारायण राणे
NARAYAN RANE



सत्यमेव जयते

मंत्री
सूक्ष्म, लघु और मध्यम उद्यम
भारत सरकार

Minister
Micro, Small & Medium Enterprises
Government of India



MESSAGE

I am happy to know that **The Institute of Chartered Accountants of India (ICAI)** is going to celebrate its 74th Foundation Day on 1st July, 2022 and publishing July, 2022 Special issue of ICAI Journal *"The Chartered Accountants"*.

2. I am also happy to know that ICAI have developed high level of competency in demonstrating enthusiasm initiative and drive, building and maintaining effective team relationship and planning/organizing work to deliver high quality results while meeting the deadline besides understanding the larger picture of discharge the public accountability mechanism. I hope that ICAI will continue to take up all the issues of relevance which help in germination of ideas beneficial to the general public as well as the Government.

3. I wish all the best for the successful celebration of 74th Foundation Day of ICAI.

(Narayan Rane)

Place : New Delhi

Date : 10.6.2022

Shri Girish Chandra Murmu, Comptroller & Auditor General of India

Girish Chandra Murmu



सत्यमेव जयते

भारत के नियंत्रक एवं महालेखापरीक्षक
COMPTROLLER & AUDITOR GENERAL OF INDIA



MESSAGE

I am pleased to know that the Institute of Chartered Accountants of India (ICAI) is celebrating 73rd 'Chartered Accountants Day' on 1st July 2022 and also bringing out a special issue of ICAI Journal 'The Chartered Accountant' on this occasion.

The ICAI, as a key institution of the country, has been mandated for regulating the profession of chartered accountancy while discharging its role as a torch-bearer in the development of national auditing and accounting standards in line with the best international practices.

The environment for professional accountants is changing. Global connectivity, smart machines and social media are likely to put greater demand for assurance in general, and audit in particular using new ways and new technologies while maintaining independence, professionalism, and objectivity. I am hopeful that the ICAI is taking necessary steps through its various committees, courses, publications, seminars, trainings etc. to keep the skills of chartered accountants up to date to discharge their role effectively keeping in view the latest developments to respond to modern challenges.

Today, when modern societies are undergoing a period where citizens demand greater transparency and accountability of those who manage funds, the existence of an effective and independent auditing process is an essential safeguard. The Auditors play key role in ensuring sustainable financial management as well as economical, effective, and efficient use of public resources.

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy in the recent past. I am glad to note that the ICAI is making efforts to promote the MSME by way of encouraging collaboration amongst the professionals/experts in the relevant fields.

I am confident that the ICAI would continue to strive further to uphold the virtues of excellence and integrity. My best wishes to the Institute and all its members.

(Girish Chandra Murmu)
Comptroller and Auditor General of India

Place: New Delhi
Date: June 20, 2022

9, Deen Dayal Upadhyaya Marg, New Delhi - 110124
Tel. No. : ++91 11 23235797 • Fax : ++91 11 23233618 • e-mail : cag@cag.gov.in

Leaderspeak

Shri Rao Inderjit Singh, Hon'ble Minister of State (Independent Charge) of the Ministry of Statistics and Programme Implementation; MOS (I/C) of the Ministry of Planning and MOS in the Ministry of Corporate Affairs

राव इन्द्रजीत सिंह
RAO INDERJIT SINGH



राज्य मंत्री (स्वतंत्र प्रभार)
सांख्यिकी और कार्यक्रम कार्यान्वयन मंत्रालय;
राज्य मंत्री (स्वतंत्र प्रभार) योजना मंत्रालय तथा
राज्य मंत्री कारपोरेट कार्य मंत्रालय
भारत सरकार

Minister of State (Independent Charge) of the
Ministry of Statistics and Programme Implementation;
MOS (I/C) of the Ministry of Planning and
MOS in the Ministry of Corporate Affairs
Government of India

CA Day 2022

MESSAGE

I convey my warm greetings to the Institute of Chartered Accountants of India (ICAI) and the CA fraternity on the occasion of 74th 'Chartered Accountants Day' on July 1, 2022.

Since last seven decades, the Chartered Accountancy profession has been catalyzing the reforms and creating value for its stakeholders, with an unwavering commitment to ethics and integrity. The profession as a whole has transitioned itself as strategy formulators and facilitators leading the change.

ICAI is well recognized as a leading institution nationally and internationally and playing an important role in the development of the economy as partner in nation building. The Chartered Accountants role in responsible governance and prudent financial management leading to a sustainable economic growth is well known.

I am confident that the ICAI would continue to move ahead on the path of excellence.

My best wishes to the Institute and all its members on this momentous occasion.

(Inderjit Singh)

132, NITI Aayog, Parliament Street, New Delhi - 110001
Tel. : 011-23096561/62/63 Fax : 011-23096713

Residence : 6, Lodhi Estate, New Delhi - 110003
Telefax : 011-24643265, 24643266

Shri V. Muraleedharan, Hon'ble Minister of State for External Affairs &
Minister of State for Parliamentary Affairs

वी. मुरलीधरन
V. Muraleedharan



सत्यमेव जयते
75
आजादी का
अमृत महोत्सव

विदेश राज्य मंत्री एवं
संसदीय कार्य राज्य मंत्री
Minister of State for External Affairs &
Minister of State for Parliamentary Affairs
Government of India



MESSAGE

I extend my heartiest congratulations to the Institute of Chartered Accountants of India (ICAI) and all its members on its 74th Chartered Accountants Day on July 1, 2022. The ICAI has evolved as an institution propagating knowledge and developing competence of various stakeholders.

The ICAI since its inception has been working towards excellence in the Accountancy Profession and today, the Indian Chartered Accountants are known as the best financial professionals not only in India but also globally.

The initiatives taken by the Institute have helped the accounting professionals in creating an efficient space where they can deliver and contribute to the growth of our Nation.

My best wishes to the Institute and its members.

(V. Muraleedharan)

Office : South Block, New Delhi-110 011. Tel : 011-23011141, 23014070, 23794337 Fax : 011-23011425

Shri Pankaj Chaudhary, Hon'ble Minister of State for Finance

पंकज चौधरी
PANKAJ CHAUDHARY



वित्त राज्य मंत्री
भारत सरकार
MINISTER OF STATE FOR FINANCE
GOVERNMENT OF INDIA

MESSAGE

The contribution of the Institute of Chartered Accountants of India (ICAI) as an institution in growth and development of accountancy profession is recognized nationally and globally. The Chartered Accountancy profession with its knowledge and skills has played a pivotal role in nurturing an ecosystem ensuring stability and sustainability to the national growth.

ICAI should be applauded for its role in training the Chartered Accountants who are ready to meet the challenges of the business environment of the global economies. They play a proactive role in responsible governance and financial management of business enterprises.

The prestige which your profession commands today in the society, has been made possible by the expertise of its members and their professional discipline and dedication.

I am sure, in times to come, the profession would achieve newer heights. I extend my best wishes to the Institute in its endeavors towards that end.

“Happy “Chartered Accountants Day”.

(PANKAJ CHAUDHARY)



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निवास : 20, पं. रवि शंकर शुक्ल लेन, कस्तूरबा गांधी मार्ग, नई दिल्ली-110001 दूरभाष : 011-23782857, ई-मेल : chaudharypankaj.loksabha@gmail.com

Prof. S.P. Singh Baghel, Hon'ble Minister of State for Law & Justice

प्रो. एस.पी. सिंह बघेल
PROF. S.P. SINGH BAGHEL



राज्य मंत्री
विधि एवं न्याय
भारत सरकार
MINISTER OF STATE FOR
LAW & JUSTICE
GOVERNMENT OF INDIA

Message



The role of the Institute of Chartered Accountants of India in the accounting profession is known to all in our country. It is really heartening to note that the Institute has completed 73 glorious years of its existence. ICAI has lived up to the expectations of Chartered Accountants and the Accounting students, all these years. They get the protection, experience and confidence of the Institute with which the country gets a strong fraternity of accounting professionals. I convey my best wishes to the Institute and all the Chartered Accountants and Accounting Students on the occasion of Chartered Accountants Day on 1st July, 2022.

I congratulate the Institute for its stewardship and I hope that the profession will be further strengthened in the days to come.

(Handwritten signature of Prof. S.P. Singh Baghel)

(Prof. S. P. Singh Baghel)

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Residence Add.: 7, K. Kamraj Lane, New Delhi-110011, Phone : +91-11-21410812, 21410813, Fax : 0+91-11-23070113
E-mail : mos-mj@gov.in

Shri Suresh Prabhu, Hon'ble Member of Parliament, Rajya Sabha

SURESH PRABHU

MEMBER OF PARLIAMENT
(RAJYA SABHA)



78, Lodhi Estate
New Delhi 110 003
Phone : +91.11.24640476; 24610478

MESSAGE

I congratulate all my fellow CAs. On this very special day which is the foundation of ICAI. When India become independent, We had to create so many institutions that run this country efficiently, transparently, and in a forward-looking manner.

One of the first things done, the parliament passed an act to create an institute.

This institution has produced a number of CA and right now there are quite of few million students already pursuing their courses and dreaming to be a CA.

An economy size of 5 trillion dollars, India will become in 5 to 6 years and 10 trillion in the next 10 to 15 years. We need a lot of professionals who can run the economy in a transparent way, efficient way and in a manner that inspires society.

The financial statement is very function that CA performed but also provides a lot of business advice to small companies as well as large industries. So these are very unique roles CA plays in the development of society & development of the economy which is extremely critical for the growing economy as well as sustaining the growth in the economy.

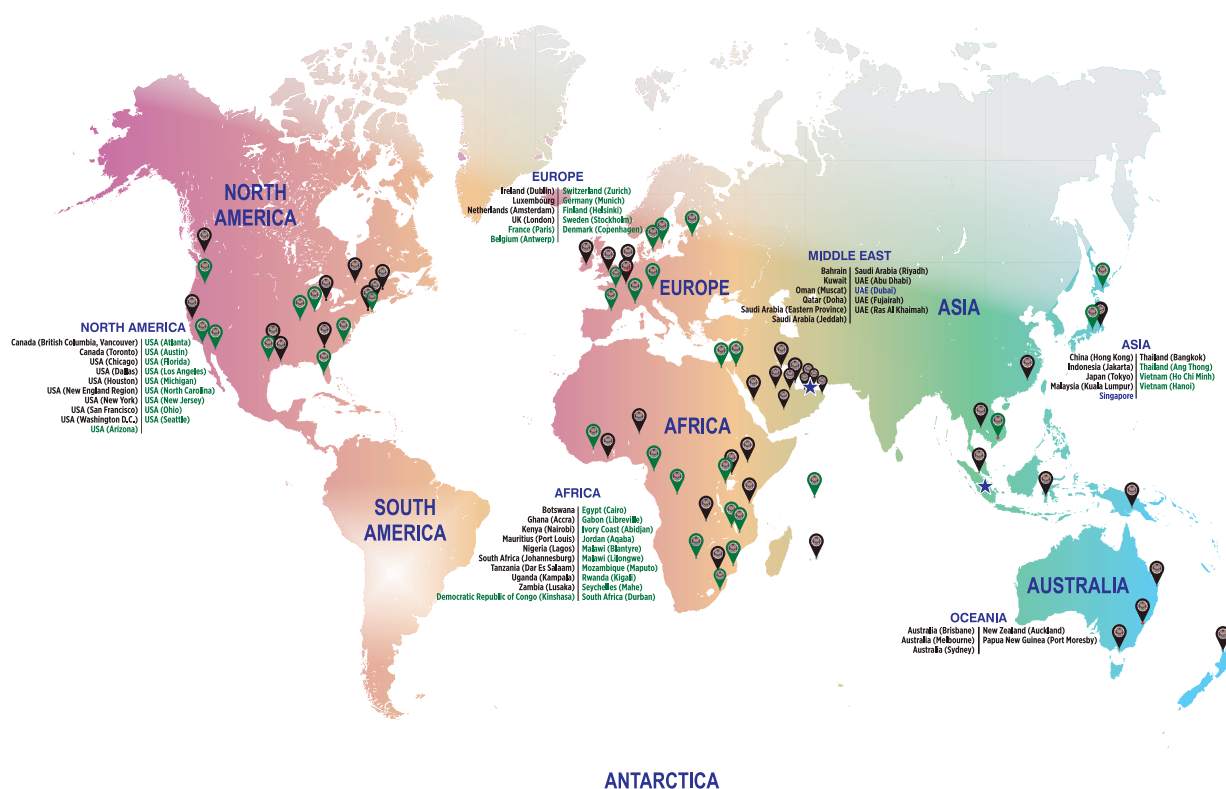
That is the reason ICAI is a very important institution. I really wish to congratulate my fellow CAs and also thank ICAI for their contribution. Lets together build a better India, thank you very much.

(Suresh Prabhu)



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

ICAI International Network



International Chapters	
Representative Offices	
Overseas Offices	

Disclaimer:
The places marked in the map are indicative only and not fit to scale.
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as on 31st March, 2022

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- Accounting Finance and Business Professionals
- Auditors and Finance Controllers
- Tax Managers and Consultants
- Business Leaders

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- Insights on global practice and future trends with emerging avenues for the profession
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- Grow your practice with valuable learnings from the stalwarts of the profession
- Economic insights to help you to plan better
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- An exhibition of niche organizations showcasing their products and services to support and streamline your business and practice
- Learn from the trend setters on the challenges to face the uncertain tomorrow
- Attractive sight-seeing tour options in a land of vibrant cultural heritage, eye-catching architectural gems and interesting landscapes with 40 UNESCO World Heritage Sites.

Registration Fees

Physical Participation

Type of Delegates	Fees till 15th August (INR)	GST 18% (INR)	Total (INR)	Fees from 16th August onwards (INR)	GST 18% (INR)	Total (INR)
ICAI Member	15,000 (USD 200 approx)	2,700 (USD 36 approx)	17,700 (USD 236 approx)	18,000 (USD 240 approx)	3,240 (USD 43 approx)	21,240 (USD 283 approx)
Non ICAI Member from Host country	18,000 (USD 240 approx)	3,240 (USD 43 approx)	21,240 (USD 283 approx)	22,000 (USD 294 approx)	3,960 (USD 53 approx)	25,960 (USD 346 approx)

Virtual Participation

Type of Delegates	Fees till 15th August (INR)	GST 18% (INR)	Total (INR)	Fees from 16th August onwards (INR)	GST 18% (INR)	Total (INR)
ICAI Member	2,000 (USD 27 approx)	360 (USD 5 approx)	2,360 (USD 32 approx)	2,500 (USD 34 approx)	450 (USD 6 approx)	2,950 (USD 40 approx)
Non ICAI Member from Host country	2,500 (USD 34 approx)	450 (USD 6 approx)	2,950 (USD 40 approx)	3,000 (USD 40 approx)	540 (USD 8 approx)	3,540 (USD 48 approx)

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आओ चले सतत विकास की ओर,
17 लक्ष्यों को पाकर; बढ़ें प्रगति की ओर।
स्वच्छ हो मेरी धरती माँ का स्वरूप,
आई.सी.ए.आई. के सहयोग से
बदलेगा भारत का प्रारूप ॥

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(SET UP BY AN ACT OF PARLIAMENT)

SUSTAINABILITY REPORTING STANDARDS BOARD



Hon'ble Prime Minister, Shri Narendra Modi Ji introduced five nectar elements, India's Panchamrit, at Conference of Parties (COP 26), to deal with the challenge of Climate change-

- > First- India will take its non-fossil energy capacity to 500 GW by 2030.
- > Second- India will meet 50 percent of its energy requirements from renewable energy by 2030.
- > Third- India will reduce the total projected carbon emissions by one billion tonnes from now till 2030.
- > Fourth- By 2030, India will reduce the carbon intensity of its economy by more than 45 percent.
- > And fifth- By the year 2070, India will achieve the target of Net Zero.

ICAI through Sustainability Reporting Standards Board is working towards achievement of five nectar elements as envisioned by Hon'ble Prime Minister and is leaving no stones unturned to integrate its action plan with the overarching objectives of the country towards low carbon economy and achieving the 2030 Agenda both in letter and spirit.

MAJOR ACTIVITIES OF SRSB



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AT HOME/SOCIETY

- Use energy efficient appliances
- Do rainwater harvesting
- Install affordable solar panels
- Turn off lights/ other electronic equipments when not in use
- Shop from local markets and avoid packaging
- Segregate wet, dry and hazardous waste
- Create 'Utensil Banks'

AT WORKPLACE

- Use recycled paper and encourage digitalization
- Shift to electric vehicles/ use public transport
- Install solar panels and use motor sensor enabled LED lights
- Greener Infrastructure
- Avoid use of single use plastic
- Introduce E Learning
- Unplug computer/ laptop when not in use

"Let us contribute together and lead towards a happier, healthier and safer planet!"

SPECIAL WRITE-UP

Building a self-reliant and globally competitive nation – Pandemic and beyond



Dr. V. Anantha Nageswaran

The author is Chief Economic Advisor, Ministry of Finance.

He can be reached at anantha.n@nic.in and eboard@icai.in

The ongoing geopolitical crisis has heightened the uncertainty clouding the global macroeconomic and financial landscape even as the world economy struggles to recover from the debilitating impact of the pandemic. The Indian economy too is not immune to the global disturbances and global growth slowdown in near term. However, our preparedness to handle the challenge through self-reliance, resilience, innovation and transformation places us in a relatively better position.

Prior to the outbreak of the pandemic, India's growth trajectory over the period 2014-15 to 2019-20 has

been characterised by macroeconomic stability with real GDP growth averaging 6.8 per cent, significantly higher than that of any comparable peer, both among advanced and emerging market economies. Since early 2020, the COVID-19 pandemic has pushed economies across the globe including India into deep contraction. Faced with unprecedented uncertainty at the onset of the pandemic, the distinguishing feature of India's response to the pandemic centred around AatmaNirbhar Bharat i.e., "Self-reliant India" and supply-side reforms rather than a total reliance on demand management.

The overall sharp rebound and recovery of the Indian economy is also reflective of our country's strong resilience. The real GDP is now estimated to have contracted by 6.6% in 2020-21, although initial estimates were larger. Since then, we have seen a rebound in economic activity. With an estimated growth of 8.9 per cent in 2021-22, India has completed full recovery of the pre-pandemic output of 2019-20. Various high frequency indicators suggest a moderately strong but broad based recovery. It also remains an attractive investment destination. Altogether, India's growth prospects for the decade up to 2030, and the Government initiative towards preparation of an action plan and document of Vision India@2047 are reassuring.

In the changing world order, the Indian economy has shown resilience, drawing upon the innate strength of its underlying fundamentals and supported by a prudent and favourable policy mix. There are very few parallels of a shock like the COVID pandemic in history which left policymakers with no template to navigate through the crisis. Therefore, in this high-voltage global environment, it is pertinent to take stock of the domestic macroeconomic and financial conditions. The response towards the crisis was gradually calibrated through monetary and fiscal measures with targeted structural reforms. During the crisis, both health systems and human endeavour to deal with the crisis were stretched to the limit.

In early 2020, when the first wave of the pandemic was making its way around the world, the Government focused on saving

lives through emergency policy actions and the safety net initiatives. These initiatives comprised of the world's largest free food program under Pradhan Mantri Gharib Kalyan Anna Yojana direct cash transfers including to Pradhan Mantri Jan Dhan Yojana women account holders and to vulnerable population and relief measures for small businesses including Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs to help small businesses tide over the disruptions caused due to COVID. Relevant sections under the Insolvency and Bankruptcy Code were put on hold, particularly for the small and medium units. Over and above, India's successful vaccination programme played a critical role in minimising loss of lives, boosting confidence in the economy towards resumption of activity and containing the sequential decline in output due to recurrent waves.

It is not that hard to imagine the counterfactual if India's vaccination programme had not been as effective as it actually has been. Sometimes, in our anxiety to progress further, we often focus on

“In the changing world order, the Indian economy has shown resilience, drawing upon the innate strength of its underlying fundamentals and supported by a prudent and favourable policy mix.”

learning from past mistakes and on what needs improvement rather than from what worked and where we succeeded. India's vaccination programme is one of the tremendous success stories that need to be documented and studied for future replication not just in India but elsewhere in the world.

Gradually, with the restoration of economic activities, the fiscal response focused on stimulating demand in the economy. The stimulus mix included investment boosting measures like Production Linked Incentives (PLI), encouraging investment in the infrastructure sector and enhancing capital expenditure by the Central and State/ Provincial Governments. An important distinguishing feature of India's response to the pandemic has been an emphasis on supply-side reforms rather than an exclusive reliance on demand management.

The supply side reforms which acted as a double-

barrelled stimulus included launch of PM Gati Shakti programme, tax reforms, privatisation of Air India, production linked incentives for various sectors, labour law reforms and more. It is worth mentioning that the tax cuts and other tax reform measures have started paying dividends as seen in the higher compliance and record tax collection of Rs. 27 lakh crore in the financial year ending March 2022. The New Public Sector Enterprise Policy and Asset Monetisation Strategy introduced by the Government reaffirmed its commitment towards privatisation and strategic disinvestment of Public Sector Enterprises. On the other hand, the government undertook various process reforms in public procurement, faceless income tax assessment and liberalisation of new sectors such as drones and geospatial sector. Decriminalisation of offences, recourse to self-certification and declaration

by businesses have made doing business easier. These all are continuous exercises and there are many miles to go.

Prior to this, the introduction of the Goods and Services Tax (GST) helped in

“India's vaccination programme is one of the tremendous success stories that need to be documented and studied for future replication not just in India but elsewhere in the world.”

SPECIAL WRITE-UP

the creation of an internal free market and the introduction of the Insolvency and Bankruptcy Code around the same time as the GST has helped companies exit unviable businesses. In order to help small and medium enterprises, the government took the initiative to raise the turnover threshold for compulsory tax audit. The

Government has also removed the mandatory requirement of annual GST audits for businesses with sales of Rs.2 crore and above and introduced self-certification for those with 5 crore and above. This aided towards enhancing ease of doing business and moving closer to a taxpayer friendly ecosystem. Notwithstanding the objection to this move raised by ICAI, this recourse to self-certification and declaration by businesses will go a long way in simplifying GST processes, encouraging GST compliance resulting in easier business conditions and automation.

Further, as the economy was gradually emerging from the COVID induced shock, the geopolitical crisis clouded the global macroeconomic

“With the appropriate intervention by RBI towards containment of rupee depreciation recently combined with the meaningful structural reforms, long-term prospects of the nation appear bright towards achieving both short term vision and the vision@2047.”

and financial landscape. With the appropriate intervention by RBI towards containment of rupee depreciation recently combined with the meaningful structural reforms, long-term prospects of the nation appear bright towards achieving both short term vision and the vision@2047.

These reforms will put the economy

on a strong trajectory of growth. Simultaneously, the Government has made sincere efforts in the last few years to achieve macroeconomic stability in the economy, by recapitalising banks and increasing foreign exchange reserves. There was a consistent effort to reduce the NPAs in the banking system. Now, both corporates (the corporate sector has deleverage) and banks have stronger balance sheets. Hence, there are good chances that corporates are willing and ready to borrow and banks are willing and ready to lend. In fact, the signs of increase in bank credit are already

visible with the credit growth gradually inching up. It stood at 9.6% at end March 2022 as compared to 5.6% at end March 2021.

Further, with the hardening of interest rates in the developed world, external commercial borrowings now come with higher interest and exchange rate risk. Therefore, there will be greater recourse to domestic bank credit by Indian businesses. In this context, the government will continue to keep one eye on its market borrowings for 2022-23 and the year after to ensure that there is no crowding out of the capital expenditure plans of the private sector.

India's external sector has remained resilient amidst formidable global headwinds. Currently, India has forex reserves of close to US \$ 596 billion. Though there has been some increase in fiscal deficit owing to the pandemic, the government is committed to pursuing fiscal consolidation. In the last three

years, conscious efforts have been made to bring transparency, credibility and conservatism to the budget numbers. What you see is what you get with India's fiscal estimates now.

As the economy

“India's external sector has remained resilient amidst formidable global headwinds. Currently, India has forex reserves of close to US \$ 596 billion.”

was impacted first by the rebuilding of the financial system and then by the pandemic, the government has supported growth through capital expenditure over the last few years. Even for the coming year, there has been an increase in the outlay towards the

capital expenditure of Rs 7.50 lakh crore (up from Rs 5.54 lakh crore budgeted during the last year, i.e., 2020-21). The budgeted capital expenditure in 2022-23 is 2.9% of GDP and is almost two times of what it was in 2019-20 (just the year before the pandemic).

Even as the government underwrote economic growth with its focus on capital expenditure, it has kept the moral obligation intact towards India's underprivileged. Government welfare spending was targeted at the lower income population. Various schemes of the Government demonstrate its commitment to inclusive development and empowerment of all sections of the society, the economically weaker and deprived ones. Along with provision of food, subsidised cooking gas, affordable homes are being provided to the less well-off. To improve the targeting of these measures,

“The Indian economy is seeing an increase in new age FinTech firms as well as start-ups. India has the highest FinTech adoption rate of 87% as compared with the global average of 64%.”

the government had announced Direct Benefit Transfers. This mechanism since inception, has transferred funds/benefits valued at Rs 21.7 lakh crore, until 31st March 2022 to beneficiaries. Economic growth, in the end, is the best guarantor of fiscal health.

Another supporting pillar of the economy has been the existence of the verifiable identity for citizens which is the bedrock of a modern economy. Launched in 2010, India's unique digital identity system, Aadhaar, was the first digital public good designed for the specific purpose of authenticating individual identity. This enabled the massive surge in financial inclusion and record increase in digital payments. Since the landmark programme for financial inclusion, Pradhan Mantri Jan Dhan Yojana was launched in 2014, over 45 crore Jan Dhan Accounts Opened in last 7 years in which 85% accounts are operative with total deposit balances Rs. 1.68 lakh crore and average deposit per account is Rs. 3723, which is nearly three times since 2015. Also, 31.64 Crore RuPay cards have been issued to PMJDY account holders till April 2022.

This indicates that India's low-cost, at-scale digitalisation has improved ease of living for its citizens in all income categories. Retail payment systems such as the UPI have changed the entire dynamics of retail payment systems and they are being used at every corner of the country.

The Indian economy is seeing an increase in new age FinTech firms as well as start-ups. India has the highest FinTech adoption rate of 87% as compared with the global average of 64%. There are more than sixty-eight thousand start-ups recognised by the DPIIT India has ~20 FinTechs start-ups which have gained 'Unicorn Status'. ~43% of these FinTech start-ups were recognised as unicorns post the onset of the pandemic in 2020 and 2021. Today, 1 out of every 10 unicorns globally is born in India. As on 5th May 2022, India is home to 100 unicorns with a total valuation of \$ 332.7 Bn. Out of the total number of unicorns, 44 unicorns with total valuation \$93 Bn were born in 2021 and 14 unicorns with a total valuation of \$ 18.9 Bn were born in 2022. Altogether, it is worthy to note that the three of the largest public digital platforms in the world are from India i.e., Aadhaar - Largest unique digital identity platform, UPI - Largest digital payments ecosystem and Co-WIN - Largest Vaccination Platform.

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Another initiative in this regard has been the Open Network for Digital Commerce (ONDC) which is intended to be a community-led development. India's digital commerce industry has evolved and picked up significant momentum during the past few years which was further accelerated by compulsions on account of COVID-19. The ongoing digital transformation, the digital India initiative of the government, the vibrancy of the Information Technology (IT) sector, and the urgency highlighted by the pandemic, make now an opportune time to establish and promote an alternate model to digital commerce by digital enablement of a wide cross-section of businesses. Enablement of digitalisation and digital commerce for MSMEs and digital enabling of a wider cross-section of buyers could be at the forefront of this strategy.

The challenge lies in empowering consumers with the data generated from their online activity. In the absence of public initiatives, newly created digital data will tend to be gathered and retained in proprietary silos. Therefore, it is of prime importance that a structure such as India Stack has taken shape that allows customers to readily access and share their personal data to overcome information asymmetries and lack of

trust, and in so doing obtain financial services.

India offers illustrations in the areas of both identity and payments. India has utilised a financial technology stack in which a unified, multi-layered set of public sector digital platforms combine to provide substantial benefits to the population, from promoting financial inclusion and increasing efficiency to enhancing financial stability. The framework balances between protecting consumers on the one hand and supporting market innovation on the other. A data governance system is the next critical layer in a country's financial technology stack.

