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THE CHARTERED ACCOUNTANT

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Technology as Catalyst for Professional Excellence

CA INDIA

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The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

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- **The length of articles should be about 2000-2500 words.**
- **An executive summary of about 100 words should accompany the article.**
- **Articles should not have been published or sent for publishing in any other print or electronic media.**
- **Articles should be engaging, original and aligned with Journal guidelines. Every selected article is subjected to Plagiarism check in line with Editorial Board's Plagiarism Policy.**

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Editorial

Embracing Technological Changes: Innovating, Regulating, and Leading in the Digital Era

India is racing ahead at an unprecedented pace, emerging as one of the fastest growing economies in the world. The mantra for success is clear: *act now or be left behind*. As we navigate the era of the Fourth Industrial Revolution, the brilliance of the human mind is at the forefront, and the human race, with its exceptional skills, is driving this transformation. Technology is not a replacement for human intellect but a creation of it—designed to propel the nation toward innovation, progress, and global leadership.

Building on this momentum, India is seamlessly integrating cutting-edge technologies such as Artificial Intelligence and Quantum Computing across various sectors, unlocking new avenues for growth and development. The vision of Viksit Bharat hinges on a holistic approach, collective ambition, and a steadfast commitment to progress. Emerging technologies have particularly empowered the youth, providing them with an expansive platform to innovate and lead. Recognizing this potential, the government has stepped forward with numerous initiatives, offering financial assistance and accolades to foster a thriving entrepreneurial ecosystem. With a conducive environment for startups and technological ventures, India is rapidly evolving into a global innovation hub.

At the core of this transformation lies India's strategic approach to fortifying its technological landscape. Several initiatives have been launched to promote self-reliance and innovation. The Atal Innovation Mission (AIM), introduced in 2016, champions entrepreneurship by nurturing young innovators through Atal Tinkering Labs, Incubation Centres, and Community Innovation Hubs. Meanwhile, the National Quantum Mission (NQM), backed by ₹6,000 crore, propels advancements in quantum computing and communication. Additionally, with $1.2 billion invested in AI research, startups, and education, India is positioning itself at the forefront of artificial intelligence. Through a collaborative effort between academia, industry, and the government, the nation is making significant strides in AI, IoT, cybersecurity, and machine learning, accelerating its emergence as a global tech powerhouse.

However, as technology continues to revolutionize every sector, its responsible regulation becomes equally critical. Ensuring a balance between innovation and accountability is imperative for fostering sustainable progress. Regulations on technology and AI play a pivotal role in fostering innovation while ensuring ethical governance, data privacy, and security. By establishing robust legal frameworks, these regulations promote responsible AI deployment, mitigate biases, and prevent misuse. Additionally, they reinforce cybersecurity measures against evolving threats and enhance transparency in financial transactions, e-governance, and digital ecosystems. With well-defined policies, India is poised to harness technology's potential while upholding ethical standards, consumer rights, and national security in an increasingly digital world.

A well-regulated digital ecosystem is vital for maintaining fair competition and protecting consumer interests. The Competition Commission of India (CCI) plays a key role in overseeing digital markets, addressing issues related to data privacy, and penalizing tech giants for coercive data-sharing practices and monopolistic behaviours. Empowered by the Competition Act of 2002, with significant amendments in 2023, the CCI now has the authority to address high-value acquisitions and market dominance concerns in the digital economy. Similarly, the Digital India Act, 2023, strengthens India's cybersecurity and digital governance, complemented by the IT Rules, 2021, which mandate content moderation, grievance redressal, and user verification for social media and OTT platforms. Furthermore, the Digital Personal Data Protection Act, 2023, reinforces data privacy and accountability, ensuring a secure digital environment for citizens and businesses alike.

As technology transforms the financial landscape, Chartered Accountants (CAs) stand at the confluence of economic stability, regulatory compliance, and digital transformation. With trust as their foundation, CAs play a crucial role in enhancing transparency, enforcing financial discipline, and driving economic growth. In India, where MSMEs form the backbone of the economy, CAs act as catalysts for their development by integrating technology to foster efficiency and expansion. A notable advancement in this realm is the introduction of faceless Income Tax Returns (ITR), which leverage technology to promote a seamless and transparent financial ecosystem. As guardians of financial accuracy, CAs uphold corporate governance, risk management, and ethical financial practices, making them indispensable to businesses and the broader economy. In an era of rapid digitization, continuous learning and upskilling have become imperative. Proficiency in cybersecurity, data analytics, and automation is now essential, reinforcing the evolving role of CAs in navigating the challenges of an increasingly tech-driven financial world.

With a balanced approach that encourages innovation while ensuring ethical safeguards, India has the potential to not only lead in the digital age but also set a global precedent for responsible technological progress. The future is not something we wait for—it is something we shape, starting today.

-Editorial Board ICAI

Partner in Nation Building

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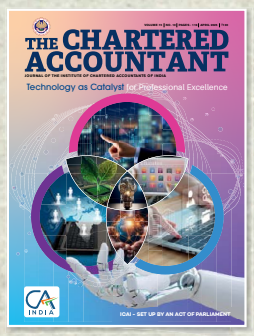

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ICAI Bhawan, Post Box No.7100, Indraprastha Marg,
New Delhi-110002, Tel: +91 (11) 39893989.
E-mail: eboard@icai.in, Website: www.icai.org

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From the President

CA. Charanjot Singh Nanda
President, ICAI

Dear Professional Colleagues,

I am reminded of a powerful quote by Shaheed Bhagat Singh: "*The sword of revolution is sharpened on the whetting stone of ideas.*" This sentiment perfectly encapsulates the Indian mindset, where innovation thrives even in the most challenging and resource constrained settings. Our ability to harness ideas and transform them into tangible advancements has been a cornerstone of India's technological and economic progress.

Aiming high and forging a path through obstacles and overcoming challenges to achieve one's dreams is the driving force behind every Indian, with the aspiration of building a Viksit Bharat. In recent years, we have witnessed a transformative wave sweeping across our nation, one that envisions a tech-enabled future. I feel privileged to experience this evolution firsthand and to contribute, even in a small way, to this remarkable journey.

India has no intention of slowing down. From being an emerging economy in 2000 to the world's fifth-largest economy in 2025 and going to be the fourth-largest economy by 2027, our progress is a testament to the dedication of millions of our brothers and sisters who are relentlessly working towards shaping our nation's achievement path. The road ahead demands determination, innovation, and collective effort for India to position itself as the global leader. Here I would like to add that the accounting profession also, in recent years has gone through a similar technological revolution wherein many opportunities exist amidst the fast-paced changes taking place.

The dawn of the 21st century saw the rapid expansion of the IT sector, positioning India as the world's leading hub for software development and outsourcing. With the advent of the Digital India campaign, the nation has seamlessly integrated technology into governance, education, healthcare, and finance, bridging gaps and empowering millions. The rise of fintech has revolutionized digital payments, with the introduction of groundbreaking payment systems like UPI making India a leader in cashless transactions. According to the recent reports, India has processed 18,120 Crore digital payment transactions (including UPI) in FY24 -25 till January 2025 value crossing Rs 2,330 lakh crore.

India is charting out an ambitious plan to revolutionize its financial landscape through technological innovation. Central to this vision is the enhancement of Digital Public Infrastructure (DPI), which includes platforms like UPI, Aadhaar, and the Open Network for Digital Commerce (ONDC). These initiatives have significantly bolstered financial inclusion, streamlined digital payments, and expanded e-commerce, thereby reducing transaction costs and enhancing accessibility. The telecom revolution, driven by affordable data (amongst the lowest in cost globally) and widespread smartphone penetration, has connected even the remotest corners of the country, fostering inclusivity and digital literacy.

Additionally, the Government of India has introduced several technology-driven schemes to enhance efficiency, transparency, and compliance in accounting and taxation. The Faceless ITR initiative, covering assessments, appeals, and penalties, utilizes automation through the new e-filing portal, minimizing human intervention and expediting resolutions under the Income Tax Act, 1961. The Income Tax Transaction Analysis Centre (INTRAC) leverages data analytics to strengthen tax administration, and the Compliance Management Centralized Processing Centre (CMCPC) uses a campaign management approach (consisting of emails, SMS, reminders, outbound calls, letters) to support voluntary compliance and resolution of compliance issues. Additionally, GST e-invoicing streamlines compliance, curbs tax evasion, and promotes a digitally empowered economy. These initiatives reflect India's commitment to a modern, technology-driven financial ecosystem.

The government's commitment to foster innovation is also reflected in its increased investment in Research and Development (R&D), aiming to elevate spending from the current 0.7% to at least 2% of GDP. This strategic move is designed to stimulate research, entrepreneurship, and greater private-sector involvement, thereby enriching the financial ecosystem.

Artificial Intelligence (AI), Blockchain, and the Internet of Things (IoT) are revolutionizing industries by enhancing efficiency and driving automation across various sectors. A recent report highlights AI's transformative potential, projecting that its integration will be instrumental in achieving the goal of a $1 trillion digital economy by 2028, contributing approximately 20% to India's GDP. Furthermore, it estimates that AI adoption could generate an economic value of at least INR 33.8 lakh crore in India by 2030, underscoring its pivotal role in shaping the nation's economic future.

While we celebrate the transformative power of technology and innovation, it is equally crucial to reflect on the challenges they bring. With every breakthrough comes a set of risks that demand our attention. The rise of deep-fake technology and the surge in financial scams serve as stark reminders of the darker side of digital advancement. The very tools designed to empower society, if misused, can undermine trust, security, and ethical boundaries. Therefore, it is imperative to strike a balance, ensuring that progress is accompanied by robust safeguards, responsible use, and a collective commitment to ethical digital practices.

In these times, Chartered Accountants, with their deep-rooted commitment to transparency and accountability, are best positioned to act as guardians of digital security and ethical financial and technological practices. CAs will remain indispensable in building a resilient, tech-enabled, and ethically governed business ecosystem. Their adaptability and expertise will ensure that they remain at the forefront of the digital revolution

Being a part of this esteemed profession, I firmly believe that we have a significant role to play in shaping India into a tech-driven yet ethically sound nation. As businesses embrace automation, artificial intelligence, and blockchain, we are no longer confined to traditional accounting and auditing. Our expertise in forensic accounting, data analytics, and compliance ensures that businesses operate within ethical and regulatory frameworks while mitigating digital threats.

CA firms, too, are transforming themselves by upskilling to evolve into tech-driven advisory entities, integrating AI-powered audits, Robotic Process Automation (RPA), and blockchain-led financial reporting to better serve stakeholders. As regulations around data privacy, taxation of digital transactions, and financial cybercrime increase, firms must upskill to provide cybersecurity consulting, AI-based fraud detection, and risk assessment services. The future of the profession lies in leveraging technology to its fullest.

I am pleased to inform you that in my Action Plan 2025-26, accelerating digital transformation will be an important catalyst for growth. As a premier educator, facilitator, and architect of future Chartered Accountants, the Institute is committed to lead this technological evolution. Through specialized training programs, technology-driven learning modules, and continuous professional development initiatives, ICAI ensures that Chartered Accountants remain proficient in emerging fields such as artificial intelligence, blockchain, cybersecurity, and data analytics. By leveraging state-of-the-art tools introduced by both the government and private entities, professionals can enhance accuracy, reduce human errors, and streamline operations. The seamless integration of these advancements into accounting, auditing, and financial advisory services is crucial for strengthening governance, ensuring data integrity, and mitigating digital risks. The Institute is actively shaping a future-ready profession that can navigate the evolving business ecosystem with confidence.

Remembering Dr. B.R. Ambedkar, the father of the Indian Constitution, on his 134th birth anniversary, his profound words resonate: *"Cultivation of mind should be the ultimate aim of human existence."* Inspired by this thought, ICAI is committed to fostering intellectual growth and professional excellence among its members.

Now let's take a look at some interesting developments related to the profession.

ICAI's Commitment to Simplify the Income Tax Bill 2025

In refining India's tax legislation to promote clarity and efficiency, the Institute has proactively engaged with the Lok Sabha's Select Committee to review the Income Tax Bill 2025. On March 6, 2025, a dedicated 10-member ICAI delegation presented a series of recommendations aimed at refining the proposed bill. While the finer details presented before the Hon'ble Select Committee can't be shared, I must admit that inputs given by ICAI were highly appreciated, and amongst our key suggestions is the reduction of the bill's sections by 90-100 from the existing 536. This streamlining effort seeks to eliminate redundancies and promote a more user-friendly tax code. Additionally, we have advocated for the simplification of legal language within the bill to minimize ambiguities and reduce potential litigation.

Furthermore, to assist the members in understanding the nuances of the new legislation, the institute has launched the New Income Tax Bill 2025 GPT, a tool designed to provide quick summaries and in-depth analyses of the bill's provisions. Soon countrywide awareness program will be launched.

Following the introduction of the Income Tax Bill 2025 in Parliament, ICAI has expressed its strong support for the proposed legislation, highlighting its potential to simplify India's tax framework and stimulate economic growth.

AIMCMM – 2025

"If you want to walk fast, walk alone. But if you want to walk far, walk together" – Ratan Tata

As we embarked on a new journey for the Council term 2025-29, I am delighted to share that the All India Managing Committee Members Meet (AIMCMM 2025) organised in New Delhi from 21-23 March 2025 was a resounding success, bringing together 1,400 leaders of ICAI from across the country working at various levels from the Central Council to CPE Study Chapters. This landmark gathering was a moment of collective commitment to shaping the future of our profession and reinforcing ICAI's role as a pillar of trust and excellence in nation-building. It served as the catalyst for laying the foundation for a dynamic and forward-looking Council term 2025-29.

The theme for the year 2025-26, ***"VISHWASNIYA",*** resonated throughout the event, highlighting the profession's focus on integrity, innovation, digital transformation, sustainability, and leadership development. Through insightful discussions, interactive sessions, and strategic deliberations, we reaffirmed our shared vision of a *Viksit Bharat with Nation - First Approach*, where ICAI stands as a key driver of economic growth and governance.

One of the key takeaways from AIMCMM 2025 was the importance of collaboration and accountability in driving meaningful change. Our newly elected leaders are now equipped with strategic insights and leadership direction to guide ICAI's Regional Councils, Branches, Study Circles, and Chapters towards greater impact and inclusivity.

As we move forward, let us work as one team, lead with integrity, and drive innovation to elevate ICAI and our profession to new heights. The future of ICAI is the future of India, and together, we will make it stronger than ever.

IFSCA Delegation and ICAI's Strategic Engagements in the United Kingdom

Recognizing the integral role of accountancy, book-keeping, taxation and financial crime compliance services in international financial ecosystem, I visited London in March 2025, as part of high-level delegation from the International Financial Services Centres Authority

(IFSCA) to showcase the advantages of India's Gujarat International Finance Tec-City (GIFT City) to overseas investors and to gain insights into the UK's accounting and auditing practices.

