



**KOTTAYAM BRANCH OF SIRC OF  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

# **newsletter**

**March 2018  
2018 – 19 – Vol: 1**



**Strictly for private circulation**

Published by CA. Byju M. I, Chairman and Chief Editor  
Kottayam Branch of the Institute of Chartered Accountants of India, ICAI Bhavan, Kollad PO  
Kottayam – 686 004 E-mail: kottayam@icai.org  
Editorial Board: CA. Prasanth Srinivas and CA. Jijo Jose

## Our Office Bearers for the year 2018 – 19



### KOTTAYAM BRANCH OF SIRC OF ICAI

Dear Members,

We are happy to inform you that the following Office Bearers of the Kottayam Branch of SIRC of ICAI have been elected for the year 2018-19 in the Managing Committee held on 26.02.2018.

CA. M. I BYJU	CHAIRMAN	
CA. MURALEE CHANDRAM V. R	VICE CHAIRMAN	
CA. JIJO JOSE	SECRETARY	
CA. BIMAL C. SEKHAR	TREASURER	
CA. PRASANTH SRINIVAS	SICASA CHAIRMAN	
CA. RIJESH CHIRATHILATTU RAJ	SICASA MEMBER	
CA. JOSY THOMAS	PAST CHAIRMAN	
CA. P. ANIL	IMMEDIATE PAST CHAIRMAN	

Thanking you,  
Yours faithfully

CA. Bimal C. Sekhar  
Secretary



## From the chairman's desk

Dear Esteemed Professional Colleagues  
**"Warm Greetings to all"**

The New Office bearers for the year 2018 - 19 took charge on 26<sup>th</sup> February 2018 as per the direction of our Institute and I express my sincere gratitude to the members of Kottayam Branch for electing me as the Chairman for the Year 2018 – 19. For the last few years our branch has been performing very well under the leadership of eminent and vibrant Chairmen.

At our Head Quarters CA Naveen N D Gupta took charges as President of ICAI on 12<sup>th</sup> February 2018 and installation of SIRC office bearers were held on the 22<sup>nd</sup> February 2018. Your Chairman and secretary attended the Chairman's meeting held at Chennai on 23<sup>rd</sup> February 2018 and the deliberations by our CCM's and RCM's are very useful for giving instructions and directions to the branch staffs in performing their duties for the welfare of our members and students

SIRC also released the year planner of 2018-19 and based on their directions we are also planning to release the activity calendar of our branch for 2018 – 19. I request all the members may reserve your dates well in advance for attending branch CPE meetings, seminars, workshops and other activities to enlighten our knowledge and wisdom and to attain the required CPE hours

Now we are passing through the tough time due to the negative and bad perception by various regulative bodies on account of the PNB Scam and related issues .Finally NFRA is also become a reality .NFRA will act as independent Regulator for the audit profession by regulating the quality of audit assignments and punishment against the erring CA firms . So let us all keep our hands together for the well-being of our profession and fraternity

We had some leisure time in the month of January and February for all of us after the tireless completion of Scrutiny Assessment for the A Y 2015.16 and some of our members were enjoying leisure trip with family to release the stress and work load

Hot days are coming by way of summer and at the same time we are also little busy in professional assignments by planning the Advance Tax of the last Instalments and other tax planning for our clients

This year's first CPE meeting and inauguration of the branch activities were held on 05.03.2018. Vice Chairman of SIRC CA. Jomon K George inaugurated the function and CA. Prasanth Srinivas spoke on Direct Tax Proposals in the Union Budget 2018. I thank the members for coming in large numbers to make the meeting a memorable one. I request the presence of all the members for all the activities of the branch for the year ahead

One again thanks for all your support and expect the directions, suggestions and guidance of all senior members and request the prayers of all the members