Challenges Ahead

The task ahead is still formidable – near-term elevated commodity prices inclusive of crude and natural gas, geopolitical uncertainty, global growth slowdown (which is estimated to slow down from 6.1% in 2021 to 3.6% in 2022 and 2023 as per IMF) do pose risk to near-term growth and inflation outcomes. In the medium-term, there is the impact of climate change on growth and livelihoods and there is financing of green transition

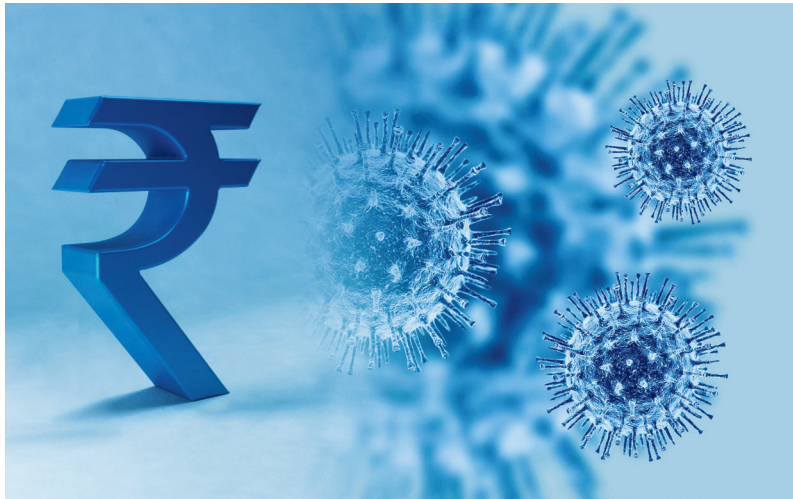
not only in India but in much of the developing world. Further, we must improve health infrastructure and people's health so that future pandemics can be managed. Various steps have been taken to reduce import of Crude Oil like demand substitution by promoting usage of natural gas as fuel and moving towards gas-based economy, promotion of renewable and alternative fuels like ethanol, compressed biogas and biodiesel, refinery process improvements, promoting energy efficiency and conservation.

As the Nation navigates through this difficult period, it is necessary to remain watchful and sensitive to the new realities and incorporate them into our thinking while making policy decisions. In its World Economic Outlook of April 2022, the International Monetary Fund (IMF) has noted: *"The economic effects of the war are spreading far and*

“As the Nation navigates through this difficult period, it is necessary to remain watchful and sensitive to the new realities and incorporate them into our thinking while making policy decisions

”

wide – like seismic waves that emanate from the epicentre of an earthquake – mainly through commodity markets, trade, and financial linkages.” Here it is important to recognise that, despite our strengths and our buffers, India is not an island in this globally



connected world. There is the collateral risk that if inflation remains elevated at these levels for too long, it can de-anchor inflation expectations which, in turn, can become self-fulfilling and detrimental to growth and financial stability. The approach to this lies in the readiness to use all policy levers to preserve macroeconomic and financial stability while enhancing the economy's resilience. The situation is dynamic and fast changing and the Government action has to be tailored accordingly. The IMF has also recently pointed out that the macroeconomic management of the pandemic in India has resulted in a strong recovery and the country is in a good position to face the current external shock. Right now, the range of growth forecasts between the RBI and IMF is between 7.2% and 8.2% for 2022-23. That range is appropriate and reasonable.

Conclusion and Way Forward

The last two years are a saga of the Government's

determined fight against the daunting challenges posed by the pandemic and now the war. By remaining flexible and responsive to the emerging situation and yet watchful and prudent, fiscal and monetary policies can continue to support growth with low to moderate inflation and mitigate the adverse effects of the geopolitical crises to the extent possible.

While India achieved a moderately high economic growth on average in the last decade, it fell short of the aspiration and expectations aroused by the performance of the economy in the first decade of the millennium. Indeed, the high average annual growth rate of that decade was unsustainable for it was built on unsustainable investment and lending booms. The country spent the second half of the last decade cleaning up balance sheets in the financial and non-financial corporate sectors. Now, there is financial and macroeconomic stability. It is

important to preserve it and not lose it for other short-term considerations.

The responsibility for ensuring that rests not just with the government but with all segments of the economy including the commercial business sector and professionals like lawyers, accountants, medical personnel, insolvency and resolution experts, etc. They ought to abandon a mind-set of thinking in silos or about their self-interest. They need to align with long-term national interest, even if it means short-term losses, for there is no higher purpose in instant gratification. Short-term pain or adjustment is a prerequisite for long-term gains.

Also, both professionals and businesses must realise that eliminating competition is the equivalent of signing one's own eventual death warrant as history, recent geopolitical events and domestic social polarisation in advanced societies demonstrate.

This is India's moment as much because of India's hard-won economic and financial stability as it is due to the more formidable challenges that other countries face. It is no time to be complacent nor short-sighted. If we think big and long, and execute them, then India's tryst with destiny, proclaimed in 1947, will be fulfilled in 2047. ■■■



APPEAL FOR CONTRIBUTION TO THE C.A. BENEVOLENT FUND (CABF)



CHARTERED ACCOUNTANTS' BENEVOLENT FUND (CABF)

The Institute of Chartered
Accountants of India
(Set up by an Act of Parliament)

The Chartered Accountants' Benevolent Fund (CABF) was established in December, 1962 with the objective to provide financial assistance for maintenance, and other similar purposes to needy members of our Institute, their wives, widows, children and dependent parent(s).

During Covid pandemic, hundreds of our members have lost their battle and many others are struggling hard to pass through this difficult time. The impact is deep and has certainly shattered their dreams. The Institute through the CABF has tried to help our members in distress.

Since September 2020, about Rs. 17 Crores have been released as Financial Assistance for Treatment of CORONA Disease and also through one-time Ex-gratia/Monthly/Medical financial assistance to Members or their dependents.

With a view to provide better financial support to our needy members or to their dependents, our humble appeal to members to kindly enroll themselves as Life Members of the Fund by making one-time payment of Rs. 10,000/- and those who are already life Members can further contribute voluntarily any amount for the noble cause. The Contribution is eligible for tax exemption under Section 80G of the Income Tax Act.

Links for Contribution

Life Member:

<https://cabf.icai.org/lifeMember>

Voluntary Contribution:

<https://cabf.icai.org/voluntaryMember>



Voluntary contributions/donations are also accepted from the Family Trusts of Chartered Accountants, which are managed and regulated by the members of the ICAI, for meeting the expenditure in connection with grant of financial assistance to the members of the ICAI and to their dependent(s) as per criteria laid down by the CABF.

A small contribution with a big heart from each member would facilitate grant of a good amount of financial assistance to needy and suffering members/dependents of members of the profession to mitigate their hardship during unfortunate circumstances.

Contributions can also be made directly through NEFT/RTGS

Name of A/C : Chartered Accountants Benevolent fund
Name of Bank & Branch : Axis Bank Ltd., Swasthya Vihar Branch
A/C No. : 913010046844303
IFS code : UTIB0000055

**LET'S BE A PART OF THIS NOBLE MISSION FOR EXTENDING HELPING
HAND TO OUR MORE AND MORE PROFESSIONAL COLLEAGUES
DURING UNFORTUNATE CIRCUMSTANCES**

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Emerging Paradigm of Corporate Governance and Sustainability



CA. Keki Mistry

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Corporate governance is often looked upon as a means to measure how well companies are run. Investors use corporate governance as an indicator to judge the quality of a company's management and the effectiveness of its board. It is now widely accepted by companies that sound principles of governance are a necessary tool for their long-term development and sustainability.

In India, over the past decade, companies are striving to implement policies and processes as directed by the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Regulations have been further strengthened by recommendations of the Kotak Committee in 2017

and the subsequent updated guidelines by the capital markets regulator, SEBI.

These updated regulations are aimed at enhancing fairness and transparency, strengthening the role of independent directors and ensuring active participation in board meetings, promoting diversity, addressing accounting and auditing issues, improving disclosure standards and protecting shareholder interests.

Companies and independent directors are beginning to take notice of increased demands for accountability and are responding by better aligning themselves with the spirit of the new rules and regulations. In the coming period, oversight of compliance matters will be key for companies to maintain the level of governance that investors expect.

A majority of Indian companies are fully aware that sound principles of corporate governance are a necessary tool for their development and sustainability. Value driven governance increases the worth of these companies as they want to distinguish themselves from their competitors.

Many Indian companies have done rather well over the years in terms of maintaining governance standards and many have done so voluntarily, driven by internal policies and the desire to do the right thing.

Global investors are extremely cautious in identifying the companies where they invest. One of their main focus areas is good governance. These investors are willing to pay a huge premium to companies where governance practices are perceived to be strong.

As a result, a majority of Indian companies are aware that robust governance has a premium and that if their policies and practices fail to meet high ethical standards, they will be

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exposed to serious reputational risks and business failure.

Role of the Board

The board acts as the stewardship body of the company, both guiding and supporting management in taking decisions particularly during difficult times and ensuring that the company emerges from the crisis stronger and more resilient.

A critical black swan event like Covid can enable a transformation of the organisation for the better. For many organisations, there was a lot to learn from the Covid crisis so that they could emerge from it stronger and as a more resilient organisation.

When the crisis started, very few boards had a ready answer about how to manage such a catastrophic event. However, what emerged was that organisations that had followed robust corporate governance practices with the highest ethical standards were able to weather the crisis very effectively. The quality of governance has been a differentiator during this crisis and will remain so in a post Covid world.

“Many Indian companies have done rather well over the years in terms of maintaining governance standards and many have done so voluntarily, driven by internal policies and the desire to do the right thing.”

During the pandemic, all organisations and their boards were forced to introduce various new measures to sustain their business. Organisations had to relook at the risks facing their businesses and also grapple with corporate governance trends that became

prominent during the crisis.

The current scenario of Covid variants, supply chain disruptions, geopolitical tensions and inflationary pressures suggests that 2022 will continue to challenge corporate boards as they and their management teams continue to navigate a demanding business environment.

Boards have to play a special role in helping the organisation to return to the new normal by working with management on identifying weaknesses and addressing areas where improvement is possible.

“The board acts as the stewardship body of the company, both guiding and supporting management in taking decisions particularly during difficult times and ensuring that the company emerges from the crisis stronger and more resilient.”

Trends in Corporate Governance

I would like to elaborate on five key corporate governance themes that have got traction in India in recent times.

Risk Management

The first theme is Risk Management. The pandemic has confirmed that unexpected disasters can indeed occur. Having come through these past two years, boards and senior leaders need to assess if their organisations' crisis management plans were up to the challenges they faced. Going forward, organisations may need to develop a readjusted risk management framework.

Risk management is about preparing for an uncertain future. One of the current uncertainties is assessing how many of the various

challenges that boards have experienced during the past year will prove to be permanent. After the pandemic, key considerations for the boards will be cybersecurity, data protection and legal compliance.

The crisis has shown that the need for long-term strategic thinking cannot be

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over emphasised. Boards that have a long-term view have always been able to help their organisations emerge stronger after every crisis. During the pandemic, boards without a holistic view of forward-looking fiscal scenarios were taken by surprise when the tide turned so dramatically.

The age old saying that the best risk management framework is one that fortifies the balance sheet in good times so as to create sufficient ammunition to tackle a downturn held true during the pandemic.

Shareholder Activism

The second theme is Shareholder Activism. Investors are becoming more assertive and feel empowered to demand action and disclosure on a growing number of topics. Failure to meet these demands is more likely than ever to result in activists voting against companies and individual directors at shareholder meetings.

Globally, we are witnessing a spurt of high-profile instances where proxy advisors and investors are deciding the course for the company. For instance, Triam Partners and other shareholders

“After the pandemic, key considerations for the boards will be cybersecurity, data protection and legal compliance.”

successfully rejected Unilever's USD\$ 68 billion bid for GlaxoSmithKline's consumer healthcare business.

The most prominent corporate

governance case of 2021 was the proxy contest at ExxonMobil. The issues included board composition, governance, sustainability and shareholder engagement practices. Interestingly, a first-time activist managed to win three seats on the board of ExxonMobil despite owning only 0.02% stake in the company.

Elsewhere for other organisations, there were various demands from proxy advisors. The common demands revolved around the appointment of directors, reconstitution of the board, CEO pay packages and exploring strategic alternatives.

Going forward, boards will need to actively understand the concerns of key shareholders, with an emphasis on listening and learning about viewpoints of the

shareholders.

Boards also need to stay informed of the disclosure requirements of proxy advisors. They also need to identify any vulnerability in the strategic or governance practices of the company. Sharp changes in stock ownership also needs to be monitored.

ESG

In recent years, ESG is becoming an important criterion for evaluating a company. ESG is becoming an essential component of good governance, business strategy and value.

A study by McKinsey that examined the link between ESG and value creation found that a strong ESG performance can help companies tap into new markets, reduce costs, reduce the risk of regulatory interventions and increase talent retention and employee productivity.

“Boards also need to stay informed of the disclosure requirements of proxy advisors. They also need to identify any vulnerability in the strategic or governance practices of the company.”

In the West, environmental activists won a series of victories against leading companies in 2021. They forced companies to adopt sustainable business practices and win board seats. Over the past two years, some of the largest

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asset managers have vowed to champion ESG causes.

They voted in favour of many environmental and social shareholder resolutions, and they are holding board members responsible for reporting ESG risks. As Larry Fink wrote in Blackrock's 2022 letter to the CEOs, "most stakeholders now expect companies to play a role in decarbonising the global economy."

Many boards have been working proactively for years to integrate ESG criteria into their businesses and annual financial reports.

In India, the ESG ecosystem continues to evolve, and recent market driven and regulatory developments are accelerating standardised ESG reporting and impacting shareholder expectations.

In India, corporations are beginning to publish ESG reports. In fact, some Indian companies have already published their Business Responsibility and Sustainability Reports on a voluntary basis even though it has been made mandatory by SEBI only from the current financial year.

“In India, the ESG ecosystem continues to evolve, and recent market driven and regulatory developments are accelerating standardised ESG reporting and impacting shareholder expectations.”

Diversity

Another growing trend related to ESG is Diversity. Investors want to see greater diversity in the composition of the board whether it is in terms of diversity of gender, race, ethnicity or skills. Diversity in particular, has in recent times

become a big focus area for investors who want to see an increased diversity of thought and experiences to better enable the board to identify risks and improve all round performance. This has led to several positive outcomes. For example, the percentage of women on boards in India has increased from about 6% in 2014 to over 17% in 2021.

In fact, according to a survey by MSCI, Indian boards have fared better than their market peers in ensuring gender parity.

In comparison, to India's 17%, women constituted 13% of boards in China, 10% in Russia, 9% in Mexico and

14% in Brazil. However, we significantly lag behind UK and USA, where nearly a third of the board members of leading companies are women.

These numbers indicate that Indian companies are striving to be more inclusive and are taking steps beyond the mandatory requirement of having at least 1 woman independent director on the board.

Further, most Indian boards have appointed female directors who are genuinely independent. According to a study by the Harvard Business Review, 70.4% of women appointed on Indian boards are classified as independent with no ties to the promoter.

In Western countries, there are a few examples where shareholders seeking to

promote diversity have turned to litigation by accusing non-compliant boards of violating their fiduciary duties by failing to have gender or racial diversity on their boards.

Board Effectiveness

The fifth and last theme is Board Effectiveness.

“Diversity in particular, has in recent times become a big focus area for investors who want to see an increased diversity of thought and experiences to better enable the board to identify risks and improve all round performance.”

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Enhanced board effectiveness practices are becoming the norm as investors realise that Board composition, refreshment and evaluation practices result in improved corporate performance and decreased risk exposure.

“ Board committees and individual director evaluations are a critical tool for maximising board effectiveness. Boards need to ensure that each director in the boardroom is the right fit. ”

Boards will need to demonstrate their commitment to proper evaluation and succession planning. According to Institutional Shareholder Services, board refreshment is best achieved through robust individual director evaluations to ascertain the evolving needs of the board and to bring in fresh perspectives and skills.

Board committees and individual director evaluations are a critical tool for maximising board effectiveness. Boards need to ensure that each director in the boardroom is the right fit. To be effective, a board's assessment process needs to be honest and thorough. More importantly, it needs to lead to action or change.

In today's environment, the standard of knowledge required of directors across all topics has increased. Directors are expected to contribute to

the discussion on all aspects of the agenda and not merely their own area of expertise.

To meet investor expectations and improve board effectiveness, directors need ongoing insight sessions and regular training programmes that keep them abreast

of rapidly evolving topics such as cyber security and climate change. This will help directors maintain the skills and knowledge needed to effectively execute their responsibilities.

It needs to be emphasised that one of the main challenges for board effectiveness in the current environment is the ongoing struggle to stay focussed on strategy and not get bogged down with administrative matters.

Issues such as adhering to fast changing regulations, diversity, CSR, ESG and black swan events such as Covid-19 and the Russia-Ukraine war continue to keep getting added to the agenda. In a nutshell, boards have a Herculean task ahead.

Board meetings thus need to be designed to maximise meaningful strategic discussion; but with an underlying overtone that

ensures that appropriate risk management practices are adhered to.

In many instances, both board and committee agendas are packed with various items. Some of these are routine in nature but time consuming. Therefore, deciding how to allocate time is difficult. In an ideal situation, the board agenda must be broken into 2 broad parts - viz. (i) routine matters and (ii) issues where policy decisions are required. By doing this, the board meeting can focus on discussing and debating on key issues.

Conclusion

In conclusion, the bar continues to rise for Indian boards. India Inc. is proceeding on the right path in establishing best practices in governance.

Commitment to good governance leads to a distinctive competitive advantage, enhances reputation and investor trust, and creates long-term sustainability. Organisations need to focus on prudence and long-term growth irrespective of economic cycles.

I am confident that corporate governance practices in India will keep improving, which will enable easier access to capital from global markets and greater transparency.



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Meeting our stakeholders' needs



Andreas Barckow

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It is an honour to be marking the anniversary of the ICAI and the celebration of chartered accountants in India this month. Accountants have an integral role to play in society as the world becomes more and more complex. We help a heterogeneous set of stakeholders navigate these intricacies and enable society to respond to new challenges. To do this, we must be accomplished technicians and critical thinkers which is why continuing education and development are necessary for practitioners to refresh their knowledge on a regular basis. Bodies such as the ICAI have been essential in training our profession to drive improvements to professional practices. They have a good track record in underpinning the profession as well as the regulatory and governance framework in India.

IFRS Accounting Standards

In an increasingly interconnected world, the accounting profession's role in providing high-quality, comparable financial information across different capital markets becomes even more important. IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) bring transparency to capital markets, and improve the international comparability and quality of financial information – thus benefitting investors, jurisdictions, companies and society. The IASB's Standards enable domestic and foreign investors, and other market participants, to make informed economic decisions and help countries to secure cross border investment. Investments from global players have been critical to economic activity in many countries, including in India. At present, more than 140 jurisdictions in the world have adopted our reporting standards. The principles-based nature of the standards accommodates different settings, practices and systems through a single coherent framework of high-quality global standards.

Stakeholders have confidence in IFRS Accounting Standards because the IASB conducts an open and transparent standard-setting process where we encourage and consider input from multiple perspectives from around the world through public consultations. Everything related to the standard-setting process – exposure drafts, comment letters from stakeholders, and meeting papers – are published on our website. The development of an IFRS Accounting Standard is carried out during IASB meetings which are broadcast live and are available on our website for later viewings. India has been actively engaged with all of our standard-setting activities by participating in the consultation exercises and outreach events. Moreover, we receive valuable contributions from our Indian stakeholders through our wide network of advisory committees and groups.

Indian Accounting Standards

Some countries have fully adopted the IASB's Standards. India has opted to converge its Indian Accounting Standards

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(Ind-AS) with IFRS Accounting Standards. This convergence framework provided companies in India the time and space to adapt to the international set of accounting standards. We recognise that there is significant learning, the potential redesigning of existing systems and for the expedient coordination between multiple institutions to embed the changes in the system. Nevertheless, India has substantially converged to IFRS Accounting Standards which underscores India's commitment to best practice. It is also a testament to the important work undertaken by the ICAI, the Ministry of Corporate Affairs and the National Financial Reporting Authority to align the Ind-AS closely with the IFRS Accounting Standards. India is coming close to a full alignment with global accounting standards notwithstanding the existing carve-outs. In our view, carve-outs would ideally offer temporary relief only. Our position on carve-outs is that they may impact the level of comparability for companies and investors across

“IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) bring transparency to capital markets, and improve the international comparability and quality of financial information – thus benefitting investors, jurisdictions, companies and society.”

jurisdictions. The IASB remains hopeful that in due course these carve-outs can be removed so that companies in India can harness the full benefits IFRS Accounting Standards.

For a country like India with diverse industries, practices and interests, the principles-based IFRS Accounting Standards are the most appropriate regime. India is widely recognised

as an economy with strong growth and the full adoption of IFRS Accounting Standards will help to further enhance its reputation as a country with a robust business environment.

IASB work plan

Let me now turn to the IASB's work plan priorities. Last year, the IASB conducted a

public consultation and asked our stakeholders around the world for their input into the strategic direction and the balance of the IASB's activities for the five -year period from 2022 to 2026. This is an exercise the IASB undertakes every five years. We obtained valuable input from our stakeholders – including from the ICAI – through comment letters, webinars and outreach events to decide on new projects. The IASB has been analysing the feedback and we are expecting to publish a feedback statement on this project soon. But I can share with you that we have decided to add three accounting technical projects to our future work plan.

The first project will be a comprehensive review of our intangible assets Standard, IAS 38, which is more than twenty years old. This project would start with research to determine the scope of the project and how to sequence possible stages for such a project. This is one project



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where we expect to work closely with the recently established International Sustainability Standards Board (ISSB) in the areas that overlap both boards' remits.

The second project is the statement of cash flows and related matters. Here, we will initially consider the scope of the project should be to comprehensively review the statement of cash flows Standard, IAS 7, or to make more targeted improvements. It is worth noting that the existing IFRS Accounting Standard for cash flow statements is even older than the one for intangible assets.

The third project is accounting for climate-related risks in financial statements. As climate-related risks will primarily be for the ISSB to consider, we expect to work closely with our colleagues on any work that we do in this project. Our primary objective will be to investigate whether any narrow-scope amendments might be needed at our side to facilitate connected standards in that area.

Intangible assets and cash flow statements could develop into large standard-setting projects while the climate-related risks in financial



“
India has been actively engaged with all of our standard-setting activities by participating in the consultation exercises and outreach events.”

statements might be addressed as a narrow-scoped standard-setting project.

Further to these three projects, the IASB has decided to create a reserve list of projects that would be added to the work plan only if additional

capacity becomes available. For example, further IASB resources may be at our disposal if current projects on the work plan are completed sooner than envisaged. These projects include operating segments and pollutant pricing mechanisms.

Overall, consistent with our stakeholder feedback, we will prioritise existing projects before starting new ones. We are progressing several projects that have already been out for consultation and are now in the current work plan — projects such as

Primary Financial Statements (PFS) and Goodwill and Impairment. The objective of the PFS is to improve how information is communicated in financial statements with an emphasis on information about performance in the statement of profit and loss. Goodwill and Impairment explores whether companies can, at a reasonable cost, provide investors with more useful information about the acquisitions those companies make. You can find further information on these projects on our website. We remain committed to finishing our existing projects. I hope you will stay tuned to, and engage with, further developments from us on all these projects.

ISSB

I have mentioned our sister board, the ISSB, several times. You will know that the ISSB was established late last year, built on the same model as the IASB. International

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investors and others with global portfolios have been calling for high quality, transparent, reliable and comparable company reports on sustainability matters. The creation of the ISSB was a response to this and is a significant development for all of us. At the end of March, they issued two exposure drafts on climate and general sustainability-related disclosures and are soliciting input from a wide range of market participants on these.

Meanwhile, stakeholders have told us that they would like to see connectivity between the standards set by the IASB and those set by the ISSB. Both boards agree that there should be no gaps or unnecessary overlap between the two sets of requirements.

Thus, it is important for the boards to interact frequently, not only between the leadership of the two boards but also between the technical staff. We will work in close cooperation to ensure the compatibility and connectivity between our IFRS Accounting Standards and the ISSB's IFRS

Sustainability Disclosure Standards. Each board is independent, and our standards will complement each other to provide investors and other capital market participants with comprehensive information to meet their needs. In fact, this is one of the key benefits of having the

two boards within the same organisation. I encourage you to follow further developments on this.

Conclusion

Our stakeholders in India have been active supporters of IFRS Accounting Standards. We have an established relationship with them

and we hope that they will continue to engage with us and make their voices heard through our consultative groups and processes.

I started this piece stressing the important role that accountants play in society. We have always appreciated the participation

of accounting professionals in our work. Accountants have much to contribute to foster trust and confidence not just in the world of business and finance but in society at large. You are the driving force of changes in organisations, to make them fit for purpose for the world we live in and to prepare them for the world that is to come.

I will finish by congratulating the ICAI on this special issue and send you the IASB's best wishes.

“The objective of the PFS is to improve how information is communicated in financial statements with an emphasis on information about performance in the statement of profit and loss.”

“India is widely recognised as an economy with strong growth and the full adoption of IFRS Accounting Standards will help to further enhance its reputation as a country with a robust business environment.”



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Assurance in the Digital Age



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The fourth industrial revolution is reshaping the world we live and work in. This revolution presents significant opportunities for audit and assurance too. The ever-growing availability of data combined with emerging technologies offer new ways for assurance professionals to enhance trust and confidence in their work. For the audit and broader assurance profession, the emergence of new digital tools represents a real opportunity to attract a new generation of professionals to this noble profession.

In some ways, the accounting and auditing world is catching up to the digital transformation that many industries have already experienced. Retail, hospitality, transport, entertainment, energy and many more have undergone disruption via new entrants and completely improved customer experience. In fact, it's harder to think of an industry that hasn't been disrupted by technology than one that has. If an industry hasn't been disrupted yet, it's only a matter of time.

At the International Auditing and Assurance Standards Board (IAASB), we are determined to ensure that our standard-setting keeps pace and is prepared to adapt to disruptive technologies. We do so without losing our focus on setting high quality standards that strengthen public confidence in audits and assurance.

Technology is one of IAASB's most relevant strategic drivers influencing our standards and future activities. Our technology initiative has three objectives:

1. Build processes and structures to support the IAASB's disruption initiative;
2. Maintain and improve the IAASB's knowledge about disruption trends and their implications for standard-setting and the public interest; and
3. Share knowledge and agenda with stakeholders in the reporting community to improve audit and assurance quality and thereby improve reporting quality.

Staying close to new technological developments is key to understanding what's coming and in 2020 we carried out a research study with support from Founders Intelligence, a leading technology consultancy, to identify the leading disruptive technologies that could impact audit and assurance.

This research included investigating over 100 technology innovator companies and interviewing over 20 organizations

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across the industry including audit and assurance practitioners, national standard setters, regulators, and professional accounting organizations as well as founders and management of technology startups. We sought to categorize the various technologies we identified into those impacting the way information is accessed, verified, and protected as well as those that impact procedures related to assessing internal controls. We obtained insights into the expected timing of widescale adoption of these technologies within audit and assurance as well as gaining an understanding of their potential impact on the profession.

“Our bi-monthly Market Scan publication focuses on a different technology and presents a high-level understanding as well as technology trends, industry and startup driven innovation in audit and assurance and what it might mean for the IAASB.”

Based on the research undertaken, we identified four common themes about how technology is, and will continue to, disrupt the audit and assurance profession:

- Audits and assurance procedures performed on a more continuous and real time basis.
- An audit or assurance engagement that is increasingly analytics based, including making use of artificial intelligence and machine learning in performing analytics.
- An audit and assurance engagement that is increasingly performed remotely.

- Audit and assurance becoming a more technology-enabled profession, where more professionals can understand, use, and leverage advancements in technology in their day-to-day work.

The IAASB discussed these findings from this research in January 2021. We held two roundtables, in November 2020 and February 2022, where the innovators behind selected technologies were invited to share more about the technology and to answer questions about it from participants representing the global audit and assurance ecosystem.

Our focus did not stop there. We continue to commit dedicated resources to carry on this research and maintain the horizon watch for disruptive technologies that might impact audit and assurance.

We are upskilling IAASB members and staff to ensure we obtain a good understanding of the technologies that have the potential to disrupt audit and assurance and can factor these considerations into our current and future workplan activities.

Our bi-monthly Market Scan publication focuses

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on a different technology and presents a high-level understanding as well as technology trends, industry and startup driven innovation in audit and assurance and what it might mean for the IAASB.

We are committed to building processes and structures to stay informed about technology and potential disruptions. To this end we have set up a Digital Advisory Group made up of a small number of innovators and business leaders to help influence the IAASB's thinking about the technology environment, different technologies and how those technologies may require standard setters, including the IAASB, to act.

This group, comprised mostly of experts from outside the audit and assurance profession, will be asked to comment on technology and innovation topics related to assurance and to bring valuable points of view that may differ from the IAASB's usual stakeholder outreach. The intelligence obtained from this group will be used

to update the IAASB's research to date and focus other information gathering activities.

Over the coming



“We will need to think about whether the use of the technology becomes the norm in fulfilling audit and assurance requirements and how that will impact our thinking on the scalability of our standards.”

years, we will translate these lessons into real standard-setting inputs. In our ongoing work on audit evidence, fraud, and going concern, the IAASB will account for the impact of new technologies. Going forward, we will need to think about

whether the use of the technology becomes the norm in fulfilling audit and assurance requirements and how that will impact our thinking on the scalability of our standards.

We know from our outreach activities that many national standard setters,

regulators, audit firms and professional accounting organizations are similarly committing resources and effort into determining what the impact of technology will mean for auditing standards and for our profession. This is encouraging and crucial. All players in the industry have a responsibility to upskill themselves, engage in the conversations about technology disruption and share their experiences as well as the challenges they

are encountering. It is only through our collective commitment to digital transformation that we will be able to move forward as a profession and continue to fulfil the valuable societal role that is our guiding purpose as well as creating an exciting future for our professionals.