During the visit, I attended the Conference on "Business Opportunities in India's maiden IFSC at GIFT City" on March 17, 2025, and addressed the members on the above-mentioned topic. I met Mr. Sujit Ghosh, Deputy High Commissioner of India to the UK, and Ms. Nidhi Mani Tripathi, Minister (Economic) at the High Commission of India, to discuss avenues for Indian Chartered Accountants to offer value-added services in the UK.

Further engagements included discussions with Mr. Erkki Liikanen, Chair of the IFRS Foundation Trustees, and Mr. Andreas Barckow, Chair of the IASB, exploring increased ICAI representation in international accounting standard-setting bodies. On March 18, 2025, we met with Mr. Malcolm Bacchus, President of the Institute of Chartered Accountants in England and Wales (ICAEW), to explore joint research opportunities in areas of sustainability and green financing. Additionally, I addressed an interactive meeting on outsourcing opportunities in GIFT City for UK firms co-hosted by the ICAI – London (UK) Chapter and ICAEW.

Central Statutory Auditors' (CSAs) Meet

The Banks' Central Statutory Auditors' Meet, was held in Mumbai on 24th March 2025, where about 150 participants attended the meet. Discussions were held on strengthening financial oversight, enhancing audit quality, and aligning with evolving regulatory expectations. With the role of Central Statutory Auditors (CSAs) becoming increasingly significant in ensuring the sound financial health of banks and financial institutions, this interactive meet facilitated dialogue among ICAI, regulators, and industry experts on key developments in the sector.

Significant discussions took place on regulatory compliance, audit quality, and risk assessment. This year's meet further delved into RBI's evolving expectations, supervisory assessments, and the latest updates in statutory branch audits. The meet provided participants with insights into enhanced reporting standards, business coverage norms, and international benchmarking of financial reporting. As the profession continues to embrace digital transformation and AI-driven auditing, the meet also focused on leveraging technology for audit excellence.

ICAI Reforms Exam Structure - More Chances, More Success

To align with global best practices and offer students more opportunities, the 26th Council of ICAI has decided to conduct the CA Final exam three times a year instead of twice. Last year, ICAI made a similar change for the Intermediate and Foundation exams, and now all three levels will have equal exam attempts in January, May, and September.

Additionally, the Post Qualification Course in Information Systems Audit will also shift from biannual to thrice-yearly assessments in February, June, and October. These changes aim to enhance flexibility, accessibility, and professional growth for students and members.

These historic decisions will ensure that both students and professionals have abundant opportunities to succeed and excel in their careers.

Conclusion

As we move forward in this era of rapid technological evolution, it is vital to ensure that progress does not come at the cost of our values or well-being. Innovation must serve as a force for good—empowering society, not overwhelming it with unintended consequences. A clear ethical framework and responsible practices are essential for shaping technology that is not just intelligent, but also just. The Institute remains resolute in its commitment to foster a future where innovation is guided by integrity, responsibility, and a deep sense of purpose.

Friends, true progress is not just about technological strides; it is also about the well-being of those who drive this change. The rising stress levels among young professionals are a growing concern, impacting mental health, productivity, and overall quality of life. An increasingly sedentary lifestyle is giving rise to serious health challenges, demanding immediate attention. Recognizing the need for balance, this year the Institute will be focusing on the Work-Life Balance priority area, to promote the holistic development of professionals. A thriving nation and profession is built on individuals who are not only skilled but also physically and mentally resilient.

The future belongs to those who can harmonize innovation with human well-being. By fostering a culture where ethical technology and wellness are at the heart of progress, we can ensure that India's journey toward digital excellence remains sustainable, inclusive, and deeply human.

Our journey has only just begun. The true destination lies ahead, testing our resolve and pushing us beyond our limits. We have measured but a handful of earth; the vast sky still awaits our stride. Looking forward to our next interaction, I leave you with the couplet

"अभी तो असली मंजिल पाना बाकी है,
इरादों का इम्तिहान बाकी है

अभी तो तोली है मुट्ठी भर जमीन,
अभी तोलना सारा आसमान बाकी है"

Jai Hind! Jai ICAI!

CA. Charanjot Singh Nanda
President, ICAI
New Delhi, 30th March, 2025

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1. Meeting with Minister of State for Finance

CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D, Vice-President, ICAI & Central Council Members met Shri Pankaj Chaudhary, Hon'ble Union Minister of State for Finance on March 5, 2025 , to discuss Income Tax Bill 2025 along with other key reforms & ICAI's contributions to tax policy.

2. Meeting with Members of Parliament

CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D, Vice President, ICAI & Central Council Members met Members of Parliament & Members of Select Committee examining the Income Tax Bill 2025, to discuss key reforms & ICAI's contributions to tax policy.

Shri Baijayant Panda, Hon'ble Member of Parliament & Chairperson of Select Committee

Shri N. Premachandran, Hon'ble Member of Parliament

Shri Richard Vanlalhmangaiha, Hon'ble Member of Parliament

Adv Gowaal Kagada Padavi, Hon'ble Member of Parliament

Dr. Nishikant Dubey, Hon'ble Member of Parliament

Shri Arvind Ganpat Sawant, Hon'ble Member of Parliament

Shri Md. Rakibul Hussain, Hon'ble Member of Parliament

Dr. Kalanidhi Veeraswamy, Hon'ble Member of Parliament

Shri Vijaykumar Vasanth, Hon'ble Member of Parliament

Shri Anil Baluni, Hon'ble Member of Parliament & Shri Shiv Arora, Member of Uttarakhand Legislative Assembly

Shri Benny Behanan, Hon'ble Member of Parliament

3. Meeting with Senior Advisor, NITI Aayog

CA. Charanjot Singh Nanda, President, ICAI & CA. Prasanna Kumar D, Vice-President, ICAI along with Central Council Members met Shri Sanjeet Singh, IRS, Senior Advisor, NITI Aayog on March 5, 2025, to discuss key policy insights, Income Tax Bill 2025 & the role of CAs in India's economic growth.

4. 3rd Vibrant Bharat CFO Summit & Awards

CA. Charanjot Singh Nanda, President, ICAI graced the Panel Discussion "Beyond Spreadsheets: CFOs in Age of Tech Innovation" as a Session Chairman at 3rd Vibrant Bharat CFO Summit & Awards held in New Delhi on February 25, 2025. President, ICAI also chaired the Jury for Award Distribution during the event.

5. CII National Conference on Financial Governance – Building Trust

CA. Charanjot Singh Nanda, President, ICAI addressed the CII National Conference on Financial Governance – Building Trust in Mumbai on March 11, 2025, sharing his insights on Transparency, Accountability & the evolving role of CAs in Governance.

6. Meeting with MD & CEO, National Stock Exchange

CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D, Vice-President, ICAI & Central Council Members had a meeting with Mr. Ashish Kumar Chauhan, MD & CEO, National Stock Exchange on March 13, 2025, to discuss collaboration, market reforms & the role of CAs in strengthening India's financial ecosystem.

7. Meeting with Dignitaries of ITAT

CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D, Vice-President, ICAI & Central Council Members met Hon'ble Justice Chandrakant V. Bhadang- President, ITAT, Shri Saktijit Dey- Vice-President, ITAT & Shri Satpal Gulati, Principal Director of Income Tax (INV),Mumbai and discussed key aspects of Taxation & Governance.

8. Statutory Central Auditors' Meet

CA. Charanjot Singh Nanda, President, ICAI addressing participants in the presence of CA. Prasanna Kumar D, Vice-President, ICAI and Central Council Members during the Statutory Central Auditors' Meet organized in Mumbai on March 24, 2025.

9. Meeting with Officers of PSB Alliance

CA. Charanjot Singh Nanda, President, ICAI along with Central Council Member met Mr. Sunil Mehta, Chairman-PSB Alliance & former CEO, IBA and Ms. Anjali Mohanty, Managing Director & CEO - PSB Alliance at New Delhi on February 27, 2025.

12. Meeting with Bharat Scouts and Guides Team

CA. Charanjot Singh Nanda, President, ICAI met CA. Alok Goel, National Treasurer-Bharat Scouts and Guides & his team on February 28, 2025 wherein he had an insightful discussion on ICAI's contribution for youth-oriented initiatives & financial literacy among young minds.

13. Visit to Bombay Chartered Accountants' Society (BCAS)

CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D, Vice-President, ICAI & Central Council Members visited Bombay Chartered Accountants' Society (BCAS) HQ on March 13, 2025 in Mumbai where they interacted with Members of Chartered Accountant Fraternity.

10. International Women's Day 2025

CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members & EIRC members honored & felicitated the wisdom & contributions of senior lady members on the eve of International Women's Day 2025 in Kolkata on March 7, 2025.

11. Members' Meet at Mumbai

CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D, Vice-President, ICAI, Past Presidents, Central Council Members & WIRC Members graced the Members' Meet organized by WIRC in Mumbai on March 15, 2025.

14. Members' Meet at Kolkata

CA. Charanjot Singh Nanda, President, ICAI along with Past Presidents, Central Council Members & EIRC Members graced the Members' Meet organized by EIRC in Kolkata on March 7, 2025.

15. 61st Campus Placement Orientation Program

CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members & Branch Management Members addressed the 61st Campus Placement Orientation Program organized for newly qualified CAs in Noida on March 16, 2025.

16. 14th Annual Convention of ANMI

CA. Charanjot Singh Nanda, President, ICAI, was the Guest of Honor at the 'Next Tech Revolution' session during the 14th Annual Convention of ANMI in Kolkata on March 8, 2025. He addressed a thought-provoking discussion on technology's role in the financial sector.

17. Conference on Opportunities in India's maiden IFSC

CA. Charanjot Singh Nanda, President, ICAI along with Shri K. Rajaraman, Chairman, IFSCA & Dr. Dipesh Shah, Executive Director, IFSCA addressed a Conference on Opportunities in India's maiden IFSC at GIFT City, India for UK Institutions held at Indian High Commission in London on March 17, 2025.

18. Joint IFSCA ICAI Conference on BATF opportunities, UK

CA. Charanjot Singh Nanda, President, ICAI met ICAEW President Mr. Malcolm Bacchus during his visit to London. President, ICAI along with Mr. Rajaraman, Chairperson, IFSCA also addressed Joint IFSCA ICAI Conference on BATF opportunities in GIFT IFSC on March 19, 2025.

19. Meeting with IFRS Foundation Team

CA. Charanjot Singh Nanda, President, ICAI met IFRS Foundation team including Mr. Erkki Liikanen, Chair of the IFRS Foundation, Mr. Andreas Barckow, Chair-IASB, Mr. Michel Madelain, MD & Mr. Jonathan Bravo-Director, discussing global financial reporting during his visit to London on March 18, 2025.

Agentic AI: Transforming the Future of Chartered Accountancy in India

CA. Jawed Mohammad
Member of the Institute

Artificial Intelligence with the help of Generative AI models has already started automating the routine tasks in Finance and Accountancy by generating accounting entries, texts and suggestions for classification of transactions. However, this is just the tip of the iceberg, as the next big breakthrough which is making news around the corner is Agentic AI- an autonomous, decision-making software bot, or commonly referred to as AI agent. These AI Agents are going to be game-changers for Chartered Accountants who are diving deep into AI. This article will explore how artificial intelligence is evolving from Generative AI to Agentic AI, and ultimately toward General Intelligence. Additionally, it will cover how a Chartered Accountant can leverage these transitional phases of AI to excel in this rapidly emerging and evolving technological era.

The Dawn of AI in Accountancy, Audit and Finance in India

Indian Accountancy has already adopted Robotic Process Automation (RPA) in completing day-to-day repetitive tasks which are based on predefined rules. However, a new era of Agentic AI has begun, which is well ahead of its time compared to RPA. Unlike RPAs, Agentic AI can learn from patterns to make independent decisions while adapting new challenges. We have seen that RPAs work properly on structured data only, whereas Agentic AI can work on unstructured data as well, like PDFs, scanned documents, emails etc. So, in a nutshell, RPAs can auto fill responses, perform repetitive tasks, whereas Agentic AI can extract, summarize, and analyze data to fill responses. It can also give us feedback and acknowledgments in real-time while adapting to ever-changing situations. Furthermore, AI agents can be created to debug/fix errors in real-time while executing tasks.

We are presently witnessing the era of Generative AI (tools like Chat GPT, Deepseek, Gemini, Google AI Studio, Notebook.Lm, Gamma.app, Napkin AI etc.) which does help us on the basis of pre-trained models integrated with Natural Language Processing (NLP), but it lacks autonomy and decision-making. Most of these Generative AI tools involves LLMs (Large Language Models) which have interfaces for generating texts, prompts, graphs, images, videos etc. on the basis of the given input only. It also lacks the ability to think independently and generate results based on pre-trained data or reinforcement learning. For instance, ChatGPT can give us a draft reply of any

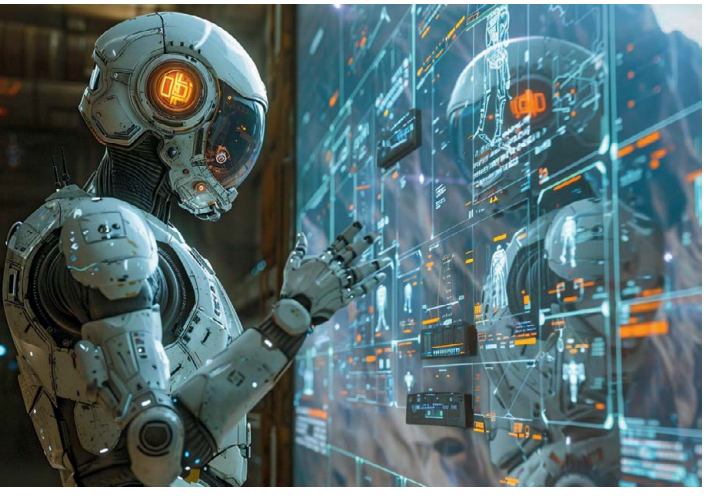
AI is not going to replace anyone, but people using AI will surely replace those who are not using it.

notice, but it cannot actually log in to the account and submit the reply to the notice, once finalized. Further, if we prepare a PPT using Gamma.app, we still have to manually share it with our team. Whereas, AI agents can upload the prompt to Gamma.app for PPT generation and once finalized, a second AI agent, in this flow, can email this PPT to our team while composing the body of the email for team's review.

Therefore, the need for an AI tool is felt that can go across websites, link all workflows, act on our behalf, make decisions within the liberty we set firsthand. This is exactly why we need an AI Agent. This phase of developing need-based AI agents is called Agentic AI. So, from Generative AI to Agentic AI, the world around us is transforming, and AI is moving a step ahead.

Now imagine an AI Agent that prepares tax computations and automatically updates them with every single amendment/update simultaneously. Also, just think about an AI Agent which can download the returns from an email inbox, analyze the return data with the help of LLM, and then, if it passes the compliance test, proceed to the return filing portal and actually file the return. Sounds amazing, doesn't it? This is the real power of Agentic AI, which we Chartered Accountants can embrace and leverage to the fullest. We can create a series of AI agents and interlink them to work in a seamless flow. Additionally, we can integrate APIs of different AI tools within this workflow. The sky is the limit for this Agentic AI use cases.