Kottayam  
06.03.2018

CA. M. I. Byju  
Chairman

## **NFRA – A REALITY NOW!**

**CA Shyam.V.Mahadevan, Kochi**

The announcement by the Press Information Bureau on 1<sup>st</sup> March 2018 citing the approval of the Union Cabinet chaired by the Prime Minister Shri Narendra Modi for establishing the **National Financial Reporting Authority (NFRA)** has come as a bolt from the blue to the Institute of Chartered Accountants of India which was the sole and self-regulatory body for the accounting and auditing profession in the country since 1949. The approval has come despite series of **representations made by the ICAI** with the MCA since the introduction of the NFRA provisions in the draft Company Law which was **put down by the Parliamentary Committee**.

### **Need for NFRA – government perspective!**

The Standing Committee on Finance in its 37<sup>th</sup> report placed before the Lok Sabha mentioned major concerns raised by the MCA as under:

- **Independence of auditors affected** due to conflict of interest in the auditing process as the auditing company pay fee to the auditors.
- **Number of independent audit regulators across the world has increased** from 18 in the year 2006 to 51 till date.
- **Existing electoral process of the ICAI is inherently saddled** with compromises and the process has failed to bring the best in the field in the regulatory roles.
- **Oversight by ICAI is passive in nature** and with limited focus on active investigations.
- **Actions taken on cases coming up with Disciplinary Committee are very less.** Out of 1972 cases taken up by Disciplinary Committee of ICAI, members were permanently removed only in the case of Satyam Computers, penalty imposed only in 14 cases and majority of the remaining cases were merely reprimanded or cautioned. Further, 1226 cases were closed at prima facie stage as professionals were found to be not guilty of misconduct even though these included several cases referred by MCA and SEBI.
- Considering the inherent weaknesses in the disciplinary mechanism of ICAI, **constitution of NFRA as an independent body** would lead to enhanced institutional **oversight over auditors**, enhanced **market integrity** and protection of **interest of stakeholders**.

Thus, the prime focus of the government in introducing the NFRA is to enforce strict disciplinary mechanism and see that actions are taken for all cases referred.

### **Why fear NFRA?**

Sec. 132(4)(a) of the Companies Act 2013 confers **extensive powers** to the NFRA **notwithstanding any contained in any other law**.

- To **investigate**, either suo moto or on a reference by the Central Government for such class of body corporates or persons in such manner **into the matters of professional or other misconduct** committed by any member or firm of Chartered Accountants. Further, where NFRA has initiated an investigation, no other institute or body shall initiate or continue any proceedings in such matter.
- **Shall have powers as are vested in a civil court** under Code of Civil Procedures 1908, while trying a suit

- If a professional or other misconduct is proved, the NFRA shall have the **power for imposing penalty, debaring the member or firm**. The penalty and debaring guidelines are as under:
  - **Penalty**; in case of individuals not less than Rs. 1,00,000 which may extend to five times the fees received and in case of firms, not less than Rs. 5,00,000 which may extend to ten times fees received.
  - **Debaring**; Minimum period of six months or for such higher period not exceeding ten years.

### **Jurisdiction of NFRA**

The jurisdiction of NFRA for investigation of Chartered Accountants and their firms under section 132 of the Act would extend to **listed companies** and **large unlisted public companies**, the **thresholds for which shall be prescribed** in the Rules. The Central Government can also refer such other entities for investigation where public interest would be involved.

The inherent **regulatory role of ICAI** as provided for in the Chartered Accountants Act, 1949 shall continue **in respect of its members in general** and specifically with respect to **audits pertaining to private limited companies**, and public **unlisted companies below the threshold** limit to be notified in the rules.

### **Functions of NFRA**

The NFRA shall perform functions prescribed under Sec. 132(2) of the Act **notwithstanding any contained in any other law**.