“It is only through our collective commitment to digital transformation that we will be able to move forward as a profession and continue to fulfil the valuable societal role that is our guiding purpose as well as creating an exciting future for our professionals.”



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The IPSASB Launches Global Consultation on Public-Sector Sustainability Reporting



Ian Carruthers

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The stakes are high

The financial threat of climate change to the public sector is well publicised – a 2021 study found that debt downgrades among nations that failed to meet emissions targets by 2030 could cost national treasuries between **\$137 billion and \$205 billion**. Moreover, across OECD countries, government spending averages over 40% of the economy, and it employs around 20% of the workforce. And yet, despite the public sector's influence over the global economy, existing international reporting frameworks are not designed to address the broad range of interventions made by governments that play a key role in meeting ambitious climate goals.

Global public sector sustainability reporting standards are needed

To date, the UN SDGs have provided a high-level framework for governments to develop sustainable development solutions. But in recent years, various public entities have begun to develop more detailed goals and benchmarks of their own. To address this fragmentation and ensure the consistency of sustainability information, the International Public Sector Accounting Standards Board (IPSASB) sees a need for a standardised framework that can be applied globally across the public sector.

A public sector-specific sustainability reporting framework will encourage transparency, allow for governments to be held accountable for the environmental impacts of their interventions, and enable better-informed decision-making to address climate change.

Investor interest in sustainability has risen markedly in recent years. In 2020, sustainable investments accounted for more than a quarter of professionally managed assets across global markets at \$22.89 trillion. Growing interest in those investments has not been confined to the private sector. Last year, the European Union experienced record demand from prospective investors when it launched its first green bond. However, while the private sector has focused heavily on sustainability reporting to attract investors, public sector sustainability reporting has lagged. Closing that information gap has never been more urgent.

“UN SDGs have provided a high-level framework for governments to develop sustainable development solutions. But in recent years, various public entities have begun to develop more detailed goals and benchmarks of their own.”

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The IPSASB is taking the first step

Spurred by an [invitation](#) from the World Bank, IPSASB has been working to close this information gap and has launched a [global consultation](#) on its proposals for advancing public sector sustainability reporting. IPSASB believes that it is best positioned to take the lead on this effort – for 25 years, the IPSASB has played a prominent role in developing financial reporting guidance for the public sector globally. Through that experience it has developed a strong set of reporting processes and built relationships with key leaders in the standard-setting space. If given the right support, IPSASB believes

“A public sector-specific sustainability reporting framework will encourage transparency, allow for governments to be held accountable for the environmental impacts of their interventions, and enable better-informed decision-making to address climate change.”

it can leverage its relationships and adapt these processes to develop public-sector sustainability reporting guidance quickly and effectively.

The 4-month consultation period aims to evaluate the overall stakeholder demand for such a framework, and better understand what the guidance should specifically

cover and how the IPSASB can best address the various stakeholder priorities. The consultation paper – which can be seen [here](#) – addresses and seeks comments on the following topics:

1. Public sector sustainability reporting guidance drivers

2. IPSASB's readiness to lead and existing guidance
3. Public sector specific issues
4. Key enablers for taking forward the proposed approach successfully
5. Initial outline work plan

If IPSASB were to move forward with developing guidance, it proposes to draw upon existing international frameworks, including those issued by the ISSB, where appropriate. Initial guidance would first address general requirements for sustainability-related information and climate-related disclosures.

With the resulting feedback, IPSASB plans to draw conclusions about its future potential role in the development of global public sector sustainability reporting standards and how it should approach this challenging task.

IPSASB is aiming to engage with as many stakeholder groups as possible over the coming months in order to maximize the input it receives in advance of the response deadline of 9th September.

“If IPSASB were to move forward with developing guidance, it proposes to draw upon existing international frameworks, including those issued by the ISSB, where appropriate.”



Note: The article first appeared in Public Finance magazine, the journal of CIPFA.



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Accountancy revolutions: How the profession needs to respond to technology and sustainability



Jelena Misita

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Technology and sustainability are two of the biggest challenges (and opportunities) professional accountancy organisations (PAOs) around the globe are facing today. Both are particularly pervasive in developing and emerging economies.

On technology, the COVID-19 pandemic and resulting current environment has accelerated the need for PAOs use of digital technologies to create new, or modify existing, business processes, including member and student experiences. On sustainability, the recent establishment of the International Sustainability Standards Board (ISSB) has accelerated the need for the profession to lead on services related to climate reporting and other

material environmental, social and governance disclosures—contributing to strong and sustainable financial markets and economies and enabling the United Nation's (UN's) Sustainable Development Goals (SDGs).

But PAOs also need to consider how they are equipping current and future members with the competence and subject matter expertise required for the digital world and sustainability-related services. Accountancy education needs to adapt. Even where strong educational infrastructure is in place, the maintenance of that infrastructure is a resource intensive activity. PAOs, together with the various role-players in accountancy education, face a significant burden to maintain educational resources while upskilling qualified professionals in emerging competency areas such as technology and sustainability.

Technology and Digitalization

Our daily life has become a digital life. Business increasingly means digital business. Governments increasingly deliver services through e-government solutions. Many PAOs have invested in information technology solutions to support them to find efficiency in their traditional ways of delivering member-services. But having adequate technology is only one part of the story. Digital transformation should be the long-term objective and endeavour for all PAOs. For the PAO, investment in digitalisation is necessary because, at a minimum, it will permit continuity of core activities and increase efficiency, effectiveness, and quality of member



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services. It requires organisational leadership support and buy-in, building workforce capabilities, empowering people to work in new ways, and increasing effective communication throughout the transformation.

Given the importance of digital transformation to PAOs' long-term sustainability and resilience,

IFAC has partnered with cloudThing to create a PAO Digital Readiness Assessment Tool. The PAO Digital Readiness Assessment Tool has been designed to measure how digitally 'mature' an organisation is or where

“Digital transformation should be the long-term objective and endeavour for all PAOs. For the PAO, investment in digitalisation is necessary because, at a minimum, it will permit continuity of core activities and increase efficiency, effectiveness, and quality of member services.”

they already are on their digital transformation journey. This tool is not only an instrument to help to PAOs develop their strategy and plans, but it is also an educational resource to help PAOs continue their journeys.

Digitalisation presents an opportunity to adopt a bottom-up culture whereby staff and members are

equally enthusiastic about driving change as senior management and leadership. Getting feedback and ideas from staff and members will build confidence and trust, ensure investments benefit a PAO's primary audiences,

and communicate the PAO's longer-term vision and strategy.

This transformation is most needed in the context of accountancy education. In a new, soon-to-be-released report from IFAC and CloudThing on the digital readiness of PAOs, it has been found that:

- 66% PAOs are still trying to define an approach to online learning (including online examinations). This means that most PAOs are still offering education through traditional classroom channels, and exams are predominantly paper-based. But the pandemic has highlighted the urgency for PAOs to leverage technology in their approaches to accountancy education. This is important for the PAO to remain relevant and to reach a wider audience, including those outside of major urban areas.
- There is a significant global divide in how technology is covered in accountancy education. While developed PAOs have been able to fully integrate technology competencies into their curricula and assessments,



i <https://www.iaesb.org/publications/information-and-communications-technologies-non-authoritative-learning-outcomes>

ii <https://www.ifac.org/knowledge-gateway/contributing-global-economy/publications/how-global-standards-become-local>

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PAOs in less developed markets need more support and involvement in making this transitionⁱ on how to enhance the professional competence and development and application of the

knowledge, skills, and behaviours needed in ICT by aspiring and qualified professional accountants. All involved in accountancy education are encouraged to utilise this valuable resource.

Sustainability

The UN 2030 Agenda for the SDGs is the clearest and most comprehensive framework to address the issues of sustainability and is quite clear when it says the SDGs

“**Digitalisation presents an opportunity to adopt a bottom-up culture whereby staff and members are equally enthusiastic about driving change as senior management and leadership.**”

are “integrated and indivisible and balance the three dimensions of sustainable development: the economic, social, and environmental.”

Sustainability reporting and related services are critical pillars in

the fight against climate change, social inequity, and the achievement of the SDGs. These services also represent a great opportunity for the profession to contribute to the public interest.

Sustainability reporting, as well as the assurance of sustainability

reports, is quickly becoming an essential function for the accountancy profession. Outside of the profession, an increasing number of companies, development agencies, and governments are starting to embrace sustainability goals. Still, there are several challenges for less-developed PAOs that must be acknowledged:

- Work is needed to equip existing and future members with the subject matter expertise they need for sustainability-related services.
- PAOs need to advocate in their countries to support the adoption and implementation of international sustainability standardsⁱⁱ and to demonstrate why accountants are best placed to provide sustainability-related services.

“**IFAC offers implementation guidance on how to enhance the professional competence and development and application of the knowledge, skills, and behaviours needed in ICT by aspiring and qualified professional accountants.**”

- While the larger accountancy firms are already upskilling their network firms across the globe, local small and medium-sized practices (SMPs) will find it particularly challenging to take hold of the opportunity presented by

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“ Sustainability reporting and related services are critical pillars in the fight against climate change, social inequity, and the achievement of the SDGs. These services also represent a great opportunity for the profession to contribute to the public interest. ”



The time for action on sustainability is now. IFAC recently issued a call to action for the profession which delineates the actionsⁱⁱⁱ the profession must take, why and how the profession must lead on the path of sustainability.

In closing, technology and sustainability are areas where there is much opportunity for the profession. The accountancy profession is becoming more multidisciplinary as the expertise of non-traditional contributors becomes essential to our daily work. This is an opportunity as these developments will create a need for trusted advisors with wide skillsets and collaborative

abilities. The integrity and professional ethics of an accountant remain our comparative advantage. Wherever economic growth is sustainable, these qualities will be prized.

For more information on these topics,

IFAC has dedicated webpages for technology^{iv} and sustainability^v. For those interested in exploring further, the impact of these topics on accountancy education, IFAC has published a series of presentations by experts through its EdExchange Video Series^{vi}, several of which relate to technology and sustainability. As the PAO Development & Advisory Group^{vii}, we are actively contributing to these agendas

and supporting PAOs through advising IFAC, enabling access to relevant resources and expertise, assisting and mentoring developing PAOs, and advocating for the strengthening of PAOs in support of the profession.

“ The integrity and professional ethics of an accountant remain our comparative advantage. Wherever economic growth is sustainable, these qualities will be prized. ”

sustainability reporting. Less-developed PAOs need support to in turn, support their SMP members in this area, including

- o Convincing them of the opportunities that exist
- o Helping them to upskill themselves to be able to offer relevant services.
- o Position their practices to respond to the market demand for sustainability-related services.

iii <https://www.ifac.org/knowledge-gateway/contributing-global-economy/publications/time-action-sustainability-next-steps-accountancy-profession>

iv <https://www.ifac.org/knowledge-gateway/tags/technology>

v <https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/sustainability-standards>

vi <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/discussion/ifac-edexchange-video-series>

vii <https://www.ifac.org/who-we-are/advisory-groups/professional-accountancy-organization-development-advisory-group>

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The Essential Role of Ethics to Public Trust and a More Sustainable World



Gabriela Figueiredo Dias

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Over the last two decades, we have witnessed an unfortunate number of corporate scandals and collapses. Beyond the direct and severe impact on the viability of the companies, these events have had dramatic impacts on workers and their ability to meet personal and financial goals and responsibilities, customers, the supply and credit chains, the broader economic and social ecosystem, and ultimately, on the social balance and the welfare of the people. Furthermore, these collapses also translate into colossal losses for investors (both retail

and institutional) and can represent the loss of lifetime savings for the former, or a retreat from the capital markets for the latter.

What goes around comes around.

The ultimate consequence of these scandals and collapses has been a growing, pervasive, and devastating erosion of trust and confidence, which are critical for the sound functioning of corporations, financial markets, and the whole economic system.

We are, indeed, going through a trust crisis.

Once trust is gone lost, it is extremely hard to regain. That is why we need to constantly work to protect and build trust.

The Role of Ethics in Fair and Efficient Systems

Reflecting on the facts and circumstances of recent corporate collapses and scandals, we easily come to the assessment that most, if not all of them, involved alleged or actual unethical or non-professional behaviour by people acting within or on behalf of a corporation, where false or inappropriate accounting of some sort played an important role.

Accounting and corporate reporting, as well as audit and assurance to which they are subject, are the most essential pillars of the stakeholder community's trust and confidence in companies. It is what allows all the interested parties to see and understand how financially healthy the company is, how sustainable it looks, and how likely it will generate quality for customers, returns for creditors and investors, profits for shareholders, and value for the economy and the citizens.

Corporate reporting is the most relevant element supporting the economic decisions of all stakeholders.

Over time, many reasons have been identified as being causal to the scandals and collapses. The most frequent situations refer

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to widespread and persistent inadequate corporate practices and conduct.

But, at the end of the day, all the individual causes reveal ethics and corporate culture failures as a root cause, from poor risk management and short-termism all the way to pure fraud.

Hence, it is imperative to advance an urgent process of changing business cultures towards more ethical, values-based, and sustainable models, preventing negative impacts on the integrity of the economic system and the social balance. *Ethics, corporate culture, and professionalism* need to be high on the agenda for the development of fair, efficient, and competitive economic systems, solidly grounded in transparent and sustainable business models and governance practices.

Professional Accountants and Corporate Culture

Professional accountants play a critical role in changing the corporate culture, avoiding reputational issues, and restoring trust. Likewise, ethics standard setters contribute decisively to those goals by setting up a standard-setting approach

“It is imperative to advance an urgent process of changing business cultures towards more ethical, values-based, and sustainable models, preventing negative impacts on the integrity of the economic system and the social balance.”

focused on the conduct, behaviour, and culture of accountants and of the companies in which they work or to which they provide services.

Ensuring reliable, transparent, and high-quality corporate reporting, audited or assured according to stringent ethics, independence, and

quality criteria, is one of the most relevant and effective ways of restoring public trust and confidence in corporate reporting. This represents the greater contribution from international standard setters to economic growth, social balance, and value creation.

Since its inception as a global standard-setting Board, the IESBA has had ethics at the core of its mandate, by definition and by conviction.

We have watched as the call for companies to adopt ethical behaviours has increased dramatically

recently. The rapid and pervasive growth of sustainability goals, framed by the United Nations Sustainable Development Goals (SDG), has been pushing this trend. More widely, though, there is an increasing scrutiny among stakeholders regarding self-interested management, biased and short-term-focused results (namely to serve management remuneration purposes), and corruption, bribery, and fraud in the business and financial sector. The systematic need for governments and the state budget to bail out the losses also rebounds negatively on citizens as taxpayers, users and beneficiaries of public goods and services.

We are living in an age of transparency and the public is becoming more aware of the high (short and long-term) costs of wrongdoing in the corporate sector, for the individual citizen, and the entire system.

Ethics in Accountancy as a Cornerstone

Financial and non-financial information, as crucial pillars of a stable, orderly, and productive

“Ensuring reliable, transparent, and high-quality corporate reporting, audited or assured according to stringent ethics, independence, and quality criteria, is one of the most relevant and effective ways of restoring public trust and confidence in corporate reporting.”

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economic system, is where this call for ethics and values echoes the most. Companies and organisations must ensure that the preparation and assurance of corporate reporting are performed according to the strongest ethical principles, reflecting adherence to universal values. Ethics

in accountancy is what will restore confidence in corporate reporting, in corporations, and the market. The relevance of ethics in the profession is the main connection to the public interest.

Ethics is mostly an individual choice, and subjective in nature, even when there are some indisputable ethical principles, inherent to the

“**Companies and organisations must ensure that the preparation and assurance of corporate reporting are performed according to the strongest ethical principles, reflecting adherence to universal values.**”

basic organization of the companies, economy, and society. The natural subjectivity of ethical values, therefore, requires the guideposts of robust ethics standards by which all professional accountants must abide. Companies per se do not make choices or distinguish between right and

wrong, nor are they able to make ethical judgments and assessments. Companies' actions and culture are by nature defined by the ethical or unethical choices and decisions of those individuals responsible for the companies' operations, management, or governance.

But the individual ethical or unethical performance of accountants is strongly

influenced by the culture of the companies and firms in which they work. Accountants are at the same time important transformation agents of the companies and firms culture.

The trust crisis has also been affecting accounting firms. There is a concerning reputational risk hovering over the firms, with concerning impacts also on their ability to be, and be seen to be, stimulating and dynamic places to work for the purpose-driven younger generations.

The IESBA Code

The IESBA, through its *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code), has always been at the forefront of ethics standard-setting for professional accountants in business and in public practice, providing them with a robust, comprehensive and dynamic set of ethical standards aimed at a consistent alignment of values and approaches to the performance of accountancy services.

The fundamental principles defined in the Code provide an important and coherent basis for accountants' professional judgment and performance: *integrity, objectivity, professional competence and due care, confidentiality, and*



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professional behaviour form a robust framework against which professional accountants may and should make decisions.

I refer not only to the day-to-day decisions of accountants in terms of the way they perform their work, the rigor of their analysis, the inquiring mind they apply, their search for additional information, and their challenge of information provided by the management, but also about more delicate and exceptional decisions related to balancing the professional duty of confidentiality, versus the ethical duty to report suspected illegal actions by

“Emerging technologies are changing the financial reporting environment substantially, creating great opportunities, but also new risks and responsibilities in preparing and assuring financial information, namely on the ethical dimension of the work.”

the company or the client (subject to applicable law), the decision to quit after having exhausted all avenues to resolve an acute ethical dilemma, the perplexities faced in navigating the complex landscape of tax planning services against the public interest dimension of companies and clients paying their tax dues according to the law’s

intent, or the independence dilemmas that auditors are so often confronted with, namely in the governance and organisation of the work of the firm or in providing non-assurance services (NAS) to audit clients.

Over the last few years, the IESBA has worked diligently

to develop globally applicable standards that serve as the grounds for sound, ethically-based professional judgment and decisions by accountants, in ways that allow the recognition of the standards as ethically valid constructs irrespective of the jurisdiction, the sector, or the companies where the work is performed—in other words, truly global ethics standards.

Remaining agile and Responsive

Recently important new provisions have been included in the Code. They reinforce the common baseline of ethical principles for accountants in the exercise of the profession and follow a deep and thorough analysis of the importance of improving the framework.

An example of the improvements in the Code is the NOCLAR standard (*Non-compliance with Laws and Regulations*). NOCLAR is a ground-breaking response by IESBA to provide auditors and other professional accountants with a robust framework to guide them in what actions to take in the public interest when they become aware of a suspected NOCLAR committed by a client or employer.

The IESBA is also working resolutely to “future-proof” the Code. The rapid and deep transformations in



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the external environment can't be disregarded. The remaining relevant situation requires IESBA to respond appropriately and in a timely fashion to the changing needs and demands of the end-users of financial and non-financial information.

Innovative Areas of Focus: Technology, Sustainability, Tax Planning

Beyond the topics discussed above, the IESBA is leading innovative projects in a variety of sectors, looking for those areas where ethics and innovation may create, change and establish trust.

One topic is technology. Advances in the use of digital and technological innovations across the financial sector (e.g., artificial intelligence, blockchain, crypto-assets, digital reporting) are already impacting financial reporting and approaches to accounting. Emerging technologies are changing the financial reporting environment substantially, creating great opportunities, but also new risks and responsibilities in preparing and assuring financial information, namely on the ethical dimension of the work.

Being conscious of the need to respond to the challenges arising from technology, IESBA is working on a project to address the ethical implications of

technological innovations on the accounting, assurance and finance functions. Important revisions to the Code are being considered to address many of these developments, including in the areas of professional competence and due care, confidentiality, dealing with complex circumstances involving technology, using or relying on the output of technology, and auditor independence. Specifically, about the latter, some areas such as Non-Assurance Services (NAS), close business relationships, and data hosting are under analysis.

Sustainability is another critical element of challenge and transformation for the accountancy profession. In recent years, investors have been increasingly focused on information that provides a better understanding of a company's long-term value creation and enables them to allocate capital to businesses perceived as more sustainable. As a response, financial markets have seen accelerated growth in the disclosure of sustainability information, a

demand-driven regulatory euphoria in this respect, and an increasing call for assurance to be provided. As this information is increasingly used in capital allocation decisions, it must be as reliable as existing financial information, so that there can be justifiable public confidence in what is reported.

Responding to the rapidly changing landscape and the recent developments, as well as to the need to promote trust through a robust and unequivocal ethical approach, the IESBA has identified sustainability reporting and assurance as a strategic and urgent focus area, being conscious of the

need to progress quickly to respond to stakeholder demands regarding sustainability information. Alongside some awareness-raising activities to explain how the extant provisions in the Code apply when preparing, presenting, or assuring sustainability information, the IESBA is already addressing several deeper ethical implications arising from the production,

“**The existence and continued improvement of robust ethics standards, namely the IESBA's international Code of Ethics, provides the accounting firms with the necessary support to ensure an ethical approach to accountancy and assurance performance, fostering confidence in their work.**

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reporting, and assurance of sustainability information, anticipating a likely need for standard-setting in this area in the near future.

Another innovative area of focus for the IESBA is tax planning. While it is not a new topic, heightened public attention in recent years—including discussions on the G20 agenda—has focused on the topic of “aggressive” tax avoidance in the light of revelations of stark tax avoidance cases linked to alleged or actual unethical tax planning services, with strong negative impacts on the reputation of professional accountants and in the trust of the community in businesses. At the same time, there is a significant shift in investor concerns, as well as societal expectations, for companies to pursue more sustainable business models, and an increasing recognition that there is greater value in the notion of companies pursuing “profitable solutions for the

people and the planet” than in serving exclusively the interests of shareholders. In this regard, tax planning has become an important part of the increasing focus among investors and other stakeholders regarding the impact of businesses on the environment and the citizens. Additionally, there is both a greater awareness among stakeholders as well as a shift in perceptions regarding what it means for a professional accountant to act in the public interest. What may have been regarded as creative and skilful tax planning in the past may now be perceived differently.

The IESBA has been sensitive to these changes and its possible contribution as a global ethics standard-setter to rebuild trust. With that goal, we are working on a new ethics standard in tax planning to provide accountants with a strong baseline of ethical principles to perform tax planning

services, set against the backdrop of evolving societal perceptions and novel thought-leadership proposals for companies not to make profit at the cost of the citizens.

The existence and continued improvement of robust ethics standards, namely the IESBA’s international Code of Ethics, provides the accounting firms with the necessary support to ensure an ethical approach to accountancy and assurance performance, fostering confidence in their work.

Conclusion

It is urgent to restore confidence and trust in corporate reporting, in companies and in the work of those entitled to prepare and assure the corporate disclosures aimed at providing stakeholders with transparent, integral and reliable information on the companies’ financial and sustainability performance.

Ultimately, the IESBA’s International Code of Ethics is the profession’s reputational shield and armour, a beacon to capturing and retaining the valuable talent that will sustain its growth and vitality, and the unmistakable ensign of the public trust it has laboriously earned throughout its existence and must continue to reinforce and protect.



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New Age Professional – Transformation from CFO to CEO



As a CEO I prefer to think of myself as the “Chief Enabling Officer”. It’s all about achieving big, driving for a bigger purpose, creating success and delivering value creation as well as protection. My role involves inspiring and enabling things that have not yet been done. This involves thought leadership, creativity and innovation, including testing out appetite for risk to maximise organisational, team and individual potential. I have to connect three critical areas: vision, performance and operations.

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The CEO’s role is about driving and articulating the vision towards long-term organisational success and sustainable value creation. When you create value for society, you become valuable. Achieving sustainability goals in an increasingly digital world requires transition and transformation involving technology and innovation, and enabling finance, talent, and partnerships.

Sustainability is a core priority within corporate strategy, influencing how we make decisions, identify opportunities, and manage risk across businesses, operations, and communities. By integrating sustainability across the organisation, I must ensure a common understanding of its objectives and how to measure outcomes, so that collectively, the organisation can deliver sustainable prosperity and uphold its brand promise to be ‘here for good.’

As a CEO I also must focus on performance too in terms of the numbers but also the efficiency and ensuring we are delivering value to stakeholders. It is important to ensure that all business units are on-track and aligned, and deliver operational excellence. You set parameters around what “best” could mean in terms of performance, and deliver value to shareholders, customers and society.

The main task of a CEO is to drive the people and culture agenda. As a CEO you are in the people business. You lead the people, and they drive the organisation. This involves ensuring diverse groups and different corporate functions collaborate and building a high-functioning senior management team which has the necessary expertise, chemistry, and diversity of thought.

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It is also critical to lead by example and uphold high professional standards of ethics and integrity across the organisation. As an accountant, we naturally bring professionalism and personal integrity to the CEO role. This provides internal and external stakeholders greater trust in CEO and the organisation.

I also believe authentic leadership is critical. This involves an open culture that values the opinions of all employees. This is particularly important to Gen Z who want their voice to be heard. This is important to create a culture of innovation where we are trying to act like disruptors and transform our operating models to better meet the needs of society today.

As an accountant and former head of shared services of Standard Chartered's Africa and Global operation, I bring certain skills to the CEO role such as being analytical, looking at performance from a numbers perspective; knowledge of controls, standards and regulation; and professional objectivity and curiosity. As a CFO, you are the CEO's co-pilot in developing and executing strategy and understanding the external environment and

“It is important that employees feel they can bring their entrepreneurial thinking and capabilities to fruition within the relative safety of an organisation.”

the economics of the business model – you interpret what the economy, the markets and company dashboards are saying from the purposeful angle of numbers. You provide essential analysis and insights to the management and the board on financial performance and non-financial value drivers such as staff engagement levels, customer satisfaction and loyalty, and sustainability issues. However, the job requirements for a CEO are much broader.

As a CEO, the buck stops with you. You must be comfortable with ambiguity but provide clear direction and make the tough decisions. The CEO can be an isolated role, but we need to forge emotional connections with staff, clients and shareholders. I also ensure I continually learn and network through my volunteer engagement with the YPO, the CEO Roundtable and Bankers Association.

The world is now a global village. My global experience has taught me that there are no shortcuts in life, and as a

global player there is a lot of competition. Being part of this has also given me confidence: I am comfortable with the culture and the diversity anywhere I work. In a global role, I can be inclusive, and that is close to my heart. My experience with chairing the IFAC PAIB Advisory Group has also provided me with international exposure. A cross-border perspective has enhanced my creativity and innovation. This is important to succeed in the current world.

From an accountant's perspective, to stay relevant, we must move to a value partnering role. Today, there is more emphasis on the ability to provide insights, manage risk, turn this risk into opportunity, and effectively engage people, clients and other stakeholders. To deliver as a CEO, it is necessary to be aware of key megatrends that are disrupting our society and companies and understand which solutions and technologies are best suited to the business strategy and operating model. The key to performing as a CEO lies in lifelong learning and taking forward a vision backed up with operational excellence and great people including youth.

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Building Excellence with Integrity, Trust and Transparency



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The profession can take legitimate pride in the contribution it has made to the industrial and economic development of the country, not just in the 73 years since the Institute was formed but over the longer period since the profession was established in the country almost 150 years ago.

During this long period of time, as auditors we have provided the necessary confidence to the investing public and the banking system regarding the financial statements of companies. This has enabled these companies to garner the resources needed to finance the industrial and commercial activities which have created the goods and services which the nation enjoys today. Equally importantly, members of the profession have worked in and headed some of the

largest companies in the country, and many leading jurists and high -ranking persons in Government have started their careers as Chartered Accountants.

We must however recognize that in recent times, the profession, both in this country and globally, is facing important challenges which need to be addressed.

First, there is the growing importance being given to the disclosure of non-financial information by companies and the need for assurance regarding its accuracy and relevance. An area of immediate concern is sustainability reporting, that is the manner in which companies protect the environment. Already, the European Commission has, through the European Financial Reporting Advisory Group, issued draft standards to ensure that, over time, sustainability reporting will be brought on a par with financial reporting and this will include assurance standards. This will cover the sustainability reporting framework and the standards used, the scope of assurance and the sustainability assurance standards used.

Another area in which non-financial information is sought to be strengthened is in the area of viability reporting. In the U.K., the Government has already proposed that directors should be required to assess a company's prospects and address challenges to it over three time periods, namely, a short term of one year, similar to the present "going concern" concept, a medium term of five years, where companies would need to evidence scenario planning with at least two reverse testing scenarios and a long term beyond five years which sets out long-term challenges and how they are addressed. Auditors will be required to examine these scenarios with regard to their severity and probability.

Second, finding fraud can well become a major element of future audit reform. There is a growing expectation in the investing public and the regulators that the onus should be on the auditor to detect material fraud in all reasonable ways. While it is admitted that the primary responsibility for

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the prevention and detection of material fraud must rest with the directors, the management and internal audit, and that directors should report the action they have taken in that behalf, there is also an expectation that the auditor should take reasonable action when they suspect that irregularities including fraud have taken place and that they should report on the work they have performed to conclude whether the directors' statement regarding actions taken to prevent and detect material fraud are accurate.

Third, the rapid expansion of automation by clients will require the auditors to make greater investments in hardware, software and training and make significant changes in the manner in which they do their work and acquire the new skills needed for this purpose. This is both a challenge and an opportunity. The primary advantage of using machine-based risk assessment procedures is that thereby access can be made to larger quantities of the client's data and the confidence levels

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can increase. Data Analytics will provide the tools to achieve this and can replace old-fashioned random sampling methods. Of course, care will be needed to ensure that the use of machine-based audit does not replace intuition and judgement which are necessary in any auditing exercise.