It will give us a first-mover advantage if we start exploring Agentic AI now, because, going forward,



Agentic AI is also going to be outclassed by **Artificial General Intelligence (AGI).** AGI is the ultimate future of AI, which we have explored up till now. In other words, we can say that *if AI is the entire universe, then AGI is the Observable Universe up to which we can comment.*

Agentic AI: The Need of the Hour in the Indian Context

Agentic AI works by integrating NLP, Machine Learning, Reinforcement Learning and Data Analytics so that it can make a Multi Agent System. A group of these AI agents then make an AI Agent Flow, which works as a combined package to achieve the desired result and to execute a given task. As a Chartered Accountant, if someone has their target set, then a flow can easily help them to execute the process for achieving that target. Now, this target can be data analysis or forecasting by using LLMs, credit appraisal by calling APIs of different AI tools in market trends and checking the financial health of the borrower.

Now, imagine an accounting prospect where one AI agent is using RAG (Retrieval-Augmented Generation) to extract data from unstructured scanned PDFs, then another AI agent is working at the back-end to arrange all the extracted data in a DBMS. Then comes the third agent, which is automatically posting entries from this DBMS to an ERP or Accounting Software, and meanwhile, there is a fourth agent which is continuously updating and reclassifying the data on the basis of Accounting Standards and Income Tax/ GST amendments. How easy can this entire accounting process be? Simply from rough scanned images of invoices, banks statement and other documents, we are preparing a complete financial statement, that too in compliance with applicable Accounting Standards. This is the future of AI in the Indian Accounting System.

However, this evolution is not going to reduce the work, in fact, it will enhance the efficiency and accuracy of the accounting work. Therefore, CAs offering accounting services will now have their virtual assistant who will do the tedious and laborious work of data entry. Ultimately, CAs will have more time to ponder upon the correct classification of transactions, the alignment of financial statements with applicable accounting standards, and they can present the finalized results in a much better way. Therefore, Agentic AI can be a boon for Chartered Accountants and thousands of Accounting Assistants whose work is going to be very easy. Also, with the help of saved time from data entry and data extraction from scanned images, CAs majorly offering accounting services can now provide deeper insights into financial statements, can proactively detect errors in real time, and can focus on other important avenues of practice like advisory, assurance, and compliances.

As such, the truth is always as it was i.e., AI is not going to replace anyone, but people using AI will surely replace those who are not using it. So, there will always be people who will supervise the AI Agents. Also, there will always be people who will analyse the work done by AI. Therefore, CAs must learn how to give correct input to AI models so that our target is achieved. For that, CAs must initially start using Large Language Models (LLMs) to get used to interacting with AI. Once we get the basic idea of how AI responds to our queries, we can move further towards agentic AI. So, the next step in our learning should be focusing on how we can make AI agents flow. We can start with simple flows like email automation using AI. Moreover, we have a lot of online videos where we can learn about Generative AI and Agentic AI as well. ICAI is also offering AI CA Level -1 batches to train the members in using AI in our practice. Thereby, through continuous learning, attending webinars, checking out videos on AI, and allotting a few hours weekly to learn AI, it can surely upskill us and keep us up to date with this quickly evolving AI world.

Practical Use Case where Agentic AI can be used for Chartered Accountants

- **Revolutionizing Tax Compliance**

  Almost every CA in practice has one thing in common, and that is tax compliance work. Be it a traditional old CA Firm of '70s-'80s or a young, new age CA of Gen-z, all of them have tax compliance-related work in some way or another. So, Agentic AI is surely going to help a lot in tax compliance, right from the beginning of collection of data for tax return filing to summarizing and organizing the data in a proper schema for filing. Then, we can run our accuracy tests on this data with the help of another agent, and finally, when all agents pass this data to the final uploading agent, it will seamlessly upload the same and authenticate the filing on our behalf. Therefore, unlike generative AI, which can only give us information related to tax compliance, Agentic AI moves a step further by analyzing and submitting the returns as well, thereby completing the task.

A CA needs to update his knowledge every day and the very basic reason behind this continuous learning is ever changing tax laws, amendments in various Acts, bills etc.

- **Enhancing Audit Efficiency**

  In an audit environment, if AI agents are introduced, CAs can be equipped with a real time and continuously evolving risk assessment system, as these AI agents can perform compliance testing, identify anomalies and exceptions, automate control testing, and also, provide us real time exceptional reports. If an AI agent is created which can continuously validate the entire dataset in line with internal controls and predefined policy frameworks of the company, then the coverage of the audit can be drastically enhanced, instead of only relying on sampled data, and more accurate results regarding deviation from the required compliance can be found out easily. For example, during the audit under the GST Act, we can easily deploy an AI agent which will scan the entire database to detect if any ITC has been claimed on invoices involving blocked credits u/s 17(5) of the CGST Act 2017.

  Also, for bank audits, we can create an AI agent which can easily identify the abnormal financial transactions like roundtripping, piggybacking etc. This agent will help find anomalies and exceptions by entirely scanning a large dataset of bank transactions, thereby covering another audit aspect, and we can find out possible frauds during the bank audit using Agentic AI.

  AI agents can also help us automate control testing by regularly monitoring and testing internal controls and flagging deviations in real time. For example, take a payroll audit: An AI agent will continuously check the entire payroll transactions, and it can easily find out ghost employees based on historical trends and other predefined check-fields. Now, if any ghost employee exists or if any salary is authorized beyond limit, then a weakness in internal controls can be easily identified.

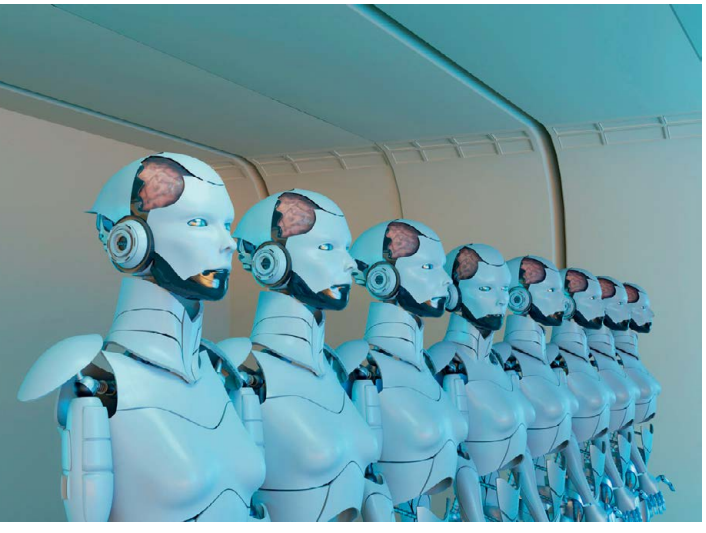
  Therefore, auditing in an Agentic AI environment will surely enable continuous risk monitoring, early detection of anomalies and deviations. Also, it will allow us to have overall more robust compliance testing.

- **Staying Up to date with Amendments and Latest Regulatory Frameworks**

It is a matter of fact that a CA needs to update their knowledge every day and the very basic reason behind this continuous learning is the ever-changing tax laws, amendments in various Acts, bills etc. However, many of us might miss some of this plethora of amendments and updates. Therefore, AI Agents will come into the picture here, which will keep alerting us every now and then on the updates across Indian Laws/Acts/Bills. Now, we can design our agent in such a manner that, based on our historical chats with LLMs, the AI agent will identify our area of interest or our core fields of practice where we are more interested in getting updates. Also, there are a lot of AI tools out there in the market which even convert these amendments and updates into podcasts and audio-visuals for us to grasp this knowledge in whatever manner suits us best. Imagine a recent bill of around 100 pages, and one cannot find time to read it all. In this case, one can simply create an AI Agent which will automatically pull the latest bill/act from the web, and with the help of AI tools like Notebook.LM, create a podcast of it and start playing it whenever your phone connects to your car-play. How easily we can utilize the time from leaving home to reaching office. One can listen to the entire podcast and at least have a bird's-eye view of a bill of around 100 pages in just 15-20 minutes.

AI gives us the liberty to freely flow in the ocean and we can dive deep into it, which may result in an adverse social and work impact, if handled negligently.

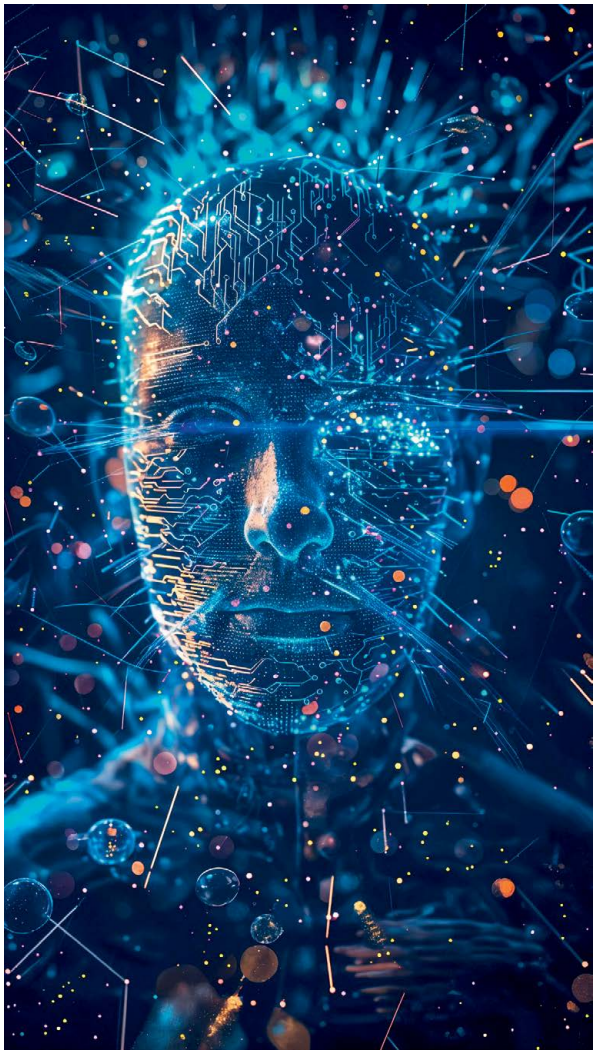
However, there will always be a need for HITL (Human-in-the-Loop), as an AI agent integrated with Generative AI tools, indeed, can convert the information into interactive podcasts, etc. but the responsibility of interpretation of the same lies with the CA who is an expert in this domain. Therefore, AI agents can be used to streamline the process of pulling information from the web and converting the same into podcasts, etc. but interpreting this podcast and judging the content of this podcast will entirely be the call of the end user i.e. CA. Also, as of now, it is well established that AI can produce inaccurate outputs, so while interpreting the information related to any Act/Law/Bill etc., we need not to completely depend on the output provided by AI. In fact, there will always be a need for review of the same.



- **Marking the virtual presence of a CA**

In the field of this rapidly evolving technological era, a CA also needs to mark his/her virtual presence. It is now the need of the hour that we should educate and inform our clients in an interactive and engaging way, which will in turn result in better input data that we get from our clients and more tax compliance. But the bigger challenge lies in the process of making the information interactive and engaging for the clients. Many of us might not be used to creating audio-visuals of the information which may engage our target audience. Therefore, now, with the help of AI tools, we can create agents which will transform this information into more engaging and interactive audios, visuals, graphics, or animations. All we need to do is to create an agent by programming it to trigger whenever there is an update which we need to pass onto our clients. It will make those ready interactive graphics, flowcharts, visuals etc.

Now, once the output is prepared by an AI agent, it can be directly submitted to us by the Agent for review. After a complete review, when this information in an interactive mode seems fit for broadcast, then another AI agent will broadcast it to all our client's groups, social media etc. Imagine how our virtual presence is going to be impactful and right on time. Therefore, the entire process from selecting the information which needs to be passed on, to creating a script out of it, and then finally creating an audio-visual out of this script can, though, be automated using AI agents, but every single step in this entire process will require a HITL for review, since whatever information we are broadcasting will have to be well interpreted as per the law of the land, and should have been reviewed for originality and accuracy also. As such, it can be summarized that AI agents will make the process of marking our digital presence easy and



fast while keeping the authenticity and accuracy of the information true to the law by involving review checks at every single step.

The list above is only just illustrative and not exhaustive, one can imagine hundreds or thousands more use cases of Agentic AI for CAs. However, it is also to be emphasized that Agentic AI, when working with autonomy, should also be harnessed at the same time. It is very evident that issues like Data Privacy, Accountability, and Bias risk are inherent in Artificial Intelligence across the globe as of now. So, these possible threats can be minimized by signing SLA (Service Level Agreements), reviewing before final authentication, and regular monitoring of AI Agents etc.

Ethical Considerations and Societal Impact

Since we have discussed how AI can be used more and more in our practice and how we can generate content and data, it is also important that we as Chartered Accountants should consider the work ethics and social impact of AI also. Following ethics and the code of conduct is not new to our fraternity, as we are already following our code of ethics issued by ICAI. However, AI gives us the liberty to freely flow in the ocean and we can dive deep into it, which may result in an adverse social and work impact, if handled negligently. Therefore, the use of AI with the highest ethical standards and the code of conduct is expected from every Chartered Accountant, so that the data privacy of our clients can be ensured. CAs are the custodian of clients, data, and we need to evaluate every possible adverse outcome, before we give anything to AI for processing. Hence, it is highly recommended that the use of AI in our practice be adopted only after taking due care of all the possible threats and risks associated with it, like a breach of data privacy, AI bias, hallucination, full autonomy etc.

Need for embracing this transformation and AI-driven future for Chartered Accountants

The transformation of AI from Generative to Agentic itself is a great shift in the field of technological advancement, but the bigger picture is yet to come when AI will further transform from Agentic to General Intelligence. Therefore, we Chartered Accountants should fasten our seat belts for this amazing roller coaster ride, where if we learn it with interest, then it will surely give us that advantage of cashing in on maximum benefits out of it. Time is quickly reaching a point where machines will ease the work for most of the CAs, but the only condition is that one should embrace this technological shift by updating themselves, so kick start today itself. Imagine the day when AGI will make decisions as a financial strategist or automate the audit process by 80-90%. In that era, we must retain the command of the AGI. Presently, ICAI is leaving no stone unturned to make its members understand that AI is the need of the hour, and every CA should start investing in it right from the Level-1 AI CA course.

Therefore, the road ahead is clear for Chartered Accountants to include the use of AI in our daily routine practice so that we become used to it initially and then we can embrace Agentic AI to start preparing projects for ease of practice. Thereby, we all shall be prepared to welcome AGI, and we will reign over it for a better AI-driven future.

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Author may be reached at
jawedmchouhan@gmail.com and
eboard@icai.in

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Tech-Driven Governance and Regulation: The 'Reg-Tech Revolution'

CA. Shubham Dosi
Member of the Institute

The Reg-Tech Revolution explores how technology is revolutionizing governance and compliance. Regulatory Technology, widely known as Reg-Tech, is presently a jargon in the global financial and regulatory group. A sub-division of FinTech that mostly focuses on technology that assists in controlling governance and regulatory concerns effectively and efficiently to a greater extent. For a better understanding, we can say that technology is a key enabler to ensure that companies completely comply with all the statutory regulatory requirements.

