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**STANDING COMMITTEE
ON FINANCE
(2004-2005)**

FOURTEENTH LOK SABHA

**THE CHARTERED ACCOUNTANTS
(AMENDMENT) BILL, 2003**

ELEVENTH REPORT



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2005 / Phalgun, 1926 (Saka)

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(2004-2005)

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THE CHARTERED ACCOUNTANTS
(AMENDMENT) BILL, 2003

Presented to Lok Sabha on 25.2.2005

Laid in Rajya Sabha on 25.2.2005



LOK SABHA SECRETARIAT
NEW DELHI

February, 2005/Phalguna, 1926 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON
FINANCE—2004-2005

Maj. Gen. (Retd.) B.C. Khanduri—*Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Gurudas Dasgupta
4. Shri Bhartruhari Mahtab
5. Shri Shyama Charan Gupt
6. Shri Gurudas Kamat
7. Shri A. Krishnaswamy
8. Shri Bir Singh Mahato
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Rajya Sabha

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23. Shri R.P. Goenka
24. Shri Jairam Ramesh
25. Shri M. Venkaiah Naidu
26. Shri Yashwant Sinha

(iv)

27. Shri Chittabrata Mazumdar
28. Shri S.P.M. Syed Khan
29. Shri Amar Singh
30. Shri C. Ramachandraiah
31. Shri Mangani Lal Mandal

SECRETARIAT

- | | | |
|---------------------------|---|-------------------------|
| 1. Shri P.D.T. Achary | — | <i>Secretary</i> |
| 2. Dr. (Smt.) P.K. Sandhu | — | <i>Joint Secretary</i> |
| 3. Shri R.K. Jain | — | <i>Deputy Secretary</i> |
| 4. Shri R.C. Kakkar | — | <i>Under Secretary</i> |

INTRODUCTION

1. Chairman, Standing Committee on Finance, having been authorised by the Committee to submit the Report on their behalf, present this Eleventh Report on the Chartered Accountants (Amendment) Bill, 2003.

2. The Chartered Accountants (Amendment) Bill, 2003 was introduced in Rajya Sabha on 23rd December, 2003 and was referred to the Committee on 18th August, 2004 by the Hon'ble Speaker of Lok Sabha for examination and report thereon.

3. The Committee obtained written information on various provisions contained in the Bill from the nodal Ministry *i.e.* Ministry of Company Affairs who also briefed them at their sitting held on 6th October, 2004.

4. The Committee sought memoranda from the Chambers of Commerce and the Institute of Chartered Accountants of India on the Bill. They took oral evidence of the representatives of ASSOCHAM and ICAI on 16th and 17th November, 2004 respectively. The Committee at their sitting held on 5th January, 2005 took oral evidence of the representatives of Ministry of Company Affairs on the provisions contained in the Chartered Accountants (Amendment) Bill, 2003.

5. The Committee thereafter undertook consideration of the Draft Report on the Bill at their sitting held on 17th, 18th and 27th January, 2005 which was adopted by the Committee on 27th January, 2005.

6. The Committee wish to express their thanks to the representatives of (i) Chambers of Commerce *viz.* CII and ASSOCHAM (ii) the Institute of Chartered Accountants of India and (iii) the officers of the Ministry of Company Affairs for co-operation extended in placing before them their considered views and perceptions on the subjects and for furnishing written notes and information that the Committee had desired in connection with the examination of the Bill.

7. For facility of reference and convenience, the observations/recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
23 February, 2005
4 Phalguna, 1926 (Saka)

MAJ. GEN. (RETD.) B.C. KHANDURI,
Chairman,
Standing Committee on Finance.

REPORT

Background:

1. The Chartered Accountants Act was enacted by the Parliament in the year 1949. The profession of Chartered Accountants has since grown by leaps and bounds—from a meagre membership of 1600 to about 1,20,000 now, and with more than 3,00,000 students. The environment surrounding the profession—national as well as international, has also significantly changed and is changing further. The Chartered Accountants today have become an integral part of the process of economic transformation taking place in the country and the profession has tremendous potential for export of accountants and accounting services world-wide. The expectations of society from the profession have increased significantly and the Institute is faced with the challenge of bridging that expectation gap. The changing scenario calls for constantly raising the standards of education and training, of accounting and auditing, and capacity building. The disciplinary mechanism, which was evolved at the relevant time, keeping in view the membership strength of 1600 also needs to be modified in line with the requirements of effective and expeditious disposal of disciplinary cases in the present day context. The role of auditors came in question before the two JPC constituted after the stock market scam in 1992 and 2001.

2. The Joint Parliamentary Committees probing the stock market scams of 1992 and 2001 have also adversely commented on the slow disciplinary proceedings against the erring members of the Institute. Both the JPCs have also stated that auditors have a great responsibility—if they become a part of the malaise-checks and balances would collapse. They have stressed the need for constituting independent board for ensuring quality of audit and speedy disciplinary action.

3. The role of auditors had been under attack in recent years world over. After the Enron debacle of 2001, came other scandals involving large US companies such as WorldCom, Qwest, Global Crossing; and the auditing lacunae that eventually led to the collapse of Andersen. These scandals triggered another phase of reforms in corporate governance, accounting practices and disclosures this time more comprehensive than ever before. In July 2002, less than a year from

the date when Enron filed for bankruptcy, the Sarbanes-Oxley Bill (popularly called SOX) was enacted. The Act brought with it fundamental changes in virtually every area of corporate governance.

4. A need was also felt in India that the Auditor-Company relationship might be clearly defined. Hence, a High Level Committee under the Chairmanship of Shri Naresh Chandra, former Cabinet Secretary, was constituted to examine *inter alia*, the Auditor-Company relationship and the disciplinary mechanism for Auditors. The Naresh Chandra Committee have recommended the establishment of a Quality Review Board, a revision of Disciplinary Mechanism and recommendations regarding Auditor-Company Relationship.

5. In the light of the observations of JPC, the proposals from the Institute and report of the Naresh Chandra Committee, a Bill *viz.* the Chartered Accountants (Amendment) Bill, 2003 incorporating the amendments in the provisions of the Chartered Accountants Act 1949 was introduced in Rajya Sabha on 23rd December, 2003 which was referred to the Standing Committee on Finance on 18th August, 2004 by the Hon'ble Speaker of the Lok Sabha for examination and report thereon.

6. The salient features of the Bill are as follows:—

- (a) strengthening of Disciplinary Committee and also providing for constitution of more than one Disciplinary Committee, as and when deemed fit, which will enable the disposal of the increased number of disciplinary cases, consequent upon the huge increase in the membership of the Institute and in the number of practising chartered accountants;
- (b) appointment of a Prosecution Directorate which will hasten the disciplinary process and also impart an objectivity;
- (c) constitution of an Appellate Authority to be headed by a person who is, or has been, or is qualified to be a judge of a High Court to deal with the appeals against the orders of the Council;
- (d) setting up a mechanism for review of the quality of audit, enhancing the powers of the Council to fix fees, increase the term of the Council from three to four years, streamlining the election process and prescribing certain restrictions with regards to eligibility of members for contesting elections for the Council of the Institute.

7. With a view to have expert opinion on the various provisions of the Bill, the Committee sought memoranda from Chambers of Commerce and the Institute. In order to seek clarification with regard to the provisions contained in the Bill, the Committee also took evidence of ASSOCHAM, Institute of Chartered Accountants of India (ICAI) and the representatives of Ministry of Company Affairs. Through the various memoranda received from ASSOCHAM, CII and the ICAI, a view has been expressed against the erosion of autonomy of the Institute because of the provisions contained in the Bill. The ICAI have voiced their concern against the erosion of their autonomy and efforts of the Government to interfere in the day to day administration of the Institute. On the other hand the Government have stated that the Institute has been established under an Act of Parliament and being a Statutory Body, comes within the definition of "State". As a regulator, the Institute discharges an important public function in the financial sector of the economy. The functions discharged by the Institute/members of the Institute impinge not only on the members of the profession but also on other stakeholders like students, companies, investors, financial institutions and Society at large. Hence, it is important to ensure that interest of all stake holders is adequately taken care of. Similarly it is important to ensure that the Institution works within the parameter of the Act and does not cross the limit prescribed by it. While the governing legislation provides for the autonomy of the Institute, occasions may arise which may require the State to assert its authority to enable the Institute to function properly in public interest. The ultimate responsibility of the State would need to be discharged irrespective of the Institutional Autonomy, since issues effecting the professionals involved would have the capacity to destabilise the financial sector. In this context provisions have been made empowering the Central Government to issue directions and dissolve the Council. Such powers are already available with the Government under the Cost and Works Accountants Act, 1959 and the Company Secretaries Act, 1980 and some other Acts of the market regulators such as Telecom Regulatory Authority of India (TRAI), Securities and Exchange Board of India (SEBI), Insurance Regulatory Development Authority (IRDA) and Central Electric Regulation Commission (CERC) etc.

8. After having considered the views expressed by representatives of the Chambers of Commerce, Institute, and Government for and against the various proposals contained in the Bill, the Committee recommend the Chartered Accountants (Amendment) Bill, 2003 for enactment subject to certain modifications/amendments as indicated in the subsequent paragraphs of this report.

Clause 3—Entry of names in Register—Determination of Fees.

9. Clause 3 reads as under:

“In section 4 of the principal Act, in sub-section (3), for the words ‘the prescribed fee, which shall not exceed rupees three hundred’, the words ‘such fee, as may be determined, by notification, by the Council with the prior approval of the Central Government, which shall not exceed rupees three thousand’

shall be substituted.”

10. The Committee take note of the views expressed by ICAI in this regard wherein they have submitted that the provision for seeking prior permission of the Central Government with regard to determination of fees is detrimental to the autonomy of the Institute and hence may be deleted. The Committee are of the opinion that this provision is not required as it amounts to interference in the working of the Institute and affect its autonomy. Hence, they recommend that the Council may be empowered to determine the fee without prior approval of the Central Government.

11. They further recommend that the upper limit of the fee should remain unchanged. However, if the Council seeks to raise the fee beyond the maximum ceiling i.e. Rs. 3000 then they should seek permission from the Central Government.

Clause 4—Fellows and Associates—Determination of Fees

12. Clause 4 reads as under:

“In section 5 of the principal Act, in sub-section (3), for the words “the prescribed entrance fee, which shall not exceed rupees two hundred”, the words “such fee, as may be determined, by notification, by the Council with the prior approval of the Central Government, which shall not exceed rupees five thousand” shall be substituted.”

13. The Committee are inclined to accept the views expressed by ICAI in this regard wherein they have submitted that the provision for seeking prior permission of the Central Government with regard to determination of fees would amount to erosion of autonomy of the Institute and hence may be deleted. The Committee are of the opinion that this provision can be dispensed with as it amounts to interference in the working of the Institute and affects its autonomy. Hence, they recommend that the Council may be empowered to

determine the fee without prior approval of the Central Government.

14. They further recommend that the upper limit of the fee should remain unchanged. However, if the Council seeks to raise the fee beyond the maximum ceiling i.e. Rs. 5000 then they should seek permission from the Central Government.

Clause 5—Certificate of Practice—Determination of Fees

15. Clause 5 reads as under:

“In section 6 of the principal Act,—

(i) in sub-section (2), for the word “prescribed”, the words “determined, by notification, by the Council with the prior approval of the Central Government, which shall not exceed rupees three thousand in any case” shall be substituted;

(ii) after sub-section (2), the following sub-section shall be inserted, namely:—

(3) The certificate of practice obtained under sub-section (1) may be cancelled by the Council under such circumstances as may be prescribed.”

16. The Committee are inclined to accept the views expressed by ICAI in this regard wherein they have submitted that the provision for seeking prior permission of the Central Government in respect of determination of fees would amount to erosion of autonomy of the Institute and hence may be eleted. The Committee are of the opinion that this provision can be dispensed with as it amounts to interference in the working of the Institute and affects its autonomy. Hence, they recommend that the Council may be empowered to determine the fee without prior approval of the Central Government.