Fourth, anecdotal experience suggests that most audit failures have occurred

because there was inadequate time available to the auditor between the completion of audit and the submission of his draft opinion and consequently the Audit Quality Review (AQR) was inadequate. An improvement in this area is necessary and may demand the combined efforts of many participants in the following directions:

(a) There is need for an agreed program between the company and the auditor setting out a time-frame

which gives adequate time to the auditor after the completed financial statements are submitted for audit. Any subsequent amendment of the program cannot encroach on the time available to the auditor and he must insist on this;

- (b) Contentious and difficult issues needing examination and discussion must be raised by the management and/or the auditor well in time before the scheduled completion of the audit and interaction with the client on important issues is minuted and documented.
- (c) New regulations or standards issued must give sufficient time before their implementation to allow proper understanding and implementation of the same;

- (d) Peer pressure among companies must not be allowed to result in inadequate time being given for audit;
- (e) Finally, AQR must not be allowed to degenerate into a routine exercise but must be taken most seriously and

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be performed by senior persons in the audit firm.

Fifth, there is the challenge posed by the establishment and increasing powers given, both in the country and globally to oversight institutions. The need for oversight over professional institutions has to be accepted, and even welcomed, but it needs to be recognized that the early enthusiasm among such bodies may need to be tempered. In this connection, consideration may have to be given to the following:

- (a) The aim of an oversight institution should be to strengthen the institution with whose oversight it is entrusted and not to take over any of its functions. If it does so, then there will not remain any oversight on the discharge of those functions.
- (b) In the exercise of its disciplinary jurisdiction, it needs to recognize that:
 - (i) the failure of a company is not always accompanied by an audit failure. Companies can fail for a number of reasons both internal, such as bad management,

“New regulations or standards issued must give sufficient time before their implementation to allow proper understanding and implementation of the same;”

expansion beyond available financial resources etc. and external such as adverse economic situations, competition etc.

(ii) the function of enquiry and resultant action, if any, against professionals, has always been entrusted to the peers of the person whose conduct is being examined. This ensures that due consideration is given to ground-realities and to the constraints of time and effort under which the person operates. If the disciplinary function is exercised by persons, other than peers, there is a risk that this consideration may be absent and the exercise may degenerate into only an exercise requiring conformity to form and a check-list approach and not based sufficiently on substance or be unduly influenced by hindsight.

“The profession has moved much beyond that position, but public trust remains the foundation on which its continued existence rests.”

- (c) It is necessary that in the award of punishment, sufficient distinction is made between error, negligence, gross negligence and wilful default.
- (d) If due consideration is not given to the above factors, there is a danger that the brightest among those who qualify as Chartered Accountants may opt out of the audit stream and choose other less risky branches of the profession with consequent adverse long-term effects on the quality of audit generally.

However, over-riding these challenges, and perhaps the greatest challenge is the need to preserve public trust. Every time a company fails or there is a bank fraud, an erosion in trust takes place, even if there may be no audit failure. The profession came into existence because the investing public in a joint stock company needed an outside assurance that the company's financial statements were accurate and reliable. The profession has moved much beyond that position, but public trust remains the foundation on which its continued existence rests. If that trust is betrayed its very existence is threatened.

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In an article published last year, David Mathews, the outgoing President of the English Institute referred to the “Trust Equation” for professional services published twenty- two years ago by David Maister which said that trust is equivalent to (credibility x reliability x intimacy) divided by self-interest. Clearly, trust increases with every increase in the numerator and every decrease in the denominator and trust decreases with every decrease in the numerator and increase in the denominator.

The maintenance of trust in the profession needs a collective effort of the Institute and of each of its members. This demands the following:

(a) First, we need to remember at all times that each one of us is a professional and that the attributes which distinguish

a professional are technical competence, due care and commitment in the task entrusted to him, integrity and objectivity.

(b) Second, we need to remember that we have multiple responsibilities and these include responsibilities to (i) ourselves; (ii) our clients; (iii) our colleagues in the profession and (iv) the society.

Our training, through the articleship system, is based on the old English guild system, where there was a master craftsman and the apprentices learnt the trade by working with the master craftsman who taught them the trade. But now, the member of the Institute

under whom articles are signed is no longer the sole repository of knowledge and the boundaries of knowledge are constantly expanding. If therefore, the Chartered Accountant has to maintain his technical competence he needs to continuously make his own efforts to acquire this ever- expanding stream of knowledge. It has been truly said that “True knowledge is ourselves to know”. It is only we, ourselves, who can truly judge whether we have acquired and are continuing to acquire the skills which will provide us with the necessary technical competence and whether our conduct has been in accordance with the standards of integrity, care and objectivity which qualifies us to be considered as a professional.

Our responsibilities to our clients demand that we carry out our assignment not only fully using our capabilities

and our technical competence but also with the highest levels of integrity and objectivity. It is not sufficient that we should be ethical in our conduct. It is equally necessary that we ensure that our clients are ethical in their conduct, particularly in the observance with

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laws and regulations and we have a responsibility to the client to point out to the client any failure in that behalf. If a significant non-compliance remains uncorrected we need to consider whether association with the client should continue. It is also important that, to avoid any allegation of self-interest, we, as individuals and collectively as an Institute, offer a service to a client only to fulfill the need of the client and not merely to generate revenue for ourselves.

Our responsibility to our colleagues is founded on the concept that none of us is an island unto himself but that each of us is part of a larger membership and any enhancement in the ability and reputation of that membership in a sense enhances our own reputation and prospects. This requires that we share our knowledge and experience with other members of the Institute and take pride and satisfaction in their achievements. My

favourite story is of the Professor who had a sign at the back of his car which read "Do not hesitate to overtake me. Many of my students have already done so".

We need to recognize that the title "Chartered Accountant" is a brand which we have been allowed to use and anything which dilutes that brand damages us also. In like fashion, the Institute has to recognize that what is ultimately important for the preservation of the value of the brand is not the brilliance of the few but the competence of the many.

In our responsibility to society, we need to recognize that in a sense we are the conscious keeper of the business world. As Chartered Accountants we function both within and without the companies and no one, as a

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class, is better able to direct corporate policy in the interest of society. We have an important role to play in many areas including ethical corporate conduct, the prevention and detection of fraud, the protection of the environment etc.

An equally important element in the preservation of trust is transparency. There is a need for the public to be better informed about the role we perform and the manner in which we perform that role. If we are not able to meet all the expectations of the public, we need to explain why we are not able to do so, what are the pre-conditions necessary and which do not exist and what steps we are taking in the matter. Where failure has occurred -and some failures will always take place- we must honestly acknowledge the fact but also immediately take steps to rectify things which have gone wrong and clearly articulate the measures we are taking to rectify the situation.

In the final analysis, trust will be maintained and even enhanced, if we accept, both as individuals and as an Institute, that success cannot be measured by mere size, whether of membership, practice or profits. It can only be measured by the respect we command.



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Emerging Realms of Reporting – Aligning Profession for Future



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Audit is the core area of competence of a Chartered Accountant in public practice. Audit of financial statements both under the Companies Act, 2013 and few other laws is exclusively entrusted only to Chartered Accountants. The underlying trust in assigning this responsibility to the members and firms registered with ICAI needs to be preserved by diligent discharge of duties associated with such a responsibility. This would in turn ensure credibility of the financial statements attested by a CA. Especially in the case of audit of a public interest entity such as listed companies,

Government companies, Banks and Insurance companies, the profession should shoulder the responsibility with a sense of pride of serving the nation by safeguarding the stakeholder's interest. In this article, the emerging realms of reporting is deliberated upon together with the emphasis to align the profession for future in the backdrop of significant developments in the recent past.

Challenging Environment

With the advent of a digital era and technological evolution, business practices are undergoing a paradigm shift. The pandemic situation that engulfed the globe for the last two years has changed the manner in which businesses are run. The physical world has been significantly subsumed by a virtually operating world. Besides, there have been instances of corporate frauds surfacing in the past which exposed lack of credibility of the financial statements. Beginning with the Satyam computers case, followed by a few other



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scams, including Nirav Modi's case associated with Punjab National Bank, and the case of IL&FS group, the accountability of auditor has been subject matter of scrutiny. This has enhanced the expectation gap of the stakeholders.

The stakeholders' ecosystem comprises of the Shareholders, Audit Committee and the Board of Directors, Lenders, Regulators, Customers, Investors, Creditors and Employees. At the macro level, even the public should be perceived as a stakeholder. There is an imminent need to continue to reinforce credibility in financial reporting in order to rebuild public confidence and continue to bestow trust of stakeholders trust among the stakeholders on the independence, integrity and competence of the profession.

Quality of Audit

Audit quality is about delivering an appropriate professional opinion in an independent and reliable manner duly supported by adequate audit evidence and objective judgements. Corporate failures can lead to class action suits by shareholders and audit failure can attract disciplinary

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proceedings on the auditor. Audit quality oversight is administered through the Peer Review mechanism of ICAI and Quality Review process of SEBI. ICAI and NFRA exercise their respective jurisdictions on monitoring the audit quality and consequential actions triggered by lapses captured. Earlier, only the signing audit partner was liable for action through disciplinary proceedings but now, with the amendment in the Chartered Accountant Act, even the firm of which the member is/was a partner can also be proceeded with and made liable in the matter of professional negligence.

Changes in reporting

There has been a significant shift in the content and components of the auditor's report in the case of companies in general and more so in the case of listed entities. These have been triggered by amendments in the Companies Act, more particularly in Schedule III, changes in SEBI regulations,

especially as part of LODR and on the basis of enhanced reporting requirements in CARO 2020. The reporting requirements and the corresponding responsibility of the auditor has undoubtedly grown multifold. The structure of the audit report underwent change on account of the Standard on Auditing SA700 (Revised), applicable to audit of financial statements for periods beginning on or after April 1, 2018. The standard requires combining the introductory para and opinion para in the audit report for reporting under the caption 'Opinion' at the beginning of the report. Not only basis of opinion needs to be reported but a statement of independence and ethical requirements should be included. Emphasis of Matter (EoM) is another component of the audit report. Additional matters that get reported are assessment of 'going concern' and management responsibility for oversight of the financial reporting process.

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Reporting on “Key Audit Matters”, introduced through SA 701, offers additional information to users of the financial statements to enable them to understand those matters which, in

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the professional judgement of the auditor, were of most significance in the audit for the relevant period. Key audit matters are directly related to areas of significant management judgment in preparing the financial statements. Besides, these are significant from among the matters communicated by the auditors with those charged with governance.

Yet another reporting requirement that needs special mention is introduced by SA 720 (Revised) wherein Auditor is required to report on material inconsistency of any information, both financial or non-financial included in the annual report, with the financial statements. Further in CARO 2020 there is no reporting requirement in the context of trade receivables and inventory statement submitted to the Banks by the auditee. Auditor must report on whether during any point of time of the year, the company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets. Further, whether the quarterly returns or statements filed by the company with such

“RPA can be effectively used for client reminder mailers, MIS reporting, tax filing related works and GST compliance and reconciliation.”

banks or financial institutions are in agreement with the books of account of the Company should also be verified and reported. If it is not in agreement, then details must be furnished as part of the report.

Emerging audit landscape

With the emergence of technological disruption occurring in the way in which businesses operate, an auditor needs to re-orient the manner in which audit is carried out. Businesses are greatly influenced by Internet of Things (IOT), Robotic Process Automation (RPA), Blockchain Technology, Cognitive Computing and Advanced Analytics. Due to automation in all spheres evolving on a faster pace, a question on whether audit as a function would survive is asked. Any amount of automation, deployment of tools and software cannot substitute an auditor or audit function. These can supplement and support in the carrying out the audit function. No machine,

process or system can replace an auditor because the experience-based knowledge, ability to exercise professional skepticism and the capability to arrive at the most appropriate professional judgement during the course of audit is vested only with an Auditor.

The Auditor, no doubt, should evolve as a tech savvy professional and is expected to deploy appropriate tools including software so as to effectively discharge his responsibility in the digital environment. An auditor can improve upon the quality of audit, efficiency of audit, cost of execution of audit and expeditious delivery of audit services through technological devices and gadgets. Data Analytics plays a critical role in this endeavor. Robotic technology for confirmation process, Drones for inventory verification, use of Big Data, data mining, and use of machine learning are the trends that need to be embraced. Focus on outliers in data analytics and adopting predictive analysis approach will throw meaningful findings in the course of an audit.

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Robotic Process Automation

As part of the 'Fourth Industrial Revolution', Industry 4.0, automation enabled by advanced technologies like machine learning, artificial intelligence and robotic process automation (RPA) have crept into business operations. RPA is a software

program which, by means of easy programming language and recorders, imitates human execution of applications which are generally repetitive in nature. RPA has the ability to improve accuracy, manage controls, enhance efficiency and achieve cost reduction by avoiding execution of repetitive monotonous tasks by humans. It has the ability to improve customer experience besides upgrading skills of personnel. RPA can make a difference in many business segments, more especially in HR management, customer services delivery, finance and accounting. RPA, in the area of Finance and accounting, have been commonly deployed to handle customer order management, procurement and sourcing, billing management, records to report function, Invoice processing and Accounts receivable.



Access to relevant and comparable information will enable investors to make better investment decisions. Higher standards of ESG practices and disclosures will attract increased and sustained flow of capital and investment.



provide opportunities to the profession to render services on automation, digitization of operations and to audit the Robotic Process Automation itself. In order to effectively carry out audit of RPA, an auditor must understand the governance process of RPA. Auditor must review the system blueprint, RPA transaction log and the system of exceptional handling log. An auditor would do well to perform testing of edit, validation check, error check configured in RPA and examine if the results are consistent by re-performing certain calculations and transactions.

Blockchain Technology

Blockchain technology is evolving and is impactful among business entities and professional firms. Instead of recording or storing

An Audit firm can, in turn, use RPA to automate their process in order to deliver client services in an expeditious, efficient and error free manner. RPA can be effectively used for client reminder mailers, MIS reporting, tax filing related works and GST compliance and reconciliation. RPA automation in businesses

transactions in a centralized system, this technology enables recording and storage of transactions in a decentralized network on a real time basis in a secured and efficient manner. Just as the internet revolutionized information dissemination, Blockchain is expected to revolutionize the recording of transactions and smart contracts in replicated ledger using cryptography with the consensus of all parties supported by business logic. In Blockchain, it will not be easy to change historical records and therefore reliability and authenticity is ensured. Blockchain technology brings with it a few distinct advantages such as efficiency, security and privacy to transactions, transparency to enable real-time view and reinforces governance and trust through the validation of the transaction by all parties concerned.

Blockchain technology can improve the efficiency and effectiveness of audit methodology and financial reporting service delivery. When a client organization uses Blockchain technology, the auditor can use more automation, data analytics and machine learning capabilities for the purpose of audit. Verification of audit evidence in the nature of transaction supporting documentation such as purchase orders,

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invoices, agreements and other contracts originating the transactions, encrypted and stored in Blockchain, can be accessed and examined by the auditor. The verification of such documents can be on real-time basis and as these cannot be tampered with, the authenticity gets validated without any need for external confirmation. This would also improve the pace of execution of audit and the process of financial reporting.

As Blockchain further evolves and is resorted to by more business entities and corporates, there would be multiple opportunities for the profession in this field. The profession can contribute in establishing new financial services infrastructure and processes in blockchain innovation landscape. There will be room for CA firms to do cost benefit analysis for each of the clients wanting to join Blockchain and provide suitable advisory services. ICAI or the member firms can take lead in crafting necessary regulations governing Blockchain and the standards to be followed by all players concerned.

Triple Bottomline Reporting

The world is concerned about global warming and depletion of resources. Countries and companies must evaluate their sustainability through proper mechanism. The buzzword in this regard in



the current global scenario is ESG meaning Environmental, Social and Governance practices. The environmental concerns and prescriptions are intended to preserve the planet. The Social dimension is all about People and their quality of life influenced by securing fulfillment of basic needs and sustenance. CSR initiative is part of this segment, but this holistically traverses its boundaries and goes beyond to achieve social equity. Governance is nothing but best practices followed to ensure economic viability and ensure profits within the ethical and legal framework. The order of sequencing in terms of significance is Planet, People and Profit. Globally, sustainability reporting is

assuming significance.

Listed entities are already preparing and disclosing sustainability reports based on internationally accepted reporting frameworks such as GRI (Global Reporting Initiative), SASB (Sustainability Accounting Standards Board) and TCFD (Taskforce on climate related financial disclosures).

In India, SEBI has mandated top 1000 companies

“**There is scope for more CAs to specialize in Forensic Accounting and Investigation, Internal Financial Controls audit, Risk based Audit and Systems Audit on account of increase in frauds and cybercrimes.**”

(by market capitalization) to present Business Responsibility and Sustainability Reporting (BRSR) with effect from financial year 2022-23. However, all companies are encouraged to be early adopters of the BRSR voluntarily. What was hitherto BRR has transformed into BRSR as ESG

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driven sustainability is the need of the hour. The BRSR is an initiative towards ensuring that investors have access to standardized disclosures on ESG parameters. Access to relevant and comparable information will enable investors to make better investment decisions. Higher standards of ESG practices and disclosures will attract increased and sustained flow of capital and investment.

So far, the profession has been empowered to report on the financial statements. However, CAs should familiarize with the concept of Triple Bottomline Reporting which covers environmental, social and financial segments. Unlike financial performance, where measurement for reporting is relatively easier, measurement of performance on environmental and social segments could be challenging. Every such challenge must be perceived as an exciting opportunity by the profession and an auditor would do well to gear up and get empowered in this arena of practice.

Sunrise Services

The profession needs to embrace technology in every facet of functioning and that is bound to bring about accuracy, quality,

speed, scaling and cost optimization. There are many sunrise services for which the profession must gear up and adapt to stay relevant. There is scope in Digital transformation services, and business support services. There are opportunities, especially in the MSME segment who may not be able to hire a full time CFO, for retainership as a virtual CFO. Every firm, instead of confining only to compliance-based practice, should build a new vertical in the consultancy sphere. Not only are these services better rewarded, but they also flow in throughout the year as they are not seasonal in nature.

Emerging opportunities on investment advisory, wealth management, funding options for businesses, family arrangements, succession planning for HNIs are potential areas for engagement. CAs can explore new avenues in the field of Insolvency and Bankruptcy Code (IBC), particularly as Resolution Professionals (RPs). There is scope for more CAs to specialize in Forensic Accounting and Investigation, Internal Financial Controls audit, Risk based Audit and Systems Audit on account of increase in frauds and cybercrimes.

Conclusion

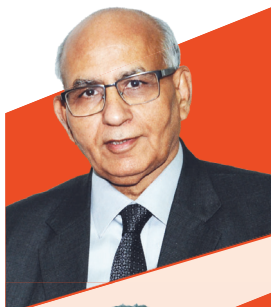
A profession like ours owes it to the society to possess the courage of conviction to perform the role as an auditor in the best interest of the stakeholders in order to establish unblemished track record for the posterity to inherit. We must not forget that the reputation and goodwill of the profession would be better sustained not by the brilliance of a few but the competence of many and ethics of all the members governed by ICAI. Let us be proud of our profession and continue to contribute in all the conventional and emerging spheres with a view to effectively align the profession with the future. If this is ensured, then we need not worry about the future of our profession and instead, our profession will be recognized as the profession of the future.

No other profession can claim of having as proximate a role and relevant interconnection as ours with the economic development of our country. Let us reinvent the significance of our role in partnering, participating and partaking in the task of building a credible economy in our incredible India.



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Audit and Assurance – Manifestation of Trust



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The audit is the process of evaluating the accounting entries presented in financial statements. The audit checks the accuracy of financial information and reporting thereof. Auditing includes making sure that financial information presented is true and fair and complies with sound accounting principles and prescribed accounting standards. Also, the information is presented

objectively and ethically. In addition, the audit seeks to bring out and eliminate any misrepresentation in financial information. Audit serves as a check against any misuse of funds, fraud, and possible fraudulent activities done in an entity either on the entity or by the entity. For any audit to be effective, internal or external, independence is the key.

The audit is the process of evaluating the accounting entries presented in financial statements. The audit checks the accuracy of financial information and reporting thereof. Auditing includes making sure that financial information presented is true and fair and complies with sound accounting principles and prescribed accounting standards. Also, the information is presented objectively and ethically. In addition, the audit seeks to bring out and eliminate any misrepresentation in financial information. Audit serves as a check against any misuse of funds, fraud, and possible fraudulent activities done in an entity either on the entity or by the entity. For any audit to be effective, internal or external, independence is the key.

Assurance in auditing refers to opinions issued by a professional regarding the accuracy and completeness of records being analysed. Assurance is examining the financial and non - financial information available in company's records in compliance with various assurance standards. The main aim of assurance is to check the accuracy of financial reports. Assurance may be positive or negative. Positive assurance further could be reasonable or limited. Reasonable assurance may be in the form of an opinion with regard to true and fair view of financial information presented in the financial statements. Limited or negative assurance is more in the form of an auditor stating that nothing material has come to his knowledge which may make the financial information

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presented to the readers as misleading. Assurance check ensures that financial reports are as per accounting standards and sound accounting principles.

Assurance is applied to assess the process, the procedure, and operations, and these processes, procedures, and systems are observed closely to ensure that the process is appropriate and gives optimum results. Assurance specialises in assessing and improving the quality of the information in a company. It helps in decision making in the organisation.

The key difference between an Audit and Assurance is that an audit is the systematic examination of the books of accounts and the other documents of the company to know whether the statement shows a true and fair view of the organisation. In contrast, assurance is how the different processes, procedures, and operations are analysed.

Manifestation is an event, action or object that clearly shows or embodies something abstract or theoretical. It is a sign of something existing or happening. For example, 'unlike acid rain or deforestation, global warming has no visible manifestation'. Manifestation is an expression

“ Assurance specialises in assessing and improving the quality of the information in a company. It helps in decision making in the organisation. ”

without words. It is a public display of group feelings.

Trust is an assured reliance on the character, ability, strength or truth of someone or something in which confidence is placed. Trust means that you rely on someone

else to do the right thing. You believe in the person's integrity and strength, to the extent that you are able to put yourself on the line, at some risk to yourself. Without trust there is less innovation, collaboration, creative thinking, and productivity, and people spend their time protecting themselves and their interests

Having understood the meaning of key words, let us try to appreciate what the phrase 'Audit and Assurance – Manifestation of Trust' conveys and its applicability to the present circumstances and environment.

In the recent past, in India, a number of large entities have just collapsed owing to financial and other regularities such as Global Trust Bank, Satyam, IL&FS, Dewan Housing and Finance Ltd, Reliance Home and Finance Ltd etc. We have had several banking frauds in all major banks of the country both public as well as private sector banks. Our banking system at present is plagued with huge NPA level of Rs.8 lakh crores and this is despite the write off of more than Rs 8 Lakh crores in last six to seven years. And still we are having huge amount of stressed assets yet to be classified as NPAs. Under IBC, banks are taking an average hair cut of 70 percent. Audit function is under lot of regulatory scrutiny post these developments. It is being felt by same that the auditors have not done their job in a manner desired of them. On the other hand, auditors have been of view that they are not supposed to detect frauds and are to act as watch dogs only.



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But it can hardly be denied that even a watch dog would bark, if the need be, to send timely alarms to various stakeholders.

Somewhere, somehow, the Trust that the stakeholders had in the audited financial statements have been shaken. The manifestation of an assurance that if financial statements are audited, they are 'true and correct' and can be wholly trusted and relied upon is being seriously debated and deliberated.

We, as auditors, often counter the above. We rely on the age old 1896 British court ruling in the Kingston Cotton Mills case wherein the auditor was stated as a watchdog and not a bloodhound. We often state the audit is not designed to detect fraud.

Should we take shelter in a decision that is over a century old? Are we trying to defend the indefensible? Are we sailing against the current? These questions and perhaps a number of more questions, have to be addressed. We need to change with changing expectations of the various stake holders and that would help us to remain relevant.

“Forensic audit is another extreme with vertical depth on certain limited and identified areas, generally arising out of a fraud that has already been perpetrated to identify the root cause thereof and often to pinpoint and charge the perpetrators.”

The first step in this direction is to understand what is being 'trusted' upon. What are the expectations of the stakeholders and the society from an audited financial statement? We also need to understand who the stakeholders are. Whether these are few, limited in numbers or the term includes general public uneducated in

the accounting intricacies. We need to ask a person who loses his life savings invested in fixed deposits with a bank or with an NBFC that goes bankrupt, so do the dreams. Similarly, we need to understand the expectations of banks, financial institutions who lend money to various entities based upon audited financial statements. One may be able to argue that genuine business failures have also led to loss of money by lenders. But inarguably, quality of audited financial statements also needs to improve.

In simplistic terms, the expectation is, 'an audited financial statements along with various disclosures present a true and fair

view', the financial statements are free from material errors and frauds.

However, we also need to appreciate what an audit is. The same has been discussed in this article earlier. But what we had not discussed was that audit has to be distinguished from a 'limited review' and a 'forensic audit'. Limited review is limited in scope and primarily based on information and explanations provided by the management and less reliable than an audit. Forensic audit is another extreme with vertical depth on certain limited and identified areas, generally arising out of a fraud that has already been perpetrated to identify the root cause thereof and often to pinpoint and charge the perpetrators. It is akin to a criminal investigation. It is a part of criminal jurisprudence. Audit is somewhere in between, a midpoint, a more horizontal examination adopting sampling techniques based on identified

misstatement risks evaluated on materiality. It is a part of civil jurisprudence.

However, in our opinion, most of the stakeholders are not aware of the fine distinction between the previously mentioned three terms. For them, every audit is

“We need to be environmentally friendly. We need to cut down on technical reporting and number of pages. The report has to be user friendly. It should be action oriented.”

akin to 'forensic audit' wherein each and every transaction and event is evaluated. The technical jargon terms such as 'sampling' and 'materiality' have no meaning per se for a general investor. He expects a 'true and correct' view of the financial statements whereas the audit profession has travelled from 'true and correct' view to 'true and fair' view and now to 'fair and reasonable' view.

The audit report has undergone vast change since the 1896 Kingston Cotton case ruling but the perception in stakeholders' vocabulary has not been modified.

Therefore, we should reach out to the stakeholders, list out their expectations and benchmark those against our deliverables and bridge the gap. For some expectations, the stakeholders may need to be educated. For other expectations deliverables needs to be enhanced.

Few decades back, the audit report was a one pager. Now it runs into number of pages. An unmodified report of a listed company runs into 15 - 20 pages with a limited takeaway. We need to be environmentally friendly. We need to cut down on technical reporting and number of pages. The report has to be user friendly. It should be action oriented. Some sections such as management

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responsibility and auditors' responsibility can be replaced with a reference to a statute, notification or circular. One appreciates that these sections have been introduced to limit the auditor's responsibility in case of a legal action and perhaps shift it to the management. The decision is between 'legalities' versus 'public manifestation'.

'Which should outweigh which?' is a question that needs to be answered. As of now, the balance is skewed in favour of legalities.

Another aspect of the audit report is the 'opinion'. We have an unmodified opinion. We have modified opinion. The modified opinion is then categorised into qualified, adverse or a disclaimer. In addition to all this there are Key Audit Matters to be reported and also the Emphasis of Matters. Most of the times the users of auditor's report do not understand and appreciate these technicalities. The need is to explain these to an ordinary user of financial statements and auditor's report thereon.

The presentation of financial statements and disclosures therein also merits a relook. It is essential to examine as to whether these provide information or means to information. Most of the information is in fine print disseminated across schedules at times rendering it to be obscure, incomprehensible to an extent and a nightmare for an average reader. Auditors and managements cannot escape responsibility by merely making such disclosures. Implications of such disclosures need to be examined both by the preparers and auditors of such financial statements. Recently we have seen amendments to Schedule III and CARO 2020 requiring first management to make certain critical disclosures and then auditors to comment upon the same. One sincerely hopes that these amendments would go a long way to help users of such financial statements and the auditor's report thereon.

We are living in a global world transgressing all boundaries. We are now, no longer cocooned in our shell. We have to meet the international standards. At the same time, we have to have our own thoughts. We are one-fifth of the world's population. We are amongst the top ten larger economies. Our industrialists are going abroad for

“Technology has helped in analysing the data exceptions being thrown out, but quarterly reporting has its own challenges and regulators need to sit and apply their mind as to how challenges of quarterly reporting can be overcome.”

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their business ventures. Every large MNC has to have an Indian strategy. However, the accounting and auditing literature continues to be dictated by American and European practitioners.

Our participation

over time has increased in international forums. However, in literature, the Indian flavour arising out of the Indian context is still to find an active place.