In the years 2006 – 2010, the financial world was in disorder and facing the worst financial crisis since the period of worldwide economic depression between 1929 and 1939. More and more complex regulations have impacted everyone's compliance cost. Companies are dealing with more strict regulations, more challenges, and more complexity. Regulators also imposed heavy penalties and fines for non-compliance. In these circumstances, companies are looking for the foremost solution that helps them to reduce their compliance cost, time, efforts, and majorly compliance risk. The technology used for regulation and governance restructured the entire framework of regulations in a decade. Through a precise examination of emerging technologies and their applications, the article will reveal how Reg-Tech is not only enhancing regulatory processes but also fostering a new paradigm in governance. The primary objective of the article is to understand what exactly Reg-Tech is and how it simplifies regulation and compliance more than ever before.

What is Reg-Tech?

Regulatory Technology (Reg-Tech) is the supervision of governance and regulatory processes within companies through technology. The key functions of Reg-Tech include regulatory reporting, monitoring, and compliance. It consists of a company that helps businesses comply with all the statutory regulations and requirements effectively. To understand better, Reg-Tech is a group of tech-based companies that resolve challenges that appear through automation. The rise in automation with

technology has increased cyber-attacks, deceptive activities, and data security challenges, which impact firms and companies adversely. With the use of Machine Learning (ML) and Deep Learning technology, Reg-Tech controls the risk of non-compliance which generally occurred earlier. Reg-Tech not only reduces the risk of compliance but improves the credit score of a company, improves compliance cost, secures data, and reduces human efforts or time required to control risk.

Regulatory Technology (Reg-Tech) refers to the use of technology to ensure compliance with regulations and statutes. It is a subcategory of FinTech that focuses on leveraging technological solutions to streamline regulatory management.

Reg-Tech consists of a similar kind of companies that use technology fairly renowned as "Software as a Service (SAAS)" to help businesses comply with statutory requirements without spending huge financial or operational costs. Reg-Tech is the requisition of emerging technology to enhance the way companies or firms supervise their regulatory compliances. Reg-Tech entities are now focusing on emerging Artificial Intelligence, Machine Learning, Artificial Neuron Networks, Blockchain, and similar technologies to ensure the capability of digital evolution in the world of regulatory compliance. Regulatory updates and additions have been mandated drastically in the past few years, and penalties for non-compliance are more severe than earlier. These challenges have brought in a new industry called Regulatory Technology, which encloses an extensive range of tools and applications to help the entity to perform their business operations in a more structured, efficient, and compliant manner.

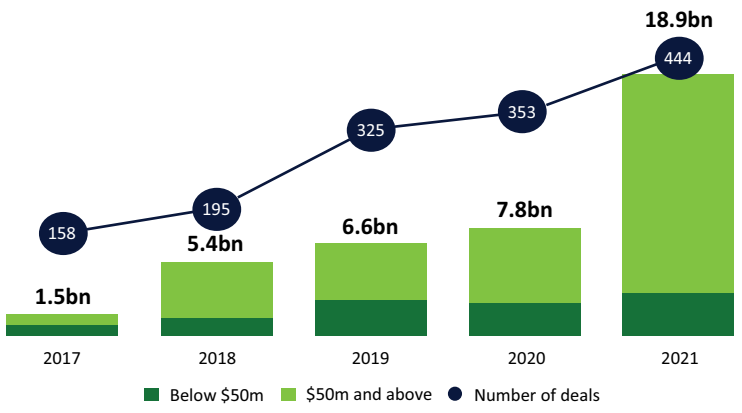
Regulatory bodies and financial institutions get together to build a robust platform using cloud computing technology wherein end-users can quickly confirm the requirement and compliances applicable and relevant to them. Reg-Tech seeks to regulate real-time transactions placed online or through automation and prevent non-compliance with any statutory requirement. Any deviation is imparted to the entity to analyze and control any deceptive and fraudulent activity that takes place. Companies identify potential threats to avoid financial loss and minimize the risk and cost linked with respective threats. The global Reg-Tech Investment in 2021 has already reached above USD 18.9 billion as per the Fintech Global report.

How Reg-Tech differs from FinTech

As the Regulatory and Financial Industry pioneer, the terms "Reg-Tech" and "FinTech" are used commonly everywhere, but what exactly do these terms mean, and how different do they work? Financial Technology (FinTech) is defined as a technology enabler, application, or software that improves or automates financial services. The common vision of the FinTech industry is to automate the usage of finance operations in a tech-driven era. Over the past few years, the Financial Industry has grown rapidly ,and we have seen extremely revolutionary reforms and decisions taken in favor to identify sufficient opportunities in the Fin-Tech era, whose preliminary objective is to reduce dependency on humans. Further, we can say that the objective of the FinTech industry is to enhance the capability and potential to generate higher financial synergy. Transactions like transferring money through Unified Payment Interface (UPI), Algorithm Trading, Digital Banking, Blockchain, etc., are foremost and leading instances of FinTech for better understanding.

Regulatory Technology (Reg-Tech) refers to the use of technology to ensure compliance with regulations and statutes. It is a subcategory of FinTech that focuses on leveraging technological solutions to streamline regulatory management. Reg-Tech systems help organizations mitigate regulatory and financial risks by efficiently monitoring, managing, and ensuring adherence to compliance requirements. Rather than permit the use of financial services, Reg-Tech ensures compliance with applicable

Global RegTech Investment, 2017 - 2021 (USD, number of deals)



Source: FinTech Global

financial regulations. Reg-Tech includes everything that helps to improve regulatory compliance, data management processes, risk profile management, KYC data management, risk mitigation, etc. For better understanding, let's take an example of the real world to understand how Reg-Tech works and how Reg-Tech reduces compliance risk. If we talk about the electronic Know Your Customer (e-KYC) process by banks, stock brokerage firms, credit rating agencies, etc., they verify the identities of the person who would like to do banking transactions, trading on stock exchanges, or CIBIL checks, respectively.

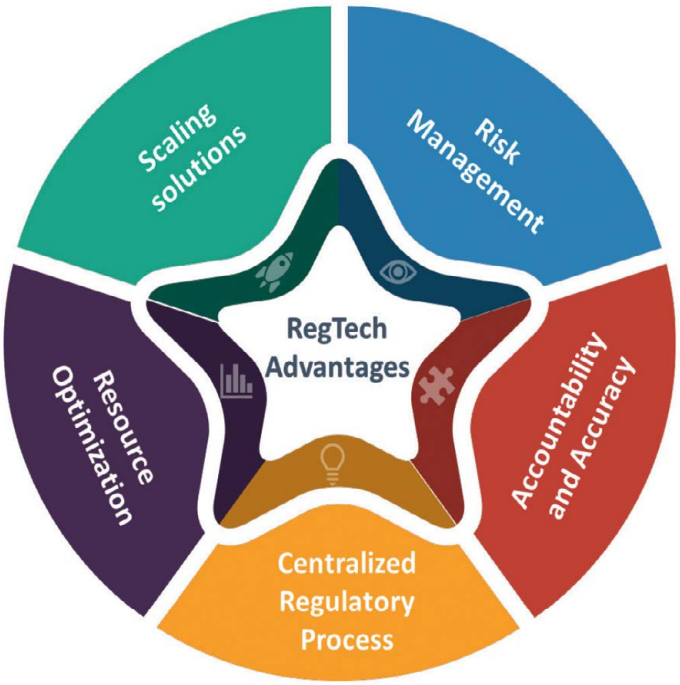
Benefits of RegTech

While we are in the context of the revolution in the Financial as well as Regulatory industry with technology, we have seen the global economy rapidly moving towards a tech-based, data-driven economy, enhancing technology in every sector, revolutionizing all the sectors widely, including regulatory space in the financial sector. Now, companies believe in immediately preventing, detecting, and correcting unlawful events and non-authorized activities in an organization at all levels. Reg-Tech is an entirely technology-enabled regulatory

FinTech and RegTech are closely related and adjacent to each other. Somewhere, Reg-Tech behaves like a sub-division of FinTech. Simply, we can say FinTech is the use of technology to provide financial solutions and returns, but all financial solutions entail compliance and regulations, which is the division of RegTech. FinTech processes financial flow very effectively and efficiently, and RegTech can be used to assess risk, review KYC, control suspicious transactions, and regulate the applicable statute of the processed transactions. With the collaboration of FinTech and RegTech, entities can reduce their financial cost and regulatory risk precisely.

process that assists in executing and accomplishing error-free regulatory compliance. In this current RegTech era, everyone is looking at the results of regulatory compliance coming out through technology. Everybody believes that the authenticity of results coming via technology would always be more accurate and perfect as compared to results derived through the manual (human) process. Technology has been a crucial enabler for expansion in the RegTech industry. Let's take a look at certain detailed advantages that are generally acceptable for Reg-Tech:

A. Risk Management: By following systematic Reg-Tech applications and tools, organizations can



control their inherent risk. Companies can identify, mitigate, and prevent their critical risk. The risk might be related to data security, cyber-attack, policy breach, legal threats, fraud, etc. Reg-Tech typically warns the concerned person or employee whenever identifying or detecting any non-compliance or suspicious activity, so the concerned person can manage circumstances promptly without incurring any cost and loss. With the help of Reg-Tech, companies need not worry about updates or changes in regulations. The system automatically upgrades and makes necessary changes in the process, which makes an effective control on mitigating compliance risk. Reg-Tech has the capability to understand obligations and the impact of risk that may arise because of manual processes or human interventions. Reg-Tech has capabilities to identify and compute specific errors and findings in a way that human and manual systems cannot.

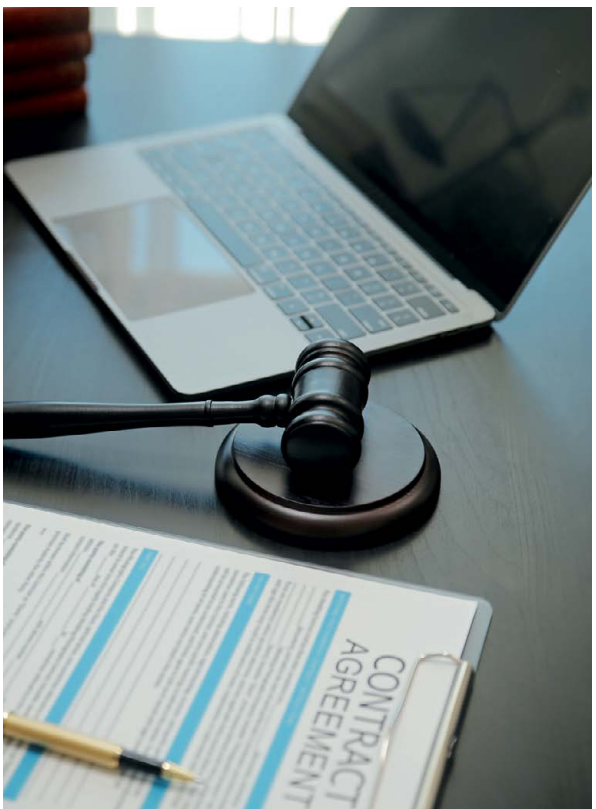
B. Accountability and Accuracy: Often, not everyone is liable for any non-compliance that occurred in a company irrespective of the materiality of that non-compliance, and it's very difficult to identify the right person who should be held liable for such an incident. Reg-Tech tools are capable of setting responsibility and always deciding the accountability of the respective person at the time any unpredicted circumstances arise. It's very significant for every company to at least identify the reason behind non-compliance and set the accountability of connected persons. This is an era where everyone believes in

Reg-Tech tools are capable of setting responsibility and always deciding the accountability of the respective person at the time any unpredicted circumstances arise.

accurate data with zero error and to achieve accuracy in regulatory compliance. Reg-Tech has proven itself to be a diamond in a mine.

C. Centralized Regulatory Process: Today, companies maintain their data at a centralized location. Even financial transactions are recorded and processed at a centralized level. For compliance with legal requirements, companies are trying to fulfill them at the centralized level. For instance, nowadays, banks are beginning to open new saving accounts either with digital KYC or with digital verification, which reduces their risk to maintain or collect a hard copy of KYC. The same KYC can be stored at the central digital level, which is always available for re-check and verification with a single click. With Reg-Tech, companies can manage their regulatory filings and make sure everything is recorded at a centralized location. Reg-Tech permits companies to maintain and establish their effective controls economically, smoothly and faster.

D. Resource Optimization: Reg-Tech helps to cut operational costs and time connected with regulatory



RegTech companies have the potential to build such a robust platform that helps companies to ensure compliance with all the applicable statues and regulations with permanent compliance cost reduction and reduced operational risk.

compliances for companies and helps to improve efficiency at a drastic level. By making compliance and regulatory processes easier and more economical, companies can utilize those excess fund and resource for expansion and for other relevant areas. Through technologies like automation, robotic applications, Artificial Intelligence based chat boxes, and real-time compliance, companies are making well-versed governance environments in their organization. Automation in any process helps to improve the quality of output results, improve efficiency, reduce recurring compliance or operational cost, and, foremost, result meet the benchmark.

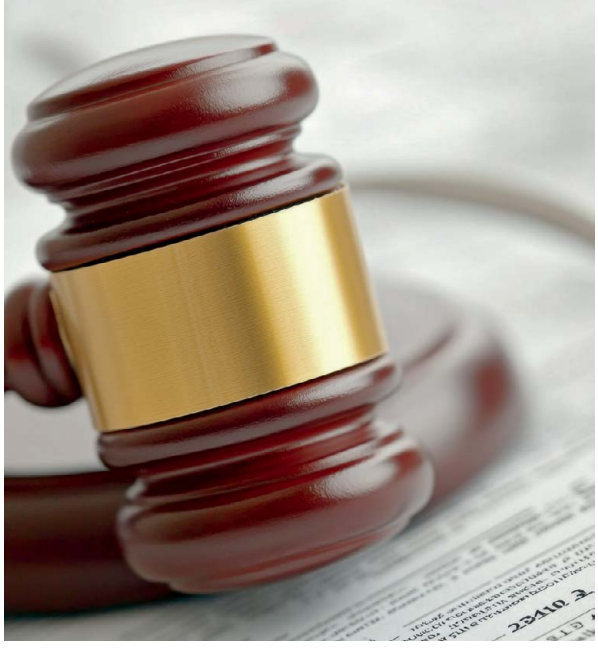
E. Scaling solutions: Reg-Tech derives an ability to utilize resources very effectively without sacrificing the quality of results. Irrespective of volume, scale, and region, the RegTech works independently to make efficient control to reduce the risk of non-compliance. Cross-border transactions with absolute compliances are feasible just because of RegTech. RegTech enhances the scale of operations, allowing for enlarging business cycles and setting the benchmark to accomplish governance and regulations. RegTech allows companies to move away from the complexity that arises under regulatory matters; technology-driven enablers handle such situations and make an effective roadmap to control regulatory risk.