17. They further recommend that the upper limit of the fee should remain unchanged. However, if the Council seeks to raise the fee beyond the maximum ceiling i.e. Rs. 3000 then they should seek permission from the Central Government.

Clause 6—Composition of the Council

18. Clause 6 reads as under:

“In section 9 of the principal Act, for sub-section (2), the following sub-sections shall be substituted, namely:—

(2) The Council shall be composed of the following persons, namely:—

- (a) not more than thirty persons elected in the specified manner by members of the Institute, from amongst the fellows of the Institute, and
- (b) not more than ten persons nominated in the specified manner by the Central Government.

(3) No person holding an office of profit under the Central Government or a State Government shall be eligible for election to the Council under clause (a) of sub-section (2)".

19. The Committee take note of the concern raised by ICAI that the parent Act provides for the ratio of elected and nominated Members as 4:1 whereas it is proposed to be reduced to 3:1 by way of present amendment. In support of their contention, the Government have stated that the duties and responsibilities discharged by the ICAI impinge not only on the members of the profession but also on other stakeholders like companies, investors, financial institutions and society at large. It is therefore, important that views of all stakeholders are taken into account. The Government has hence felt it necessary to broaden the inputs available to the Council through the nominees from different disciplines. Further, it is possible to prescribe suitable disciplines/qualifications of the Government nominees in the Council of the Institute. Moreover, the proposal is in line with the ratio of government nominees in other two sister accountancy professional Institutes namely Institute of Company Secretaries of India and the Institute of Cost and Works Accountants. The Committee note that the strength of the Council in the existing Act is 24 elected by members of the Institute and 6 persons nominated by the Central Government and they find that this ratio was working quite satisfactorily all these years. However, after taking into account the contention of the Government and as well as the Institute who have pleaded for maintaining the same ratio, they recommend that the present ratio of elected and nominated members should be retained and therefore there could be 32 elected and 8 nominated members. They further recommend that the nominees of the Government should be experts in the field of Corporate Law, Finance, Accountancy and other related fields.

20. The Committee take note that the existing Act provides for a reference to the regional constituency through which each region

currently elects specified number of members to make the total of elected component in the composition of the Council but the present Bill does not contain such a provision. They find that ICAI have suggested for retention of reference to the regional constituencies and the Government have themselves agreed to the proposal. The Committee are inclined to accept the suggestion of ICAI that this reference should be retained.

Clause 7—Mode of Election to the Council

21. Clause 7 reads as under:

“For section 10 of the principal Act, the following sections shall be substituted, namely:—

10. (1) A member of the Council elected under clause (a) of sub-section (2) of section 9 shall be eligible for re-election but not for more than three consecutive terms.
 - (2) A member of the Council, who is or has been elected, as President under sub-section (1) of section 12, shall not be eligible for re-election as a member of the Council.
- 10A. In case of any dispute regarding any election under clause (a) of sub-section (2) of section 9, the aggrieved person may make an application within thirty days from the date of the declaration of the result of the election to the Council which shall forward the same forthwith to the Central Government.
- 10B. (1) On receipt of any application under section 10A, the Central Government shall, by notification, establish a Tribunal consisting of a Presiding Officer and two other Members to decide such dispute and the decision of such Tribunal shall be final.
 - (2) A person shall not be qualified for appointment,—
 - (a) as a Presiding Officer of the Tribunal unless he has been a member of the Indian Legal Service and has held a post in Grade I of the service for at least three years;
 - (b) as a Member unless he has been a member of the Council for at least one full term; and

- (c) as a Member holding the post of a Joint Secretary to the Government of India or any other post under the Central Government carrying a scale of pay which is not less than that of a Joint Secretary to the Government of India.
- (3) The terms and conditions of service of the Presiding Officer and Members of the Tribunal, their place of meetings, remuneration and allowances shall be such as may be specified.
- (4) The expenses of the Tribunal shall be borne by the Council.”

22. The Committee are of the opinion that the proposed amendment would entitle a member for being elected for a period of twelve years which they feel is too long. They feel that the tenure of two consecutive terms i.e. for 8 years would be sufficient. Hence, they recommend that instead of three consecutive terms a member should be eligible for re-election for two consecutive terms. At the same time they recommend that this restriction should be made applicable to the nominated members also.

23. The Committee note that under the provisions of present Bill it is not clear as to whether the Council is simply required to forward/refer the election petition/dispute to the Central Government or to do the same after application of mind. The ICAI has also expressed its concern in this regard. The Committee also take note of the Government's response in this regard wherein they have stated that the Secretary of the Institute, who is non-elected, could be authorised to forward such petition direct to the Central Government. The Committee, therefore, recommend that instead of Council, the Secretary of the Institute should be authorised to forward such petition direct to the Central Government.

24. The Committee feel that the provision contained in proposed sub-clause (2) (b) of the proposed new section 10B in the Bill could be interpreted to appoint even sitting members of the Council in the Election Tribunal. They take note of the Government reply in this regard wherein they have stated that it was not the intention of the Government to appoint a sitting member on the Election Tribunal. They, therefore, recommend that it should be specifically provided in the Bill that no sitting member would be appointed in the Election Tribunal.

Clause 12—Committees of the Council

25. Clause 12 reads as under:

In section 17 of the principal Act,—

(a) in sub-section (1), clause (iii) shall be omitted;

(b) for sub-section (3), the following sub-section shall be substituted, namely:—

“(3)Each of the Standing Committees shall consist of the President and the Vice-President *ex officio*, and minimum of three and maximum of five members of the Council elected by the Council, out of which one shall be the member nominated under clause (b) of sub-section (2) of section 9.”.

26. The Committee are of the opinion that this provision contains a drafting lacuna. The reference of nominated member to be appointed to the Standing Committees out of elected members does not appear to be the correct position under the scheme of the present Bill. It should have been provided for clearly. However they find that the Government have themselves stated that in the context of the proposed rule based regime envisaged along with powers of the Central Government to issue directions/dissolve the Council, constitution of these two Committees could be left to the Council. In view of the Government’s reply the Committee, therefore, recommend that this clause should be amended accordingly.

Clause 13—Register of Members

27. Clause 13 reads as under:

“In section 19 of the principal Act,—

(i) in sub-section (3), the words “on payment of such amount as may be prescribed” shall be inserted at the end;

(ii) in sub-section (4), for the word “prescribed”, the words “determined, by notification, by the Council with the prior approval of the Central Government, which shall not exceed rupees five thousand in any case” shall be substituted.”

28. The Committee take note of the views expressed by ICAI in this regard wherein they have submitted that the provision for

seeking prior permission of the Central Government is detrimental to the autonomy of the Institute and hence may be deleted. The Committee are of the opinion that this provision is not required as it amounts to interference in the working of the Institute and affects its autonomy. Hence, they recommend that the Council may be empowered to determine the fee without prior approval of the Central Government.

29. They further recommend that the upper limit of the fee should remain unchanged. However, if Council seeks to raise the fee beyond the maximum ceiling *i.e.* Rs. 5000 then they should seek permission from the Central Government.

Clause 14—Removal from the Register

30. Clause 14 reads as under:

“In section 20 of the principal Act, after sub-section (2), the following sub-section shall be inserted, namely:—

- (3) If the name of any member has been removed from the register under clause (c) of sub-section (1), on receipt of an application, his name may be entered again in the register on payment of the arrears of determined annual fee and entrance fee along with such additional fee, as may be determined, by notification, by the Council with the prior approval of the Central Government, which shall not exceed rupees two thousand in any case.”

31. The Committee take note of the views expressed by ICAI in this regard wherein they have submitted that the provision for seeking prior permission of the Central Government is detrimental to the autonomy of the Institute and hence may be deleted. The Committee are of the opinion that this provision is not required as it amounts to interference in the working of the Institute and affects its autonomy. Hence, they recommend that the Council may be empowered to determine the fee without prior approval of the Central Government.

32. They further recommend that the upper limit of the fee should remain unchanged. However, if the Council seeks to raise the fee beyond the maximum ceiling *i.e.* Rs. 2000 then they should seek permission from the Central Government.

Clause 15—Disciplinary Committee

33. Clause 15 reads as under:—

For section 21 of the principal Act, the following sections shall be substituted, namely:—

21. (1) The Council shall constitute a Disciplinary Committee consisting of the President or the Vice-President of the Council as the Presiding Officer and two members of the Council elected by the Council and two members to be nominated by the Central Government from amongst the persons of eminence having experience in the field of law, education, economics, business, finance, accountancy or public administration:

Provided that the Council may constitute more regional Disciplinary Committees as and when it deems fit.

(2) The Disciplinary Committee in making the inquiry under the provisions of this Act shall follow such procedure and submit the report to the Council within such time as may be specified.

21A. (1) The Council shall, by notification, appoint a Prosecution Director and such other employees for making inquiries in respect of any information or complaint received by it under the provisions of this Act.

(2) In order to make inquiries under the provisions of this Act, the Prosecution Director shall follow such procedures as may be specified.

21B. For the purposes of an inquiry under the provision of this Act, the Authority, the Council, the Disciplinary Committee and the Prosecution Director shall have the same powers as are vested in a Civil Court under the Code of Civil Procedure, 1908, in respect of the following matters, namely:—

- (a) summoning and enforcing the attendance of any person and examining him on oath;
- (b) the discovery and production of any document; and
- (c) receiving evidence on affidavit.

- 21C. (1) On receipt of a report from the Disciplinary Committee, if the Council is satisfied that the member of the Institute is guilty of any professional or other misconduct, it shall record its findings accordingly and shall proceed in accordance with the provisions of section 21D.
- (2) In case the Council is not satisfied with the report of the Disciplinary Committee and is of the opinion that it requires further inquiry, it may refer the report again to the Disciplinary Committee for such further inquiry as may be directed through an order of the Council.
- (3) If the Council disagrees with the findings of the Disciplinary Committee, it may direct the Prosecution Director to make an appeal to the Authority.
- 21D. Where the Council is of the opinion that a member is guilty of a professional or other misconduct mentioned in the Schedule, it shall afford to the member a reasonable opportunity of being heard before making any order against him and may thereafter take any one or more of the following actions, namely:—
- (a) reprimand the member; or
- (b) remove the name of the member from the register permanently or for such period, as it thinks fit.

Explanation.—For the purposes of this section, “member of the Institute” includes a person who was a member of the Institute on the date of the alleged misconduct although he has ceased to be a member of the Institute at the time of the inquiry.’.

34. The Committee take note that this Clause seeks to insert new disciplinary mechanism by way of constituting disciplinary committees and appointment of Prosecution Director. The Committee find that though a new mechanism has been provided to deal with disciplinary cases in the present Bill but the same is also a very lengthy one since under this, the enquiry will be made first by the Disciplinary Committee and the report will be placed before the Council. It further provides that if the Council is not satisfied with the report of the Disciplinary Committee and is of the opinion that this requires further inquiry, it may refer the report again to the Disciplinary Committee for such further enquiry as it may direct through an order. The Institute of Chartered Accountants have also

objected to this lengthy process and have pleaded for a provision of such a mechanism which ensures expeditious disposal of cases. They have recommended that Instead of the Council, the Disciplinary Committee should conduct inquiry, and also award punishment. They have also pleaded that suitable provisions should be made for trial of minor offences through summary trial and in such cases which are of paramount public interest, the Council should be authorized to issue directions both to the Disciplinary Committee and the Appellate Authority. The Committee find that the Naresh Chandra Committee have also recommended an entirely new disciplinary procedure, which will bring about greater speed while ensuring independence and fair play. They also note that the Government have also during the course of evidence accepted the suggestions of the Institute and have agreed to dispense with the lengthy process which has been provided in the existing Bill and have stated that the Disciplinary Committee could be empowered to award punishments in disciplinary cases. The appeal against the decision of the Disciplinary Committee could then lie to the Appellate Authority. This would reduce one time consuming tier of the disciplinary process. The Committee are in agreement with such a proposal. They also feel that the existing provisions with regard to two nominated members from the field of law, education, business, finance, accountancy and public administration provided in proposed section 21(1) is too wide which will not serve any useful purpose. They are of the opinion that representation should be restricted to only the areas of law, finance and accountancy. Hence, they recommend that only relevant fields such as law, finance and accountancy could be retained and the fields of business, education and public administration may be excluded.