It is not that the auditing fraternity is not concerned. Many welcome steps have been taken. A listed entity audit cannot be undertaken unless the auditor is reviewed by the Peer Review Board of the Institute. We have the Quality Review Board and the Financial Reporting Review Board. NFRA also undertakes review of financial and auditing aspects of financial statements under varied circumstances. We have a robust disciplinary mechanism. There could be certain aberrations in that system. The same may be due to stays having been granted by courts resulting in to delays in award of punishment in certain cases and also in certain cases, delays might have been caused by certain deficiencies in the system. But there can be no denying that our disciplinary mechanism has worked better compared to any other institution. We have new and updated Code of Ethics to be adhered to by the professional accountants. Also, there are

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stringent provisions governing audit profession under the Companies Act 2013. These safeguards to an extent provide independence to auditors by laying down certain disqualifications for appointment of auditors, rotation

of auditors, non-acceptance of non-audit work by auditors and making removal of auditors by management difficult without the permission of the govt. etc. Also, the Companies Act provides for reporting in a time bound manner any fraud coming to the knowledge of auditors. It also provides for compliance with Standards of Auditing by the auditors and in case of departure therefrom to report the same.

All these are perfectly in order but may need enhancement. There are, however, areas where attention is needed. Intervention therein, will lead to improvement in the trust.

It must be mentioned, it appears as if ‘Audit India’ is not doing its job. This is not a correct statement. It may be partially true but is not the whole truth. Auditors in India need to comply with auditing standards which are aligned with international standards. There are a number of financial statements where audit and

assurance meet and benchmark themselves against the best in the world. A key manifestation that ‘Audit India’ is doing its job is the increase in tax collections be it direct tax or GST. The proxy firms and investor community keep a hawk’s eye on the audit and assurance performance. It is only in few, we will not call it sporadic, that Trust is breached. And the reason for trust being breached cannot be directed solely to ‘Audit India’. Yes, the players therein are responsible for that breach of Trust and exemplary punishment needs to be awarded in such cases both to preparers and auditors. It is encouraging to find a recommendation having been made by Corporate Laws Committee of Ministry of Corporate Affairs to empower NFRA to act against the managements of corporates wherever the need is felt to do so. We need to walk our talk. We need to demonstrate our integrity and forthrightness. Again, *validation by demonstration is highly imperative.*

We must also appreciate that since the Kingston case, the landscape of corporates has changed dramatically. The

generation gap used to happen every 25 years. The sales strategy for an FMCG product used to be 3 years to enter, 9 years of sale and 3 years for exit. We continued with same models of FMCG for

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generations. A box office silver jubilee required 25 weeks run.

Now generation gap happens within childhood, adolescence, teenage and adulthood. You have for a product 3 months to enter, 9 months of sale and few weeks to withdraw. You change your mobile phone every year. Movies tank or survive within first 3 days.

The pressure of performance has increased. The number of transactions is numerous. The stress has established itself. Most of the entities are big Corporates with footprints in every nook and corner of the world. Their size is unimaginable. The number of subsidiaries, associates, joint ventures within a corporate run into hundreds. Pressure of quarterly financial results both on standalone and consolidated basis with all huge number of group entities is too much. Technology to a large extent is helping the management and auditors in collating, preparing and presenting the information. But there are areas like fair valuation of investments in group companies particularly in unlisted ones and consequential impairment needed if any, which create immense challenges.

“ Disclosure of extent of external confirmations having been circulated and obtained in percentage and absolute terms along with other two disclosures as mentioned earlier would go a long way to improve the trust of the various stake holders in audited financial statements. ”

Technology has helped in analysing the data exceptions being thrown out, but quarterly reporting has its own challenges and regulators need to sit and apply their mind as to how challenges of quarterly reporting can be overcome.

Trust means having faith in someone. It is said that the most expensive thing in the world is Trust. It can take years to earn and a matter of seconds

to lose. Accounting profession has taken years to build and earn trust of users of audited financial information. But over the last decade and a half at international level this trust has been on wane. Accounting failures in Enron, Lehman Bros, Parmalat etc. have brought to question the role of auditors. Regulators world over are struggling to find ways and means to improve the independence of auditors and the quality of audit. Certain global regulators

including Indian regulators are deliberating and considering benefits to segregate their audit and non-audit practice to ensure that there is no conflict of interest. Incidentally, it may promote specialisation in various firms. Even the new Code of Ethics which lays lot of stress on independence of auditors would accentuate this process.

To improve transparency in the audit process, there is a talk of the need on the part of auditors to disclose the materiality levels adopted for audit purposes. The need to disclose the process of sampling and the size of the sample being picked up by auditors is being debated. Disclosure of extent of external confirmations having been circulated and obtained in percentage and absolute terms along with other two disclosures as mentioned earlier would go a long way to improve the trust of the various stake holders in audited financial statements.

Though there is no empirical evidence with regard to improvement of quality of audit, the concept of ‘Joint Audit’ for entities above a threshold is being discussed



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as it could bring in necessary freshness, checks and balance. Opponents of this concept argue that it may increase the cost of audit and there could be issues in division of audit work. In our opinion both these arguments may not be too relevant keeping in view the Indian experience of joint audit in Public Sector Undertakings and Public Sector Banks. Moreover, rotation of areas amongst the joint auditors would lead to auto review mechanism within the audit fraternity. It is heartening to note that the Reserve Bank of India has already implemented the concept of joint audit as well as rotation of audit in respect of Banks and NBFCs.

There is a need for Indian firms coming together either by way of mergers or network to improve their capacity. It would help them in improving their physical and human resources and may also lead to the use of availability and use of advanced tools for auditing which besides improving the quality of audit could also result in saving of time and effort.

Our Institute regularly suggests fee structure. Most of the members may not even be aware of the suggested fee structure, implementation is a far cry. If a quality audit is required, then it must be paid for. If stakeholders are not willing to pay, then they need

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should cover other professional areas as well. This will imbibe the importance of quality within a CA firm. Quality must be drilled in our ecosystem. We should talk quality, we should walk quality and we should deliver quality, be it in our professional life, be it in our personal life. All practice units should be peer reviewed. Our Institute needs to make a huge investment in this endeavour.

A comprehensive audit by FRRB/ QRB/NFRA of all listed entities/ public interest entities above a threshold at least once in 5 years depending on the size should be

to take ownership. At the same time, the profession must be strong enough to refuse unremunerative assignments. The fee that an Indian firm gets is a poor cousin of what a global audit firm commands. The gap is just not acceptable. Better fee levels would assist the firms in improving their capacity to invest in technology and training of staff.

The scope of peer review process should be further broadened. As of now, it is limited to audit and assurance. It is suggested that it

mandatory. Every review helps. The importance of moving forward by even an inch should not be undermined. Necessary amendments in laws to implement it may be made.

Few areas where the stakeholders look for trust includes valuation of investments, ownership of assets both tangible and intangible, corporate guarantees, related party transactions, inventories, diversion of funds through multi layering and otherwise. These are being addressed through amendments in auditor's report / CARO 2020 / Schedule III.

To conclude, overall the system is working more or less satisfactorily, tax collections are going up, production index is northwards and the CA profession is delivering visible results. There could be aberrations, however the profession is willing, competent, agile and is taking necessary steps to uphold the trust for a visible and transparent manifestation. We certainly need to demonstrate that we are awake even in our sleep. The sooner we demonstrate it, the better it

would be for the profession. It is said that “Trust is a dicey subject; everyone wants to be trusted but only few people are willing to put in the work to show themselves as trustworthy”. We as a profession need to show that we are trustworthy and are willing to go miles to be reckoned as “Partners in Nation Building”. ■■■

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Initiatives to Foster Research Culture



Research & Innovation

International Research Awards

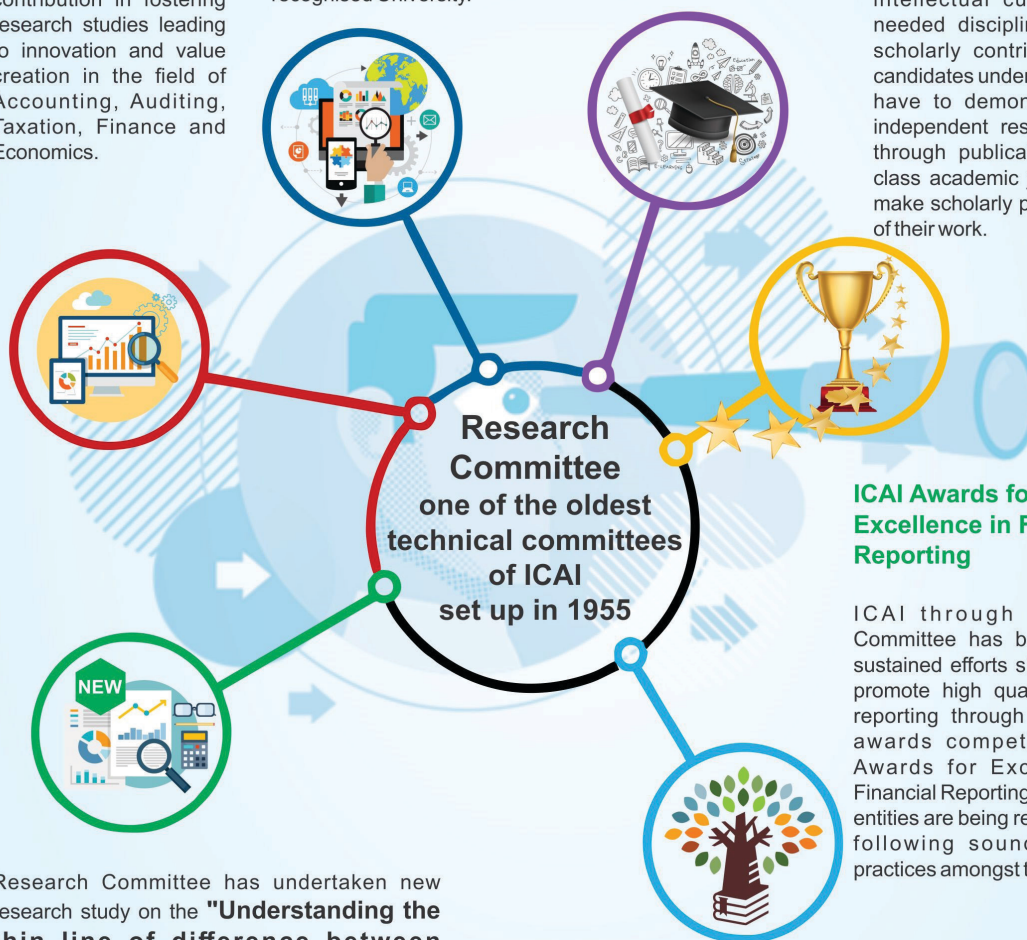
ICAI International Research Awards aims to encourage and recognise research scholars across the globe and their contribution in fostering research studies leading to innovation and value creation in the field of Accounting, Auditing, Taxation, Finance and Economics.

ICAI Research Project Scheme

The primary objective of this scheme is to undertake research in the field of accounting and other affiliated areas with a view to enhance the value of services rendered by the profession. It aims to fund research project to be undertaken by members having experience of more than 10 years either in practice or in employment or experienced research scholars of a recognised University.

ICAI Doctoral Scholarship Scheme

ICAI Doctoral Scholarship Scheme aims to provide requisite support to eligible candidates with outstanding academic credentials, intellectual curiosity and needed discipline to make scholarly contribution. The candidates under the Scheme have to demonstrate their independent research ideas through publications in top class academic journals and make scholarly presentations of their work.



Research Committee has undertaken new research study on the **"Understanding the thin line of difference between Professional Negligence & Criminal Act"** considering the importance of CA profession in aligning the economic and financial system.

ICAI Awards for Excellence in Financial Reporting

ICAI through Research Committee has been making sustained efforts since 1958 to promote high quality financial reporting through the annual awards competition 'ICAI Awards for Excellence in Financial Reporting' wherein the entities are being recognised for following sound financial practices amongst their peers.

Research Committee has issued various publications & research studies for updating knowledge of the stakeholders and the finding of these reports have been used for training purposes. Some of the publications and research study are:

- ⊙ Handbook on Potential for 'NEO Import Substituting Industrialisation in India' - ISI (COVID -19)
- ⊙ Compendium on Disciplinary Case Studies
- ⊙ How Indian Companies can play a pivotal role in supply chain to Australia?

Initiatives for Capacity Building

Azadi ka Amrit Mahotsav - ICONIC Day Celebrations

To celebrate and commemorate 75 years of progressive India and the glorious history of it's People, Culture and Achievements



As part of the Government of India 'Azadi ka Amrit Mahotsav' initiative to celebrate 75 years of India's Independence, the **Institute of Chartered Accountants of India (ICAI)** has been actively participating and organising activities at an all-India level through hybrid mode that are in sync with the Government's spirit of remembering and saluting the country's Independence struggle and its freedom fighters, and highlighting the emergence of a new and strong India post Independence.

The ICAI, through the **Azadi ka Amrit Mahotsav (AKAM)** activities has been making its own contribution to make the larger audience aware about the latest developments in the related fields and also suggest new ideas and pledges that have the potential to enable Hon'ble Prime Minister Narendra Modi ji's vision of fuelling the spirit of Aatmanirbhar Bharat. **Series of Seminars & Events organised since September, 2021.**

ICONIC DAY

Taking the initiative forward, the ICAI participated in the Iconic Week celebrations of Ministry of Corporate Affairs and organised *Iconic Day* event on 8th June, 2022 wherein programmes were organised by the Institute throughout the day at The Lalit Hotel, New Delhi. A diverse range of activities were organised ranging from **Tree Plantation Drive** to **Jan Jagrukta Awareness on Financial & Tax Literacy** to organising webinars on **Strengthening MSMEs, Strategies for Economic Revival, Women Empowerment and Practical Ideas to make our Planet Sustainable.**

As **Run Up Activities** to commemorate AKAM, the following activities were undertaken by the ICAI in the months of April & May, 2022.

- **Jan Jagrukta** - Creating awareness on Financial & Tax Literacy (F&TL)
 - Padyatra
 - Street plays
- **Go Green** - All India Tree Plantation Drive
- Mega Career Counselling Drive, 2022 and Lecture on the Freedom Struggle
- Take the ICAI Sustainability Challenge-Online Competition
- CA Student Talent Search 2022

The event at New Delhi was inaugurated by the Chief Guest **Shri Arun Singh, Hon'ble Member of Parliament (Rajya Sabha)** and Guest of Honour, **Shri Rajesh Verma, Secretary, Ministry of Corporate Affairs, Government of India** in the presence of **CA. (Dr) Debashis Mitra, President; CA. Aniket Sunil Talati, Vice-President** and Central & Regional Council Members of ICAI.

Working under the jurisdiction of Ministry of Corporate Affairs, Government of India, ICAI as a part of **Azadi ka Amrit Mahotsav (AKAM)** celebrations is organizing plethora of activities throughout the country like spreading Financial & Tax Literacy through Jan Jagrukta Abhiyaan; Go Green Drive towards Sustainable India; educating the younger generation as a part of Career Counselling Drive about the theme of AKAM and many more such activities.



Speaking on the occasion, **Shri Arun Singh, Hon'ble Member of Parliament, Rajya Sabha and a Chartered Accountant** shared, "The nation is celebrating Azadi ka Amrit Mahotsav and it is pertinent to mention that Financial inclusion of all citizens is the key towards the economic growth and development of our nation."

He further added, "The Digital India initiative of the Government is enabling faceless tax assessments for corporates and individuals, making the taxation system more robust and efficient. The Chartered Accountants have wholeheartedly contributed towards the smooth implementation of the GST system throughout the country, through which the tax collections are now over Rs. 1 lakh crore every month."

Hon'ble Member of Parliament reiterated, "I am delighted to know that the ICAI is undertaking various initiatives to spread financial and tax awareness amongst the masses, as part of the Azadi ka Amrit Mahotsav initiative. ICAI through its Regional Councils and Branches is planting trees all across the nation and imparting knowledge to common people about sustaining our environment. I commend the efforts of ICAI and the CA fraternity who are working day and night towards building a resilient economy."



Shri Rajesh Verma, Secretary, Ministry of Corporate Affairs, Government of India while addressing the gathering remarked, "The role of Chartered Accountants, in developing a new India is very important. CAs have been at the forefront of implementation of various initiatives of the Government, such as implementation of the Insolvency & Bankruptcy Code, in reduction of NPAs in financial institutions and the CSR mandate which looks after social, economic and environmental wellbeing for all. CAs are also partnering with the Ministry of Corporate Affairs as we implement Artificial Intelligence and Machine Learning to make corporate, regulatory and compliance environment even more responsive, efficient and speedy."

Secretary, MCA further added, "Government has always received support from the Institute and its members for development and implementation of various initiatives of the Government. ICAI has formed not only the first but also the biggest Insolvency Professional Agency of the country. ICAI is also acting as a knowledge partner of Investor Education and Protection Fund Authority by organising various Investor Awareness Program across the country."



A day long programme was organised by ICAI wherein a series of seminars on hybrid mode were conducted on various themes of AKAM. The sessions were addressed by eminent dignitaries from the Industry/ Academics/ Environmentalist & other professionals. ICAI's **Iconic Day** event brought together industry, think tanks and academia to discuss and arrive at measures to strengthen key development issues.

While addressing the gathering **CA. (Dr) Debashis Mitra, President, ICAI** said "We are proud and delighted to be working alongside the Government in commemorating the exemplary contributions of our freedom fighters in nation building. We are conscious of our duties and responsibilities towards our society and country. We are striving to become the largest body of Accounting professionals in the world as we shape the future of the Accounting profession, taking into account non-financial information like people and the planet ahead of profits."

Concluding the event, **CA. Aniket Sunil Talati, Vice-President, ICAI** proposed the vote of thanks and once again reiterated ICAI's commitment towards nation building and empowering India towards Aatmanirbhar Bharat. He added that "Financial & Tax Literacy is one of the first steps in empowering people, especially in remote areas and ICAI is on a mission to educate and create awareness about financial awareness in the country. ICAI is also conducting a Sustainability Drive by encouraging

masses to plant saplings across the country, and contributing to a greener and sustainable India."

Glimpses of Seminars & Programmes organised during Iconic Day Celebrations on 8th June, 2022

I. Seminar on Strengthening, Funding & Financing of the Indian Entrepreneurial Ecosystem organized by Committee on MSME & Start-Up

The Seminar was graced by **Smt. Mercy Epao, Joint Secretary (SME), Ministry of MSME, Government of India** and **Mr. P. Udayakumar, Director (Planning and Marketing), National Small Industries Corporation**, as Guests of Honor.

Mr. Rajiv Chawla, Industrialist and Founder & Chairman of Integrated Association of Micro, Small and Medium Enterprises of India and **CA. Mukesh Mohan Gupta, Member, National Board for MSME, Govt. of India & President, Chamber of Indian Micro Small & Medium Enterprises** shared their words of wisdom with the participants. **CA. Dheeraj Kumar Khandelwal, Chairman** and **CA.(Dr.) Raj Chawla, Vice-Chairman** of the Committee also addressed the participants.



II. Seminar on Strategies for Economic Revival organized by Committee on Management Accounting

To evaluate and strategize the pace of economic growth revival in India, the seminar was organised by the Committee on Management Accounting. **Shri B Raghavendra Rao, Deputy Managing Director, State Bank of India** addressed the participants and share his insights on the important topic. **CA. Rajendra Kumar P, Chairman** and **CA. Gyan Chandra Misra, Vice-Chairman** to the Committee also addressed the participants.



The main Highlights of seminar were:

- Brief overview of India's significant growth across sectors including technological, healthcare banking and education.
- India's success in its vaccination drive has also demonstrated to the whole world the success achieved in the world's largest vaccination drive that will further spur and set new benchmarks which will be a model not only for our country but also for the world.
- Encouraging entrepreneurs to create maximum goods and services within the country. This will help the country to focus on the tagline of 'vocal for local,' the promotion of local brands, manufacturing, and supply chains that will provide a significant boost to India's economy and can help India to become Atmanirbhar Bharat.

III. Seminar on Practical ideas to Go Green and make our Planet Sustainable organized by Sustainability Reporting Standards Board.

The seminar was organized with an objective to encourage members and other stakeholders to contribute to the global agenda and make our planet sustainable for generations to come.

Dr. Vinitaa H. Apte, Founder & Director, TERRE Policy Centre and **Dr. Radha Goyal, Deputy Director, Indian Pollution Control Association (IPCA) and Secretary, Society for Indoor Environment** addressed the participants and emphasized upon the simple steps that can be taken by each and every individual to make our planet happier, healthier and safer. **CA. (Dr.) Sanjeev Kumar Singhal, Chairman** and **CA. Priti Paras Savla, Vice-Chairperson** also addressed the participants during the seminar.



The Board also organized **Take the ICAI Sustainability Challenge**- an online competition to encourage young minds to showcase their creativity and innovative thinking to identify

steps to be taken for addressing climate crisis and making our planet healthier, happier and safer.

The online competition was rolled out from 15th to 30th May across the length and breadth of the country through advertisement in leading newspapers. Students from schools, colleges and those pursuing the CA course were encouraged to participate in the event. A massive response was received, and a panel of distinguished judges evaluated the entries. Entries received were innovative and reflected thoughts of young minds on how we can contribute in making our planet greener. Total number of awards was 12.



IV. Seminar on Women - From Empowerment to Excellence - Contemporary Perspectives

The seminar was addressed by eminent and renowned speakers- Ms Pallavi Kumar, Executive Director- Multi Organ Harvesting Aid Network. (MOHAN) Foundation-Delhi NCR and Dr. Bornali Bhandari, Senior Fellow, NCAER.

Ms Pallavi Kumar deliberated on “Women-Empowerment to Social Enrichment”. The session covered topics like- How to empower yourself, Taking help from support systems, Find your role models, Rush hours, etc.

Dr. Bornali Bhandari discussed on “Gender Empowerment in Post-Covid India”. Session covered pertinent topics like Export and investment contribution in real GDP growth, Female labour force participation rate, Sustained decline in GDP Growth, etc.



A “National Level CA Students’ Elocution Contest” was also organised on June 8th at New Delhi as part of “Azadi ka Amrit Mahotsav” celebrations. The event was graced by **Shri Rahul Kaswan, Hon’ble Member of Parliament (Lok Sabha)**, Guest of Honour at the occasion.



The **Member of Parliament** urged, “The Institutions to gear up to reinvent themselves to adapt to the new digital world through updating digital knowledge. The only thing that can change a person’s destiny is “Education”. ICAI has done tremendous work in this area and has to continue making big strides he stated.”

The winners of the National Level of the CA Student National Talent Search 2022 were also felicitated during the programme. The event also witnessed a motivational session by **Sister B K Shivani ji, Brahma Kumaris** on “Role of Youth in making India Vishwaguru Bharat”.



ICAI’s Regional Councils and Branches are playing a stellar role in undertaking and driving various initiatives like the Financial & Tax Literacy Drive. The drive is creating awareness amongst the general public, in cities, towns, villages, mandals & panchayats. To achieve nation’s vision of “*Satāt Bharat – Sanatan Bharat*” i.e., Sustainable India and highlight our commitment towards a sustainable future, ICAI has taken the initiative to plant trees all across the nation.

What the Leaders Said About the ICAI and the Indian Accountancy Profession since July 2021 – An Overview



The Institute of Chartered Accountants of India completes its 73rd year as a partner in nation building since the passing of the Chartered Accountant's Act in 1949. The Institute has upheld its mantle of professional excellence as a regulator and advisor to the government on accounting and its allied areas. Our relentless service to the nation is marked by the presence of professionals in key areas of polity, administration in the country and an expanding global presence. The significant role that ICAI and its members play in the accountancy profession is lauded by the trust and acknowledgement by our leaders in the highest offices as presented below:



Shri M. Venkaiah Naidu
Hon'ble Vice-President of India

"Members of ICAI have built, over the years, a formidable public image for the profession through their competence, outlook and integrity. In their efforts, they have adopted a concerted strategy in improving both their technical competence as well as ethical standards. It is my hope that the Institute will continue to reinvent itself while nurturing professionals who can discharge their duties with dedication and sincerity.

... I extend my greetings and good wishes to ICAI and the Chartered Accountants' fraternity on the occasion of Chartered Accountants Day and wish them all success in their future endeavours."

(In a message published in The Chartered Accountant journal July 2021 issue)

IN QUOTES



Shri Narendra Modi
Hon'ble Prime Minister of India

Greetings to all Chartered Accountants on CA Day. This community has a vital role in India's progress. I call upon all CAs to keep the focus on excellence so that Indian firms emerge as one of the best globally.

(In his Tweet on July 1, 2021)

"Friends, along with Doctors Day, Chartered Accountants Day is also celebrated on the 1st of July. A few years ago, I had asked for global level Indian audit firms as a gift from Chartered Accountants of the country. Today I want to remind them of that. Chartered Accountants can play a very worthy and positive role in bringing transparency to the economy. I extend my best wishes to all Chartered Accountants and their family members."

(78th edition of Mann Ki Baat delivered on June 27, 2021)



Shri Om Birla
Hon'ble Speaker, Lok Sabha

"भारतीय संसद द्वारा वर्ष १९४९ में अधिनियम के माध्यम से स्थापित ICAI विश्व की प्रतिष्ठित संस्थाओं में से एक है जो देश की अर्थव्यवस्था के शिल्पकार तैयार करती है। आप सब वित्तीय मामलों के विशेषज्ञ हैं और देश के आर्थिक विकास में महत्वपूर्ण भूमिका निभाते हैं।

....मैं ICAI के स्थापना दिवस पर सभी चार्टर्ड अकाउंटेंट बंधुओं को बधाई व अपनी शुभकामनाएं देता हूँ।"

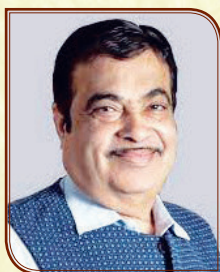
(In a message published in The Chartered Accountant journal July 2021 issue)



Shri Amit Shah
Hon'ble Minister of Home Affairs

"कुशल, सतर्क और जवाबदेह चार्टर्ड अकाउंटेंट राष्ट्र की संपत्ति हैं। भारतीय चार्टर्ड अकाउंटेंट अपने कौशल के लिए दुनिया भर में जाने जाते हैं। आज भारतीय सनदी लेखाकार संस्थान ने समाज का आत्मविश्वास और भरोसा अर्जित किया है, जिससे संस्था ने दुनिया में दूसरा सबसे बड़ा लेखा निकाय बनने का गौरव प्राप्त किया है। समाज में ईमानदारी और कुशल कार्पोरेट प्रशासन की संस्कृति को आगे बढ़ाने में हमारे चार्टर्ड अकाउंटेंटों का योगदान महत्वपूर्ण रहा है।"

(In a message published in The Chartered Accountant journal July 2021 issue)



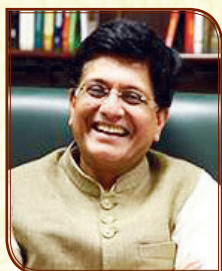
Shri Nitin Gadkari
Hon'ble Union Minister of Road Transport & Highways

..Called Chartered Accountants as "Pillars of Economic Growth" and highlighted their important role in the economic development of the country.

He called for the advice and suggestions of Chartered Accountants in getting investments from abroad for MSMEs and urged the Chartered Accountants who he termed as "economic experts" to advise the Government in ways to decrease imports and enhance the exports thereby contributing in the vision of a \$5 trillion economy.

(Addressed at the ICAI International Conference, 2022)

IN QUOTES



Shri (CA.) Piyush Goyal

Hon'ble Minister of Commerce & Industry, Consumer Affairs and Food & Public Distribution and Textiles

Chartered Accountants take care of the health of the economy. In the times of COVID, the CAs have worked diligently to keep the wheels of the economy going. He urged all Chartered Accountants to work collectively with sanctity & credibility so that the trust of the society & world on seal of the Chartered Accountants is established.

(Addressed at the 73rd Chartered Accountant's Day Function, 2021)

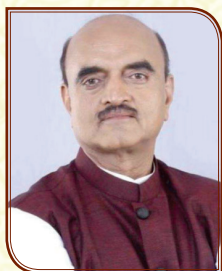


Smt. Smriti Irani

Hon'ble Union Minister of Women and Child Development

Chartered Accountants are the backbone of the financial consciousness of the country and highlighted the importance of CAs not only just for the economy as a whole but at a societal level as well.

(Addressed at the ICAI International Conference, 2022)



Dr. Bhagwat Kishanrao Karad

Hon'ble Minister of State for Finance

Chartered Accountant's role is very important in popularising the government schemes among the common man and the ICAI being the second largest accounting body plays a pivotal role in educating the masses about various financial schemes of the government promoting inclusivity. Over the years, ICAI has grown in stature and size to play a significant role in economic development, upholding public confidence and contribution to the nation's economic policies at various levels.

(Addressed at the 72nd Annual Function of ICAI)



Shri Girish Chandra Murmu

Comptroller & Auditor General of India

"... As a regulator of the accountancy and auditing profession in the country, the Institute has a critical role in promoting a sound financial reporting system by maintaining and developing high level standards of accounting and auditing thereby creating a favorable investment climate in the country. The Chartered Accountants have a very important role in nation building through their services in accounting, auditing, taxation, and economic reforms.

With the evolving amendments in the areas of Goods and Service Tax (GST) and Indian Accounting Standards (Ind AS), the role of Chartered Accountants has become more crucial.

I hope that Chartered Accountancy as a profession will rise up to the demands of emerging responsibilities associated with reforms and provide professional services to the corporate sector and all stakeholders diligently."