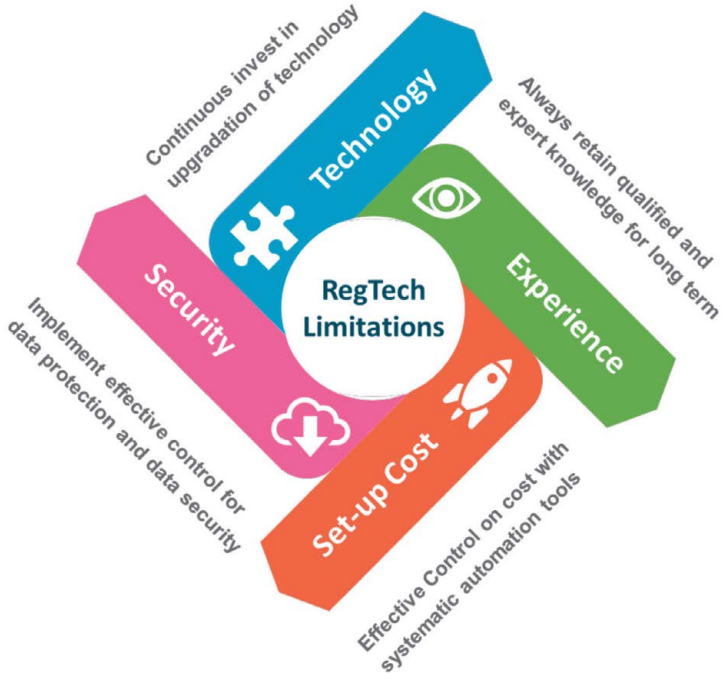
The Future of Reg-Tech

Reg-Tech has started to grow over the past few years with a remarkable expansion in the usage of tools and applications of technology. The use of technology to simplify and modernize the regulatory and compliance process in the financial sector pursues to be a fast-growing, moving, and expanding sector. As increasingly regulated businesses globally, many Financial Institutions and Tech companies come together to regulate compliance with adequate technology. RegTech companies have the potential to build such a robust platform that helps companies to ensure compliance with all the applicable statues and regulations with permanent compliance cost reduction and reduced operational risk. Regulators now welcome regulatory reporting and compliance execution through web options and many Reg-Tech-based companies focusing on transforming legacy data in acceptable digital format.

Reg-Tech is the tool of advanced technology to regulate and govern related activities with the vision to move from manual work to digital and computational models and, thereby, obtain improvements in efficiency and effectiveness. Many companies are adopting such effective technology tools and applications to enhance regulatory compliance and reduce compliance risk and cost. Many companies are following the approach to automate compliance-related tasks and manage data on the digital platform. The demand for technology such as Machine Learning, Blockchain, cloud computing, etc., is growing widely, and such technology helps to expand the FinTech, Reg-Tech, and SupTech industry globally. The willingness of the management and legal team to emphasize technology to overcome an error that arises in the manual process has played a vital role in the development of Reg-Tech.

Reg-Tech could be especially influential in crossing over the interval between regulators and companies while safeguarding the interest of the common public. Regulators can successfully implement audit tools and scrutinize audit trails to protect customers' interests widely. The appreciable thing with RegTech is that it performs results in a much better way with the collaboration of technology, regulation, and governance. A prominent illustration of governance with technology is that we are seeing in our routine life i.e. "Digital-India" initiative, which focuses to transform India into a digitally regulated empowered economy. The essential elements of the initiative are to





build robust Digital Infrastructure for Unified Payment Interface (UPI), E-Governance services, Unique Identification Numbers (AADHAR), Aarogya Setu and for many others. There are renowned tools and solutions of Reg-Tech which are accepted globally for Financial Transactions Monitoring, Identity Verification, Risk and Compliance Monitoring, Statutory Reporting, Data Analytics and Management etc.

Limitations of Reg-Tech

Frankly speaking, maximum compliance initiatives can't be implemented without a certain challenge, and Reg-Tech is not an exception to this. The foremost limitation of Reg-Tech is the lack of expertise in compliance integration. Sometimes, companies have a strong technology base to support but are weak in compliance command. Few companies have sound financial positions but lack the technology experts to build user-friendly tools or applications. When companies come to resolve users' concerns, they may feel the gap in skills and experience. Another critical barrier in Reg-Tech is one-time implementation cost and recurring maintenance and update costs because the fees and charges of consultants might be very high due to the availability of limited experts and extraordinary demand.

One more potential threat to the presence of data security, data safety, and privacy protection is that no one can assure that there will not be any cybersecurity risk, policy breach, or fraud on the digital platform. The risk of using the same technology within a peer group always raises a question on technology upgradation and the sooner you get in, the sooner you will get out of the race in terms of technology, which may create a question mark on long-term resistance in the industry. To control this risk, it's always advisable to continuously focus on upgrading with the latest technology and retaining expert knowledge in the entity. Many times, companies have to build or modify existing algorithms as per revision in compliance or regulations, which may result in incurring additional costs and time to perfectly implement such compliance.

Conclusive Opinion

"Governance with Technology" – Over the past many years, we have seen legal compliances and regulations drastically change, including the severe penalty provisions for non-compliance. But parallelly, revolution in the technology sector transposes the entire regulatory industry and makes the easiest and safest path for companies to comply with all the statutory requirements. Nowadays, the government is also focused more on effective governance in any organization rather than creating hurdles for organizations using critical and complex provisions in laws. Effective governance and controls in any organization imply that the organization has appropriate and adequate controls that help to build a synergy of regulations and set trust in the heart of every stakeholder. In an era of FinTech, every company must keep concentrating on implementing effective technology tools to regulate finance and the regulation process. Focus could be to reduce duplicated information and provide meaningful real-life examples and tools and show how the tools supported managing exceptions.

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Author may be reached at
shubham.mng@gmail.com eboard@icai.in

Supercharging Traditional Forensic Techniques with AI

CA. (Dr.) Durgesh Pandey
Member of the Institute

Prof. Elizabeth Kalunda
Vice Chair, Institute of Certified Public Accountant, Kenya

"Deception is fraud's oldest tool, yet modern technology has turned deception into a sophisticated art form."

The frauds in early times were about simply forging documents and stealing money. Now fraud has changed its face from such simple acts of misfeasance to manipulating algorithms and exploiting the informational technology system that forms the bedrock of the delivery of services. The 2022 incident at a major healthcare institution in Delhi highlighted the importance of robust cybersecurity measures, as it temporarily required a shift to paper-based prescriptions due to system encryption. Similarly, a significant financial institution in Pune experienced an unauthorized transfer of Rs. 81 crores of funds, emphasizing the need for strengthened security frameworks to safeguard digital transactions. The list of such incidents is endless, but these two incidents remind us of how fragile our systems are, and how new-age forensic professionals need to learn the technology. Financial Crime committed using high tech has now become an everyday menace that both victim and law enforcement agencies are struggling to overcome. AI is improving life every day, but fraudsters are not far behind, using technology to create a new breed of frauds.

The era of technology has changed for good. Service delivery has changed significantly, from Web 1.0, where we had static pages to Web 2.0, wherein interaction among users was hallmark. Now we are moving to the era of AI. The new buzzword in the AI domain is Agentic AI, which can make automatic decisions. Auditing as an industry has been sluggish due to change in technology. Barring global consulting firms, Indian firms are wary of investing in technology, but that has to change. Gone are the days of manual verification of inventory; IoT (Internet of Things) devices are changing the rules of the game. The evolution continues to this day, but it is no longer following a linear trajectory. It is dynamic, responsive, and disruptive. As technology advances from basic automation toward intelligent, autonomous agentic systems, the terrain of financial transactions is also going through a dramatic transformation.

When fraudsters swiftly adapt to these innovations, they exploit not just the vulnerabilities in digital payment gateways but also manipulate advanced platforms such as blockchain, cryptocurrency transactions, and smart contracts.

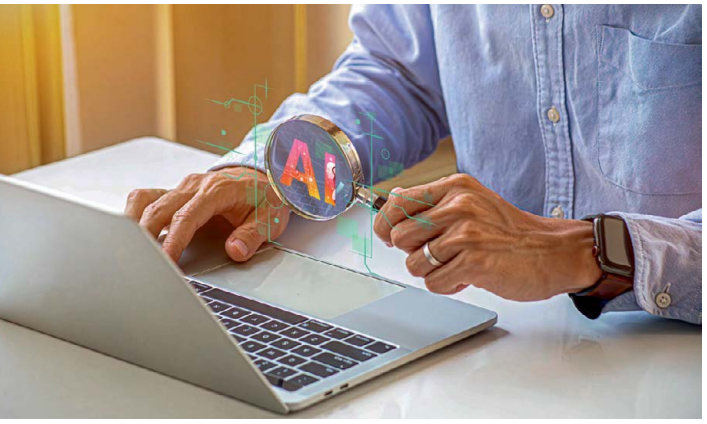
Global corporations have started integrating blockchain into their core business processes. As a consequence, it also introduces a unique complexity to audit trails and forensic investigations. Take, for instance, smart contracts that automate payments and contractual obligations in real-time. This makes auditors face entirely new challenges in establishing accountability and verifying the authenticity of transactions. We may be comfortable with our spreadsheets for now, assuming such scenarios remain limited in India presently, but they're rapidly gaining traction and will soon dominate the financial outlook.

The Two-Fold Problem

As criminals upgrade and evolve with newer strategies, organizations deploy increasingly sophisticated anti-fraud systems. Chartered Accountants and forensic practitioners, as a result, face a twofold adaptation challenge here.

1. First is to understand the deeply advanced digital infrastructures that their clients now operate on, and
2. The second and most important aspect is to embrace technology within their own forensic methods to match them.

A large-scale aircraft manufacturer, whose corruption investigation required analyzing nearly 60 million documents using AI-assisted methods. Similar investigative volumes and complexities will soon become the norm even within India's corporate fraud investigations, forcing the necessity to shift toward tech-enhanced forensic capabilities. Rather than viewing this seismic shift as a threat or a 'challenge', forensic professionals can harness technology as their superpower, an enabler. Leveraging existing human expertise and augmenting it digitally using AI and machine learning tools can transform practitioners into agile, digitally adept detectives. It is precisely this integration of 'human judgment and technological precision' that this article aims to explore deeply, offering a practical roadmap to bridge the digital demands of the financial fraud community.



Let's acknowledge the growing challenge of tech-driven fraud and the fact that organizations are rapidly adapting by integrating AI-driven solutions across risk management, internal controls, and advanced fraud detection systems. As organizations evolve, it becomes essential for forensic practitioners to do the same. But where does the challenge arise for them? Why are traditional investigation methods no longer sufficient?

This is where data plays a crucial role. Today, even simple forensic reviews generate vast amounts of data in multiple formats. The disputed sum may be as small as one or two crore rupees, yet an overwhelming volume of data is produced, including emails, encrypted communications, payment ledgers, bank statements, invoices, and other structured and unstructured documents. Manually sifting through thousands or even millions of such records—while adhering to the strict deadlines and accuracy demands of forensic engagements—is not just inefficient but virtually impossible.

Traditional approaches were designed for a time when accounting was paper-based, transactional volumes were limited, and documents were systematically archived. While these methods were once a mark of expertise, they are now struggling to keep pace, creating vulnerabilities that tech-savvy fraudsters can exploit.

Ultimately, such old, traditional methods just need to evolve, simply because we must now triangulate data from various divergent sources in order to examine, analyze, and extract valuable insights, something called data blending. Yet, how exactly can forensic professionals practically implement data blending to identify and investigate fraud?

It means cruising through two separate but interconnected categories of data: structured and unstructured. Structured data is clearly organized numerical or transactional records. It can be your general ledger entries, financial statements, vendor invoices, payment records, and so on. In this realm, forensic analysis leverages statistical anomaly detection tools, such as Benford's Law, to identify irregularities. Unstructured data, on the other hand, relates to qualitative information, like textual data. These are the unorganized data we discussed, like emails, chat logs, contracts, and even voice recordings form part of unstructured data. These do not neatly fit into tables or spreadsheets. Manually sifting through this information is labour-intensive and error-prone. With AI technologies, the traditional investigative approaches can now be augmented for both types of data, scaling the depth of analysis.

Augmenting Structured Data

When we talk about structured data, one highly effective technique to illustrate is Benford's Law, a statistical principle widely discussed in financial fraud contexts. Benford's Law has been a trusted method to detect anomalies in transactional data in accounts payable or general ledger entries by checking if the occurrence of first-digit frequencies conforms to preset patterns. That is, numbers beginning with digits like 1 and 2 occur significantly more often than those starting with 8 or 9. Forensic professionals traditionally use this concept ("first two-digit test"), computing their frequency distribution and comparing these to the expected Benford probabilities. Financial records, including ledger balances, expense reports, invoice amounts, and sales numbers, all follow this structure. So, if a dataset deviates from Benford's predicted distribution, it can be a sign of data tampering or fraudulent manipulation. It works well when dealing with medium-sized datasets of 2,500–5,000 records. But in contemporary financial settings, where businesses execute millions of transactions every day across several departments and business divisions, it suffers. Here, there is a scalability issue. Since fraud doesn't occur uniformly and it often happens within specific vendors, regions, or payment methods, this traditional Benford analysis of the entire company's data might overlook irregularities in one department or business unit.

To overcome this, a concept of Benford Subset Divergence Analysis (BSDA), a method that uses AI to analyze financial data dynamically, can quickly examine thousands of smaller subsets, such as:

- Individual **vendors** or groups of suppliers
- Specific **geographic regions**
- Different **payment methods** (NEFT, RTGS, cheque, etc.)
- Particular **general ledger (GL) accounts** or **document categories**

Rather than running Benford's Law once across an entire dataset, the BSDA approach can analyze different subsets across a multi-billion-dollar transactional dataset in minutes, an efficiency inconceivable through manual analysis alone.

Traditional method

Consider the case of a multinational corporation that processes millions of journal entries annually. Forensic professionals suspect potential fraud, such as fictitious entries or rounding anomalies, but manually analyzing the data is impractical due to its volume and time constraints. In the traditional scenario, the practitioner prepares the data by extracting, say, one million journal entries from the general ledger and applies Benford's

Law to analyze the first two digits of each transaction amount. Then, using spreadsheets, they calculate the frequency of each digit combination (10 to 99) and compare it to the expected distribution.

They identify deviations where actual frequencies exceed or fall below the expected range, such as

- Spikes at 20 and 21: Transactions starting with these digits occur more frequently than expected.
- Valleys at 90-99: Transactions in this range are underrepresented, suggesting potential rounding or threshold manipulation.

Here, the limitations that they may face would be -

- Deviations spread across the dataset, making it hard to pinpoint specific fraud risks.
- Manually filtering data by vendor, department, or geography to identify anomalies is time-consuming.
- Small but significant frauds within subsets (e.g., a single department or vendor) may be "washed out" in the aggregate data.

AI Method

Now, if the same dataset is loaded into an AI-powered fraud detection tool and configured to perform the BSDA, it may find the specific vendor showing the deviations in transactions starting with 20 and 21.

Let's call him Vendor X. The tool can pinpoint hidden/ specific deviations as follows.