35. The Committee take note that a Prosecution Director has been proposed for appointment by way of proposed new section 21A who shall have powers of a Civil Court. The function of Prosecution Director is envisaged for making *prima-facie* inquiries in respect of information/complaints received and submission of cases to Disciplinary Committee for their consideration and to ensure that the proceedings are conducted as per rules and statute. Disciplinary Committee is to deliberate on the subject matter, along with inquiry reports, if any, of the Prosecution Directorate. In the Bill, the Disciplinary Committee is to submit its report to the Council for decision. However, they find that Government have in their written submissions submitted to the Committee agreed that there will be a Prosecution Directorate instead of Prosecution Director who will

handle minor offences under Summary Disposal Mechanism apart from scrutinizing the complaints to be submitted before the Disciplinary Committee. It has also been noted by the Committee that the Government have themselves suggested the change of name of Prosecution Director which could be termed as Disciplinary Board who should be delegated the powers to dispose of minor cases in respect of defined acts of misconduct classified as Minor Offence through the summary disposal mechanism, with powers to impose punishment up to predetermined threshold limit. They also find that the Government have stated that Summary Disposal Mechanism will be available in the event of admission of guilt. In the light of Government's proposal, the Committee feel that it will not be possible for a single person to handle such an enormous task. Hence, they recommend that Government should amend this clause suitably to make it multi-member body providing for a mechanism to deal with the minor offences expeditiously. The Government should also clearly state the composition of such a body in the Bill itself. The Committee recommend that such a body should be headed by a person not below the rank of a Joint Secretary belonging to the legislative service. Two members should be from the Council and two should be outside experts from the field of law, and accountancy.

36. In view of their recommendation for authorizing the Disciplinary Committee to award punishment, the Committee recommend that proposed section 21C in the Bill should be deleted and in proposed section 21D, the word 'Disciplinary Committee' should be substituted in place of 'Council'. The Committee also recommend that the Council should be authorized to give direction both to the Disciplinary Committee as well as the Appellate Authority to decide a case on priority in the event of its being of paramount public importance.

37. The Committee find that the existing provision provided in proposed section 21(D) for reprimanding or removing the name of the member from the register permanently, when found guilty of a professional or other misconduct mentioned in the schedule, is inadequate as it does not provide for any monetary penalty as also was recommended by Naresh Chandra Committee. They are of the opinion that the Disciplinary Committee should also be authorized to impose a penalty upto Rs. 5,00,000 in addition to the existing proposed powers of reprimand and removal of the name of the member permanently or for such period as it thinks fit. Besides the

Disciplinary Committee should be authorized to club any two penalties and therefore instead of the word “or” the same should be amended to read “or/and”.

Clause 16—Professional Misconduct defined

38. Clause 16 reads as under:—

“In section 22 of the principal Act,—

- (i) for the words “specified in any of the Schedules”, the words “mentioned in the Schedule or as may be specified” shall be substituted;
- (ii) the words “under sub-section (1) of section 21” shall be omitted.”

39. The Committee find that the two schedules mentioned in the present Act deal with minor and major cases of professional misconduct respectively. They also find that the Government have already agreed to the proposal regarding summary disposal mechanism for minor offences. Hence, they are of the opinion that merger of the two schedules will not be necessary. Therefore, they recommend that this clause may be amended accordingly.

Clause 17—Constitution of the Appellate Authority

40. Clause 17 reads as under:

“For section 22A of the principal Act, the following sections shall be substituted, namely:—

- 22A. (1) The Central Government shall, by notification, constitute an Appellate Authority consisting of—
- (a) a person who is, or has been, or is qualified to be a judge of a High Court, to be its Chairperson;
 - (b) two members to be appointed from amongst the persons who have been members of the Council for at least one full term;
 - (c) two members to be nominated by the Central Government from amongst persons having knowledge and practical experience in the field of law, education, economics, business, finance, accountancy or public administration.

- (2) The Chairperson and other members shall be part-time members.
- 22B. (1) A person appointed as Chairperson shall hold office for a term of five years from the date on which he enters upon his office or until he attains the age of seventy years, whichever is earlier.
- (2) A person appointed as a member shall hold office for a term of five years from the date on which he enters upon his office or until he attains the age of sixty seven years, whichever is earlier.
- 22C. (1) The allowances payable to, and other terms and conditions of service of, the Chairperson and members shall be such as may be specified.
- (2) The allowances to the Chairperson and members shall be paid by the Council in such manner as may be specified.
- 22D. (1) The Authority shall meet at such time and place and follow in its meetings and in discharging its functions such procedure as may be specified.
- (2) All orders and decisions of the Authority shall be authenticated by an officer duly authorised by the Chairperson in this behalf.
- 22E. (1) The Council shall make available to the Authority such officers and other staff members as may be necessary for the efficient performance of the functions of the Authority.
- (2) The salaries and allowances and conditions of service of the officers and other staff members made available to the Authority shall be such as may be prescribed.
- 22F. (1) The Chairperson or a member may, by notice in writing under his hand addressed to the Central Government, resign his office: Provided that the Chairperson or a member shall, unless he is permitted by the Central Government to relinquish his office sooner, continue to hold office until the expiry of three months from the date of receipt of such notice or until a person duly appointed as his successor enters upon his office or until the expiry of term of office, whichever is earlier.

- (2) The Chairperson or a member shall not be removed from his office except by an order of the Central Government on the ground of proved misbehaviour or incapacity after an inquiry made by such person as the President may appoint for this purpose in which the Chairperson or a member concerned has been informed of the charges against him and given a reasonable opportunity of being heard in respect of such charges.
- 22G. (1) Any member of the Institute aggrieved by any order of the Council imposing on him any of the penalties referred to in section 21D, may within thirty days of the date on which the order is communicated to him, prefer an appeal to the Authority: Provided that the Authority may entertain any such appeal after the expiry of the said period of thirty days, if it is satisfied that the member was prevented by sufficient cause from filing the appeal in time.
- (2) The Authority may, after calling for the records of any case, revise any order made by the Council under section 21D and may—
- (a) confirm, modify or set aside the order;
 - (b) impose any penalty or set aside, reduce, or enhance the penalty imposed by the order;
 - (c) remit the case to the Disciplinary Committee for such further inquiry as the Authority considers proper in the circumstances of the case; or
 - (d) pass such other order as the Authority thinks fit: Provided that no order of the Council shall be modified or set aside unless the Council has been given an opportunity of being heard and no order imposing or enhancing a penalty shall be passed unless the person concerned has also been given an opportunity of being heard.”.

41. The Committee take note of the provisions contained in proposed section 22(A). Sub-clause A of the proposed section 22(A)(1) Seeks to provide the qualification of Chairperson of the Appellate Authority. After having considered the views expressed by representatives from the Chambers of Commerce and the Institute the Committee are of the opinion that the words “or is qualified to be a judge of Higher Court” will entitle a person for the post who has never held the post of a judge but is qualified to be a judge. In order to have clarity they recommend that the words “or is qualified to be” may be deleted.

42. The Committee find that the present provision contained in sub-clause (b) of new section 22(A) providing for appointment of two members from amongst the persons who have been members of the Council for at least one full term could be interpreted to include sitting members also. They find the Government's reply in this regard wherein it has been stated that it was not the intention of the Government to include sitting members of the Council. They, therefore, recommend that this clause should be amended so as to exclude sitting members of the Council for appointment to the Appellate Authority.

43. Sub-clause (c) of proposed new section 22(A) seeks to provide for the nomination of two members by the Central Government from amongst persons having knowledge and practical experience in the field of law, business, economics, education, public administration, finance and accountancy. The Committee find that the fields are too wide which will not serve any useful purpose as some generalities can also be appointed who may not be having the relevant knowledge/expertise of the relevant fields. Hence, they recommend that only relevant fields such as law, finance and accountancy could only be retained and the fields of business, education and public administration may be excluded.

44. New section 22(B) provides for the term of office of Chairperson and members of Appellate Authority. The Committee are of the opinion that the term provided in the Bill for Chairperson and members for five years and their age of retirement as 70 and 65 years respectively is too long which could be lowered. They, therefore, recommend that the term of office of Chairperson and members should be reduced to three years instead of the five years proposed in the Bill and the age of retirement for the Chairperson should be 65 years and for the members 62 years.

Clause 18—Establishment of Quality Review Board

45. Clause 18 reads as under:—

“After Chapter VII of the principal Act, the following Chapter shall be inserted, namely:—

CHAPTER VIIA

QUALITY REVIEW BOARD

- 28A. (1) The Central Government shall, by notification, constitute a Quality Review Board consisting of a Chairman and ten other members.
- (2) The Chairman and members of the Board shall be appointed from amongst the persons having eminence and experience in the field of law, education, economics, business, finance, accountancy or public administration.
- (3) Five members of the Board shall be nominated by the Council and other five members shall be nominated by the Central Government.

28B. The Board shall perform the following functions, namely:—

- (a) to fix standards for the services provided by the members of the Institute;
- (b) to review the quality of services provided by the members of the Institute including audit services; and
- (c) to guide the members of the Institute to improve the quality of services and adherence to the various statutory and other regulatory requirements.
- 28C. The Board shall follow in its meeting and in discharging its functions such procedure as may be specified.
- 28D. The terms and conditions of service of the Chairman and the members of the Board, their place of meetings, remuneration and allowances shall be such as may be specified.
- 28E. The expenditure of the Board shall be borne by the Council.”

46. New Section 28(A) seeks to provide for the appointment of the Chairman and members by the Central Government from amongst persons having knowledge and practical experience in the field of law, business, economics, education, public administration, finance and accountancy. The Committee find that the fields are too wide which will not serve any useful purpose. Hence, they recommend that only relevant fields such as law, finance and accountancy could only be retained and the fields of business, education and public administration may be excluded.

Clause 21—Powers of the Central Government to issue directions

47. Clause 21 *inter alia* reads as under:—

“For section 30A of the principal Act, the following sections shall be substituted, namely:—

- “30A. (1) For the purposes of this Act, the Central Government may, from time to time, give to the Council such general or special directions as it thinks fit, and the Council shall, in the discharge of its functions under this Act, comply with any such directions.
- (2) if, in the opinion of the Central Government, the Council has persistently made default in giving effect to the directions issued under sub-section (1), it may, after giving an opportunity of being heard to the Council, by notification, dissolve the Council, where after a new Council shall be constituted in accordance with the provisions of this Act with effect from such date as may be decided by the Central Government.
- (3) Where the Central Government has issued a notification under sub-section (2) dissolving the Council, it may, pending the constitution of a new Council in accordance with the provisions of this Act, authorise any person or body of persons to take over the management of the affairs of the Council and to exercise such functions as may be mentioned in the notification.”

48. While taking note of the justification advanced by the Government in respect of the empowerment to the Government to issue directions and dissolution of the Council, the Committee opine that the present provision seems to be an open ended one. They are of the opinion that since the functions of the ICAI are different from the other two Institutes, it can not be equated with the other two sister organisations, namely, the Institute of Company Secretaries of India and the Institute of Cost and Works Accountants of India and such blanket powers would rather impinge upon the autonomy of the Institute.