(Message Published in the issue of July, 2021)

IN QUOTES



Shri Prakash Javadekar

the then Minister of Environment, Forest & Climate Change and Information & Broadcasting

The Chartered Accountants are the conscience keepers of the nation in matters of professional accounting and in keeping the ethical standards of financial transparency in businesses. As a regulatory body entrusted with the responsibility of regulating the profession of Chartered Accountancy in the country, ICAI endeavors to maintain the highest standards of professional conducts of its members.

(Message Published in the issue of July, 2021)



Shri Ramesh Pokhriyal 'Nishank'

the then Minister of Education

72 years' journey in the annals of an institution is a major milestone and a solemn occasion for review and reflection. I have great admiration for the institute for its unstinted support to the Government, to the trade and industry, and especially for preparing regularly a unique cadre of professionally competent accountants who are contributing laudably too good governance through orderly financial management and transparency in accounting. The Institute has a glorious track record of more than seven decades in rendering and administering and internationally acclaimed

Indian accounting profession. With symbiotic relationship between the profession and Indian economic growth, ICAI has been playing, and I am optimistic, it shall continue to play a significant role in nation building.

(Message Published in the issue of July, 2021)



Shri Santosh Kumar Gangwar

the then Minister of State (Independent charge), Labour & Employment

The ICAI has a glorious track record of almost more than seven decades in rendering and administering an international acclaimed Indian accounting profession. I proudly mention here that ICAI is the second largest accountancy body in the world. The ICAI has proudly educated about 3.30 lakh Chartered Accountants and 7 lakh students in the country, which is cementing a bond of relationship between profession and Indian economic growth.

(Message Published in the issue of July, 2021)



Sadhvi Niranjana Jyoti

the then Minister of State for Rural Development

सीए समुदाय ने भारतीय अर्थव्यवस्था के विकास और स्थिरता में काफी योगदान दिया है। इस कोरोना संकट और वैश्विक समुदाय के सामने आने वाली आर्थिक चुनौतियों के दौरान रणनीति बनाने वाले और सूत्रधार के रूप में लेखांकन पेशेवरों की भूमिका पहले से कहीं अधिक महत्वपूर्ण हो गई है। सीए अपनी विशेषज्ञता, जवाबदेही, पारदर्शिता और सुशासन के साथ निरंतर विकास का प्रतीक हो सकते हैं। अपने दूरदर्शी दृष्टिकोण के साथ और व्यापार समाधान प्रदाताओं के रूप में, आप सभी इस स्थिति से भी देश को निपटने में मदद करेंगे।

(Message Published in the issue of July, 2021)

IN QUOTES

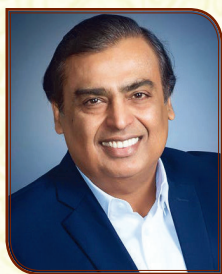


CA. Suresh Prabhu
Hon'ble Member of Parliament

...Chartered Accountants play a big role in the Nation building process. Any business without the presence of CA is unthinkable. CAs perform a diverse set of roles from handling from simple accounting procedures to complex financial systems from corporate to non-profit world. ...

... I am confident that the CA community in India through ICAI will keep working towards the financial and economic development of our country as well as keep providing its support to deal with the pandemic and will be a role model to others.

(Message Published in the issue of July, 2021)



Shri Mukesh Ambani
Chairman and Managing Director, Reliance Industries Ltd.

The contribution of Chartered Accountants in our nation's growth is well acknowledged. As a profession, you are entrusted with the responsibility to ensure financial integrity and propriety of every commercial activity.

The ICAI has certainly nurtured a large number of talented minds over the years, who are playing important roles across the industry.

Chartered Accountants ensure the discipline of transparency and accountability, which are indispensable for the health and growth of any business.

(In an interview published in the July 2021 Issue)



Mr. Alan Johnson
President, IFAC

Sustainability & Digitization are two of the most pressing issues concerning the profession and appreciated ICAI for being proactive in addressing these issues...

... ICAI has made optimum and maximum utilization of technology and it has also formed a Sustainable Reporting Standards Board and is also organizing International Sustainable Reporting Awards to lead the change which would lead the future...

He appreciated the commitment and contribution made by ICAI through its representation on IFAC.

(Addressed at the ICAI International Conference, January, 2022)

CA Day Messages

Justice (CA.) Dr. Vineet Kothari

Former Acting Chief Justice, Gujarat High Court
Senior Advocate, Supreme Court of India



I have always been proud to be a CA in my journey from Advocate to Judge , to a Senior Advocate of Supreme Court of India now. It undoubtedly gives an edge and keeps your head and shoulders above the rest.

CA. Mahaveer Singhvi, IFS

Joint Secretary (CT), Ministry of External Affairs



I have seen the growth of the ICAI and the profession, especially its growing global presence. The Chartered Accountants are well-groomed as to take lead in managing change and create value. The course equips one with progressive mindset to think out of the box and innovate to create value.

It is my belief that with the emergence of technology the profession is well-poised to contribute immensely to the development of economy.

I extend my best wishes on the occasion of CA Day.

CA. Deepak Kumar Kedia, IPS

Inspector General of Police, NSG



The Chartered Accountancy course has grown with the time and is marvellous blend of knowledge and practical exposure with confidence which empowers one for all rigors of life. My Chartered Accountancy qualification has instilled the professional approach to review in-depth and analytical skills, which have been very useful to me in my professional as well as personal life.

I wish you all on the occasion of Chartered Accountants Day and sure the ICAI and profession will achieve new heights in the times to come.

CA. Shilpa Gourisaria, IAS

Senior Special Secretary, Finance Department, Government of West Bengal



The role of Chartered Accountants has undergone a remarkable shift in today's dynamic global business environment. CAs are adept to easily solve all complex and intriguing problems and render expert advice in both Government as well as private sectors.

Dr. A.P.J. Abdul Kalam had once said "CAs are Partner in Nation Building". Being a CA turned IAS Officer, I completely agree that for empowering the government departments, professionals with a finance background and expertise knowledge are highly needed.

CA Day Messages

CA. Rajesh Sharma

Technical Member, NCLT Mumbai Bench



Irrespective of the posts I have held, be it in the Public (both State and Central Government) and the Private Sector, being identified as a Chartered Accountant has been a proud privilege. Currently as an Adjudicating Authority-Member Technical of the National Company Law Tribunal (NCLT) Mumbai Bench, I can certify that the CA qualification has always placed me at an advantageous position among all.

CA. Sanjiv Mehta

CEO & Managing Director, Hindustan Unilever Ltd.



On the occasion of the 74th Foundation Day of ICAI, I would like to thank ICAI and all CAs for their contribution to the Indian economy and nation building, whilst enhancing the impact of accounting profession in the industry and business. The world around us is changing rapidly, with digital transformation and sustainability being at the core of this. I am confident that ICAI is well positioned to drive this change and keep the accounting profession future-fit.

CA. (Dr.) Niranjan Hiranandani

Founder & MD - Hiranandani Group



Chartered Accountants play a pivotal role in the nation's growth engine. Transparency, integrity, and compliance mechanisms are the significant outcome of professionalism, we bring toward the nation's economy. The Chartered Accountant fraternity, even in arduous economic times contributes to bringing forward stability and rationality in the system. In the realm of fiscal science and trade of commerce, their sharp acumen acts as a growth cogwheel for the nation's growth engine.

On the 74th Foundation Day (Chartered Accountants Day), and being a fellow CA myself, I wish the CA fraternity to rise beyond the horizon & become a strong backbone of the Indian economic growth story.

CA. Nilesh Shah

Managing Director, Kotak Mahindra Asset Management Co. Ltd.



Most people associate CA profession with Audit, Tax and Consulting. What is not well known is that CA curriculum teaches us to be professional in any field through hard work, integrity and common sense. Today one will find CA pursuing excellence in diverse field from Technology to Investment in countries from Australia to Zambia.

CA. Raamdeo Agrawal

Chairman, Motilal Oswal Financial Services Ltd.



Accounts is the language of commerce. Chartered Accountants understand how the blood (money) flows through the body of the businesses. In complex world of stock market, Chartered accountancy can help you see **values** in the companies away from the **price**.

ARE YOU MARCHING AHEAD WITH THE TECHNOLOGY?



Transforming Profession with Tools
and Training in Digital Era

Digital Accounting and Assurance Board (DAAB) of The Institute of Chartered Accountants of India (ICAI) is building digital competencies to ensure Chartered Accountants meet challenges and leverage opportunities of digital era. Initiatives to position the profession for opportunities in digital era are -

Conducting Scalable, Employable and Updated Post Qualification Course on Information System Audit (DISA 3.0)



Mentoring of Technology Driven Startups by Chartered Accountants



World Class Training to Members on Forensic Accounting and Fraud Detection (FAFD)



Team of Innovators for helping members navigate digital path



Imparting Hands on Training through Forensic Labs



Digital Competency Maturity Model for upgrading firms in digital landscape



Evolving firms into thriving digital practice by providing leading technology solutions



World's first detailed Forensic Accounting Investigation Standards



Research/ Concept Papers on AI, Blockchain, Cloud Computing, IoT, Early Signals of Frauds, Robotics



Incubation Centre for Blockchain Technology



Executive Development Program on "Blockchain Technology for Professional Accountants"



Webinars on strategies and approach to adopt technology in assurance services



Capacity building in digital ecosystem of stakeholders including Banks, PSUs, Ministries



ELearning on emerging technologies



Digital Accounting and Assurance Board

The Institute of Chartered Accountants of India

Visit us: <https://icai.org>

<https://learning.icai.org>

Mail to us at gdaab@icai.in; fafp@icai.in

Non-reversal of impairment in respect of investment in subsidiary in separate financial statements on account of non-reversal of impairment in underlying goodwill

Facts of the Case

1. A public limited company (hereinafter referred to as 'the Company'), which is a wholly owned subsidiary of a listed government company, is in the business of exploration and production (E&P) of oil and gas and other hydrocarbon related activities outside India. The Company has adopted Indian Accounting Standards (Ind AS) w.e.f. 1st April 2016 (Transition Date: 1st April 2015). The functional currency of the Company is assessed as US Dollar (USD) in accordance with the provisions of Ind AS. The Company presents its financial statements in presentation currency which is Indian Rupee (INR).

2. The Company operates overseas projects directly and / or through subsidiaries, by participation in various joint arrangements and investment in associates. Globally, E&P business is carried out by way of joint arrangements or investments in form of subsidiaries/ associates. In the separate financial statements, the Company accounts for investments in subsidiary companies at cost in accordance with Ind AS 27, 'Separate Financials Statements'. In this regard, accounting policy of the Company states that the Company records the investments in subsidiaries at cost less impairment loss, if any.

3. The querist has stated that during the financial year (F.Y.) 2013-14, the Company acquired 60% shares in an overseas company (subsidiary company X) which was having 10% participating interest (PI) in an overseas discovered oil and gas project under development (Project A). In the standalone financial statements (SFS) of that year, the purchase consideration for acquiring 60% shares in company X was accounted as investment in subsidiary company X. Since the purchase consideration paid by the Company, for acquiring 60% shares in company X, was higher than the proportionate net assets of the subsidiary company X at the effective date of acquisition, the difference was recognised as goodwill on business combination in the consolidated financial statements of the Company. Therefore, investment in the subsidiary company X accounted in the SFS

of the Company represented the proportionate net assets of the subsidiary company at the time of acquisition as well as the amount recognised towards the goodwill.

4. In accordance with Ind AS 36, 'Impairment of Assets', the Company carries out impairment assessment in respect of its 'Cash Generating Units (CGUs)' as well as investments in subsidiary, associate and joint venture at the end of each reporting period in order to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets and investment is estimated in order to determine the extent of the impairment loss, if any. Accordingly, the Company carried out impairment assessment in respect of the Cash Generating Unit (CGU) comprising assets of the subsidiary company in proportion to its PI in the oil and gas Project-A (CGU X) as well as the investments in subsidiary company X. For the purpose of impairment assessment of CGU X, the value of goodwill was added to the carrying value of assets of subsidiary X for project A as per the requirements of paragraph 80 of Ind AS 36.

5. For the year ended 31st March 2016, impairment loss of USD 39.43 million was estimated in respect of the CGU X as per Ind AS 36. The said impairment loss was charged in the consolidated financial statements of the Company against the associated goodwill in accordance with paragraph 104 of Ind AS 36. In the standalone financial statements of the Company, an equivalent impairment loss of USD 39.43 million was provided against carrying value of the investment in subsidiary company X considering a permanent decline in the value of underlying assets represented by an impairment loss charged against goodwill which is irreversible subsequently as per paragraph 124 of Ind AS 36.

6. The said total impairment loss of USD 39.43 million in respect of CGU X was carried forward till 31st March 2020. Subsequently, during the impairment assessment of F.Y. 2020-21, recoverable amount of CGU X was computed to be higher than the carrying value of assets of

subsidiary company X including the goodwill allocated and accordingly, there was a reversal of impairment provision of USD 39.43 million. The recoverable amount and carrying amount of the CGU X were as follows:

Carrying value of the CGU X (A)	USD 1783.52 million
Recoverable amount (represented by value-in-use) (B)	USD 2041.12 million
Impairment reversal restricted to the amount of impairment loss provided till 31.03.2020 (B-A):	USD 39.43 million

However, since the impairment loss of USD 39.43 million (charged in F.Y. 2015-16) was charged against the goodwill, reversal of such impairment loss was not done by the Company in its consolidated financial statements in F.Y. 2020-21 as per paragraph 124 of Ind AS 36, which states that an impairment loss recognised for goodwill shall not be reversed in a subsequent period.

7. In the standalone financial statements, in respect of the carrying value of the investment in subsidiary company X, the Company estimated recoverable amount of the asset to be higher than the carrying value. The recoverable amount of the related asset and carrying value of investment in subsidiary X were as follows:

Carrying value of investment (A)	USD 1913.26 million
Recoverable amount (represented by value-in-use) (B)	USD 2041.12 million
Impairment reversal restricted to the amount of impairment loss provided till 31.03.2020 (B-A)	USD 39.43 million

However, since the impairment loss charged against the underlying assets was not reversed as the same represented impairment in goodwill, accordingly, the impairment loss of USD 39.43 million charged against investment in subsidiary company X was also not reversed in the standalone financial statements of the Company for the F.Y. 2020-21.

8. During the course of supplementary audit of F.Y. 2020-21, C&AG auditors observed that impairment in investment in standalone financial statements of the Company and impairment in goodwill

appearing in consolidated financial statements of the Company are not interrelated to each other as criteria and methodology of impairment in standalone and consolidated financial statements are different. They also observed that impairment reversal in goodwill is prohibited by the Ind AS. However, reversal in investment is allowed by Ind AS 36. Further, any impairment and reversal in investment in standalone financial statements get eliminated while consolidation as per Ind AS 110. Therefore, the Company's plea to link impairment or reversal thereof in respect of carrying value of investment with the impairment estimation and provision in respect of underlying goodwill is not correct.

9. The auditor also observed that impairment in respect of carrying value of investment in subsidiary in standalone financial statements is worked out independently from the impairment in respect of CGU comprising the assets of subsidiary company including the related goodwill as per the provisions of Ind AS 36.

10. On the basis of above observations, the auditor was of opinion that during F.Y. 2020-21, though the Company has correctly not given effect to the reversal of impairment loss charged in the consolidated financial statements against the goodwill as the same could not be reversed as per Ind AS 36, but the Company should have reversed the impairment loss of USD 39.43 million charged in the standalone financial statements against the carrying value of investment in subsidiary company.

11. According to the querist, as noted in paragraph 3 above, the investment in subsidiary company X, as recognised in the standalone financial statements of the Company, represents the goodwill generated on acquisition of the subsidiary company X in addition to the proportionate net assets of the subsidiary. Since there was an impairment loss charged against this goodwill in F.Y. 2015-16 as mentioned in paragraph 5 above, which could not be reversed subsequently as per paragraph 124 of Ind AS 36, it can be construed that there is a permanent decline in the value of underlying assets necessitating a resultant impairment in carrying value of investment in subsidiary company X. Accordingly, carrying amount of investment in subsidiary company X was also reduced by charging an equivalent impairment of USD 39.43 million against the said investment in the standalone financial statements of the Company in F.Y. 2015-16.

12. The querist has further stated that since Ind AS 36 does not allow reversal of impairment loss

provided against goodwill in subsequent years, the intention of Ind AS is to assume that there is permanent diminution in the value of goodwill if it has been impaired once, irrespective of the fact that there is subsequently an impairment reversal. As the Company's investment in subsidiary X pertains to the subsidiary's net assets as well as goodwill generated on acquisition, it was construed that carrying value of such investment is also diminished permanently to the extent of diminution in the value of goodwill. Therefore, since the impairment loss charged against the goodwill cannot be reversed, the impairment loss charged against the investment in subsidiary in standalone financial statements should also not be reversed in view of such permanent decline in the value of underlying assets.

13. The querist has also stated that it is pertinent to mention that provisions of Ind AS do not specifically deal with the impairment in respect of investment in subsidiary in view of any permanent decline observed in the underlying assets as against Accounting Standard (AS) 13, 'Accounting for Investments', which in paragraph 17 provides that *Long-term investments are usually carried at cost. However, when there is a decline, other than temporary, in the value of a long term investment, the carrying amount is reduced to recognise the decline* (emphasis supplied by the querist). Though ASs are not applicable to the Company and the Company follows Ind ASs, the intention of financial reporting framework in respect of impairment of investments may be borrowed from the provisions of AS 13. Thus, in case there is a permanent decline in the value of a long-term investment, the carrying value of the investment should be reduced to recognise such decline.

14. Further, the querist has reproduced a relevant case study as given in Question 3 of Educational Material on Indian Accounting Standard (Ind AS) 27, Separate Financial Statements & Indian Accounting Standard (Ind AS) 28, Investments in Associates and Joint Ventures, issued by the erstwhile Ind AS Implementation Group of the Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) as below:

"Question 3

AB Limited has an existing investment of INR 700 crores in its subsidiary, PQR Limited. The net assets of PQR limited are only INR 400 crores as at March 31, 2018. The value in use as well as fair value less costs to sell of PQR Limited is INR 600 crores.

AB Limited has accounted its subsidiary at cost in its financial statements.

What will be the impairment loss which AB Limited needs to recognise in the separate financial statements?"

The response provided in respect of the above question, after analyzing the relevant provisions of Ind AS 36, states that in the instant case, impairment loss of Rs. 100 crores shall be recognised in the statement of profit and loss. *However, it is also important to consider the underlying cash flows that support the investment while considering the investment for impairment* (emphasis supplied by the querist). Therefore, though the educational material considers recoverable amount of the subsidiary instead of the net assets thereof for the purpose of determining impairment in the given question, it emphasizes that it is important to consider the underlying cash flows that support the investment while considering the investment for impairment. Accordingly, as per the querist, by inference, the underlying assets of subsidiary along with the associated goodwill are to be considered for the purpose of assessing the impairment (or reversal thereof) and if there is an indication of a permanent decline in the value of such underlying assets, the value of investment should also be reduced accordingly. Similarly, in case of permanent decline in the value of underlying assets, the impairment loss charged earlier in the investment in subsidiary should not be reversed.

15. Moreover, paragraph 114 of Ind AS 36 provides that **an impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.** In the case of the Company, the last impairment loss in the value of investment in subsidiary X was recognised on the basis of estimation of permanent decline in the value of underlying assets. There is no change in this estimation since the last impairment loss was charged because the impairment loss charged against the underlying assets (i.e. goodwill) cannot be reversed subsequently. Accordingly, the impairment loss charged against the investment in subsidiary X charged earlier cannot be reversed as there is no change in the basic estimation on the basis of which the earlier impairment loss was recognised.

16. In the light of foregoing, the Company is of the view that a goodwill impairment on consolidation

indicates a decrease in the value of investment since acquisition. This also triggers an impairment of the Company's investment in the subsidiary in the separate financial statements of the Company. Similarly, since the impairment loss against the goodwill cannot be reversed subsequently, indicating thereby a permanent decline in the value of underlying assets, the impairment loss charged earlier in the value of investment in subsidiary in the SFS cannot be reversed subsequently.

B. Query

17. In view of the above facts, the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India is solicited on the following issues:

- (a) Whether it is appropriate in the light of provisions of Ind AS 36 that the Company has not reversed the impairment loss recognised earlier against the carrying value of investment in subsidiary in standalone financial statements due to permanent decline in underlying assets represented by an impairment loss charged against the associated goodwill that cannot be reversed subsequently.
- (b) If answer to (a) is no, whether the Company is required to recognise the said reversal of the impairment loss prospectively considering it a change in estimates or a retrospective accounting of reversal of impairment loss is required to be done by the Company.

C. Points considered by the Committee

18. The Committee notes that the basic issue raised by the querist relates to recognition of reversal of impairment loss recognised earlier in respect of investment in subsidiary company in the separate financial statements of the Company. The Committee has, therefore, considered only this issue and has not examined any other issue that may arise from the Facts of the Case, such as, accounting in the consolidated financial statements, the methodology used for determining the impairment provision or reversal of the impairment provision including appropriateness of the valuation techniques and inputs or assumptions in determination of impairment loss, determination of functional currency, adjustments on transition to Ind AS, whether the Company 'controls' the subsidiary, consolidation requirements as per Ind AS 110, appropriateness of using the term 'permanent decline' for value of investment in the context of AS 13, etc. Further, the

opinion hereinafter has been expressed considering only Indian Accounting Standards, notified under Companies (Indian Accounting Standards) Rules, 2015.

19. The Committee notes that Ind AS 36, 'Impairment of Assets' states as follows:

"122 A reversal of an impairment loss for a cash-generating unit shall be allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. These increases in carrying amounts shall be treated as reversals of impairment losses for individual assets and recognised in accordance with paragraph 119."

"124 An impairment loss recognised for goodwill shall not be reversed in a subsequent period."

125 Ind AS 38, *Intangible Assets*, prohibits the recognition of internally generated goodwill. Any increase in the recoverable amount of goodwill in the periods following the recognition of an impairment loss for that goodwill is likely to be an increase in internally generated goodwill, rather than a reversal of the impairment loss recognised for the acquired goodwill."

From the above, the Committee notes that Ind AS 36 requires that an entity should assess at each reporting date, whether there is any indication that an impairment loss recognised in a previous period for an asset *other than goodwill* either no longer exists or has decreased. The Committee notes that the exception in paragraph 124 that prohibits recognition of reversal of impairment loss applies only to goodwill and not to any other assets. The Committee is of the view that goodwill at the CFS level is the goodwill as on the acquisition date, which, once impaired cannot be reversed. This is because, if such reversal of impairment provision is recognised, it would result in recognition of internally generated goodwill.

The Committee further notes that Ind AS 36 states as follows:

"4 This Standard applies to financial assets classified as:

- (a) subsidiaries, as defined in Ind AS 110, *Consolidated Financial Statements*;

- (b) associates, as defined in Ind AS 28, *Investments in Associates and Joint Ventures*; and
- (c) joint ventures, as defined in Ind AS 111, *Joint Arrangements*.

For impairment of other financial assets, refer to Ind AS 109."

Thus, Ind AS 36 applies to financial assets classified as subsidiaries under Ind AS 110. The Committee also notes that paragraph 9 of Ind AS 27, 'Separate Financial Statements' explicitly requires that separate financial statements shall be prepared in accordance with all applicable Ind AS. Therefore, impairment requirements as per Ind AS 36 are equally applicable to investment in subsidiary in separate financial statements. Therefore, investment in a subsidiary in the separate financial statements of the parent shall also be subjected to impairment testing when there are impairment indicators. The Committee is of the view that generally, where an impairment provision is recognised against goodwill arising on consolidation of a subsidiary in the consolidated financial statements, the carrying amount of the parent company's investment in the relevant subsidiary should also be reviewed for impairment since it indicates a decrease in value since acquisition and thus, there would be impairment indicators. This is because the investment in subsidiary in the separate financial statements and the goodwill on consolidation arising in the consolidated financial statements of the group are initially recognised on the same date and, therefore, are linked. However, it should be noted that criteria and methodology of impairment in separate and consolidated financial statements are different.

The Committee notes that paragraph 4 of Ind AS 36 (as reproduced above) specifically covers investments in subsidiary in the SFS within its scope. If the Standard had intended to prohibit, partly or fully, the recognition of reversal of impairment on investment in subsidiary, similar to the prohibition in case of goodwill, the Standard would have specifically mentioned the same.

The Committee further notes that neither Ind AS 27 nor Ind AS 36 requires or permits breaking up the investment in subsidiary in separate financial statements into the individual underlying assets and liabilities of the subsidiary. At separate financial statements level, the investment in a subsidiary represents a financial instrument, although there may be certain scope exclusions in

Ind AS 32, Ind AS 107 and Ind AS 109. An interest in a financial instrument is not split into further underlying assets / liabilities unless specifically required or permitted by a standard.

Further, the Committee notes that in the CFS, Ind AS 36 requires the impairment testing to be performed at least annually for CGUs (which may consist of a subsidiary) with goodwill. If there is an impairment, the same is required to be recognised against goodwill and other assets as per the requirements of Ind AS 36. Where there is evidence of reversal of impairment, the same is recognised against other assets as per the requirements of Ind AS 36. Ind AS 36 prohibits recognition of reversal of impairment against goodwill. The Committee notes that none of these requirements construe that there is other than temporary decline in the value of investments in subsidiary in the SFS.

20. The Committee also notes that the Company has estimated similar recoverable amounts at consolidated financial statements (CFS) level (paragraph 6 above) and at separate financial statements (SFS) level (paragraph 7 above). The Committee notes that at SFS level, the recoverable amount of an investment in a subsidiary (being a CGU) would normally be based on the value in use or fair value less costs of disposal based on the parent's share of estimated cash flows from the investment in subsidiary. On the other hand, at CFS level, the net assets of the subsidiary are presented in the CFS and therefore, there may be different CGU at CFS level considering the requirements of Ind AS 36. Thus, the CGU at CFS level being different from the CGU at the SFS level, there may be differences in the recoverable amount at consolidated financial statements and at separate financial statements level. There could be further possible differences in the recoverable amounts at consolidated financial statements level and at separate financial statements level due to factors, such as, the level at which cash generating unit is determined, impact of intra-group transactions, business synergies arising outside the subsidiary / sub-group and the first time adoption exemption for business combination availed by the group.

21. The Committee further notes that the querist has justified the non-recognition of reversal of previous impairment loss in the investment in the subsidiary in the separate financial statements, based on submission that the investment partly consists of goodwill. The Committee notes that goodwill results from a business combination involving the acquisition of a controlling interest in the equity instruments of the acquiree.

Goodwill relating to the business combination is recognised only in the acquiror's consolidated financial statements, and not in its separate financial statements. The Committee also notes that the querist has referred to an FAQ in ICAI's Educational Material on Ind AS 27 and to AS 13 under Companies (Accounting Standards) Rules, 2006 for non-recognition of reversal of impairment of goodwill in separate financial statements. However, neither the Educational Material nor AS 13, prohibit or disallow recognition of reversal of previously recognised impairment loss in the separate financial statements.

22. With regard to the issue as to whether the Company is required to recognise the said reversal of the impairment loss prospectively considering it a change in estimates or a retrospective accounting, the Committee notes that Ind AS 8 states as follows:

"41 Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Ind ASs if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are approved for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period (see paragraphs 42-47).

42 Subject to paragraph 43, an entity shall correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented."

As per Ind AS 8, material prior period errors

are corrected retrospectively by restating the comparative amounts for prior periods in which the error occurred. If the error occurred before the earliest period presented, the opening balance of equity/ retained earnings for the earliest period presented are adjusted. Since, in the extant case, the Company should have accounted for reversal of impairment in its separate financial statements as discussed above, the same results into a prior period error, which should be rectified as per the afore-mentioned requirements of Ind AS 8.

D. Opinion

23. On the basis of the above, the Committee is of the following opinion on the issues raised in paragraph 17 above:

- (a) The current accounting treatment in the separate financial statements of the Company with regard to non-recognition of the reversal of impairment loss recognised in past, is not in line with the requirements of Ind AS 27 and Ind AS 36, as discussed in paragraphs 19-21 above.
- (b) The Company should correct the accounting treatment as a prior period error retrospectively in the first set of financial statements approved for issue after the discovery of the error, as discussed in paragraph 22 above.

1.	The Opinion is only that of the Expert Advisory Committee and does not necessarily represent the Opinion of the Council of the Institute.
2.	The Opinion is based on the facts supplied and in the specific circumstances of the querist. The Committee finalised the Opinion on December 15, 2021. The Opinion must, therefore, be read in the light of any amendments and/or other developments subsequent to the issuance of Opinion by the Committee.
3.	The Compendium of Opinions containing the Opinions of Expert Advisory Committee has been published in forty volumes. This is available for sale at the Institute's office at New Delhi and its regional council offices at Mumbai, Chennai, Kolkata and Kanpur.
4.	Recent opinions of the Committee are available on the website of the Institute under the head 'Resources'.
5.	Opinions can be obtained from EAC as per its Advisory Service Rules which are available on the website of the ICAI, under the head 'Resources'. For further information, write to eac@icai.in .

Know Your Ethics



Q. Whether a Chartered Accountant in practice can accept a position as auditor previously held by another Chartered Accountant without first communicating with him in writing?