- For the spike at 20: 12% of Vendor X's transactions start with 20, compared to the expected 4.5%.
- For the spike at 21: 10% of transactions start with 21, compared to the expected 4.1%.

The AI tool can also identify "more-like-this" transactions (popularly called predictive analytics)

across other vendors and GL accounts, which may reveal any fraud ring involving multiple entities. Additionally, transactions under specific GL may also reveal any unusual patterns, suggesting potential data manipulation.

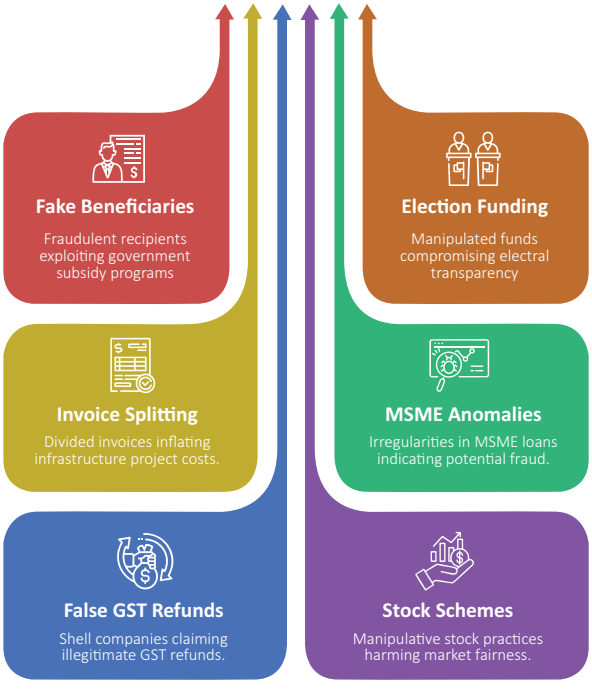
Based on this, the investigation can be targeted by better focusing on Vendor X and related subsets, uncovering -

- Fictitious entries by creating fake invoices below the threshold of Rs. 20000.
- Rounding anomalies of Rs. 20000 and Rs. 21000
- Duplicate transactions as double payments.

Here, this AI-augmented approach of Benford's Law could handle complex datasets across multiple dimensions and also predict similar patterns across the dataset.

Some use cases of BSDA are as follows.

Unveiling Financial Deception



Labyrinth of Unstructured Data

While AI-driven BSDA is a powerful tool to address numerical anomalies within structured datasets, forensic investigations today extend beyond numbers alone. Investigators often face massive volumes of unstructured information like emails, chat logs, and digital invoices, which makes manual review both impractical and time-consuming. It is only natural that an AI model capable of

While AI-driven BSDA is a powerful tool to address numerical anomalies within structured datasets, forensic investigations today extend beyond numbers alone.

using both structured and unstructured information is the answer. Multimodal AI, as they are referred to, integrates and analyses data from various sources and formats, such as text, images, and audio. Now you may think of it as an LLM like GPT. But GPT is founded on Generative AI wherein it is used to create new data or content and can process all these file formats. Multimodal AI, on the other hand, also can integrate these multiple types of data. Think of it like a cook and a star chef. Gen AI is a cook who can give you a recipe based on your available ingredients and preferences. But Multimodal AI is a star chef who can understand a picture of your fridge contents and suggest a recipe while listening to your instructions and adjusting cooking times based on heat sensors or even the season!

In the financial fraud world, multimodal AI is capable of giving a holistic view of a transaction, simultaneously reviewing structured invoices/payments, unstructured vendor emails, WhatsApp conversations, recorded phone calls, CCTV footage indicating vendor and employee meetings, and so on. What used to be achieved through keyword searches using forensic toolkits, rudimentary speech-to-text tools, or cross-referencing emails to voice chats is now achieved using multimodal. Global financial services companies are already employing such models, stepping up their fraud detection game.

The core components of the model are given below.

Components of Multimodal AI

Advanced NLP

Analyzes text for sentiment and intent

Audio Processing

Transcribes and enhances audio while identifying speakers

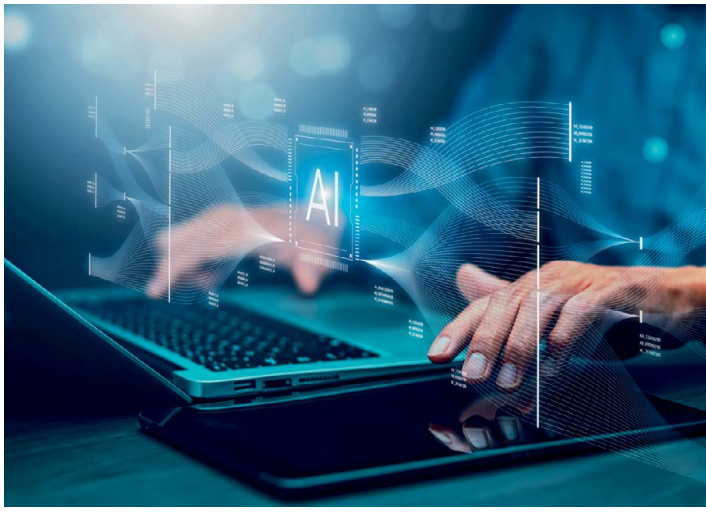
Graph-based Correlation

Links entities across different communication forms

Advanced Natural Language Processing (NLP) for text analysis	Audio processing with speaker recognition	Graph-based correlation
■ It shows the capability of analysing emails and chats beyond keywords, detecting sentiment, intent, and coded language. ■ For example, "medicine delivery" in an email could be flagged as a drug trafficking euphemism based on context.	■ AI transcribes voice chats in real-time and also enhances the audio quality by removing background noise and identifying speakers using vocal biometrics, cross-referencing against databases or prior samples.	■ AI constructs relationship networks, linking entities like people, devices, and events across emails, voice chats, and metadata. ■ A call mentioning "meet at 5" could be tied to an email with a location, visualised instantly.

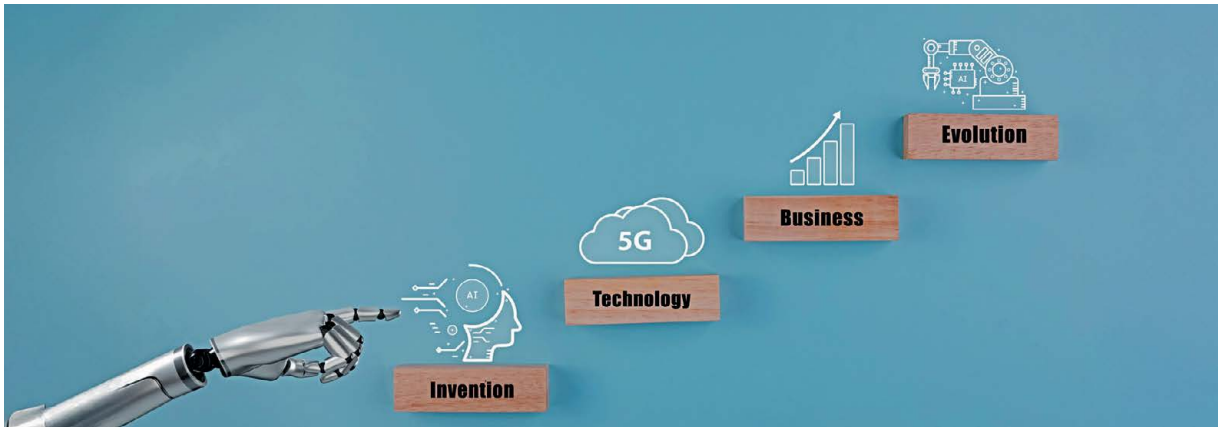
But how is this technology relevant to practitioners? In a hypothetical scenario, imagine investigating a Rs. 500 crore corruption scandal involving politicians, bureaucrats, and shell companies. We are presented with terabytes of emails, WhatsApp chats, and intercepted voice calls. But in this case, these are all fed into a multimodal system.

- The NLP flags all the coded bribe terms such as "facilitation fee," "expediting payment," "consultancy charges," or "special handling charges."
- The audio AI identifies a politician's voice in a call
- Graph analytics links the call to an email scheduling a payoff.
- Integrates any subtle linguistic cues and emotional tone that might indicate bribery negotiations or suspicious dealings.



Potential Use Cases: Blending Structured and Unstructured Data

Shell company	Email and chats	Invoice & transactions	Satellite images
Loan fraud	Customer call	Handwritten applications	CCTV footage
Stock market manipulation	Social media sentiment	Network mapping	Transaction pattern
Corruption & Bribery	Email and chats	CCTV and audio records	Entity relationships



- Establish critical timelines or suspicious interactions, secret meetings, previously unnoticed between persons.

Within hours, the model produces a clear timeline of events, maps interactions among parties involved and shell companies, and provides investigators with actionable "evidence clusters."

Is the scenario far-fetched?

While this might sound like science fiction, law enforcement agencies across the world are already employing such models. Global regulatory agencies use multimodal AI to analyze complex financial crimes and terrorism cases. Multimodal AI is already being explored extensively beyond finance. Ecological research, for instance, employs models like the TaxaBind framework, integrating text-based taxonomy data, geographic coordinates, and satellite imagery, clearly showcasing multimodal AI's effectiveness in synthesizing diverse data streams into insights. Recent developments in the Indian scenario illustrate tax authorities considering a review of various digital sources, including emails, social media activities, online investments, and financial transactions to detect tax evasion, which may be a potential use case of such integrated models. Such scenarios, if they materialize, considering the data protection laws, would require authorities to integrate vast volumes of structured and unstructured data effectively, though challenging with traditional models. In these cases, emerging approaches, such as multimodal AI, might become a necessary tool to enable investigators to analyze data seamlessly across various formats.

Importantly, technology transcends borders, and data knows no jurisdictions. It is becoming impossible to analyze these developments through a country-specific lens, given their interconnectedness. As organizations across the world adopt such cutting-edge digital models for risk and fraud management, forensic practitioners can no longer afford to lag. Practitioners need to actively understand and incorporate such novel methods to stay competitive and indispensable. Instead of being overwhelmed by technological advancement, we are in a unique position to welcome it and use our knowledge and expertise superpowered with AI to detect new-age financial crimes.

Ultimately, the future of forensic investigations lies in a harmonious marriage of human judgment and technological accuracy. It is the technology itself that is transforming practitioners from mere number-crunchers into highly capable digital detectives, preparing us to tackle financial frauds head-on in this data-centric world.

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Authors may be reached at durgesh.pandey@gmail.com and eboard@icai.in

Decentralized Ledger Technology and Financial Fraud: Unveiling Forensic Techniques

Pranay Chauhan
Technology Professional

This article investigates how technology is transforming financial crimes in the digital world, turning traditional financial systems upside down. It discusses forensic methods to detect money laundering operations and the new red flags that pose a challenge to the existing ecosystem, prompting the necessity for sophisticated detection tools to fight emerging financial crimes. The rapid expansion and widespread adoption of cryptocurrencies have brought new opportunities and challenges to the financial market. Among them is the growing abuse of digital currencies to facilitate criminal activities, such as money laundering. The article examines some of the methods criminals use to exploit the anonymity, decentralization, and international nature of blockchain technology to launder money with cryptocurrencies.

Introduction

The rise of blockchain technology has led to new challenges in combating financial crime, including money laundering. With the increasing digitalization of transactions, new-generation crimes are disrupting traditional financial systems and regulatory systems. This article discusses the forensic techniques needed to identify such emerging crimes and the red flags indicating possible illicit transactions in decentralized financial systems. Also, the cryptocurrencies have transformed the way money is managed to enable fast, decentralized, and borderless transfer. Cryptocurrencies such as Bitcoin, Ethereum, and Monero are widely used not only for legitimate transfers but also for illegal ones, such as money laundering. Most cryptocurrencies conceal individuals' identities, enabling them to transfer money without anyone knowing their real-life identities. Criminals find this aspect appealing since it enables them to conceal who they received the illegally obtained money from.

The global character of cryptocurrencies also presents a jurisdictional issue. Money launderers in one nation can route money into wallets in another nation, in exchanges or DeFi protocols in an unregulated or poorly regulated jurisdiction. This ability to bypass mainstream banking infrastructure, combined with the rapidity of crypto technologies, presents serious challenges to financial regulators and law enforcers.

As more people use digital money, the criminals are finding new ways to misuse them. This means that countries must work together to come up with regulations, better

monitoring tools for blockchain transactions, and help investigators build skills. Non complaint exchanges, Cryptocurrency Platforms in High-risk Regions, Defi, cryptocurrency mixing, peer to peer platforms, privacy coins, and cross-chain transactions make it difficult for law enforcement. This article examines how cryptocurrencies are being used for money laundering, summarizes issues for investigations.

Problem Domain

Money laundering is the process of concealing where illicit money originates so that it appears legal. Cryptocurrencies have created new means of money laundering with their:

1. **Decentralized Nature:** No central authority controls transactions, reducing oversight
2. **Pseudonymity:** Transactions are secured by alphanumeric wallet addresses rather than identifiable individuals.
3. **Global Accessibility:** Funds can be transferred globally instantly without the obstacle of regulation.
4. **Anonymity Tools:** Privacy-oriented cryptocurrencies such as Monero and Zcash, coupled with mixing services, conceal transaction routes.

Studies from Chainalysis indicate that cryptocurrency money laundering has increased between 2019 and 2023. The value of money laundered rose from $11.1 billion in 2019 to a peak of $31.5 billion in 2022 before declining to $22.2 billion in 2023. The increase is caused by the rapid expansion of the cryptocurrency market, the growth of decentralized finance (DeFi) platforms, and the anonymity of certain crypto transactions. Criminals take advantage of these features to obscure the source of illicit funds, posing challenges for regulators in tracing them. The decline in 2023 was partly due to more robust global efforts by authorities and stronger anti-money laundering (AML) regulations targeting cryptocurrency exchanges and wallets. The trend indicates the evolving risks and the need for more robust compliance regimes in the crypto market.

Cryptocurrency money laundering forensic analysis involves blockchain analysis, whereby the investigators track suspicious transactions with Tools to trace illicit funds.

Forensics Investigation Strategies

Cryptocurrency money laundering forensic analysis involves blockchain analysis, whereby the investigators track suspicious transactions with tools to trace illicit funds. Machine learning algorithms detect unusual patterns of transactions, while law enforcement collaborates with financial intelligence units to freeze and seize the laundered money. Undercover operations and darknet monitoring also assist in the identification of criminals utilizing crypto for illicit activities. Although, some common tactics and red flags for identifications is shown in table 1 below.

Table 1: Shows some common crypto based money laundering and red flags identification

S.no.	Crypto-based money laundering can be carried out through	Details	Common Red Flags Identifications
1.	**Non-compliant or Unregulated Exchanges.** (Non-regulated Cryptocurrency Platforms) Note : The following tools can assist in conducting further investigations and examinations ▪ coinmarketcap.com ▪ coingecko.com	Non-compliant exchanges often do not need any KYC documents or customer due diligence (CDD) information from accounts users. Offenders can operate under a covering of extra anonymity.	▪ It has no KYC/CDD data requirement. ▪ There are exchanges that lack anti-money laundering policies or have very low standards. ▪ These Exchanges impose no restrictions or limits on trading activity. ▪ Such Exchange enables customers to finance accounts even in case they had originally received crypto assets directly from the mixer services or tumblers. (Note: tumblers services are also known as mixer service) Example tool name: Tornado Cash.