They, therefore, recommend that the power of the Central Government to issue directions/dissolution of the Council should be

inconsonance with the objectives mentioned in the Bill and the same should be restricted to the following:—

- to uphold and maintain the highest level of audit, revealing the actual state of affairs of the company being audited;
- to maintain highest standards of the quality of audit; and,
- to take appropriate action against the defaulters in the shortest possible time.

NEW DELHI;
23 February, 2005

4 Phalgun, 1926 (Saka)

MAJ. GEN. (RETD.) B.C. KHANDURI,
Chairman,
Standing Committee on Finance.

MINUTES OF THE SEVENTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Wednesday, 6th October, 2004 from 1100 to
1300 hrs.

PRESENT

Maj. Gen (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Gurudas Dasgupta
3. Shri Shyama Charan Gupt
4. Shri A. Krishnaswamy
5. Shri Bir Singh Mahto
6. Shri Rupchand Pal
7. Shri Shrinivas D. Patil
8. Shri K.S. Rao
9. Shri Jyotiraditya Madhavrao Scindia
10. Shri Lakshman Seth
11. Shri G.M. Siddeshwara
12. Shri Ajit Singh
13. Shri M.A. Kharabela Swain
14. Shri Vijoy Krishna

Rajya Sabha

15. Shri R.P. Goenka
16. Shri Jairam Ramesh
17. Shri Chittabrata Mazumdar
18. Shri S.P.M. Syed Khan
19. Shri C. Ramachandraiah
20. Shri Mangani Lal Mandal

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Dr. (Smt.) P. K. Sandhu — *Joint Secretary*
3. Shri R.K. Jain — *Deputy Secretary*
4. Shri R.C. Kakkar — *Under Secretary*

WITNESSES

Ministry of Company Affairs

1. Smt. Komal Anand, Secretary, Ministry of Company Affairs
2. Dr. (Mrs.) Sheela Bhide, Joint Secretary
3. Shri Jitesh Khosla, Joint Secretary
4. Shri Paul Joseph, Economic Adviser
5. Shri A.K. Kapoor, Adviser, Cost
6. Shri V.S. Rao, Director, Inspection & Investigation
7. Shri R. Vasudevan, Director, Inspection & Investigation
8. Shri Neerabh Kumar Prasad, Director

2. At the outset, the Chairman welcomed the representatives of the Ministry of Company Affairs to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker.

3. The Committee was then briefed by the representatives of the Ministry of Company Affairs on (i) the Chartered Accountants (Amendment) Bill, 2003, (ii) the Cost and Works Accountants (Amendment) Bill, 2003 and (iii) the Company Secretaries (Amendment) Bill, 2003 with the aid of an audio-visual presentation.

4. Thereafter, the Chairman requested the representatives of Ministry of Company Affairs to furnish notes on certain points raised by the Members to which replies were not readily available with them during the discussion.

5. The briefing was concluded.

6. A verbatim record of proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE EIGHTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Tuesday, 16th November, 2004 from 1430 to
1610 hours.

PRESENT

Maj. Gen (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh Bishnoi
3. Shri Gurudas Dasgupta
4. Shri Bhartruhari Mahtab
5. Shri Shyama Charan Gupt
6. Shri A. Krishnaswamy
7. Shri K.S. Rao
8. Shri G.M. Siddeshwara
9. Shri M.A. Kharabela Swain
10. Shri Vijoy Krishna

Rajya Sabha

11. Shri R.P. Goenka
12. Shri M. Venkaiah Naidu
13. Shri Chittabrata Mazumdar
14. Shri Amar Singh
15. Shri C. Ramachandraiah
16. Shri Mangani Lal Mandal

SECRETARIAT

1. Dr. (Smt.) P. K. Sandhu — *Joint Secretary*
2. Shri R.K. Jain — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*

WITNESSES

ASSOCHAM

1. Shri Vishesh Chandeok, Partner, Grant Thornton India Pvt. Ltd.
2. Shri Nesar Ahmad, Senior Committee Member
3. Shri Ashish Kochhar, Asstt. Director

2. At the outset, the Chairman welcomed the representatives of the ASSOCHAM to the sitting of the Committee and invited their attention to Direction 55 of the Directions by the Speaker, Lok Sabha.

3. The Committee, then took oral evidence of the representatives of the ASSOCHAM on the provisions of the (i) the Chartered Accountants (Amendment) Bill 2003, (ii) the Cost & Works Accountants (Amendment) Bill, 2003 and (iii) the Company Secretaries (Amendment) Bill 2003.

4. The members asked clarificatory questions which were replied by the representatives. However, it was noticed by the Committee that the representatives were expressing their personal opinion on the Bills rather than presenting a considered and consolidated view of ASSOCHAM. The Committee took very serious view to the fact that junior functionaries have been deputed by ASSOCHAM to depose before a Parliamentary Committee who were not able to express properly.

5. The evidence was concluded.

6. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

Part B

At 1600 hours

Confederation of Indian Industry (CII)

The Committee expressed their serious concern over the absence of senior executives of CII when they were informed that only two junior officers of the CII have come to tender evidence on the three Bills viz. (i) the Chartered Accountants (Amendment) Bill 2003, (ii) the Cost & Works Accountants (Amendment) Bill, 2003 and (iii) the Company Secretaries (Amendment) Bill, 2003 and decided not to take oral evidence of the representatives. The decision of the Committee was conveyed to them.

The Committee then adjourned.

MINUTES OF THE NINTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Wednesday, 17th November, 2004 from
1030 to 1200 hours, 1200 to 1300 hours, 1515 to 1545 hours.

PRESENT

Maj. Gen (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Gurudas Dasgupta
3. Shri Bhartruhari Mahtab
4. Shri Shyama Charan Gupt
5. Shri A. Krishnaswamy
6. Shri Bir Singh Mahato
7. Shri Rupchand Pal
8. Shri K.S. Rao
9. Shri Jyotiraditya Madhavrao Scindia
10. Shri M.A. Kharabela Swain

Rajya Sabha

11. Shri M. Venkaiah Naidu
12. Shri Chittabrata Mazumdar
13. Shri S.P.M. Syed Khan
14. Shri Amar Singh
15. Shri C. Ramachandraiah

SECRETARIAT

1. Dr. (Smt.) P. K. Sandhu — *Joint Secretary*
2. Shri R.K. Jain — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*

Part I

WITNESSES

The Institute of Chartered Accountants of India

1. Shri Sunil Goyal, President
2. Shri Kamlesh K. Vikamsey, Vice President
3. Dr. Ashok Haldia, Secretary
4. Shri T.N. Manoharan, Council Member
5. Shri S.C. Vasudeva, Council Member & Chairman, Accounting Standards Board of ICAI.

Part II

At 1200 hours

The Institute of Company Secretaries of India

1. Shri Mahesh Anant Athavale, President, the ICSI
2. Shri N.K. Jain, Secretary, the ICSI
3. Shri Nasar Ahmed, Council Member, the ICSI
4. Ms. Preeti Malhotra, Council Member, the ICSI
5. Shri P.K. Mittal, Council Member, the ICSI
6. Shri V.K. Aggarwal, Senior Director, the ICSI
7. Shri S. Kumar, Director, the ICSI

Part III

At 1515 hours

The Institute of Cost and Works Accountants of India

1. Dr. H.R. Subramanya, President, ICWAI
2. Dr. D. Jagannathan, Central Council Member, Government Nominee
3. Shri Rakesh Singh, Central Council Member

Part I

At the outset, the Chairman welcomed the representatives of the Institute of Chartered Accountants of India to the sitting of the Committee and invited their attention to Direction 55 of the Directions by the Speaker, Lok Sabha.

2. The Committee, then took oral evidence of the representatives of the Institute of Chartered Accountants of India on the provisions of the Chartered Accountant (Amendment) Bill 2003. The President of ICAI gave an audio-visual presentation after seeking the permission of the Committee.

3. Thereafter, the Members raised queries which were replied to by the witnesses.

4. The evidence was concluded.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

Part II

At the outset, the Chairman welcomed the representatives of the Institute of Company Secretaries of India to the sitting of the Committee and invited their attention to Direction 55 of the Directions by the Speaker, Lok Sabha.

2. The Committee, then took oral evidence of the representatives of the Institute of Company Secretaries of India on the provisions of the Company Secretary (Amendment) Bill, 2003. The President of ICSI gave an audio-visual presentation after seeking the permission of the Committee.

3. Thereafter, the Members raised queries which were replied to by the witnesses.

4. The evidence was concluded.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

Part III

At the outset, the Chairman welcomed the representatives of the Institute of Cost and Works Accountants of India to the sitting of the Committee and invited their attention to Direction 55 of the Directions by the Speaker, Lok Sabha.

2. The Committee, then took oral evidence of the representatives of the Institute of Cost and Works Accountants of India on the provisions of the Cost and Works Accountants (Amendment) Bill, 2003. The President of ICWAI gave an audio-visual presentation after seeking the permission of the Committee.

3. Thereafter, the Members raised queries which were replied to by the witnesses.

4. The evidence was concluded.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

The Committee then adjourned.

MINUTES OF THE TWELFTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Wednesday, 5th January, 2005 from 1100 to
1230 hrs.

PRESENT

Maj. Gen (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Bhartruhari Mahtab
3. Shri Shyama Charan Gupt
4. Shri Bir Singh Mahato
5. Dr. Rajesh Kumar Mishra
6. Shri Madhusudan Mistry
7. Shri Rupchand Pal
8. Shri K.S. Rao
9. Shri Jyotiraditya Madhavrao Scindia
10. Shri M.A. Kharabela Swain
11. Shri Vijoy Krishna

Rajya Sabha

12. Shri Jairam Ramesh
13. Shri M. Venkaiah Naidu
14. Shri Chittabrata Mazumdar
15. Shri C. Ramachandraiah
16. Shri Mangani Lal Mandal

SECRETARIAT

1. Shri P.D.T. Achary — *Secretary*
2. Dr. (Smt.) P. K. Sandhu — *Joint Secretary*
3. Shri R.K. Jain — *Deputy Secretary*
4. Shri R.C. Kakkar — *Under Secretary*

WITNESSES

Ministry of Company Affairs

1. Smt. Komal Anand, Secretary
2. Shri Jitesh Khosla, Joint Secretary
3. Shri Y.S. Malik, Joint Secretary
4. Shri Paul Joseph, Economic Advisor
5. Shri V.S. Rao, DII
6. Shri R. Vasudevan, DII
7. Shri A.K. Kapoor, Advisor, Cost
8. Shri O.P. Arya, Director, SFIO

2. At the outset, the Chairman welcomed the representatives of the Ministry of Company Affairs to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker.

3. The Committee then took oral evidence of the representatives of the Ministry of Company Affairs on (i) the Chartered Accountants (Amendment) Bill, 2003, (ii) the Cost and Works Accountants (Amendment) Bill, 2003 and (iii) the Company Secretaries (Amendment) Bill, 2003.

4. The evidence was concluded.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

The Committee then adjourned.

MINUTES OF THE THIRTEENTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Monday, 17 January 2005 from 1615 to
1645 hrs.

PRESENT

Maj. Gen. (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Bhartruhari Mahtab
3. Shri Gurudas Kamat
4. Shri Bir Singh Mahato
5. Shri Madhusudan Mistry
6. Shri Rupchand Pal
7. Shri K.S. Rao
8. Shri Jyotiraditya Madhavrao Scindia
9. Shri Ajit Singh
10. Shri M.A. Kharabela Swain
11. Shri Vijoy Krishna
12. Shri Magunta Sreenivasulu Reddy

Rajya Sabha

13. Shri R.P. Goenka
14. Shri Jairam Ramesh
15. Shri Yashwant Sinha
16. Shri Chittabrata Majumdar
17. Shri S.P.M. Syed Khan
18. Shri C. Ramachandraiah

SECRETARIAT

1. Dr. (Smt.) P. K. Sandhu — *Joint Secretary*
2. Shri R.K. Jain — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*

(from 1615 to 1645 hours)

2. The Chairman and Members decided to have a preliminary discussion on the draft reports on (i) the Chartered Accountants (Amendment) Bill, 2003, (ii) the Cost & Works Accountants (Amendment) Bill, 2003 and (iii) the Company Secretaries (Amendment) Bill, 2003.

