

# Standing Committee Report Summary

## The Chartered Accountants, The Cost and Works Accountants and The Company Secretaries (Amendment) Bill, 2021

- The Standing Committee on Finance (Chair: Mr. Jayant Sinha) submitted its report on the Chartered Accountants, the Cost and Works Accountants and the Company Secretaries (Amendment) Bill, 2021 on March 23, 2022. The Bill seeks to amend the Chartered Accountants Act, 1949, the Cost and Works Accountants Act, 1959, and the Company Secretaries Act, 1980. The three Acts provide for the regulation of the professions of chartered accountants, cost accountants and company secretaries, respectively. The Acts also set up the Institute of Chartered Accountants of India (ICAI), the Institute of Cost Accountants of India and the Institute of Company Secretaries of India, respectively. Key observations and recommendations of the Committee include:
- **Coordination committee:** The Bill sets up a Coordination Committee headed by the Secretary of the Ministry of Corporate Affairs. The president, vice-president and secretary of the three institutes will be members of the Coordination Committee. Its functions will include: (i) quality improvement of academics, (ii) coordinating and collaborating among the professions, and (iii) making recommendations on regulatory policies for the professions. The Standing Committee recommended that the Coordination Committee should be chaired by an eminent person from industry, business or finance. The person will be nominated by the central government from a panel prepared by the respective councils of the three institutes. Such a person must not be a member of the three institutes. The Secretary of the Ministry of Corporate Affairs can be a member of the Committee. The Standing Committee recommended renaming the Coordination Committee as the Governance Committee. Its mandate should be expanded to include harmonious regulation, effective development, and disciplinary oversight.
- **Multiple bodies for regulation:** The Committee noted that the qualification and licensing of accountants in US, UK, and Canada is done by multiple bodies. In India, ICAI has statutory monopoly power over the whole profession. Thus, the scope for improving the quality and competency of the profession remains limited.
- The Committee observed that multiple bodies, on the lines of advanced countries, are needed to promote healthy competition and improve the credibility of financial reporting. It also recommended setting up academic institutes for accounting for further development of the accounting and finance profession.
- **Disciplinary mechanism:** Under the three Acts, the councils set up the Boards of Discipline and Disciplinary Committees for dealing with cases of misconduct involving the members of the Institutes. The Bill changes the composition of these bodies and provides that they will not be headed by the members of the respective institutes. The Committee observed that while there should be no unnecessary interference with the autonomy and independence of the professional institutes, integrity of financial reporting cannot be diminished. It observed that the proposed amendments do not significantly take away the professional autonomy of the institutes. The Committee recommended that members of the disciplinary bodies should be appointed as proposed in the Bill.
- **Timelines for disciplinary proceedings:** The Bill prescribes various timelines for completing disciplinary proceedings involving cases of misconduct by the members of the respective professions. According to data submitted by the ICAI, out of 1,997 pending cases, 574 cases have been pending for over three years. The Committee observed that the introduction of timelines for completion of disciplinary proceedings are reasonable and justified. It recommended retaining the timelines as proposed in the Bill.
- **Institute of Cost Accountants of India:** The Bill proposes to rename the Cost and Works Accountants Act as the Cost Accountants Act. The Institute of Cost Accountants of India suggested to the Committee to change its nomenclature to the Institute of Cost and Management Accountants of India. This would be in line with international practice. The Committee suggested that the Ministry can consider changing the name of the Institute as per international benchmarks.

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