S.no.	Crypto-based money laundering can be carried out through	Details	Common Red Flags Identifications
2.	**Cryptocurrency Exchanges in Sensitive Jurisdictions.** (Cryptocurrency Platforms in High-risk Regions) Note: The following tools can assist in conducting further investigations and examinations (coinmarketcap.com) (coingecko.com)	Mainly countries and regions in high-risk zones, where money laundering and terrorist activities are majorly occurring. (Countries on the high risk of FATF's list, recently Nepal is also added in the FATF list.)	■ Exchange registration or legal status details are vague or ambiguous. ■ Such exchanges have headquarters in a jurisdiction having no AML regulation. ■ Such exchanges provide no information about the location of the exchange. ■ Primarily they perform overseas registration. ■ These transactions have a phone number /office information/ other addresses in a riskier country.
3.	**Use of Money Mules or Fake Documents on Genuine Exchanges.** (Misuse of Authentic Exchanges Using Money Mules and Fake Credentials) Note: The following tools can assist in conducting further investigations and examinations. Darkwebservices/ Onion services or Tor services	A money mule is someone who transfers or moves illegally attained money on behalf of someone else	■ Forged or fake documents may be extremely difficult to distinguish from authentic documents. (there are many channels and platforms in darkweb (offensive), where such services can be avail) ■ Documents appearing to be forged, or stolen documents. ■ Foreign nationals in groups can open several accounts simultaneously. ■ Using fake KYC, IP addresses, and emails. ■ Crypto coins pass through mixers or tumblers prior to being transferred to the mule's wallet ultimately.
4.	**Defi -DEXs** **(Decentralized finance and decentralized exchange)** Note : The following tools can assist in conducting further investigations and examination. Defipulse and Defiprime	Defi, Decentralized finance offers financial instruments without relying on intermediaries such as brokerages, exchanges, or banks by using smart contracts on a blockchain. The users are fully in charge of their funds using self-custody wallets.	■ Decentralized exchanges, or DEXs, on Ethereum are smart contract-based. This enables users to trade one crypto asset for another in real time. ■ DEXs can be employed by criminals to avoid rules and regulations. ■ No compliance controls ■ A user suddenly acquires numerous crypto assets from an account that is associated with a DEX and attempts to liquidate immediately. ■ The client cannot provide any form of evidence or say where they had obtained the funds from and why they were processing transactions on a DEX.

S.no.	Crypto-based money laundering can be carried out through	Details	Common Red Flags Identifications
5.	**Peer to Peer (P2P) Platforms.** Note : Mentioned below are the examples of tools that can assist in conducting further investigations and examinations. Localbitcoin, binance, paxful, hodlhodl	Peer-to-Peer (P2P) platforms connect buyers and sellers directly. This allows transactions to happen without middlemen like banks or brokers. These websites offer more options, reduced costs, and allow customers to interact directly among themselves on the terms.	▪ Large volumes of crypto assets exchanged on exchanges for fiat from wallets of P2P platforms and subsequently transferred into bank accounts do not appear to have any rational explanation for occurring. Crypto funds may originate from such sources as the dark web or mixers. RaaS (multiple ransomware services, darkweb is offering multiple RaaS)
6.	**Defi Mixer** Note: The following tools can assist in conducting further investigations and examinations Tornado Cash	To evade detection, criminals have routinely sought to make use of crypto asset "mixers". **Mixer Services:** These services are tough to trace, as crypto is transfered into multiple wallets, making it difficult to trace)	▪ A customer regularly receives money from a DeFi mixer and refuses or is unable to explain where the money is coming from.
7.	**Crypto ATMs**	Crypto ATMs offer a suitable path for moving cash from one counterpart to a wallet, to another person located away.	▪ Crypto Funds are from crypto asset ATMs in which crypto assets are not heavily regulated or not regulated at all. ▪ ATM issuers that do not ask for KYC data. ▪ No KYC and CDD required from the customers.

Apart from these, some tactics used by the cyber criminals include, money laundering through NFT, Mixer services, gambling services, privacy coins, darkweb services, money laundering through gaming services and money laundering through cross chain bridges.

Table 2: Some commonly used crypto investigations tools with features are as below

S.no	Investigation Tool	Features
1.	**Chainalysis**	▪ Chainalysis Reactor is a blockchain money flow visualization software. ▪ They trace risky, suspicious bitcoin transactions from onion markets and fraudsters, plus sanctioned addresses are identified by Chainalysis KYT (Know Your Transaction). ▪ It comes with a clean interface for viewing and verifying crypto transactions.

S.no	Investigation Tool	Features
2.	**TRM Labs**	■ TRM Investigator is an easy-to-use bitcoin explorer. ■ Crypto and transaction flows can be displayed. ■ Transaction monitoring monitors blockchain wallets so that fraud can be prevented. ■ It also gives risk scores to transactions according to anomalous behaviour and patterns.
3.	**CipherTrace**	■ It determines banks and VASPs' high-risk expenses and reveals risks related to most VASPs and other virtual asset groups. ■ It accommodates both open and closed-source data and employs specific groupings to accurately gather and collate various signs.

Conclusion

Cryptocurrencies have potential and threats for the global money system as well. They provide more access to financial services for individuals and promote innovation but also provide new means for criminals to conceal illicit proceeds in decentralized networks, anonymous accounts, and cross-border flows. Effective anti-money laundering (AML) operations in the realm of cryptocurrencies require:

- Increased global regulatory cooperation.
- Utilizing blockchain analysis tools for tracing illicit money flows.
- Stringent KYC/AML laws for providers and exchanges.
- Ongoing training for police and regulators to keep them informed of new technology.

As cryptocurrencies increasingly become part of the global financial system, balance between regulation and innovation will have to be established to avoid being used for money laundering and other financial vices.

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Author may be reached at pranay.iet@gmail.com and eboard@icai.in

Ironclad your internal fraud investigations

CA. Vinay Nayak
Member of the Institute

Despite a robust system of internal controls and governance, no organisation can stake claim to be immune from fraud. In fact, even the COSO[1] guidance suggests that 'collusion' and 'management override of controls' are few of the limitations of an internal control framework. These limitations mean that management is capable of overriding internal controls and perpetrate fraud and that personnel can avoid or skip internal controls to engage in collusive behaviour.

The Associate of Certified Fraud Examiners (ACFE) 2024 Report to the Nations on occupational fraud[2] also states that more than half of occupational frauds occur due to lack of internal controls or an override of existing internal controls and also states that 43% of occupational frauds were detected by a tip (whistleblower complaints / WB complaints). Organisations faced with dealing with WB complaints are often faced with various conundrums on the best approach of dealing with these matters. On one hand, there are organisations who do not hesitate from engaging the best of the external forensic experts and lawyers to help him navigate these matters while on the other hand, certain organisations prefer to deal with these matters in-house either with support from their internal specialist teams (such an internal audit / investigation units) or representatives chosen from their business units.

For organisations in the latter category, this choice may be driven by various factors such as need to balance the cost of investigation, maintaining confidentiality by limiting circulation of information outside the organisation, making the best use of the knowledge residing within the organisation etc. In case cases, given the potential reliance on the results of such investigation by external bodies/ agencies such as statutory auditors or law enforcement authorities, it is vital that common potholes encountered while investigating these matters internally are effectively managed.

Forensic Accounting Investigation Standards (FAIS) 110 defines an investigation as *'a critical examination of facts, records, documents and other forms of evidence for a specific purpose, such as an alleged legal, ethical or contractual violation with respect to transactions or event. The purpose of the Investigation is to examine facts and circumstances and gather evidence to prove or disprove hypotheses formulated regarding alleged legal violations, unethical conduct or the possibility of a fraud by suspected individuals.*

Where the mandate requires the need to gather and evaluate evidence for a specific purpose, such as to help establish possible fraudulent intent, or to identify possible suspects of fraud, the concept of Investigation shall apply

[1] https://www.coso.org/guidance-on-ic
[2] https://legacy.acfe.com/report-to-the-nations/2024/

This article does not go into the merits of the decision whether to outsource the investigation or to perform it with help internal experts. It is the responsibility of the organisation to evaluate the pros and cons of each approach and decide the best course of action in the organisation's interests. The purpose of this article is to put forth few of the aspects to be considered by the organisation in the course of their decision making should the organisation decide to pursue the matter internally. As with all such matters which can potentially impact the financial statements, more importantly in relation to fraud, organisations should engage in proactively keeping their statutory auditors informed of the incident and the organisations proposed approach.

A harmonious and collaborative approach with the auditor as opposed to being siloed or adversarial, will be beneficial to the organisation.

Management has the primary responsibility for preventing and detecting fraud in an organization. Accordingly, although investigation of whistle-blower complaints is the responsibility of management and should be owned up by them, it is always recommended that inputs from the statutory auditors (audit firm/ auditor) may also be sought in relation to the scope of investigation and the proposed work steps to avoid any misgivings at a later date which can potentially delay the audit closure process. As part of the scoping exercise, the auditor may also be able to provide valuable suggestions to the organisation based on his experience in dealing with such matters on other audits which also helps in meeting the auditor's requirements. At times, this can also make the organisation's investigation process more robust.

Additionally, statutory auditors have certain obligations in relation to fraud under the Standards on Auditing and Companies Act and ensuring that the auditors are timely informed of such matters assists the organisation in supporting the auditor to sufficiently meet the obligations enforced upon them under the law and under the applicable auditing standards. More specifically, reporting obligations cast on the auditor under section 143(12) of the Companies Act and form ADT-4, require the auditor to comment whether he is 'satisfied with the steps taken by management' in relation to frauds. It is in the interest of the organisation that the investigation approach should be agreed with the auditor considering these reporting requirements and he should be satisfied with the steps taken. Any conclusion by the auditor to the contrary will likely be detrimental since the matter may invoke additional scrutiny from the regulator (e.g. Ministry of Corporate Affairs) upon filing of the ADT-4 form by the auditor. A harmonious and collaborative approach with the auditor as opposed to being siloed or adversarial, will be beneficial to the organisation. Based on evaluation of the facts and circumstances, should the auditor express any concerns with regard to investigating the matter internally, the organisation should endeavour to address these concerns with suitable steps and responses.

Effective governance in whistleblower investigations is critical for maintaining organizational integrity and addressing management override of controls. The inherent tension between oversight bodies, such as the Board of Directors and Audit Committee, and management can complicate the adherence to FATE principles: Fairness, Accountability, Transparency, and Explainability.

To mitigate these challenges, organizations should adopt several key structural safeguards:

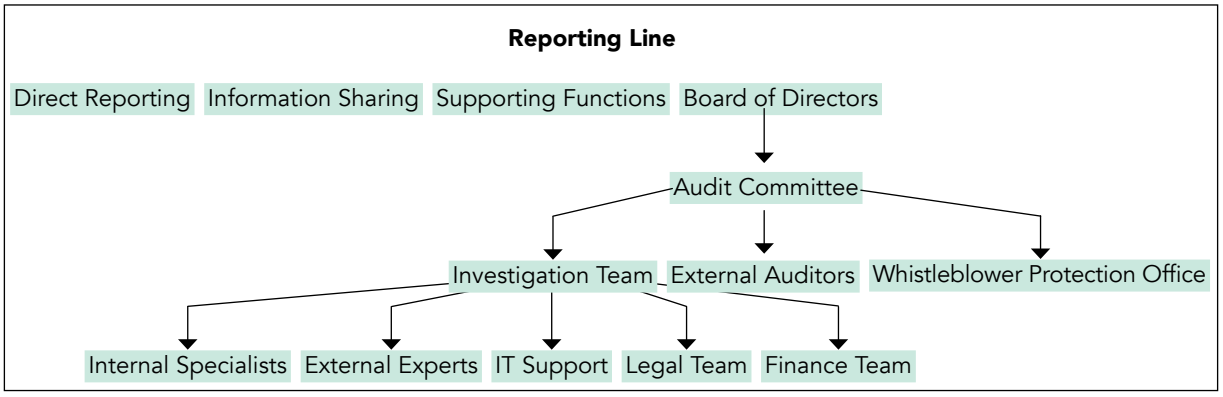
1. Direct Reporting Lines: Establish a direct reporting line for investigators to an independent board sub-committee to ensure unbiased oversight.
2. Dedicated Budget: Allocate a specific budget for whistleblower investigations that is controlled by the Audit Committee, ensuring that resources are available without management interference.
3. Protected Communication Channels: Implement secure channels for whistleblowers to report concerns without fear of retaliation.
4. Concurrent Reporting: Require concurrent reporting of findings to external auditors and regulators to enhance transparency.
5. Dual-Key Decision System: Utilize a "dual-key" system for critical decisions in investigations to prevent unilateral actions that could compromise integrity.
6. Documentation Protocols: Maintain clear documentation protocols to ensure all investigative steps and findings are recorded systematically.

Additionally, modern technology can further reinforce these principles through various controls:

1. Automated Audit Trails: Implement automated audit trails and system-generated logs to track all actions taken during investigations.
2. Immutable Records: Use tamper-evident evidence trails to ensure data integrity.
3. Access Control Matrices: Utilize access control matrices and version control systems to manage who can view or alter investigation-related documents.

An effective investigation governance system can be depicted as below

Investigation Governance Structure



4. Blockchain Documentation: Leverage blockchain technology for secure and transparent documentation of reports and findings.
5. System Metadata: Employ system-generated metadata and automatic backup systems to protect data integrity.
6. Privileged Access Management (PAM): Implement PAM systems for real-time alerts on unauthorized access attempts.
7. Security Information and Event Management (SIEM): Use SIEM platforms for comprehensive logging of activities related to investigations.

Now that we have laid out the broad background and context of this article, as you may have guessed by the title, now let us explore some aspects which can help us plug some gaps or in other words 'ironclad' your internal fraud investigations. By no means this is an exhaustive list and learned members who are more experienced may possibly have a much tighter iron lock around their internal investigations!

Areas of Focus

- Board or Audit Committee mandate
- Investigation team composition
- Evaluation of allegation
- Sufficient and appropriate procedures
- Confidentiality
- External experts
- Investigation report
- Face finding
- Conclusion

i. Obtain mandate from Board or Audit Committee

Matters in relation to whistleblower complaints are by no means easy to deal with. It is difficult for any such investigation being handled internally to be successful without a supportive tone at the top and the concurrence of those charged with governance (TCWG) namely the Board of Directors and the Audit Committee (if any). Internal investigations require composition of the right team with the appropriate skill sets as well as support from various functions in the organisation to provide the necessary data/information (e.g. electronic data which needs to be provided by the information technology team, copies of documents/vouchers which needs to be provided by the finance team, copies of legal contracts which needs to be given by the legal team, ability to summon individuals for interviews etc). In order to garner timely support from these various functions, a clear mandate from TCWG with regard to the internal investigation will be vital. Such mandate may be provided for each investigation or an omnibus approval depending on the TCWG's preference. Without such support, power and authority to conduct the investigation, the investigation team will be akin to a toothless tiger!