3. Thereafter, the Committee decided to consider and adopt the aforesaid reports on 18.01.2005.

The witnesses then withdrew.

(The Committee then adjourned).

MINUTES OF THE FOURTEENTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Tuesday, 18 January, 2005 from 1645 to
1710 hrs.

PRESENT

Maj. Gen. (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Gurudas Dasgupta
3. Shri Bhartruhari Mahtab
4. Shri A. Krishnaswamy
5. Shri Bir Singh Mahato
6. Shri Madhusudan Mistry
7. Shri Rupchand Pal
8. Shri Shrinivas D. Patil
9. Shri K.S. Rao
10. Shri Jyotiraditya Madhavrao Scindia
11. Shri M.A. Kharabela Swain
12. Shri Vijoy Krishna
13. Shri Magunta Sreenivasulu Reddy

Rajya Sabha

14. Shri Jairam Ramesh
15. Shri Yashwant Sinha
16. Shri Chittabrata Majumdar
17. Shri C. Ramachandraiah
18. Shri Mangani Lal Mandal

SECRETARIAT

1. Shri P.D.T. Achary — *Secretary*
2. Dr. (Smt.) P. K. Sandhu — *Joint Secretary*
3. Shri R.K. Jain — *Deputy Secretary*
4. Shri R.C. Kakkar — *Under Secretary*

2. The Committee took further consideration of the draft reports on (i) the Chartered Accountants (Amendment) Bill, 2003, (ii) the Cost & Works Accountants (Amendment) Bill, 2003 and (iii) the Company Secretaries (Amendment) Bill, 2003. The Chairman requested the Members of the Committee to furnish their suggestions on the recommendations contained in the aforementioned reports. The Members suggested some modifications in the Reports. The Chairman directed that these modifications be incorporated in the draft reports. Then, the Chairman also directed that the revised drafts should be circulated to the Members of the Committee for their perusal. The Committee decided to take up further consideration and adoption of the aforesaid reports on 27.01.2005.

3. The meeting was concluded.

The Committee then adjourned.

MINUTES OF THE FIFTEENTH SITTING OF STANDING
COMMITTEE ON FINANCE

The Committee sat on Tuesday, 27 January, 2005 from 1400 to
1430 hrs.

PRESENT

Maj. Gen. (Retd.) B.C. Khanduri — *Chairman*

MEMBERS

Lok Sabha

2. Shri Bhartruhari Mahtab
3. Shri Shyama Charan Gupt
4. Shri A. Krishnaswamy
5. Shri Bir Singh Mahato
6. Shri Madhusudan Mistry
7. Shri Rupchand Pal
8. Shri Shrinivas D. Patil
9. Shri M.A. Kharabela Swain

Rajya Sabha

10. Shri M. Venkaiah Naidu
11. Shri Chittabrata Majumdar
12. Shri C. Ramachandraiah
13. Shri Mangani Lal Mandal

SECRETARIAT

1. Shri P.D.T. Achary — *Secretary*
2. Shri R.K. Jain — *Deputy Secretary*
3. Shri R.C. Kakkar — *Under Secretary*

2. The Committee took up for consideration the revised draft reports on (i) the Chartered Accountants (Amendment) Bill, 2003, (ii) the Cost & Works Accountants (Amendment) Bill, 2003 and

(iii) the Company Secretaries (Amendment) Bill, 2003. The Committee after deliberation adopted the same with modifications/amendments as shown in Annexure I, and II.

3. The Committee authorised the Chairman to finalise the draft Reports in the light of the modifications as also to make verbal and consequential changes and present the same to the Speaker.

The Committee then adjourned.

APPENDIX

AS INTRODUCED IN THE RAJYA SABHA
ON THE 23RD DECEMBER, 2003.

Bill No. LXXVI of 2003

THE CHARTERED ACCOUNTANTS (AMENDMENT) BILL, 2003

A

BILL

further to amend the Chartered Accountants Act, 1949.

BE it enacted by Parliament in the Fifty-fourth Year of the Republic of India as follows:

Short title
and
commence-
ment.

1. (1) This Act may be called the Chartered Accountants (Amendment) Act, 2003.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Amendment
of section 2.

2. In the Chartered Accountants Act, 1949³⁸ of 1949. (hereinafter referred to as the principal Act), in section 2, in sub-section (1),—

(i) after clause (a), the following clauses shall be inserted, namely:

‘(aa) “Authority” means the Appellate Authority constituted under section 22A;

(aaa) “Board” means the Quality Review Board constituted under section 28A;’;

(ii) after clause (e), the following clause shall be inserted, namely:—

‘(ea) “notification” means a notification published in the Official Gazette;’;

(iii) after clause (h), the following clauses shall be inserted, namely:—

‘(ha) “specified” means specified by rules made by the Central Government under this Act;

(hb) "Tribunal" means a Tribunal established under sub-section (1) of section 10B;.

3. In section 4 of the principal Act, in sub-section (3), for the words "the prescribed fee, which shall not exceed rupees three hundred", the words "such fee, as may be determined, by notification, by the Council with the prior approval of the Central Government, which shall not exceed rupees three thousand" shall be substituted. Amendment of section 4.

4. In section 5 of the principal Act, in sub-section (3), for the words "the prescribed entrance fee, which shall not exceed rupees two hundred", the words "such fee, as may be determined, by notification by the Council with the prior approval of the Central Government, which shall not exceed rupees five thousand" shall be substituted. Amendment of section 5.

5. In section 6 of the principal Act,— Amendment of section 6.

(i) in sub-section (2), for the word "prescribed", the words "determined, by notification, by the Council with the prior approval of the Central Government, which shall not exceed rupees three thousand in any case" shall be substituted;

(ii) after sub-section (2), the following sub-section shall be inserted, namely:—

"(3) The certificate of practice obtained under sub-section (1) may be cancelled by the Council under such circumstances as may be prescribed."

6. In section 9 of the principal Act, for sub-section (2), the following sub-sections shall be substituted, namely:— Amendment of section 9.

"(2) The Council shall be composed of the following persons, namely:—

(a) not more than thirty persons elected in the specified manner by member of the Institute, from amongst the fellows of the Institute, and

(b) not more than ten persons nominated in the specified manner by the Central Government.

(3) No person holding an office of profit under the Central Government or a State Government shall be eligible for election to the Council under clause (a) of sub-section (2).”.

Substitution of new sections for section 10.
Re-election to Council.

7. For section 10 of the principal Act, the following sections shall be substituted, namely:—

“10. (1) A member of the Council elected under clause (a) of sub-section (2) of section 9 shall be eligible for re-election but not for more than three consecutive terms.

(2) A member of the council, who is or has been elected, as President under sub-section (1) of section 12, shall not be eligible for re-election as a member of the Council.

Settlement of dispute regarding election.

10A. In case of any dispute regarding any election under clause (a) of sub-section (2) of section 9, the aggrieved person may make an application within thirty days from the date of the declaration of the result of the election to the Council which shall forward the same forthwith to the Central Government.

Establishment of Tribunal.

10B. (1) On receipt of any application under section 10A, the Central Government shall, by notification, establish a Tribunal consisting of a Presiding Officer and two other Members to decide such dispute and the decision of such Tribunal shall be final.

(2) A person shall not be qualified for appointment,—

(a) as a Presiding Officer of the Tribunal unless he has been a member of the Indian Legal Service and has held a post in Grade I of the service for at least three years;

(b) as a Member unless he has been a member of the Council for at least one full term; and

(c) as a Member holding the post of a Joint Secretary to the Government of India or any other post under the Central Government carrying a scale of pay which is not less than that of a Joint Secretary to the Government of India.

(3) The terms of conditions of service of the Presiding Officer and Members of the Tribunal, their place of meetings, remuneration and allowances shall be such as may be specified.

(4) The expenses of the Tribunal shall be borne by the Council.”

8. In section 12 of the principal Act, in sub-section (4), for the word “President” occurring at both the places, the words “President and the Vice-President” shall be substituted. Amendment of section 12.

9. In section 13 of the principal Act, in the proviso to sub-section (3), for the words “six months”, the words “one year” shall be substituted. Amendment of section 13.

10. In section 14 of the principal Act, in sub-section (1), for the words “three years”, the words “four years” shall be substituted. Amendment of section 14.

11. In section 16 of the principal Act, in sub-section (1), after clause (e), the following clause shall be inserted, namely:— Amendment of section 16.

“(f) approve the foreign travel tours of the President, the Vice-President and

members of the Council and member of its Committees, and officers and employees of the Institute in such manner as may be specified.”.

Amendment
of section
17.

12. In section 17 of the principal act,—

(a) in sub-section (1), clause (iii) shall be omitted;

(b) for sub-section (3), the following sub-section shall be substituted, namely:—

“(3) Each of the Standing Committees shall consist of the President and the Vice-President *ex officio*, and minimum of three and maximum of five members of the Council elected by the Council, out of which one shall be the member nominated under clause (b) of sub-section (2) of section 9.”.

Amendment
of section
19.

13. In section 19 of the principal Act,—

(i) in sub-section (3), the words “on payment of such amount as may be prescribed” shall be inserted at the end;

(ii) in sub-section (4), for the word “prescribed”, the words “determined, by notification, by the Council with the prior approval of the Central Government, which shall not exceed rupees five thousand in any case” shall be substituted.

Amendment
of section
20.

14. In section 20 of the principal Act, after sub-section (2), the following sub section shall be inserted, namely:—

“(3) If the name of any member has been removed from the register under clause (c) of sub-section (1), on receipt of an application, his name may be entered again in the register on payment of the arrears of determined annual fee and entrance fee along with such additional fee, as may be determined, by notification by

the Council with the prior approval of the Central Government, which shall not exceed rupees two thousand in any case.”.

15. For section 21 of the principal Act, the following sections shall be substituted, namely:—

Substitution of new sections for section 21.

‘21. (1) The Council shall constitute a Disciplinary Committee consisting of the President or the Vice-President of the Council as the Presiding Officer and two members of the Council elected by the Council and two members to be nominated by the Central Government from amongst the persons of eminence having experience in the field of law, education, economics, business, finance, accountancy or public administration:

Disciplinary Committee.

Provided that the Council may constitute more regional Disciplinary Committees as and when it deems fit.

(2) The Disciplinary Committee in making the inquiry under the provisions of this Act shall follow such procedure and submit the report to the Council within such time as may be specified.

21A. (1) The Council shall, by notification, appoint a Prosecution Director and such other employees for making inquiries in respect of any information or complaint received by it under the provisions of this Act.

Appointment of Prosecution Director.

(2) In order to make inquiries under the provisions of this Act, the Prosecution Director shall follow such procedures as may be specified.

21B. For the purposes of an inquiry under the provision of this Act, the Authority, the Council, the Disciplinary Committee and the Prosecution Director shall have the same powers as are vested in a Civil Court under the Code of Civil Procedure, 1908 in respect of

Authority, Council, Disciplinary Committee and Prosecution Director to have powers of Civil Court.

the following matters, namely:—

(a) summoning and enforcing the attendance of any person and examining him on oath;

(b) the discovery and production of any document; and

(c) receiving evidence on affidavit.

Action by Council on Disciplinary Committee report.

21C. (1) On receipt of a report from the Disciplinary Committee, if the Council is satisfied that the member of the Institute is guilty of any professional or other misconduct, it shall record its findings accordingly and shall proceed in accordance with the provisions of section 21D.

(2) In case the Council is not satisfied with the report of the Disciplinary Committee and is of the opinion that it requires further inquiry, it may refer the report again to the Disciplinary Committee for such further inquiry as may be directed through an order of the Council.