- To make recommendations to the Central Govt. on **formulation and laying down of accounting and auditing policies** and standards **for adoption by Companies or its auditors**
- To **monitor and enforce the compliance** with Accounting Standards and Auditing Standards
- To **oversee the quality of service** of the professions associated with ensuring compliance with such standards and suggest measures for improvement

### **What next ??**

When the failure of a single entity ENRON resulted in the introduction of Sarbanes-Oxley Act in 2002 in the USA mandating increased corporate governance and disclosure requirements, the Companies Act 2013 was given birth to in India in the light of few selected scams in the past. Though several provisions initially introduced for all companies were eased out by several notifications issued later, the hanging sword of NFRA continued to be the nightmare for the profession as the disciplinary mechanism was to be handled by an authority which is totally alien to the profession.

The NFRA provisions are undoubtedly stringent than the NACAS under the erstwhile Companies Act. Be that it may, whether the roll out was due to a single / a few instances in the past, whether such instances were by collusion with the Company or not, the reality to be accepted is that the existing fraternity in the profession, as a result of "principle of generalisation", is now forced to face the brunt in the years to come.

The principle of utmost professional scepticism, thus, becomes the order of the day which is now expected to be exercised notwithstanding whether the assignment is to "express an opinion" or not.

**Views expressed are the personal views of the author**

**At the helm of affairs**



**CA. NAVEEN N. D. GUPTA, PRESIDENT ICAI, 2018 – 19**



**CA. PRAFULLA PREMSUKH CHHAJED, VICE PRESIDENT ICAI, 2018 – 19**



**CA. Adusumili Venkateswara Rao  
Chairman SIRC of ICAI, 2018 – 19**



**CA. Jomon K. George  
Vice Chairman SIRC of ICAI, 2018 – 19**

## Inauguration of the branch activities and CPE programme on 05.03.2018



**CA. M. I. Byju, Chairman, Speaking**



**Inauguration – CA. Jomon K. George**



**CPE Calendar launching**



**CA. Prasanth Srinivas speaking**



**Audience**



**Audience**



**KOTTAYAM BRANCH OF  
SOUTHERN INDIA REGIONAL COUNCIL OF  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

ICAI Bhawan, Kollad, Kottayam – 686004

PH:0481-2343057, 2341407

**PROGRAMME CALENDAR 2018-2019**

<b>Date</b>	<b>Programme</b>
5 <sup>th</sup> March 2018	Inauguration of Branch Activity and Monthly CPE Meeting
15 <sup>th</sup> March 2018	Bank Audit Seminar
22 <sup>nd</sup> March 2018	Investor Awareness Program
23 <sup>rd</sup> April 2018	CPE Seminar
12 <sup>th</sup> May 2018	Half Day Seminar
8 <sup>th</sup> June 2018	CPE Seminar and Ifthar Dinner
26 <sup>th</sup> June 2018	CPE Seminar
1 <sup>st</sup> July 2018	Chartered Accountants Day – Flag Hoisting & Celebrations
7 <sup>th</sup> July 2018	Half Day Seminar
20 <sup>th</sup> and 21 <sup>st</sup> July 2018	National Seminar / Residential Seminar
10 <sup>th</sup> August 2018	CPE Seminar
15 <sup>th</sup> August 2018	Independence Day Celebrations
23 <sup>rd</sup> August 2018	Onam Celebrations
31 <sup>st</sup> August and 1 <sup>st</sup> September 2018	SIRC Regional Conference
5 <sup>th</sup> September 2018	CPE Seminar and Teachers Day Celebrations
13 <sup>th</sup> October 2018	Half Day Seminar
8 <sup>th</sup> November 2018	CPE Seminar
27 <sup>th</sup> November 2018	CPE Seminar
8 <sup>th</sup> December 2018	Half Day Seminar
28 <sup>th</sup> December 2018	X'mas & New Year Celebrations
9 <sup>th</sup> January 2019	CPE Seminar
25 <sup>th</sup> January 2019	CPE Seminar

**CA. M.I BYJU**  
Chairman

**CA. JIJO JOSE**  
Secretary