A. No, a Chartered Accountant in practice cannot accept a position as auditor previously held by another Chartered Accountant without first communicating with him in writing. It will be in violation of Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949.

Q. What is the intention behind communicating with the retiring auditor?

A. As per Council directions under Paragraph 2.14.1.8(i) under Clause (8) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 appearing in Volume-II of the Code of Ethics, 2020, professional courtesy alone is not the major reason for requiring a member to communicate with the existing accountant. The underlying objective is that the member may have an opportunity to know the reasons for the change in order to be able to safeguard his own interest, the legitimate interest of the public and the independence of the existing accountant. When making the enquiry from the retiring auditor, the one proposed to be appointed or already appointed should primarily find out whether there are any professional or other reasons why he should not accept the appointment.

Q. Whether posting of a letter under "Certificate of Posting" is sufficient to establish communication with retiring auditor?

A. No, a mere posting of a letter "Under Certificate of Posting" is not sufficient to establish effective communication with the retiring auditor unless there is some evidence to show that the letter has in fact reached the person communicated with. Members should therefore communicate with a retiring auditor in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee. In the opinion of the Council, the following would in the normal course provide such evidence:

- a. Communication by a letter sent through "Registered Acknowledgement due", or
- b. By hand against a written acknowledgement, or
- c. Acknowledgement of the communication from retiring auditor's vide email address registered with the Institute or his last known official email address, or
- d. Unique Identification Number (UDIN) generated on UDIN portal (subject to separate guidelines to be issued by the Council in this regard)

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Q. Whether a Chartered Accountant can accept appointment as an auditor after sending communication to the previous auditor through registered post without acknowledgment due?

A. No, a Chartered Accountant cannot accept an appointment as an auditor after sending communication to the previous auditor through registered post without acknowledgment due, as this may tantamount to professional misconduct under clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949.

Q. Whether a member of the Institute will be deemed to be guilty of professional misconduct if he accepts his appointment as an auditor immediately after intimating his appointment over the phone to the previous auditor?

A. Yes, the member would be held guilty of professional misconduct for the following reasons:

- a. That he had failed to communicate with the retiring auditor in writing; and
- b. That he did not wait for a reasonable length of time for a reply to be received from him.

Q. Who is “previous auditor” (or retiring auditor) for the purposes of communication to be made in terms of clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949?

A. The term “previous auditor” (or retiring auditor) refers to the immediately preceding auditor who held the same or similar assignment comprising same/ similar scope of work.

Q. Whether communication by the incoming auditor is mandatory with the previous auditor in respect of various audit assignments, like the concurrent audit, revenue audit, tax audit and special audits etc.?

A. Yes, the requirement for communicating with the previous auditor would apply to all types

of audits viz., statutory audit, tax audit, GST audit, internal audit, concurrent audit or any other kind of audit. The Council has laid down detailed guidelines in this regard and the same are appearing in Paragraph 2.14.1.8(xiv) to 2.14.1.8(xvii) under Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949 appearing in Volume-II of the Code of Ethics, 2020.

However, in case of assignments done by other professionals not being Chartered Accountants, it would also be a healthy practice to communicate.

Q. Whether a Chartered Accountant who is appointed as tax auditor for conducting special audit under the Income-tax Act, 1961 by the IT Authorities is required to communicate with statutory auditor?

A. Yes, Council direction mentioned under Clause (8) of Part I of First Schedule to the Chartered Accountants Act 1949, appearing in Volume-II of the Code of Ethics, 2020, prescribes that it would be a healthy practice if a tax auditor appointed for conducting special audit under the Income-tax Act, 1961 communicates with the members who has conducted the statutory/tax audit.

Q. Whether a Chartered Accountant in practice can accept audit in case the audit fee of the previous auditor remains unpaid?

A. No, in case the undisputed audit fees for carrying out the statutory audit under the Companies Act, 2013 or various other statutes have not been paid, the incoming auditor should not accept the appointment unless such fees are paid. In respect of other dues, the incoming auditor should in appropriate circumstances use his influence in favour of his predecessor to have the dispute as regards the fees settled.

The Council has taken the view that the provisions of audit fee made in accounts signed by both- the auditor and the auditee along with other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as ‘undisputed’ audit fees.

ACCOUNTANT'S BROWSER

PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

Index of some useful articles taken from Periodicals received during May – June 2022 for the reference of Faculty/Students & Members of the Institute.

1. Accountancy

Risk reporting: do country-level institutional forces really matter? By Rogerio Serrasqueiro and Jonas Oilveira. *Asian Review of Accounting*, vol.30, no.2, pp.258-293.

Transition to real time reporting: considers global government mandated digitisation for VAT reporting, including continuous transaction controls by Christiaan Van Der Valk. *International Accountant*, March-April 2022, pp. 17-20.

2. Audit

An independent fraud investigation framework – need of an hour (an insurance perspective) by Ashay Mahavir Mahajan. *The Journal of Insurance Institute of India*, April-June 2022, pp.57-65.

3. Economics

Determinants of risk reporting during the period of adoption of Basel II Accord: evidence from the Portuguese commercial banks by Graca Axevedo, Jonas Oliveira, LuizaSousaandMariaFatimaRibeiroBorges. *Asian Review of Accounting*, vol.30, no.2, pp.177-206.

Linear to circular economy, an essential paradigm shift by Hema Gaitonde. *Chartered Secretary*, May 2022, pp.103-108.

Monetary fiscal coordination and the evolution of public debt: a simple simulation exercise by Advait Moharir.

Economic & Political Weekly, May 28, 2022, pp.17-20.

Return and risk in life insurance: comparing the payoffs in life insurance policies by Shashidharan kuty. *The Journal of Insurance Institute of India*, April-June 2022, pp.3-9.

4. Information Technology

Global perspective on digital transformation in the finance domain – opportunities and challenges by Sridhar L S, D. Raja Jebasingh and P. Lakshmi Narayanan. *Chartered Secretary*, May 2022, pp.120-124.

5. Investment

SEBI and its push to startups listing in India by Pradeep Ramakrishnan, Yogita Jadhav and Megha Parmar. *Chartered Secretary*, May 2022, pp.85-93.

6. Management

Better way to assess managerial performance: a new measure gets past the distortions of total shareholder return and puts buybacks into perspective by Mihir Desai, Mark Egan and Scott Mayfield. *Harvard Business Review*, March-April 2022, pp.134-142.

CSR to sustainability – opportunities for company secretaries by A. Sekar and Nayana Premji Savala. *Chartered Secretary*, May 2022, pp.38-44.

Full Texts of the above articles are available with the Central Council library, ICAI, which can be referred on all working days. For further inquiries please contact on 011-30110419 and 011-30110420 or by e-mail at library@icai.in.

Maintaining a healthy weight with natural methods

For ages, being overweight has been considered a cosmetic concern, with a general belief that people are concerned about how they look. However, being overweight goes far beyond a cosmetic concern. It is no secret that medically excess body weight, can lead to multiple health issues like diabetics, muscle pain, arthritis, liver and kidney related problems, indigestion, stress and constipation, etc. This is why concerns over weight and diet management have become so common and obese people trying to improve their health are just as concerned



about these as anyone else, if not more so. One of the most important factors to keep in mind when managing weight and diet is discipline, or discipline of food. Essentially, one doesn't have to sacrifice their needs or desires. One can eat everything but as per the body requirement and a set time-table. In other words, the focus should be on having a balanced diet and opting for natural herbal products. If we want to control our weight, then we should control our diet. Control, here, essentially refers to the ability to consume everything but at specified time, and in specific quantity - that is only a two formula of successful diet plan. Apart from this, here is a diet chart that people can keep in mind to keep a check on their health and manage their fitness levels.

Diet Chart

Day 1-2	Days 3-6	Day 7 onwards
First two days of the month, have only vegetables and fruits, no dairy products, grains or oil. Only consume green salad and fruits to detoxify your body. For two days, have fenugreek(methi) seeds water first thing in the morning.	- In the morning, have honey and lemon water, and almonds (6 pieces), fig (anjeer) (1 piece) and walnut (1 piece). -For almonds, figs and walnut, soak overnight in water, and consume after removing the skin.	-Morning: Amla juice daily, Dry fruits, Nimbu Ras with Honey. -Breakfast: Rice Dosa/Daliya/ Chiwra (Poha)/sprout/ boiled chana/ Paratha but made with cow ghee or olive oil, minimal use (paratha only once or maximum twice a week).

Health and Wellness

<p>- In the morning, have lemon water and amla juice before breakfast.</p> <p>- For breakfast, have one bowl of boiled/steamed vegetables before 9 am.</p> <p>- After 3 hours – green salad (one plate).</p> <p>- After 3 hours - fruits.</p> <p>- After 3 hours - boiled vegetables (one bowl).</p> <p>- After 3 hours - vegetable soup.</p> <p>(Continue this for two days. During the day, you can have regular water but don't have water in one go, take in small sips.)</p>	<p>Breakfast: One bowl of Chiwra (Poha)/ Daliya/ Oats Cheela / Raagi Cheela/ Sprouts</p> <p>- Noon: Fruits</p> <p>Lunch and Dinner: Green salad, either take two chapatti and one bowl of vegetable or one bowl rice with daal.</p> <p>- Evening: Coconut water/ green tea/ lemon water.</p> <p>- Night: Before sleeping, consume Triphala Ras (if you experience constipation). Also, have aloe vera juice daily.</p>	<p>You can also have: Curd with pomegranate/ Apple - either option, once in a while.</p> <p>Have any of these items, as per your taste, but in small quantities and only any one dish. Eggs can also be taken as preferred. Herbal unsweetened teas are a healthier choice than tea with dairy and sugar.</p> <p>Maximum two biscuits of wholewheat flour (atta) only (best avoided if possible).</p> <p>-Noon: Green salad (have it separately, before lunch and not with it).</p> <p>-Lunch/ dinner: For six days either roti and vegetable or roti and daal, or daal rice – any food maximum once a week as per your wish, but in limited quantity.</p> <p>-Evening time: Fruits daily but any one day can have snacks (small in size and quantity).</p> <p>-Late evening: Soup</p> <p>Try to have dinner early - best to have by sunset.</p>
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General Tips:

- Milk: you can have one cup daily.
- Cow ghee/ butter/ mustard oil/olive oil/ peanut oil- Use in cooking
- Sweets- Small pieces, twice a week.

Note: Diabetic patients should check as per their sugar level



- Practise yoga on a regular basis and go for walks, daily.
- Have regular preventive products like – Aloe vera, amla, wheat grass, giloy, Godhan Ark, Triphala Ras, as required person to person.
- Regular intake of vitamin D – Indulge in outdoor activities in the morning sunshine, sit, walk or do your work in morning in open spaces.
- Though it is best avoided, a small quantity of fried snacks can be taken twice a day but before evening.
- Avoid packaged soft drinks and sweetened juices. Opt for fresh juice or Ayurvedic sharbat. An average of 12 glasses of water daily. In addition, Dhaniya, jeera, ajwain water after meals.

Dr. Atul Magan Shastri
An eminent Ayurveda Expert

Disclaimer: These are general tips and not medical advice, patient should discuss with their doctors before starting this diet schedule. (The views expressed are author's own).

Legal Decisions



Income Tax

LD/71/01 [ITAT Mumbai: ITA No. 7823/Mum/19] Stemade Biotech Pvt. Ltd. Vs. The Dy. Commissioner of Income Tax; 20/05/2022

ITAT upheld disallowance of referral fees paid to doctors for recommending stem cell banking; ITAT stated that when a referral fee is paid to a doctor for advising his client in a particular way so as to benefit the person paying the referral fee, it is clearly unethical and is susceptible to being used to manoeuvre the advice given by the doctor in the performance of his fiduciary duties; Relied on Supreme Court ruling in Apex Laboratories and on amendment to the Finance Act, 2022.

LD/71/02 [Supreme Court: Civil Appeal No. 4141/2022] Sadhana R Jain Vs. The Central Board of Direct Taxes; 18/05/2022

Supreme Court held assessee as eligible and entitled to the benefit of Income Disclosure Scheme, 2016 (IDS) for depositing the amount inclusive of interest with the Court in the light of CBDT Notification No. 103/2019 dt. Dec 13, 2019; All defaulters under IDS were permitted to deposit the amount with 12% interest as per the CBDT Notification which was duly deposited by the Assessee with Supreme Court as an interest-bearing deposit; Supreme Court directed for remittance of amount to the Revenue.

LD/71/03 [Allahabad High Court: W.P. No 347/2022] Ajay Bhandari Vs. The Union of India; 17/05/2022

Reassessment quashed where notice dated 31.03.2021 for AY 2014-15 was received by assessee on 01.04.2021 alleging less than Rs.50 Lacs as income escaping assessment; Notice held to be barred by limitation in terms of Section 149(1)(a); As per Clauses 6.2 and 7.1 of the Board's Circular dated 11.05.2022, if a case does not fall under Clause (b) of sub-Section (i) of Section 149 of the

Act, 1961 for the Assessment Years 2013-14, 2014-15 and 2015-16 (where the alleged escaped income is less than Rs. 50 lacs) and notice has not been issued within limitation under the unamended provisions of Section 149, then proceedings under the amended provisions cannot be initiated.

LD/71/04 [Orissa High Court: ITA. No 41/2017] Oripol Industries Limited Vs. The Jt. Commissioner of Income Tax; 12/05/2022

High Court upheld disallowance of commission paid to Directors and their relatives, holding it to be unreasonable and excessive; Assessee submitted that it had obtained an export order for supply of Iron Ore Fines (IOF) and since the supply was time-bound and the materials could not be gathered by the Directors themselves, their relatives were engaged and commission was paid to them; As per High Court, claiming that each of the seven persons to whom commission was paid actually had the expertise to help the appellant procuring the IOF from different sources appears to be stretching things a bit too far; Persons who were recipient of commission had no special expertise in procuring IOF and the commission so paid was also not insubstantial.

LD/71/05 [Gauhati High Court: WP(C)/3067/2022] Abhinav Mittal Vs. The Union of India; 11/05/2022

High Court set aside order u/s 148A(d) by directing revenue to pass an order by arriving at a satisfaction regarding rejecting the reply given by the Assessee on allegations of bogus purchase, de-novo; Assessee denied having made any purchases with two alleged parties by the revenue, and rather submitted that he had made sales to those two parties; Revenue conveniently converted the allegation made in the show cause notice from a bogus purchase to that of a sale after the reply of the Assessee while passing the order under Section 148A(d) and as per High Court, Revenue did not apply its mind correctly on assessee's submission;

Contributed by CA. Sahil Garud, GST & Indirect Taxes Committee (CA. Mandar Telang), Disciplinary Directorate and ICAI's Editorial Board Secretariat. For details please visit Editorial Page webpage at <https://www.icai.org/post/editorial-board>. Readers are invited to send their comments on the selection of cases and their utility at eboard@icai.in. For full judgement write to eboard@icai.in.

LD/71/06 [ITAT Mumbai: ITA. No 1370/Mum/2021] The Dy. Commissioner of Income Tax Vs. Bluebay Mauritius Investments Ltd.; 29/04/2022

ITAT held that brought forward capital loss cannot be adjusted against exempted short term capital gains under Article 13 of India- Mauritius DTAA; Assessee earned net short term capital gain of Rs.6.33 Cr from sale of securities and claimed it exempt under Article 13 and the assessee also had brought forward capital losses of Rs.32.17 Cr and sought the same to be carried forward for set off; Revenue held that brought forward losses should be adjusted against the short term capital gain for the current year; ITAT relied on coordinate bench ruling in Goldman Sachs Investments and held that Assessee is entitled to carry forward the brought forward capital loss to the subsequent assessment years without any adjustment.

LD/71/07 [ITAT Ahmedabad: ITA No.206/Ahd/2021] Arham Pumps Vs. The Dy. Commissioner of Income Tax, CPC; 27/04/2022

ITAT quashed intimation issued by CPC being in contravention of the first proviso to Section 143(1)(a); An addition of Rs. 2.10 was made for AY 18-19 on account of late payment of employees' contribution of PF and ESI against which assessee had preferred an appeal before the CIT(A) which was later migrated to NFAC as per the CBDT Notification, and which was upheld by the NFAC; As per ITAT, return can be processed only with respect to the six type of adjustments specified therein and no such adjustment could be made unless an intimation is given to the assessee of such adjustment in writing or in electronic mode; ITAT held that NFAC erred in conducting the faceless appeal in a mechanical manner without application of mind.

LD/71/08 [ITAT Mumbai: ITA No.64/Mum/2021] The Asst. Commissioner of Income Tax Vs. Mrs. Ramona Pinto; 26/04/2022

ITAT held that arbitration award received by partner from firm without any determination of her share in the firm or mention of her retirement, as not taxable under Section 28(iv); Assessee was awarded Rs. 3 Crores as arbitration award from the firm on matters of her name being excluded

from the firm and a new deed being executed without her consent; Neither the arbitration award nor the concerned terms made any mention that the assessee had retired from the firm, and nowhere it was specified that the amount paid represented the payment for her retirement; ITAT followed coordinate bench ruling and held the same was taxable under the head of income from other sources.

LD/71/09 [Delhi High Court: W.P.(C) 6905/2022] Indus Towers Limited Vs. Income Tax Officer and Ors; 10/04/2022

Reassessment proceedings quashed by High Court since notice u/s 148A(d) was issued by non-jurisdictional AO; For AY 2018-19, Assessee-Company was issued notice u/s 148A against which assessee raised the question of jurisdiction of AO located in Jaipur since jurisdiction over the Assessee was solely with AO, Delhi; HC refers to AO, Jaipur's letter to Revenue's counsel whereby the AO explicitly stated that (i) the information uploaded on INSIGHT portal based on which reassessment notice was issued did not mention PAN of the Assessee and Jaipur address was mentioned which was within his territorial jurisdiction, (ii) the aforesaid information was not visible to AO, Delhi, (iii) subsequently when the Assessee informed its PAN and it was found to be under the jurisdiction of AO Delhi, due to absence of functionality, information could not be transferred to Delhi from Jaipur.

LD/71/10 [ITAT Mumbai: ITA No. 6427/Mum/2018] Prin. Commissioner of Income Tax Vs. Ascent Hydro Projects Pvt. Ltd.; 06/04/2022

ITAT held carbon credits to be a non-taxable capital receipt; Rs.15.85 Lakh earned from the sale of carbon credit was also included in the profit from eligible undertaking for computing the deduction under Section 80-IA; Additionally, Revenue had made an addition of Rs.1.21 Cr. on account of unrealised marked to market gain as a result of interest rate and currency swap agreement; Assessee had obtained Euro loan & to mitigate the exchange fluctuation loss, Assessee had booked a forward contract with SBI and hedged the exchange rate at Rs.58.625 for the remaining period of loan outstanding; As per ITAT, loss has to be recorded as and when it is determined whereas the profit has to be recorded only when it is actually realised; ITAT ruled in favor of assessee.

Disciplinary Case



Statutory audit -Non verification of huge cash in hand --Plea of Respondent that audit team was not provided with all details of cash movement till date of audit --- Duty of Respondent/ professional to have sufficient audit evidence to conclude cash stated in balance sheet correct for formation of Audit opinion - Held, Respondent is guilty of professional misconduct under Clause (8) of Part I of the Second Schedule to the Chartered Accountants Act 1949.

Held:

In the instant case, the charge in brief, against the Respondent was that huge cash in hand has not been verified by the Respondent while auditing the Financial Statements of the Company. The Committee noted that total income of the Company from its business operations were Rs. 35,52,752.00 and Rs. 15,50,499.00 for the relevant Financial Years. On other side cash in hand were Rs. 2,33,20,460.48 and Rs. 4,25,08,737.71, which appears to be not commensurate with level of operation of the Company. Further, the Committee noted that the Respondent had taken the plea that out of 19 locations of the Company he has verified physical cash only at one location and as far other locations same has been taken as certified by the Management. But on perusal of Audited Financial Statements, the Committee noted that nowhere the Respondent has

disclosed the aforesaid fact that he had verified cash only at one location out of 19 locations. The Committee also noted that physical cash verification report for the location Kolkata nowhere seems to be a reasonable sample or test checking as claimed by the Respondent. Therefore, the Committee was of the view that in the given circumstances, the Respondent should have physically examined the cash under the normal course of audit, so as to ensure having sufficient audit evidence in his hand for formation of his opinion. The Committee further observed that as per para 7 of Guidance Note on Audit on Cash and Bank Balances, " the auditor should carry out physical verification of the cash at the date of Balance Sheet. However, this is not feasible, physical verification may be carries out, in surprised basis, at any time shortly before or after the date of Balance Sheet". Therefore, as per requirements, the Respondent was required to verify the cash balance of the Company, but admittedly he has failed to verify the same, indicating his casual and negligent approach towards his professional duties Accordingly, the Committee held him guilty of professional misconduct falling within the meaning of Clause (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

File No.: PR/P-/189/2014-DD/212/2014/DC/522/2017]

Circulars/Notifications

Given below are summarised important Circulars and Notifications issued by the CBDT, CBIC-GST and FEMA since the publication of the last issue of the journal, for information and use of members. Readers are requested to use the citation/website or weblink to access the full text of desired circular/notification. Suggestions on this column can be submitted at eboard@icai.in



I. NOTIFICATIONS

1. Government amends 'the Faceless Penalty Scheme, 2021' - Notification No. 54/2022, dated 27-05-2022

In exercise of the powers conferred by section 274(2A); the Central Government has amended Faceless Penalty Scheme, 2021 as notified earlier vide Notification no. 02/2021 dated 12.01.2021. Reference to 'Regional Faceless Penalty Centre(s)' is omitted. Also, 'penalty unit' is defined as an Assessing Officer having powers so assigned by the CBDT.

The detailed Notification can be downloaded from the link below:

https://www.incometaxindia.gov.in/communications/notification/notification_no_54_2022.pdf

2. Government amends directions with respect to procedure for imposing penalty under Faceless Penalty Scheme, 2021 - Notification No. 55/2022, dated 27-05-2022

In exercise of the powers conferred by section 274(2A) and in consequence to the amendments made in section 144B vide the Finance Act, 2022, for the purposes of giving effect to the Faceless Penalty (Amendment) Scheme, 2022, the Central Government vide this notification has amended directions with respect to procedure for imposing penalty under Faceless Penalty Scheme, 2021 as issued earlier vide Notification No. 3/2021 dated 12.01.2021. The revised directions and procedure shall come into effect from 27.05.2022.

The detailed Notification can be downloaded from the link below:

https://www.incometaxindia.gov.in/communications/notification/notification_no_55_2022.pdf

3. CBDT authorised the ACIT/DCIT (International Taxation), Circle -1(1)(1), Delhi under section 143(2) - Notification No. 56/2022, dated 28-05-2022

In exercise of powers conferred u/s 143(2) read with Rule 12E and in supersession of Notification No. 25/2021 dated 31.03.2021, the CBDT vide this notification has authorised the ACIT/DCIT (International Taxation), Circle -1(1)(1), Delhi to act as the 'Prescribed Income-tax Authority' for the purpose of issuance of notice u/s 143(2) w.e.f. 28.05.2022.

The detailed Notification can be downloaded from the link below:

<https://www.incometaxindia.gov.in/communications/notification/notification-56-2022.pdf>

4. CBDT prescribes Form and manner of filing appeal to the High Court on ruling pronounced or order passed by the Board for Advance Rulings u/s section 245W(1)

In exercise of powers conferred u/s 245W(1), the CBDT vide the Income-tax (Sixteenth Amendment) Rules, 2022 has inserted a new Rule 44FA which provides that the form and manner of filing appeal to the High Court u/s 245W(1) against a ruling pronounced or order passed by the Board for Advance Rulings by the assessee, or the AO on the directions of the Principal Commissioner or Commissioner, shall be the same as provided in the applicable procedure laid down by the jurisdictional High Court for filing an appeal to the High Court.

The detailed Notification can be downloaded from the link below:

<https://www.incometaxindia.gov.in/communications/notification/notification-57-2022.pdf>

5. 'National Biodiversity Authority' notified under section 10(46) - Notification No. 58/2022, dated 31-05-2022

In exercise of the powers conferred by section 10(46), the Central Government has notified 'National Biodiversity Authority' (PAN AAALN0331K), in respect of the specified income arising to that Authority subject to satisfaction of conditions laid therein for the FYs 2021-22 to 2025-26.

The detailed Notification can be downloaded from the link below:

<https://www.incometaxindia.gov.in/communications/notification/notification-58-2022.pdf>

6. Government relaxes and modifies certain conditions applicable to eligible investment fund and eligible fund manager u/s 9A(8A) - Notification No. 59/2022, dated 06-06-2022

In exercise of the powers conferred by section 9A(8A), the Central Government vide this notification has relaxed conditions as specified in section 9A(3)(e)/(f)/(g) for eligible investment fund and modified condition as specified in section 9A(3)(k). Further, for eligible fund manager, the conditions specified in section 9A(4)(b) has been modified as specified therein.

The detailed Notification can be downloaded from the link below:

<https://incometaxindia.gov.in/communications/notification/notification-59-2022.pdf>

7. Compliance Check Functionality for Section 206A8 & 206CCA of Income-tax Act 1961 - Notification No. 01/2022, dated 09-06-2022

ITD had earlier released a functionality Compliance Check for Section 206AB & 206CCA to facilitate tax deductors/collectors to verify if a person is a "Specified Person" as per section 206AB & 206CCA. This functionality is made available through (<https://lreport.insight.gov.in>) of ITD. Notification No. 01/2021 dated 22.06.2021 is modified to the extent of what is contained in this notification.

The detailed Notification can be downloaded from the link below:

<https://www.incometaxindia.gov.in/communications/notification/notification-no-01-of-2022.pdf>

8. CBDT lays down control of certain specified Income-tax Authorities - Notification No. 60/2022, dated 10-06-2022

In exercise of the powers conferred by section 118, the CBDT vide this Notification has directed control of Income-tax Authorities as specified in the Schedule to that notification i.e. specified Income-tax Authorities of Units shall be subordinate to Principal Commissioners of Income-tax, then such PCITs shall be subordinate to Chief Commissioners of Income-tax and such CCITs shall be subordinate to PCCITs as specified. This Notification shall be deemed to have come into force from 06.06.2022.

The detailed Notification can be downloaded from the link below:

<https://incometaxindia.gov.in/communications/notification/notification-no-60-2022.pdf>

9. CBDT lays down jurisdiction of specified income-tax authorities to facilitate the conduct of Faceless Assessment proceedings - Notification No. 61/2022, dated 10-06-2022

In exercise of the powers conferred by section 120 and in supersession of Notification No. 23/2021 dated 31.03.2021, the CBDT vide this notification has directed that the Income-tax Authorities of Units as specified in Schedule to that notification, shall exercise the powers and functions of AOs concurrently, to facilitate the conduct of Faceless Assessment proceedings u/s 144B, in respect of all persons or class of persons, or incomes or class of incomes, or cases or class of cases in the territory of India, with certain specified exclusions. This Notification shall be deemed to have come into force from 06.06.2022.

The detailed Notification can be downloaded from the link below:

<https://incometaxindia.gov.in/communications/notification/notification-no-61-2022.pdf>

10. Cost Inflation Index for Financial Year 2022-23 notified - Notification No. 62/2022, dated 14-06-2022

Clause (v) of Explanation to section 48 defines "Cost Inflation Index", in relation to a previous year, to mean such Index as the Central Government may, by notification in the Official Gazette, specify in this behalf, having regard to

75% of average rise in the Consumer Price Index (Urban) for the immediately preceding previous year to such previous year. The CBDT, has vide this notification, notified Cost inflation index for Financial Year 2022-23 as 331.

The detailed Notification can be downloaded from the link below:

<https://incometaxindia.gov.in/communications/notification/notification-62-2022.pdf>

11. Government notifies transfer of capital asset from NTPC Limited to NTPC Green Energy Limited u/s 47(viaf) - Notification No. 63/2022, dated 15-06-2022

In exercise of the powers conferred by section 47(viaf), the Central Government has notified the transfer of capital asset from NTPC Limited (PAN: AAACN0255D), being transferor public sector company, to NTPC Green Energy Limited (PAN: AAICN1737G), being transferee public sector company, under the plan approved by the Central Government on 21.03.2022, for the purposes of the said clause.

The detailed Notification can be downloaded from the link below:

<https://www.incometaxindia.gov.in/communications/notification/notification-63-2022.pdf>

II. CIRCULARS

1. Circular regarding use of functionality under section 206AB and 206CCA of the Income-tax Act, 1961 - Circular No. 10/2022, dated 17-05-2022

As compared to last year relevant provisions, now a person can become a 'specified person' for default in one year instead of earlier provision of default in two years. Further, there are certain amendments being made in section 206AB and section 206CCA vide the Finance Act, 2022. Accordingly, the logic of the functionality as explained through Circular no 11/2021 dated 21.06.2021 is modified to the extent of what is contained in this circular. The Circular further provides that this functionality has been developed to ease compliance for tax deductors/collectors. Asking the deductee/collectee to file evidence of furnishing of their return defeat the purpose of this taxpayer friendly measure.

