

**PRESS RELEASE ISSUED by ICAI
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ICAI is an autonomous regulator of accounting profession created by Chartered Accountants Act, 1949. During its existence of 69 years, ICAI is contributing in public interest with sole mandate of independence, integrity and excellence.

As per framework of governance, standard setting and disciplinary mechanism prescribed in the Chartered Accountants Act, 1949, a strong public interest oversight mechanism is inherent in ICAI structure since 8 Central Council Members on the Central Council (Apex body) of ICAI are nominated by the Government of India. Similarly, each Disciplinary Committee has two Government nominees and each Board of Discipline has one Government nominee and the Chairman of Appellate Authority of Disciplinary mechanism is a retired Judge of High Court being nominated by Central Government. Moreover, all the Standing and Non-standing Committees of ICAI has Government nominees as the member. All the decisions of the disciplinary Committee and Board of Discipline are taken on consensus basis. Besides, there is self-regulated mechanism in the form of Peer Review Board, Financial Reporting Review Board and Quality Review Board which have nominations from the Government of India. Moreover, Chairman of the Quality Review Board is appointed by the Central Government.

In the matter of irregularities in PNB that has been reported in media on 14th February, 2018, the disciplinary directorate of ICAI *suo moto* has started investigation as per Chartered Accountants Act, 1949 and issued letters on 15th February, 2018 to PNB, SEBI, CBI and ED urging them to share details of reports / findings in respect of alleged frauds.

The ICAI has also set up a High Powered Group to study the issues in PNB bank matter and suggest remedial measures and improvements in the banking system. First meeting of the Group has already been held on 23rd February 2018, in Mumbai. The officers of PNB were called by ICAI to appear and produce copy of all related documents in the said frauds. GM Western Zone, PNB appeared and made his statement in Mumbai

The Directorate of Discipline of ICAI has also issued show cause notice to all Central Statutory Auditors of PNB and the auditors of Gitanjali Gems Limited. As such, ICAI's commitment to be pro-active regulator of the Auditing and Accounting profession through investigation is to ensure accelerated conclusion of proceedings and take action against those members of CA profession who are involved in the fraud at PNB.

In the background of pro-active steps, ICAI supports every effort of strengthening the existing mechanism but the model of oversight mechanism on the pattern of overseas regulations like Sarbanes Oxley Act 2002 has been found to be ineffective in so far in back-drop of banking sector mortgage scams in USA 2008-2009.

This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

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Further, Parliamentary Standing Committee in its own wisdom and after multi stakeholder consultation, in its 37th Report has recommended, “*Consistent with its position on strengthening the oversight of corporate audit, the Committee desires that the existing mechanism in this regard under the ICAI Act should be streamlined and strengthened without needlessly adding to regulatory levels. This may be undertaken in consultations with the Institute of Chartered Accountants of India (ICAI), which is the designated elected self regulatory body for professional audit in the country. ...”*

Last year, the Central Government appointed High Level Committee (HLC) comprising of Government Nominee members of the Disciplinary Committee of all three sisters Institutes namely The Institute of Chartered Accountants of India (ICAI), The Institute of Company Secretaries in India (ICSI) and The Institute of Cost Accountants of India (ICoAI) to suggest amendments in the respective Act for strengthening the disciplinary and oversight mechanism of all three Institutes. The ICAI has already submitted its comments to the recommendation of HLC, which has also already drafted amendments to the Chartered Accountants Act, 1949; Company Secretaries Act 1980, and Cost Accountants Act 1959 in line with the HLC report. In fact even before formation of the HLC, ICAI has pro-actively constituted internal group to review the disciplinary mechanism and already submitted its suggestions to Government for suitable amendment in Chartered Accountants Act, 1949.

In view of all the pro- active steps taken by the ICAI, a robust regulator of accounting and auditing profession of India, ICAI’s commitment to conclude the disciplinary process against those found involved in the PNB scam remains high.

Till the time disciplinary inquiry is concluded, and the role of all those who acted in fiduciary responsibility is established in the matter, it would not be prudent to draw any conclusion against the profession. As such, ICAI remains committed as proactive regulator to ensure accelerated inquiry and conclusion of the disciplinary proceedings in PNB matter and supports any improvement in the existing disciplinary mechanism in view of HLC recommendations for all three Sister Institutes.

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