(3) If the Council disagrees with the findings of the Disciplinary Committee, it may direct the Prosecution Director to make an appeal to the Authority.

Member to be afforded opportunity of being heard.

21D. Where the Council is of the opinion that a member is guilty of a professional or other misconduct mentioned in the Schedule, it shall afford to the member a reasonable opportunity of being heard before making any order against him and may thereafter take any one or more of the following actions, namely:—

(a) reprimand the member; or

(b) remove the name of the member from the register permanently or for such period, as it thinks fit.

Explanation.—For the purposes of this section, “member of the Institute” includes a person who was a member of the Institute on the date of the alleged misconduct although he has ceased to be a member of the Institute at the time of the inquiry.”.

16. In section 22 of the principal Act,— Amendment of section 22.

(i) for the words “specified in any of the Schedules”, the words “mentioned in the Schedule or as may be specified” shall be substituted;

(ii) the words “under sub-section (1) of section 21” shall be omitted.

17. For section 22A of the principal Act, the following sections shall be substituted, namely:— Substitution of new sections for section 22A.

“22A. (1) The Central Government shall, by notification; constitute an Appellate Authority consisting of— Constitution of Authority.

(a) a person who is, or has been, or is qualified to be a judge of a High Court, to be its Chairperson;

(b) two members to be appointed from amongst the persons who have been members of the Council for at least one full term;

(c) two members to be nominated by the Central Government from amongst persons having knowledge and practical experience in the field of law, education, economics, business, finance, accountancy or public administration.

(2) The Chairperson and other members shall be part-time members.

22B. (1) A person appointed as Chairperson shall hold office for a term of five years from the date on which he enters upon his office or Term of office of Chairperson and members of Authority.

until he attains the age of seventy years, whichever is earlier.

(2) A person appointed as a member shall hold office for a term of five years from the date on which he enters upon his office or until he attains the age of sixty-seven years, whichever is earlier.

Allowances and conditions of service of Chairperson and members of Authority. 22C. (1) The allowances payable to, and other terms and conditions of service of, the Chairperson and members shall be such as may be specified.

(2) The allowances to the Chairperson and members shall be paid by the Council in such manner as may be specified.

Procedure to be regulated by authority. 22D. (1) The Authority shall meet at such time and place and follow in its meetings and in discharging its functions such procedure as may be specified.

(2) All orders and decisions of the Authority shall be authenticated by an officer duly authorised by the Chairperson in this behalf.

Officers and other staff of Authority. 22E. (1) The council shall make available to the Authority such officers and other staff members as may be necessary for the efficient performance of the functions of the Authority.

(2) The salaries and allowances and conditions of service of the officers and other staff members made available to the Authority shall be such as may be prescribed.

Resignation and removal of Chairperson and members. 22F. (1) The Chairperson or a member may, by notice in writing under his hand addressed to the Central Government, resign his office:

Provided that the Chairperson or a member shall, unless he is permitted by the Central Government to relinquish his office sooner, continue to hold office until the expiry of three months from the date of receipt of such notice or until a person duly appointed as his

successor enters upon his office or until the expiry of term of office, whichever is earlier.

(2) The Chairperson or a member shall not be removed from his office except by an order of the Central Government on the ground of proved misbehaviour or incapacity after an inquiry made by such person as the President may appoint for this purpose in which the chairperson or a member concerned has been informed of the charges against him and given a reasonable opportunity of being heard in respect of such charges.

22G. (1) Any member of the Institute aggrieved by any order of the Council imposing on him any of the penalties referred to in section 21D, may within thirty days of the date on which the order is communicated to him, prefer an appeal to the Authority:

Provided that the Authority may entertain any such appeal after the expiry of the said period of thirty days, if it is satisfied that the member was prevented by sufficient cause from filing the appeal in time.

(2) The Authority may, after calling for the records of any case, revise any order made by the Council under section 21D and may—

(a) confirm, modify or set aside the order;

(b) impose any penalty or set aside, reduce, or enhance the penalty imposed by the order;

(c) remit the case to the Disciplinary Committee for such further inquiry as the Authority considers proper in the circumstances of the case; or

(d) pass such other order as the Authority thinks fit:

Provided that no order of the Council shall be modified or set aside unless the Council has been given an opportunity of being heard and no order imposing or enhancing a penalty shall be passed unless the person concerned has also been given an opportunity of being heard.”.

Insertion of
new Chapter
VIA.

18. After Chapter VII of the principal Act, the following Chapter shall be inserted, namely:—

“CHAPTER VII A

QUALITY REVIEW BOARD

Establishment
of Quality
Review
Board.

28A. (1) The Central Government shall, by notification, constitute a Quality Review Board consisting of a Chairman and ten other members.

(2) The Chairman and members of the Board shall be appointed from amongst the persons having eminence and experience in the field of law, education, economics, business, finance, accountancy or public administration.

(3) Five members of the Board shall be nominated by the Council and other five members shall be nominated by the Central Government.

Functions of
Board.

28B. The Board shall perform the following functions, namely:—

(a) to fix standards for the services provided by the members of the Institute;

(b) to review the quality of services provided by the members of the Institute including audit services; and

(c) to guide the members of the Institute to improve the quality of services and adherence to the various statutory and other regulatory requirements.

28C. The Board shall follow in its meeting and in discharging its functions such procedure as may be specified.

Procedure of Board.

28D. The terms and conditions of service of the Chairman and the members of the Board, their place of meetings, remuneration and allowances shall be such as may be specified.

Term and conditions of Chairman and members of Board.

28E. The expenditure of the Board shall be borne by the Council.”.

Expenditure of Board.

19. After section 29 of the principal Act, the following section shall be inserted, namely:—

Insertion of new section 29A.

“29A. (1) The Central Government may, by notification, make rules to carry out the provisions of this Act.

Power of Central Government to make rules.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the manner of election and nomination in respect of members to the Council under sub-section (2) of section 9;

(b) the terms and conditions of service of the Presiding Officers and Members of the tribunal, place of meeting, remuneration and allowances to be paid to them under sub-section (3) of section 10B.

(c) the manner of approval for the foreign travel tours of the President, the Vice-President and members of the Council and member of its Committees, and officers and employees of the Institute under clause (f) of sub-section (1) of section 16;

(d) the procedure of inquiry and submission of report by the Disciplinary Committee under sub-section (2) of section 21;

(e) the procedure of inquiry by the Prosecution Director under sub-section (2) of section 21A;

(f) any act or omission which may be determined as professional misconduct under section 22;

(g) the allowances and terms and conditions of service of the Chairperson and members of the Authority and the manner of payment of allowances by the Council under section 22C;

(h) the procedure to be followed by the Authority in its meetings and in discharging its functions under sub-section (1) of section 22D;

(i) the procedure to be followed by the Board in its meeting and in discharging its functions under section 28C; and

(j) the terms and conditions of service of the Chairman and members of the Board under section 28D.”.

Amendment of section 30.

20. In section 30 of the principal Act, in sub-section (1) the words “and a copy of such regulations shall be sent to each member of the Institute” shall be omitted.

Substitution of new section for section 30A.

21. For section 30A of the principal Act, the following sections shall be substituted, namely:—

Power of Central Government to issue directions.

“30A. (1) For the purposes of this Act, the Central Government may, from time to time, give to the Council such general or special directions as it thinks fit, and the Council shall, in the discharge of its functions under this Act, comply with any such directions.

(2) If, in the opinion of the Central Government, the council has persistently made default in giving effect to the directions issued under sub-section (1), it may, after giving an

opportunity of being heard to the Council, by notification, dissolve the Council, where after a new Council shall be constituted in accordance with the provisions of this Act with effect from such date as may be decided by the Central Government.

(3) Where the Central Government has issued a notification under sub-section (2) dissolving the Council, it may, pending the constitution of a new Council in accordance with the provisions of this Act, authorise any person or body of persons to take over the management of the affairs of the Council and to exercise such functions as may be mentioned in the notification.

30AA. No suit, prosecution or other legal proceeding shall lie against the Central Government or the Council or the Disciplinary Committee or the Tribunal or the Authority or the Board or the Prosecution Director or any officer of that Government, Council, Committee, Tribunal, Authority or Board, for any thing which is in good faith done or intended to be done under this Act or any rule, regulation, notification, direction or order made thereunder.

Protection of action taken in good faith.

33AAA. The Chairperson, members and other officers and employees of the Tribunal, Authority and Board, and the Prosecution Director shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code."

Members, etc., to be public servants.

45 of 1860.

22. For section 30B of the principal Act, the following section shall be substituted, namely:—

Substitution of new section for section 30B.

"30B. Every rule and every regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which maybe comprised in one session or in two or more

Rules and regulations to be laid before Parliament.

successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or the regulation, or both Houses agree that the rule or the regulation should not be made, the rule or the regulation, shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation.”.

Substitution
of new
Schedule for
First
Schedule
and Second
Schedule.

23. For the First Schedule and the Second Schedule to the principal Act, the following Schedule shall be substituted, namely:—

‘THE SCHEDULE
(See sections 21D and 22)

PART I

Professional misconduct in relation to chartered accountants in practice

A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(1) allows any person to practise in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by himself;

(2) pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner.

Explanation.—In this item “partner” includes a person residing outside India with whom a chartered accountant in practice has entered into partnership which is not in contravention of item (4) of this part;

(3) accepts or agrees to accept any part of the profits of the professional work of a lawyer, auctioneer, broker, or other agent who is not a member of the Institute;

(4) enters into partnership with any person other than a chartered accountant in practice or a person resident without India who but for his residence abroad would be entitled to be registered as a member under clause (v) of sub-section (1) of section 4 or whose qualifications are recognised by the Central Government or the Council for the purpose of permitting such partnerships, provided that the chartered accountant shares in the fees or profits of the business of the partnership both within and without India;

(5) secures, either through the services of a person not qualified to be his partner or by means which are not open to a chartered accountant, any professional businesses;

(6) solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means;

(7) advertises his professional attainments or services, or uses any designation or expressions other than chartered accountant on professional documents, visiting cards, letter heads or sign boards, unless it be a degree of a University established by law in India or recognised by the Central Government or

a title indicating membership of the Institute of Chartered Accountants or of any other institution that has been recognised by the Central Government or may be recognised by the Council;

(8) accepts a position as auditor previously held by another chartered accountant or a restricted state auditor without first communicating with him in writing;

(9) accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of section 225 of the Companies Act, 1956 in respect of such appointment have been duly complied with; ^{1 of 1956.}

(10) charges or offers to charge, accepts or offers to accept in respect of any professional employment fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except in cases which are permitted under any regulations made under this Act;

(11) engages in any business or occupation other than the profession of chartered accountants unless permitted by the council so to engage:

Provided that nothing contained herein shall disentitle a chartered accountant from being a director of a company, unless he or any of his partner is interested in such company as an auditor.

(12) accepts a position as auditor previously held by some other chartered accountant or restricted state auditor in such conditions as to constitute undercutting;

(13) allows a person not being a member of the Institute or a member not being his partner to sign on his behalf or on behalf of his firm, any balance-sheet, profit and loss account, report or financial statements;

(14) discloses information acquired in the course of his professional engagement to any person other than his client, without the consent of his client or otherwise than as required by any law for the time being in force;

(15) certifies or submits in his name or in the name of his firm a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice;

(16) permits his name or the name of his firm to be used in connection with an estimate of earning contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast;

(17) expresses his opinion on financial statements of any business or any enterprise in which he, his firm or a partner in his firm has a substantial interest, unless he discloses the interest also in his report;

(18) fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary to make the financial statement not misleading;

(19) fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity;

(20) is grossly negligent in the conduct of his professional duties;

(21) fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion;

(22) fails to invite attention to any material departure from the generally accepted procedure of audit applicable in the circumstances;

(23) fails to keep moneys of his client in a separate banking account or to use such moneys for purposes for which they are intended.