The detailed Circular can be downloaded from the link below:

<https://incometaxindia.gov.in/communications/circular/circular-no-10-2022.pdf>

2. Clarification regarding Form No 10AC issued till the date of this Circular - Circular No. 11/2022, dated 03-06-2022

Finance Act, 2022 has inserted sub-section (4) in section 12AB allowing the PCIT/CIT to examine if there is any "specified violation" by the trust or institution registered or provisionally registered under the relevant clauses of section 12AB(1) or section 12AA(1). Similar provisions have also been introduced in section 10(23C). The power of cancellation has also been granted under rule 17A(5) and rule 2C(5) to the Principal Commissioner or Commissioner authorised by the CBDT. This Circular only relates to cancellation of registration/approval or provisional registration/approval in the case of "specified violation".

The detailed Circular can be downloaded from the link below:

https://incometaxindia.gov.in/communications/circular/circular_11_2022.pdf

III. PRESS RELEASES/INSTRUCTIONS/OFFICE MEMORANDUM/ORDER

1. Amendment in Guidelines for compulsory selection of returns for Complete Scrutiny during the Financial Year 2022-23 - procedure for compulsory selection in such cases - F. No. 225/81/2022-ITA-II, dated 03-06-2022

Earlier, The CBDT, vide its Guidelines, dated 11.05.2022 provided for guidelines for compulsory selection of returns for Complete Scrutiny during the Financial Year 2022-23 and also prescribed procedure for compulsory selection in such cases. Vide this document, amendment has been to such guidelines in 'Cases pertaining to search & seizure/requisition'.

The complete text of the above Instruction can be downloaded from the link below:

<https://incometaxindia.gov.in/Lists/Latest%20News/Attachments/522/Guidelines-compulsory-selection-of-returns-for-Complete-Scrutiny-during-FY2022-23-3-6-22.pdf>



GST

Notifications

1. Due date of filing Form GSTR-3B for the month of April 2022 extended to 24th May 2022

Owing to difficulties being faced by the taxpayers in availability of Form GSTR-2B for the month of April 2022, the due date for furnishing of return in Form GSTR-3B for the month of April 2022 has been extended till **24.05.2022**.

Notification No. 05/2022 –Central Tax dt. 17.05.2022

2. Due date of payment of tax in Form GST PMT-06 for the month of April 2022 extended to 27th May 2022

Owing to difficulties being faced by the taxpayers in availability of Form GSTR-2B for the month of April 2022, the due date of payment of tax in Form GST PMT-06, for taxpayers registered under Quarterly Return and Monthly Payment Scheme, for the month of April 2022 has been extended till **27.05.2022**.

Notification No. 06/2022 –Central Tax dt. 17.05.2022

3. Waiver of late fee for delay in filing Form GSTR-4 for FY 2021-22 for the period 1st May, 2022 to 30th June, 2022

The late fee payable for delay in furnishing of Form GSTR-4 (Annual Return for registered persons opting for Composition Scheme) for the Financial Year 2021-22 under section 47 of the CGST Act, 2017 has been waived for the period 01.05.2022 to 30.06.2022.

Notification No. 07/2022 –Central Tax dt. 26.05.2022

4. Waiver of interest for specified electronic commerce operators for specified months

- a. Interest leviable on late furnishing of Form GSTR-8 (monthly statement for tax collection at source filed by electronic commerce operators who collect tax at source) for the month of December 2020

has been waived in case of specified registered persons (60 GSTINs notified) who could not file their return by the due date due to technical glitch but had deposited the collected TCS of said month in the electronic cash ledger. The interest has been waived for the period starting from the date of depositing TCS in electronic cash ledger till the date of furnishing of Form GSTR-8.

- b. Interest leviable on late furnishing of Form GSTR-8 for the months starting from September 2020 till January 2021 has been waived for the specified registered persons (12 GSTINs notified) who could not file their return by the due date due to technical glitch but had deposited the collected TCS of said months in the electronic cash ledger. The interest has been waived for the period starting from the date of depositing TCS in electronic cash ledger till the date of furnishing of Form GSTR-8.

Notification No. 08/2022 –Central Tax dt. 07.06.2022

Guideline/ Instruction

Clarification on the legal position of voluntary payment of taxes during the course of inspection, search or investigation

Under CGST Act, 2017, the taxpayers have an option to make voluntary payment of tax through Form DRC-03. Such voluntary payment of tax before issuance of show cause notice is permitted under section 73(5) and section 74(5) of the CGST Act, 2017. This helps the taxpayers in discharging their admitted liability, self-ascertained or as ascertained by the tax officer, without having to bear the burden of interest under section 50 of CGST Act, 2017 for delayed payment of tax and may also save him from higher penalty imposable on him subsequent to issuance of show cause notice under section 73 or section 74, as the case may be.

Recovery of taxes not paid or short paid, can be made under the provisions of section 79 of CGST Act, 2017 only after following due legal process of issuance of notice and subsequent confirmation

of demand by issuance of adjudication order. Therefore, there may not arise any situation where “recovery” of the tax dues has to be made by the tax officer from the taxpayer during the course of search, inspection or investigation, on account of any issue detected during such proceedings. However, the law does not bar the taxpayer from voluntarily making payment of any tax liability ascertained by him or the tax officer in respect of such issues, either before or during the course of such proceedings or subsequently. The tax officer should, however, inform the taxpayers regarding the provisions of voluntary tax payments through DRC-03.

The Pr. Chief Commissioners/ Chief Commissioners, CGST Zones and Pr. Director General, DGGI are advised that in case, any complaint is received from a taxpayer regarding use of force or coercion by any of their officers for getting the amount deposited during search or inspection or investigation, the same may be enquired at the earliest and in case of any wrongdoing on the part of any tax officer, strict disciplinary action as per law may be taken against the defaulting officers.

Instruction No. 01/2022-23 [GST-Investigation] dt. 25.05.2022

CUSTOMS

Notifications

1. Reduction of Road & Infrastructure Cess on Petrol and Diesel

Road and Infrastructure cess is levied and collected as an additional duty of customs on import of certain specified goods, for financing infrastructure projects. With effect from 22.05.2022, the road and infrastructure cess leviable on motor spirit (petrol) and high-speed diesel oil has been reduced from Rs. 9 per litre to Rs. 5 per litre and Rs.2 per litre respectively.

Notification No. 25/2022-Customs dt. 21.05.2022

2. Exemption of deposits from the provisions of section 51A of Customs Act, 1962

Section 51A of the Customs Act, 1962 provides that every deposit made towards duty,

interest, penalty, fee or any other sum payable by a person under the provisions of this Act shall be credited to electronic cash ledger of such person. However, by exercising the power conferred under sub-section (4) of section 51A of the Customs Act, 1962, CBIC has exempted the deposits pertaining to all classes of persons and all categories of goods from the provisions of section 51A.

The above amendment shall be effective for the period 1st June 2022 to 29th November, 2022.

Notification No. 47/2022-Customs (N.T.) dt. 31.05.2022

3. Extension of effective date of applicability of section 51A of Customs Act, 1962

The effective date for applicability of section 51A has been extended from 1st June, 2022 to 30th November 2022.

Notification No. 48/2022-Customs (N.T.) dt. 31.05.2022



FEMA UPDATES

Guidelines to Import of Gold by Qualified Jewellers as notified by – The International Financial Services Centre Authority (IFSCA)

A.P. (DIR Series) Circular No. 04 dated May 24, 2022

In terms of Notification No. 49/2015-2020 dated January 5, 2022, in addition to nominated agencies as notified by RBI (in case of banks) and nominated agencies as notified by DGFT, Qualified Jewellers (QJ) as notified by International Financial Services Centers Authority (IFSCA) will be permitted to import gold under specific ITC(HS) Codes through India International Bullion Exchange IFSC Ltd. (IIBX);

In order to enable resident Qualified Jewellers to import gold through IIBX or any other exchange approved by IFSCA and the DGFT, Government of India the following directions under FEMA are being issued:

- Qualified Jewellers will be permitted by Indian banks to remit advance payment for

eleven days for import of gold through IIBX in compliance with extant FTP and regulations issued under IFSC Act. Such import through exchange/s authorised by IFSCA shall be as per the terms of the sale contract or other document in the nature of an irrevocable purchase order in terms of IFSC Act and regulations made thereunder by IFSCA. AD bank shall carry out all the due diligence and ensure the remittances sent are only for the bona fide import transactions through exchange/s authorised by IFSCA.

- ii. The advance remittance for import of Gold should not be leveraged in what-soever form for importing Gold worth more than the advance remittance made.
- iii. In case the import of Gold through IFSCA authorised exchange, for which advance remittance has been made, does not materialize, or the advance remittance made for the purpose is more than the amount required, the unutilised advance remittance shall be remitted back to the same AD bank within the specified time limit of eleven days.
- iv. For gold imported through IIBX, QJ shall submit the Bill of Entry (or any other such applicable document issued/approved by Customs Department for evidence of import), issued by Customs Authorities to the AD bank from where advance payment has been remitted.
- v. All payments by qualified jewellers for imports of gold through IIBX, shall be made through exchange mechanism as approved by IFSCA in terms of IFSC Act and regulations. Any deviation from the extant guidelines for import of Gold through IIBX need to be approved in advance by IFSCA and other applicable and appropriate authority/ies.

IFSC Authority (IFSCA) will conduct all required due diligence on the exchange - IIBX including all other entities involved in enabling import of Gold by QJs in terms of the IFSCA regulations. IFSCA shall also put in place necessary system to ensure that the advance remittance received from QJs are solely for the purpose for the import of gold through IIBX.

Following shall also be ensured by AD Bank:

- a. Required documentation, custom related procedure and filing Bill of Entry as import evidence etc. is complete.
- b. Single/multiple QRMs created and matched with corresponding BOEs and closed properly in IDPMS.
- c. QJs comply with relevant extant instructions relating to imports under FEMA 1999, FTP, FTDR Act 1992 and regulations of IFSCA.

AD banks may frame their own internal guidelines to deal with such cases, with the approval of their Board of Directors.

Following are Reporting requirement by AD banks:

- i. AD bank shall create Outward Remittance Message (ORM) for all such outward remittances in IDPMS in terms of extant guidelines.
- ii. All these transactions need to be reported in FETERS in terms of extant guidelines.
- iii. AD bank shall report the import of gold through QJ in XBRL as prescribed in para C.11.1 of Master Direction - Import of Goods and Services.

Discontinuation of Return under Foreign Exchange Management Act, 1999

A.P. (DIR Series) Circular No. 05 dated June 09, 2022

Reference may be drawn to A.P. (DIR series) circular No 20, dated August 29, 2012, Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations dated March 26, 2019 and the Master Direction - Reporting under Foreign Exchange Management Act, 1999 dated January 01, 2016, as amended from time to time wherein 'Statement for reporting of non-resident guarantees issued and invoked in respect of fund and non-fund based facilities between two persons resident in India' was required to be filed.

It has now been decided to discontinue the above return, with effect from the quarter ending June 2022.



Campus for Newly Qualified Chartered Accountants (NQCAs)

August-September, 2022

Maintaining strong and spontaneous relationship with the industry and other business houses remains the main focus of the Committee for members in Industry & Business (CMI&B) of the Institute of Chartered Accountants of India (ICAI). An initiative to that effect remains the Campus Placement Programme (held twice a year) that provides a platform to both the NQCAs and the organizations looking for to hire the best available talents to fulfil their human resource requirement. ICAI simply acts as a facilitator to bring the recruiter and NQCAs together.

Invitation to Organisations - Any organization (except manpower supplier), irrespective of its size, standing in the market and boundary of its business, can take part in this placement programme being held at several centers across the country during August-September, 2022.

Campus Interview Schedule:		
No.	Major Centres	Dates
1	Mumbai	22 nd , 24 th , 26 th , 29 th August, 1 st & 3 rd September, 2022
2	Delhi	23 rd , 25 th , 27 th , 30 th August, 2 nd & 5 th September, 2022
3	Bengaluru	24 th , 26 th , 29 th August, 1 st , 3 rd & 5 th September, 2022
4	Chennai	25 th , 27 th , 29 th August, 2 nd , 5 th & 7 th September, 2022
5	Kolkata	26 th , 29 th August, 1 st , 3 rd , 5 th & 7 th September, 2022
6	Ahmedabad, Hyderabad, Jaipur & Pune	29 th August, 1 st , 3 rd , 5 th , 7 th & 9 th September, 2022
No.	Smaller Centres	Dates
7	Bhopal, Durgapur, Ernakulam, Lucknow, Nagpur, Patna, Raipur, Rajkot, Ranchi, Vadodara & Visakhapatnam	26 th September, 2022
8	Kanpur	27 th & 29 th September, 2022
9	Noida & Thane	28 th & 30 th September, 2022
10	Bhubaneswar, Chandigarh, Coimbatore & Indore	29 th September & 1 st October, 2022

Invitation to Candidates – The above Campus is meant for the candidates, who would be passing the CA Final Examination held in May, 2022 and also for others who have qualified earlier and are fulfilling the criteria mentioned in the Announcement.

Organizations intending to recruit NQCAs through campus scheme are requested to get in touch with the CMI&B Secretariat, ICAI Bhawan, Indraprastha Marg, New Delhi -110002, and Email: campus@icai.in, Tel No. (011)30110555 and to register log on to <https://cmib.icai.org/>.

Candidates may email at cajob@icai.in, Tel No. (011)30110491/550 and to register log on to <https://cmib.icai.org/>.

Chairman
Committee for Members in Industry & Business
The Institute of Chartered Accountants of India

Organised By:
Committee for Members in Industry & Business (CMI&B)
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

'ICAI BHAWAN', Post Box No.: 7100, Indraprastha Marg, New Delhi – 110002 Tel. No.: (011) 30110555 | E-mail: campus@icai.in

Events

FORTHCOMING EVENTS

Sl. No	Title of the Seminar/Conference	Dates	Place	CPE Hours
Virtual CPE Meeting by GST & Indirect Taxes Committee				
For Registration Contact: GST & Indirect Taxes Committee, Phone- 0120-3045954 Email ID- gst@icai.in Visit website of the Committee: https://idtc.icai.org/ Fees: Nil				
1.	VCM on Prosecution and Arrest under GST	8 th July, 2022	Online- https://live.icai.org/idtc/vcm/08072022/	2
Virtual CPE Meetings by Internal Audit Standards Board				
For registration and details please contact, Secretary, IASB Secretariat: iasb.program@icai.in , 0120-3045995				
2.	Global Trends in Internal Audit- A Look Ahead	July 2, 2022, 6 PM – 9 PM	Virtual https://www.icai.org/post/internal-audit-standards-board	3
3.	Global Trends in Internal Audit- A Look Ahead	July 9, 2022, 6 PM – 9 PM	Virtual https://www.icai.org/post/internal-audit-standards-board	3
4.	Standards on Internal Audit- Keeping Pace with Reforms	July 12, 2022, 6 PM – 8 PM	Virtual https://www.icai.org/post/internal-audit-standards-board	2
5.	Global Trends in Internal Audit- A Look Ahead	July 16, 2022, 6 PM – 9 PM	Virtual https://www.icai.org/post/internal-audit-standards-board	3
6.	Global Trends in Internal Audit- A Look Ahead	July 23, 2022, 6 PM – 9 PM	Virtual https://www.icai.org/post/internal-audit-standards-board	3
7.	Standards on Internal Audit- Keeping Pace with Reforms	July 26, 2022, 6 PM – 8 PM	Virtual https://www.icai.org/post/internal-audit-standards-board	2
8.	Global Trends in Internal Audit- A Look Ahead” on,	July 30, 2022, 6 PM – 9 PM	Virtual https://www.icai.org/post/internal-audit-standards-board	3
For more details about the forthcoming events please refer the detailed announcements hosted on the ICAI website www.icai.org				

Classifieds

- 5909** Hyderabad based CA firm with experience of 33 years in practice require partners/paid CAs for Bangalore, Tirupati, Visakhapatnam and at Gacchibowli, Hyderabad. Contact details M. Devaraja Reddy 8008357999 email id: cadevanna@gmail.com
- 5910** 56 year old firm with vast experience wants to open Branches in Karnataka, Tamil Nadu, Andhra Pradesh, Madhya Pradesh, Telangana, UP and Gujarat. Interested party may respond. Contact: kr8703536@gmail.com, Ph-9938520897
- 5911** Required a partner for a proprietary practicing firm in Chennai. Email- vcdevadoss@yahoo.com, Mobile no. 9840153651.
- 5912** Chartered Accountant certified in IFRS and Ind AS with 23 years of industrial and professional work experience in Direct and Indirect Taxation and various types of audits is looking to join as Partner with Chennai as base. For details contact balarote2014@gmail.com and mobile number 8667387588.
- 5913** We are a Gujarat headquartered 40 year old Professional Practice; looking for proprietors/firms who are interested to officially merge with us. email: firm.rkdoshi@gmail.com

Glimpses of May - June 2022

THE HINDU BusinessLine

TUESDAY - JUNE 7-2022

Curriculum revamp proposed to mint 'global-ready' CAs

The new scheme will reduce practical training to 2 years from 3 years earlier

KR SRIVATS

New Delhi, June 6

The CA Institute proposes to overhaul its education and training scheme, seeking to introduce a new scheme to mint "global-ready" professionals with enhanced professional competence to cope with the demands of modern day industry and commerce.

On the anvil is a new scheme—which has received the 'in-principle' approval of the Corporate Affairs Ministry (MCA) and has been exposed for public comments—that seeks to reduce the pre-qualification articleship training period to 2 years from 3 years.

A notable proposed change is that the practical

training period will be an examination-free period of 2 years, wherein a student can focus on practical training, sources in the CA Institute said.

Further, after qualification, if someone wishes to apply for a Certificate for Practice, then he/she has to undergo a year of work-experience under a fellow practising chartered accountant, they added.

Practical training

"Under the proposed scheme, the practical training will start only after passing both groups of intermediate examinations, and the student will be eligible to appear for the final examina-

tion six months after completion of practical training," sources said.

A student may opt for industrial training (nationally or internationally) for a period of 9 to 12 months in the last leg of practical training, they added.

"The proposed scheme reduces the training period to 2 years from the earlier 3 years. But it is important to also understand the other changes related to the practical training period, which effectively take care of changes in the period," sources added.

The CA Institute would wait for public comments on the draft scheme, after which the Council of ICAI would consider the same, and the finalised scheme will be sent to the MCA for final approval.

The proposed changes in



the curriculum and training system will also take into account the increasing expectations from corporates and stakeholders for transparency and governance.

Tech-enabled learning

The new scheme has been formulated taking into account the best practices of international accountancy bodies, the significant aspects of the National Education Policy, 2020 (NEP, 2020) and the requirements under International Education Standards (IESs) of IFAC,

sources added. The previous occasion when the CA education and training scheme was modified was in 2017.

Under the new scheme, there will be technology-enabled learning through self-paced online modules, that provide necessary industry orientation. There will also be a mandatory paper on multi-disciplinary case study (with strategic management) at the final level to assess the integrated application of professional knowledge in different subject areas combined with the skills acquired during practical training.

Open book assessment

It is also proposed to follow an open book/restricted open book pattern of assessment at the final level to assess the higher-order skills of

aspiring chartered accountants, sources said. In the proposed scheme of education and training, the present three-tier structure, namely, Foundation, Intermediate and Final level, would continue. In addition, there will be four self-paced online modules which a student has to complete and pass separately to be eligible to appear in the final examination.

Thus, in place of 4+8+8 papers at the three levels in the existing scheme, there will be 4+6+6+4 papers in the proposed scheme, i.e., 4, 6, and 6 papers each at the Foundation, Intermediate, and Final levels, respectively, and in addition thereto, 4 self-paced online modules. In effect, the total number of papers, that is, 20, for which a candidate has to qualify would remain the same.

THE HINDU BusinessLine

TUESDAY - JUNE 14-2022

CARO 2020: CA Institute draft places more onus on statutory auditors

The ICAI has sought comments on the exposure draft by June 22

KR SRIVATS

New Delhi, June 13

The CA Institute has issued an exposure draft for Guidance Note on the Companies Auditors Report Order (CARO) 2020, which had placed more onus on statutory auditors as regards fulfilling their professional responsibilities. The purpose of the Guidance Note is to enable the auditors to comply with the reporting requirements of the Order.

CARO 2020 for FY22

It maybe recalled that CARO 2020 is applicable for audits



of financial year 2021-22. The Institute of Chartered Accountants of India (ICAI) has sought comments on the exposure draft by June 22, sources said.

CARO 2020 was the overhauled auditor's report that was to accompany balance sheets of companies for financial year commencing on or after April 1, 2019 (FY 19-20). Subsequently in March 2020 and December 2020, its ap-

Under the new regime, an auditor is required to report/certify several details which was so far not required to be certified. As many as 21 items required detailing in the new CARO-2020, according to experts.

plicability was deferred by one year each. Accordingly, CARO 2020 is applicable for audits of financial year 2021-22 onwards.

CARO 2020 contains certain matters on which the auditors of companies (except auditors of those categories of companies which are specifically exempted under the Order) have to make a statement in their audit reports.

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Supersedes CARO 2016

The new reporting regime of CARO 2020—which was introduced by Ministry of Corporate Affairs (MCA) in consultation with National Financial Reporting Authority in February 2020 — had superseded CARO 2016.

Under the Companies Act 2013, there has been three versions of CARO— which specifies the format of the auditor report on company financial statements—in 2015, 2016 and 2020.

The Times Of India, Pune

CAMPUS

MONDAY, JUNE 13, 2022
www.educationtimes.com

How can ICAI members expand professional horizons in foreign countries

ICAI's MRAs, MoUs and tie-ups with foreign bodies enhance prospects of the Indian CAs

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Chartered Accountancy is among the most desirable professional courses offered in India. With rapid globalisation and expansion of the corporate world, several Indian Chartered Accountants are now holding top-level positions in companies overseas.

Speaking to *Education Times*, Debashis Mitra, president, of ICAI says "The curriculum of ICAI is in compliance with international education standards (IESs) of International Federation of Accountants (IFAC). Also, the curriculum is in line with practices followed by leading international professional accountancy organisations (PAOs), such as ICAEW, CPA, Australia, CPA Canada and so on."

ICAI has been playing a significant role in the development of the global accountancy profession by entering into Mutual Recognition Agreements (MRAs) with a number of international accounting bodies that set out procedures for members of one country to become members of another country by qualifying only 2 to 3 papers of the other accounting body, he says. All the MRAs, MoUs and tie-ups with foreign bodies enhance the prospects of the Indian CAs to get professional opportunities in those countries.

"The scope of Indian Chartered Accountants in foreign countries is broad, which aligns with the curriculum and competencies. These professionals have a choice to set up their own independent practice to serve companies and clients, or they can pursue a professional career with a company," explains Ajay Sharma, founder, Abhinav Immigration Services Private Limited, an immigration consultancy. However, Indian Chartered Accountants must pursue a locally recognised course or appear for an examination to be eligible to work in foreign countries.

Explaining how ICAI members can expand professional horizons abroad, he adds, "The Institute of Chartered Accountants of India has maintained



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MOU and MRA with many countries. The nine MoUs are with the England and Wales Institute of Chartered Accountants, the Chartered Professional Accountants of Canada, Institute of Professional Accountants of Russia, Qatar Financial Centre, College of Banking & Financial Studies in Oman, Bahrain Institute of Banking and Finance, the Institute of Certified Public Accountants of Kenya, the National Board of Accountants and Auditors in Tanzania and the Institute of Chartered Accountants of Nepal."

"Mutual Recognition Agreements have been signed with Certified Public Accountants in Australia, the Institute of Certified Public Accountants in Ireland, the South African Institute of Chartered Accountants, the Malaysian Institute of Certified Public Accountants, and the Institute of Chartered Accountants of Nepal. These MoUs and MRAs would facilitate both the institutes to recognise the qualification of each other and admit the members in good standing by prescribing a bridging mechanism. Indian CAs need to appear for the local examination to attain membership in the governing body of the chosen country," he says.

Mitra further says, "ICAI has 44 overseas chapters and 31 representative offices spanning across 47 countries. Through its overseas chapters and representative offices, ICAI has been playing a prominent role in global professional accountancy development."

THE INDIAN EXPRESS, FRIDAY, JUNE 10, 2022

NOTICE BOARD EDUCATION CELEBRATIONS, EVENTS



EVENT-ICAI

The Institute of Chartered Accountants of India (ICAI) organised the "Iconic Day" today on June 8th 2022 at New Delhi commemorating 75 years of India's Independence as a part of country wide Azadi Ka Amrit Mahotsav Celebrations. The event at New Delhi was inaugurated by the Chief Guest Arun Singh, Member of Parliament (Rajya Sabha) and Guest of Honour, Rajesh Verma, Secretary, Ministry of Corporate Affairs, GOI. Present on the occasion were CA. (Dr) Debashis Mitra, President; CA. Aniket Sunil Talati, VP; and Central & Regional Council Members of ICAI.

BusinessLine

WEDNESDAY - MAY 25-2022

ICAI bats for joint audits; writes to MCA

KR SRIVATS

New Delhi, May 24

Corporates, especially listed companies and the large unlisted ones, may soon have to gear up to follow the concept of mandatory "joint audits" of their financial statements, going by the thinking in government circles and the CA Institute.

The CA Institute has now written to the Corporate Affairs Ministry (MCA), extending its full support for such a recommendation, as made by the Company Law Committee (CLC) which submitted its report in March this year.

In joint audits, two or more auditors conduct an audit on a legal entity (the auditee) to produce a single report. Currently, they are being done in the case of public sector banks and companies.

"We (ICAI) have agreed on the proposal on joint audits. We have given in writing to MCA that we accept the CLC recommendations on this front," Debashis Mitra, President, Institute of Chartered Accountants of India (ICAI), told *BusinessLine*.

The relevant amendments on joint audits may happen when the Centre brings in the next round of comprehensive changes to the Companies Act 2013 during the monsoon or winter session of Parliament.

More costs, transparency

Experts are quite divided on the utility of this system. Some oppose this concept as it could increase the cost of audits.

Others, such as G Ramaswamy, former ICAI President and a member of the CLC, support it.

Ramaswamy said that joint audits would promote transparency, as well as give comfort to all stakeholders, including management.

"Joint audits should be started with listed companies and large body corporates, and then percolated to small and medium companies. This is an excellent concept for promoting professionalism and good governance. Financial statements will then have more transparency and better disclosures, so that all stakeholders can benefit," he said.

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अपना बिजनेस

एडिशन
दिल्ली
13 जून 2022

आईसीएआई ने मनाया आजादी का अमृत महोत्सव- "प्रतिष्ठित दिवस"

इस्टीमेट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया (आईसीएआई) ने देश भर में आजादी का अमृत महोत्सव समारोह मनाया। इस महोत्सव के एक हिस्से के रूप में भारत की आजादी के 75 साल के उपलक्ष्य में नई दिल्ली में आज 8 जून 2022 को "आइकोनिक डे" का आयोजन किया गया। नई दिल्ली में कार्यक्रम का उद्घाटन

मुख्य अतिथि श्री अरुण सिंह, माननीय संसद सदस्य (राज्य सभा) और विशिष्ट अतिथि श्री राजेश वर्मा, सचिव, कॉर्पोरेट मामलों के मंत्रालय, भारत सरकार ने किया। इस अवसर पर श्री अरुण सिंह ने कहा कि देश आजादी का अमृत महोत्सव मना रहा है। सभी नागरिकों का वित्तीय समावेशन ही इस महोत्सव की कुंजी है।

You can too...



ICAI STRENGTHENING SUSTAINABILITY ECOSYSTEM TO ATTAIN SUSTAINABLE DEVELOPMENT GOALS 2030

ICAI takes various initiatives to strengthen Reporting ecosystem for community(s), businesses, economy as well as entities

- ▶ **Sustainability Literacy Drive:** Spreading awareness on importance and adoption of Sustainability Reporting
- ▶ **Carbon Footprint Challenge:** Creating a suggestion bank on ways to reduce carbon emissions
- ▶ **Certificate Course on Business Responsibility and Sustainability Reporting:** For capacity building and nurturing skills
- ▶ **ICAI International Sustainability Reporting Awards and ICAI Sustainability Reporting Awards:** To recognise global best practices in Sustainability Reporting
- ▶ **Framework for Disclosures on Climate Related Risks:** Developing guidelines in consultation with Industry Associations/ Stakeholders and Regulators
- ▶ **Propagating Sustainability Reporting Requirements and Assurance Standards:** Contributing to international bodies for Reporting specific requirement
- ▶ **Mega Tree Plantation Drive:** Planting & nurturing 10 lakh trees nationwide
- ▶ **Green Buildings:** Developing environment-friendly buildings to preserve precious natural resources

Sustainability — Everyone's Responsibility



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)





The Institute of Chartered Accountants of India

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Discover Wealth of Financial Knowledge



Financial
and
Tax Literacy

— An Awareness Initiative by ICAI —

In line with the Government of India's national mission on **Vitiya Saksharta**, The Institute of Chartered Accountants of India (ICAI) on the occasion of 73rd CA Foundation Day had launched an innovative Financial & Tax Literacy Drive to promote financial planning and tax related guidance nationwide. This Drive includes awareness creation through the knowledge hub of seminars & lectures, articles & activities, booklets & video guides by the large community of Chartered Accountants who will act as **Vitiya Mitras**.

Visit www.vitiyagyan.icai.org

A one-stop destination for information and learning assets in 12 vernacular languages on various topics



...and many more