PART II

Professional misconduct in relation to members of the Institute in service

A member of the Institute (other than a member in practice) shall be deemed to be guilty of professional misconduct, if he being an employee of any company, firm or person—

(a) pays or allows or agrees to pay directly or indirectly to any person any share in the emoluments of the employment undertaken by the member;

(b) accepts or agrees to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification;

(c) discloses confidential information acquired in the course of his employment except as and when required by law or except as permitted by the employer.

PART III

*Professional misconduct in relation to members of
the Institute generally*

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he—

(1) includes in any statement, return or form to be submitted to the Council any particulars knowing them to be false;

(2) not being a fellow styles himself as a fellow;

(3) does not supply the information called for, or does not comply with the requirements asked for, by the Council or any of its Committees;

(4) contravenes any of the provisions of this Act or the regulations made thereunder;

(5) is guilty of such other act or omission as may be specified.'

STATEMENT OF OBJECTS AND REASONS

The Chartered Accountants Act, 1949, which is in force for more than fifty years requires updation because of the changes that have taken place during this period and on the basis of experience by the Institute of Chartered Accountants of India and the Government while administering and implementing the provisions of the Act.

2. The Joint Parliamentary Committee has also adversely commented on the slow disciplinary procedure for the erring members of the Institute. A High Level Committee under the Chairmanship of Shri Naresh Chandra, former Cabinet Secretary was in the meanwhile constituted, *inter alia*, to examine the Auditor—Company relationship and the disciplinary mechanism for the Auditors. It is proposed to bring about amendments in the Act to implement the Naresh Chandra Committee's recommendations regarding disciplinary procedure and setting up of Quality Review Board.

3. The Institute also has faced certain difficulties, like in increasing membership fee to cover increased activities, short term of the Council, etc., and has suggested a number of amendments in the Act.

4. It has also been felt necessary to bring, as far as possible, uniformity in the Acts of the three professional Institutes, namely the Institute of Chartered Accountants of India, Institute of Cost and Works Accountants of India and the Institute of Company Secretaries of India. Some of the amendments in the Act have become necessary to achieve this uniformity.

5. Some of the main amendments proposed to be made in the Bill are as follows:—

(a) strengthening of Disciplinary Committee and also providing for constitution of more than one Disciplinary Committee, as and when deemed fit, which will enable the disposal of the increased number of disciplinary cases, consequent upon the huge increase in the membership of the Institute and in the number of practising chartered accountants;

(b) appointment of a Prosecution Directorate which will hasten the disciplinary process and also impart an objectivity;

(c) constitution of an Appellate Authority to be headed by a person who is, or has been, or is qualified to be a judge of a High Court to deal with the appeals against the orders of the Council;

(d) setting up a mechanism for review of the quality of audit, enhancing the powers to the Council to fix fees, increase the term of the Council from three to four years, streamlining the election process and prescribing certain restrictions with regards to eligibility of members for contesting elections for the Council of the Institute.

6. The Bill seeks to achieve the above objects.

NEW DELHI;
The 22nd December, 2003.

JASWANT SINGH

Notes on clauses

Clause 2 seeks to define various expressions used in the Bill.

Clause 3 seeks to provide that the Council, with the prior approval of the Central Government, may determine the fee of associate members of the Institute.

Clause 4 seeks to provide that the Council, with the prior approval of the Central Government, may determine the fee of fellow members of the Institute.

Clause 5 seeks to provide that the Council, with the prior approval of the Central Government, may determine the fee for certificate of practice. The clause also provides for cancellation of certificate of practice under the circumstances as may be prescribed by regulations.

Clause 6 seeks to provide for enhancing the total strength of the Council of the Institute from thirty to forty and also provides that the manner of election and nomination will be specified by rules. The clause also debars persons holding office of profit under Central Government or a State Government from contesting election to the Council.

Clause 7 seeks to provide that a member of the Council shall be eligible for re-election for a maximum of three consecutive terms. The clause debars sitting and former Presidents of the Council from contesting election of the Council. This clause also provides for settlement of election disputes and establishment of election tribunal.

Clause 8 seeks to provide for the continuation in office of the Vice-President till his successor takes charge, as is the case with the President of the Council.

Clause 9 seeks to change the period for not filing up a casual vacancy from six months to one year, prior to the date of expiration of the duration of the Council.

Clause 10 seeks to provide for enhancement of duration of the Council from three to four years.

Clause 11 seeks to provide that the Council shall approve foreign travel tours of the members of the Council and its Committees and staff of the Institute in accordance with rules framed by the Central Government for this purpose.

Clause 12 seeks to, *inter alia*, provide for increasing the strength of the Executive Committee and the Examination Committee.

Clause 13 seeks to provide that the Council, with the prior approval of the Central Government, may determine the annual membership fee of the Institute. The clause also provides that the list of members can be supplied to the members on payment of the prescribed amount.

Clause 14 seeks to provide that the Council may re-enter the name of the member of the Institute, if his name has been removed for non-payment of dues, on payment of such additional fee as may be determined by the Council with the prior approval of the Central Government.

Clause 15 seeks to, *inter alia*, provide for constitution of more than one Disciplinary Committee, appointment of a prosecution directorate and empowering them and the Appellate Authority to, summon and enforce the attendance of any person and examining him on oath, to discover and production of any document, and receive evidence on affidavit. The clause also provides for action to be taken by the Council on the Disciplinary Committee report and the penalties, which Council can impose on a member of the Institute.

Clause 17 seeks to, *inter alia*, provide for constitution of an Appellate Authority, its composition, the term of office of Chairperson and Members, their allowances and terms and conditions of service and resignation and removal of Chairperson and Members. It also provides for the procedures to be adopted by the authority and powers of the authority with regards to the orders passed by the Council.

Clause 18 seeks to, *inter alia*, provide for establishment of a Quality Review Board, its functions, procedures, the terms and conditions of service of Chairman and Members, which will review the quality of audit and other services provided by the members of the Institute.

Clause 19 seeks to confer upon the Central Government the power to make rules to carry out the provisions of the proposed legislation. Sub-clause (2) of this clause enumerates the various matters in respect of which such rules may be made.

Clause 21 seeks to, *inter alia*, empower the Central Government to issue such general or special directions, as it thinks fit, to the Council, making it obligatory on the part of the Council to comply with such directions. It also empowers the Central Government to dissolve the Council after giving an opportunity of being heard. The clause also seeks to make provision for protection of action taken in good faith.

Clause 22 seeks to provide for laying of the rules and regulations on the table of both the Houses of Parliament.

Clause 23 seeks to provide for substitution of a new Schedule for the existing two Schedules.

FINANCIAL MEMORANDUM

The Bill seeks to appoint a Prosecution Director, constitute an Appellate Authority and establish a Quality Review Board. The expenditure in this regard is to be borne by the Council of the Institute and there shall be no expenditure of recurring or non-recurring nature from the Consolidated Fund of India.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clauses 3, 4, 5, and 13 of the Bill seek to amend sections 4, 5, 6, and 19 of the principal Act so as to empower the Council to determine the fee with the prior approval of the Central Government.

2. Clause 5 also seeks to amend section 6 of the principal Act so as to empower the Council to cancel the certificate of practice under the circumstance as may be prescribed by regulations.

3. Clause 6 of the Bill seeks to amend section 9 of the principal Act so as to empower the Central Government to specify by rules the manner of election and nomination of the members to the Council.

4. Clause 7 of the Bill seeks to insert a new section 10B so as to empower the Central Government to specify the terms and conditions of service of the Presiding Officer and Members of the Tribunal, their place of meetings, remuneration and allowances.

5. Clause 11 of the Bill seeks to amend section 16 of the principal Act so as to empower the Central Government to specify by rules the manner of approval of the foreign travel tours of the President, the Vice-President and members of the Council and member of its Committees, and officers and employees of the Institute.

6. Clause 13 of the Bill also seeks to amend section 19 of the principal Act so as to empower the council to prescribe by regulation the amount a member is to pay for a copy of the list of members.

7. Clause 14 of the Bill seeks to amend section 20 of the principal Act so as to empower the Council to determine the additional fee for re-entering the name of a member with the prior approval of the Central Government.

8. Clause 15 of the Bill seeks to amend section 21 of the principal Act so as to empower the Central Government to specify by rules the procedure of inquiry and the period for submission of report by the Disciplinary Committee and the procedure of inquiry by the Prosecution Director.

9. Clause 16 of the Bill seeks to amend section 22 of the principal Act so as to empower the Central Government to specify by rules act or omission which may be determined as professional misconduct.

10. Clause 17 of the Bill seeks to add a new section after section 22 of the principal Act so as to empower the Central Government to specify by rules the allowances and terms and conditions of service of the Chairperson and members of the Authority and the manner of payment of allowances by the Council and the procedure to be followed by the Authority in its meetings and in discharging its functions.

11. Clause 18 of the Bill seeks to insert a new Chapter after Chapter VII to the principal act so as to empower the Central Government to specify by rules the procedure to be followed by the Board in its meeting and in discharging its functions and the terms and conditions of service of the Chairman and the members of the Board.

12. The matters in respect of which the said rules or regulations may be made are matters of procedure and administrative detail, and it is not practicable to provide them in the proposed legislation itself.

13. The delegation of legislative power is, therefore, of a normal character.

EXTRACTS FROM THE CHARTERED ACCOUNTANTS ACT, 1949
(38 OF 1949)

	*	*	*	*	*
Interpretation.	2.	(1) In this act, unless there is anything repugnant in the subject or Context,—			
	*	*	*	*	*
Entry of names in the Register.	4. (1)	*	*	*	*
		(3) Every person belonging to any of the classes mentioned in clauses (ii), (iii), (iv), (v) and (vi) of sub-section (1) shall have his name entered in the Register on application being made and granted in the prescribed manner and on payment of the prescribed fee, which shall not exceed rupees three hundred in any case.			
	*	*	*	*	*
Fellows and Associates.	5. (1)	*	*	*	*
		(3) A member, being an associate who has been in continuous practice in India for at least five years, whether before or after the commencement of this Act, or whether partly before and partly after the commencement of this Act, and a member who has been an associate for a continuous period of not less than five years and who possesses such qualifications as the Council may prescribe with a view to ensuring that he has experience equivalent to the experience normally acquired as a result of continuous practice for a period of five years, as a chartered accountant shall, on payment of the prescribed entrance fee, which shall not exceed rupees two hundred in any case, and on application made and granted in the prescribed manner, be entered in the			

Register as a fellow of the Institute and shall be entitled to use the letters F.C.A. after his name to indicate that he is a fellow of the Institute of Chartered Accounts.

6. (1) * * * * * Certificate of practice.

(2) Every such member shall pay such annual fee for his certificate as may be prescribed, and such fee shall be payable on or before the 1st day of April in each year.

* * * * *

CHAPTER III

COUNCIL OF THE INSTITUTE

9. (1) * * * * * Constitution of the Council of the Institute.

(2) The Council shall be composed of the following persons, namely:—

(a) not more than twenty-four persons elected by members of the Institute from amongst the fellows of the Institute chosen in such manner and from such regional constituencies as may be specified in this behalf by the Central Government by notification in the Official Gazette; and

(b) six persons nominated by the Central Government.

10. (1) Elections under clause (a) of sub-section (2) of section 9 shall be conducted in the prescribed manner. Mode of election to the Council.

(2) Where any dispute arises regarding any such election, the matters shall be referred by the Council to a Tribunal appointed by the Central Government in this behalf and the decision of such Tribunal shall be final:

Provided that no such reference shall be made except on an application made to the Council by an aggrieved party within thirty days from the date of the declaration of the result of the election.

(3) The expenses of the Tribunal shall be borne by the Council.

* * * * *

President and Vice-President.

12. (1) * * * * *

(4) On the expiration of the duration of the Council, the President of the Council at the time of such expiration shall continue to hold office and discharge such administrative and other duties as may be prescribed until such time as a new President shall have been elected and shall have taken over charge of his duties.

* * * * *

Resignation of membership and casual vacancies.

13. (1) * * * * *

(3) A casual vacancy in the Council shall be filled by fresh election from the constituency concerned or by nomination by the Central Government, as the case may be, and the person elected or nominated to fill the vacancy shall hold office until the dissolution of the Council:

Provided that no election shall be held to fill a casual vacancy occurring within six months prior to the date of the expiration of the duration of the Council, but such a vacancy may be filled by nomination by the Central Government after consultation with the President of the Council.

* * * * *

Duration and dissolution of Council.

14. (1) The duration of any Council constituted under this Act shall be three years from the date of its first meeting, on the expiry of which it shall stand dissolved and a new Council constituted in accordance with the provisions of this Act.

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Staff, remuneration and allowances.

16. (1) For the efficient performance of its duties, the Council may—

* * * * *

17. (1) The Council shall constitute from amongst its members the following Standing Committees, namely:—

Committees
of the
Council.

* * * * *

(iii) a Disciplinary Committee.

* * * * *

(3) Each of the Standing Committees shall consist of the President and the Vice-President *ex officio*, and three other members of the Council elected by the Council:

Provided that in the case of the Disciplinary Committee, out of the members to be elected, two shall be elected by the Council, and the third nominated by the Central Government from amongst the persons nominated to the Council by the Central Government.

* * * * *

CHAPTER IV

REGISTER OF MEMBERS

19. (1) * * * * * Register.

(3) The Council shall cause to be published in such manner as may be prescribed, a list of members of the Institute as on the 1st day of April of each year, and shall, if requested to do so by any such member, send to him a copy of such list.

(4) Every member of the Institute shall, on his name being entered in the Register, pay such annual membership fee differing in amount according as he is an associate or a fellow of the Institute, as may be prescribed.

* * * * *

CHAPTER V

MISCONDUCT

Procedure in inquiries relating to misconduct of members of institute.

21. (1) Where on receipt of information by, or of a complaint made to, it the Council is *prima facie* of opinion that any member of the Institute has been guilty of any professional or other misconduct, the Council shall refer the case to the Disciplinary Committee, and the Disciplinary Committee shall thereupon hold such inquiry and in such manner as may be prescribed, and shall report the result of its inquiry to the Council.

(2) If on receipt of such report the Council finds that the member or the Institute is not guilty of any professional or other misconduct, it shall record its finding accordingly and direct that the proceedings shall be filed or the complaint shall be dismissed, as the case may be.

(3) If on receipt of such report the Council finds that the member of the Institute is guilty of any professional or other misconduct, it shall record a finding accordingly and shall proceed in the manner laid down in the succeeding subsections.

(4) Where the finding is that a member of the Institute has been guilty of a professional misconduct specified in the First Schedule, the Council shall afford to the member an opportunity of being heard before orders are passed against him on the case, and may thereafter make any of the following orders, namely:—

(a) reprimand the member,

(b) remove the name of the member from the Register for such period, not exceeding five years, as the Council thinks fit:

Provided that where it appears to the Council that the case in one in which the name of the member ought to be removed from the Register for a period exceeding five years or permanently, it shall not make any order referred to in clause (a) or clause (b), but shall forward the case to the High Court with its recommendations thereon.

(5) Where the misconduct in respect of which the Council has found any member of the Institute guilty is misconduct other than any such misconduct as is referred to in sub-section (4) it shall forward the case to the High Court with its recommendations thereon.

(6) On receipt of any case under sub-section (4) or sub-section (5), the High Court shall fix a date for the hearing of the case and shall cause notice of the date so fixed to be given to the member of the Institute concerned, the Council and to the Central Government, and shall afford such member, the Council and the Central Government an opportunity of being heard, and may thereafter make any of the following orders, namely:—

(a) direct that the proceedings be filed, or dismiss the complaint, as the case may be;

(b) reprimand the member;

(c) remove him from membership of the Institute either permanently or for such period as the High Court thinks fit;

(d) refer the case to the Council for further inquiry and report.

(7) Where it appears to the High Court that the transfer of any case pending before it to another High Court, will promote the ends of justice or tend to the general convenience of the parties, it may so transfer the case, subject to such conditions, if any, as it thinks fit to

impose, and the High Court to which such case in transferred shall deal with it as if the case had been forwarded to it by the Council.

Explanation I.—In this section “High Court” means the highest civil court of appeal, not including the Supreme Court, exercising jurisdiction in the area in which the person whose conduct is being inquired into carries on business, or has his principal place of business at the commencement of the inquiry:

Provided that where the cases relating to two or more members of the Institute have to be forwarded by the Council to different High Courts, the Central Government shall, having regard to the ends of justice and the general convenience of the parties, determine which of the High Courts to the exclusion of others shall hear the cases against all the members.

Explanation II.—For the purposes of this section “member of the Institute” includes a person who was a member of the Institute on the date of the alleged misconduct although he has ceased to be a member of the Institute at the time of the inquiry.

(8) For the purposes of any inquiry under this section, the Council and the Disciplinary Committee shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, in respect of the following 5 of 1908. matters namely:—

(a) summoning and enforcing the attendance of any person and examining him on oath;

(b) the discovery and production of any document; and

(c) receiving evidence on affidavit.

22. For the purposes of this Act, the expression “professional misconduct shall be deemed to include any act or omission specified in any of the Schedules, but nothing in this section shall be construed to limit or abridge in any way the power conferred or duty cast on the Council under sub-section (1) of section 21 to inquire into the conduct of any member of the Institute under any other circumstances.

Professional
misconduct
defined.

22A. (1) Any member of the Institute aggrieved by any order of the Council imposing on him any of the penalties referred to in sub-section (4) of section 21, may, within thirty days of the date on which the order is communicated to him, prefer an appeal to the High Court:

Appeals.

Provided that the High Court may entertain any such appeal after the expiry of the said period of thirty days, if it is satisfied that the member was prevented by sufficient cause from filing the appeal in time.

(2) The High Court may, on its own motion or otherwise, after calling for the records of any case, revise any order made by the Council under sub-section (2) or sub-section (4) of section 21 and may—

(a) confirm, modify or set aside the order;

(b) impose any penalty or set aside, reduce, confirm, or enhance the penalty imposed by the order;

(c) remit the case to the Council for such further inquiry as the High Court considers proper in the circumstances of the case; or

(d) pass such other order as the High Court thinks fit:

Provided that no order of the Council shall be modified or set aside unless the Council has

been given an opportunity of being heard and no order imposing or enhancing a penalty shall be passed unless the person concerned has also been given an opportunity of being heard.

Explanation.—In this section “High Court” and “member of the Institute” have the same meanings as in section 21.

* * * * *

Power to
make
regulations.

30. (1) The Council may, by notification in the Gazette of India, make regulations for the purpose of carrying out the objects of this Act, and a copy of such regulations shall be sent to each member of the Institute.

* * * * *

Powers of
Central
Government
to direct
regulations
to be made
or to make
or amend
regulations.

30A. (1) Where the Central Government considers it expedient so to do, it may, by order in writing, direct the Council to make any regulations or to amend or revoke any regulations already made within such period as it may specify in this behalf.

(2) If the Council fails or neglects to comply with such order within the specified period, the Central Government may make the regulations or amend or revoke the regulations made by the Council, as the case may be, either in the form specified in the order or with such modifications thereof as the Central Government thinks fit.

Laying of
regulations.

30B. Every regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation, or both Houses agree that the regulation should not be made, the

regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.

* * * * *

THE FIRST SCHEDULE

[See sections 21(4) and 22]

PART

Professional misconduct in relation to chartered accountants in practice

A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(1) allows any person to practise in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by himself;

(2) pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner;

Explanation.—In this item “partner” includes a person residing outside India with whom a chartered accountant in practice has entered into partnership which is not in contravention of item (4) of this Part.

(3) accepts or agrees to accept any part of the profits of the professional work of a lawyer, auctioneer, broker, or other agent who is not a member of the Institute;

(4) enters into partnership with any person other than a chartered accountant in practice or a person resident without India who but for his residence abroad would be entitled to be registered as member under clause (v) of subsection (1) of section 4 or whose qualifications are recognised by the Central Government or the Council for the purpose of permitting such partnerships, provided that the chartered accountant shares in the fees or profits of the business of the partnership both within and without India;

(5) secures, either through the services of a person not qualified to be his partner or by means which are not open to a chartered accountant, any professional business;

(6) solicits clients or professional work either directly or indirectly, by circular, advertisement, personal communication or interview or by any other means;

(7) advertises his professional attainments or services, or uses any designation or expressions other than chartered accountant or professional documents, visiting cards, letter heads or sign boards, unless it be a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of the Institute of Chartered Accountants or of any other institution that has been recognised by the Central Government or may be recognised by the Council;

(8) accepts a position as auditor previously held by another chartered accountant or a restricted state auditor without first communicating with him in writing;

(9) accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of section 225 of the Companies Act, 1956, in respect of such appointment have been duly complied with;

(10) charges or offers to charge, accepts or offers to accept in respect of any professional employment fees which are based on a percentage of profits or which are contingent upon the findings or results of such employment, except in cases which are permitted under any regulations made under this Act;

(11) engages in any business or occupation other than the profession of chartered accountants unless permitted by the Council so to engage:

Provided that nothing contained herein shall disentitle a chartered accountant from being a director of a company, unless he or any of his partners is interested in such company as an auditor;

(12) accepts a position as auditor previously held by some other chartered accountant or a restricted state auditor in such conditions as to constitute undercutting;

(13) allows a person not being a member of the institute or a member not being his partner to sign on his behalf or on behalf of his firm, any balance-sheet, profit and loss account, report or financial statements.

PART II

Professional misconduct in relation to members of the Institute in service

A member of the Institute (other than a member in practice) shall be deemed to be guilty of professional misconduct, if he being an employee of any company, firm or person—

(a) pays or allows or agrees to pay directly or indirectly to any person any share in the emoluments of the employment undertaken by the member;

(b) accepts or agrees to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification;

(c) discloses confidential information acquired in the course of his employment except as and when required by law or except as permitted by the employer.

PART III

Professional misconduct in relation to members of the Institute generally

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he—

(1) includes in any statement, return or form to be submitted to the Council any particulars knowing them to be false;

(2) not being a fellow styles himself as a fellow;

(3) does not supply the information called for, or does not comply with the requirements asked for, by the Council or any of its Committees.

THE SECOND SCHEDULE

[See sections 21(5) and 22]

PART I

Professional misconduct in relation to chartered accountants in practice requiring action by a High Court

A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(1) discloses information acquired in the course of his professional engagement to any person other than his client, without the consent of his client or otherwise than as required by any law for the time being in force;

(2) certifies or submits in his name or in the name of his firm a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice;

(3) permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast;

(4) expresses his opinion on financial statements of any business or any enterprise in which he, his firm or a partner in his firm has a substantial interest, unless he discloses the interest also in his report;

(5) fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary to make the financial statement not misleading;

(6) fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity;

(7) is grossly negligent in the conduct of his professional duties;

(8) fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion;

(9) fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances;

(10) fails to keep moneys of his client in a separate banking account to use such moneys for purposes for which they are intended.

PART II

Professional misconduct in relation to members of the Institute generally requiring action by a High Court

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he—

(i) contravenes any of the provisions of this Act or the regulations made thereunder;

(ii) is guilty of such other act or omission as may be specified by the Council in this behalf, by notification in the Gazette of India.

RAJYA SABHA

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BILL

further to amend the Chartered Accountants
Act, 1949.

*(Shri Jaswant Singh, Minister of Finance and
Company Affairs)*