In large organisations, investigation are handled internally by investigation units which are likely directly under the purview of TCWG hence this condition is met.

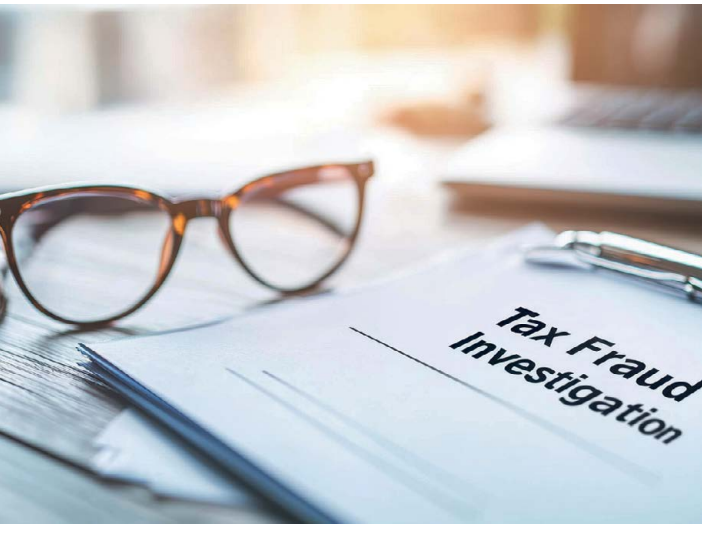
ii. Composition of the investigation team

Competence and objectivity are paramount qualities for an internal investigation team. Competence is important since without the right skill sets and experience, the entire investigation process will turn out to be infructuous as the matter will not be properly investigated with the merit

Competence is important since without the right skill sets and experience, the entire investigation process will turn out to be infructuous as the matter will not be properly investigated with the merit that it deserves.

that it deserves. Objectivity simply means that the individuals should not be biased while conducting the investigation. When it comes to internal investigations, various biases can creep in and when it comes to maintaining objectivity, at times perception may matter more than reality!

What could be some of the biases that could creep in? Consider a situation where the members of the investigation team are from the same department that the alleged individuals are working in. In case of highly technical matters, having some member of the same department who has the relevant competence and expertise may possibly have its merits, this approach is also fraught with the perils of the likely favouritism that can creep in while investigating the matter. Another example could be how close are present or past informal relationships between the alleged individuals and the investigation team members. There are no bright lines in this evaluation, and it would all depend on observation and perception by various people in the organisation. As a corollary, is there any informal evidence that the alleged individuals and the investigation team members have a bone to pick with each other? In both such cases, it will be difficult to argue that the matter is being handled in an objective manner.



Another important aspect of competence is also to be able to identify whether there are any areas where the investigation team members do not have the skill sets needed to investigate. If there is such a case, then the organisation may need to consider supplementing the team with support from external agencies having specialised skill sets. Refer section f) for more on this topic.

iii. Evaluating Allegations: A Structured Framework:

Once the investigation team is formed, it's time to get down to the brass tacks.

To effectively evaluate allegations while protecting whistleblowers and maintaining organizational integrity, a structured framework is essential. This framework should include initial assessment protocols, whistleblower protection measures, information gathering processes, allegation validation methods, technology infrastructure, and resource and timeline management.

Initial Assessment Protocol

The initial assessment should clarify the subject matter and specificity of the allegations. A preliminary risk assessment should categorize allegations based on potential impact and credibility, documenting any initial red flags or corroborating evidence.

Whistleblower Protection Framework

Establish secure communication channels, anonymous reporting mechanisms, and clear confidentiality and non-retaliation policies. Create information firewalls, monitor for retaliation, and designate a Whistleblower Protection Officer separate from the investigation team.

Information Gathering Process

Use structured templates to capture allegation details and explore discussions with the whistleblower if possible. Provide multiple communication channels with security measures, clear documentation protocols, and a secure storage system with restricted access.

Allegation Validation Framework

Use an evidence assessment checklist to verify basic facts and assess internal controls. Review historical patterns and cross-reference with existing compliance data.

Technology Infrastructure

Implement a secure case management system with audit trails, automated logging, and data analytics tools. Use a secure document management system with version control and access control matrices. Ensure regular backup and archiving protocols.

Resource Planning and Timeline Management

Identify dependencies, potential challenges, and resource availability. Create a detailed investigation timeline with milestones and a resource allocation matrix. Develop contingency plans for resource constraints.

FATE Principles Implementation

- **Fairness:** Use standard evaluation criteria, document decision-making, and apply protection measures equally.
- **Accountability:** Assign responsibilities clearly, report status regularly, and document key decisions.
- **Transparency:** Maintain clear communication, provide regular updates, and document evidence methodology.
- **Explainability:** Document evaluation criteria, explain decisions clearly, and provide regular status reports.

Trust Preservation Measures

Share information on a "need-to-know" basis, communicate with affected departments without compromising the investigation, and establish protocols for handling false allegations. Maintain documentation standards and provide confidentiality training.

Quality Control Measures

Conduct peer reviews of investigation planning, assess progress regularly, and ensure independent reviews of critical decisions. Perform documentation quality checks and provide regular updates to relevant stakeholders.

It is important that the TCWG of the organisation which is impacted should have unfettered access to the investigation results and these results should also be shared with local management.

iv. Sufficient and appropriate procedures

A proper scope of work document along with planned procedures should be prepared by the investigation team. The planned procedures should be in sufficient detail and should be mapped to each of the allegations. This mapping will ensure that all facets of the highlighted concerns are suitably addressed. This activity will also help the investigation team ascertain potential reliance on any external experts where the relevant skillsets are not available with the investigation team. See section on 'Relying on external experts for specialised areas'

FAIS 330 suggests some indicative list of work procedures that can be referred to. For example:

- *Identify the nature of evidence required to confirm the allegations/possible violation.*
- *Collect various data, information, facts and documents pertaining to the subject matter.*
- *Look for fraud indicators ("red flags") such as any unusual or suspicious circumstances, suspicious transactions, unusual trends or patterns, etc.*
- *Collect available evidence using a regular "masked audit" approach.*
- *Conduct discreet enquiries to corroborate evidence and identify those involved.*
- *Evaluate allegations and segregate opinions from verifiable facts.*
- *Perform basic financial analysis to quantify the extent of loss/damage.*

FAIS 320 may also be relevant in this regard which highlights that evidence gathered in the investigation should be both reliable and relevant.

v. Maintain confidentiality

Unlike in the case of investigations outsourced to external agencies, for investigations handled internally there are special considerations regarding ensuring confidentiality. When matters are handled by external agencies, the relevant data is essentially handed over them and all analysis is performed by the agencies on their electronic devices or at their offices. On the contrary, when this is done in-house, all relevant data gathered and analysed for the investigation is stored on the team member's official computers or organisations

repositories. Relevant communications may be shared via the official email communication channels. You may agree that any leakage of information prior to the completion of investigation may jeopardise the situation and compromise on various elements. There could be malafide attempts to delete data or cohesive attempts to not participate in meetings. Considering this, it becomes important to assess the relevant access controls around storage and access of the information analysis, documents containing interim findings, internal notes or confidential minutes of discussion etc. Some aspects which can be considered in this regard are:

- Have the team members been sensitised of the requirements for maintaining confidentiality?
- Have they been sufficiently guided and coached on the good practices in this regard?
- Are they comfortable in following in these practices and have they clearly understood the implications of not complying?
- Are the team members storing any investigation related findings on any common drive?
- What are the access controls surrounding this common drive?
- Even if the team members are not storing any data on common folders, are there any automated backup mechanisms on shared repositories which get triggered at periodic intervals and can potentially compromise the access controls?
- Who has access to these backup data?
- In case the investigation team comprises any senior members, are their emails handled by their assistants and is there a risk of information compromise at their end?

All these aspects need to be evaluated upfront and if there is an increased risk of leakage of information, these potential weaknesses should be plugged suitably. Many of these challenges may vary in severity and impact depending on the manner in which the operational aspects of the investigation are conducted and various policies and procedures around information security.

vi. Relying on external experts for specialised areas

FAIS 230 defines an 'Expert' as *an individual or a person representing an entity, possessing special skills or domain expertise, along with relevant experience and expertise in a particular area, field or discipline.*

In case the internal investigation team does not possess certain specialised skill sets for relevant aspects of the investigation and if such skills are not available with any other department inhouse, it can consider seeking assistance from external experts. Assistance from these experts could be taken for complex areas such as digital evidence review, cyber investigation, handwriting experts, forged documents review, interpretation of laws and regulations (legal experts) etc. Similar to the attributes expected from internal investigation team members that we examined in section b) of the article, these are also relevant for evaluation of suitability of external experts. For example, evaluation of competence and independence. In case of external experts, one should also consider whether the same agencies had previously worked under the direction of the alleged individuals on previous unrelated engagements for the organisation which may potentially impede their ability to conduct the review in an unbiased manner.

With the advent of social media, it not too difficult to validate aspects of the competence of the experts via public domain information. In addition, the organisation may consider asking for credentials and references if needed. Background checks can also be performed in case any of the above options do not yield satisfactory results.

Irrespective of the professional competence of the external experts, it is always the organisations responsibility to evaluate the sufficiency and appropriateness of the work performed by the expert and ensure that it meets the requirements of the organisation. Using an expert is just an arrangement to manage the skill gap and does not in any way reduce the responsibilities of the organisation.

More often than not, the work done by the expert may culminate in deliverables in the form of a written report. Unless considered prejudicial to the interests of the organisation, a written report should be insisted from the expert. It should be ensured that the report is comprehensive and contains at a minimum, details of the agreed scope, procedures performed, evidence gathered, findings. A detailed review of the deliverables to ensure the following:

- that work performed is aligned to the agreed scope;
- limitations / caveats in the report do not impact the conclusion;
- assumptions on the basis of which work is performed are appropriate and agreed upfront;
- the work procedures performed are robust and comparable to industry standards;
- the report is clear, detailed and self-sufficient with all the relevant appendices containing details of the evidence that was relied upon. These may include screenshots, tables containing analysis, photos, minutes of interviews etc.

vii. Written investigation report

Similar to the aspects explored for an external expert, no investigation can be considered to be complete unless the facts are clearly laid out in a written report. This report is crucial since it will form an important part of the investigation and will be relied upon by various stakeholders. The pointers discussed above in point f) are also relevant for the investigation report drafted by the investigation team. The investigation report should be reviewed and adopted by TCWG. Often it is found that for investigations conducted internally the group investigation teams, there is reluctance from the group in sharing the results or findings with the local organisation. It is important that the TCWG of the organisation which is impacted should have unfettered access to the investigation results and these results should also be shared with local management. The Board and management are responsible for the financial statements and providing appropriate representations to auditors. Unless they are made aware of the results of the investigation, they will not be able to fulfil such responsibilities cast upon them under the laws and regulations.

viii. Ensure fact finding and stay clear from organisational influences

The purpose of an investigation is to ensure that relevant facts are clearly drawn out and the conclusions are based on these facts. It is common human behaviour to often allow inherent biases to influence the outcome or the way the same facts are interpreted. Even within an organisation, it is not unreasonable to expect that at times there could be pressure on the investigation team to dilute the findings in order to favour someone. The investigation team should be steadfast in their mandate and should not buckle to any pressure by anyone. Any interference in the investigation should not be taken lightly and should be completely discouraged. Any attempts to do so should be promptly highlighted by the investigation team to the sponsors (TCWG). The TCWG may be able to provide suitable guidance and advice to the team to be able to handle such situations.

It is also at this stage that the role of an independent governing body in the organisation becomes important. TCWG (Audit Committee and the Board of Directors) supported by management can undertake the responsibility of interpreting the facts and coming to a conclusion with regard to the veracity of the allegations and culpability of the alleged individuals. The TCWG will thus be able to provide an independent interpretation of the facts and act as an effective mitigant against any potential management biases in concluding the allegations.

ix. Regulatory interventions

FAIS 240 explains that there are various laws and regulations which may apply in the course of an investigation. In case of bribery related matters, impact of non-compliance to the relevant anti-bribery laws may need to be examined. While Prevention of Corruption Act (PCA) or the Indian Penal Code (IPC) is applicable in India, among the prominent overseas acts in this regard are the Foreign Corrupt Practices Act (FCPA), UK Bribery Act (UKBA). Interpretation of these laws and regulations is a complex affair and more likely that the organisation may seek external assistance to help them navigate these turbulent waters. As a collateral damage, matters of these non-compliances may also involve regulatory inquiries or scrutiny involving submission of data or depositions. There could be regulatory scrutiny even otherwise for example in case of fraud involving significant sums of money, evasion of taxes, potential money laundering etc. The organisation may need to engage with legal experts or seek appropriate legal advice under their office of general counsel as deemed fit.

Conclusion

The author has tried to examine few key aspects which are helpful to consider in an internal investigation. However, dynamic as this area is, there are newer methodologies arising from time to time and every organisation has do its best to be one step ahead of the game and be at the forefront of preventing or detecting fraud within the organisation.

Author may be reached at eboard@icai.in

Decoding the Blueprint for FinTech Triumph in India: Exploring Key Success Factors

Dr. Nazreen Parveen Ali
Academician

Nomami Dutta
Academician

In the era of global digital transformation, FinTech start-ups have emerged as global pioneers, leveraging technology to revolutionize financial services and acquire widespread acclaim. Through an in-depth analysis of funding patterns, regulatory environments, target demographics, product portfolios, customer uptake rates, and competitive frameworks, the study seeks to furnish strategic insights that could propose the triumph of FinTech ventures across India's digital landscape.

The term 'FinTech' is an abbreviation for Financial Technology which includes a range of products, technologies, and business models that are changing the way financial services work. These advancements bring benefits and improve the efficiency of monetary transactions. Specifically, FinTech refers to emerging startups that are revolutionizing the sector. They cover areas such as cashless payments, asset management, crowdfunding platforms, robo advisors, algo trading, Insurance Technology (InsurTech), Regulatory Technology (RegTech), and virtual currencies (cryptocurrency). This industry has the potential to disrupt practices significantly and is reshaping the financial landscape through innovative approaches with the power of emerging technologies.

In India, the Fintech industry has emerged as a rapidly growing sector. This growth is driven by government reforms, increased internet and smartphone usage, as well as significant investments in various sectors adopting FinTech. As of 2021, the value of the FinTech market stands at $50 billion. Experts predict it will reach $150 billion by 2025 with a market estimated to be around $1.3 trillion by the same year. FinTech companies in India cover a range of financial technology services, including lending, InsurTech, WealthTech and payment solutions. India's FinTech sector is the 2nd largest in the world attracting global investors and it ranks second among the most funded startup sectors in India. Currently, there are over 3000 registered FinTech startups operating in the country. Despite its growth, challenges such as uncertainty, market saturation, cyber security threats, compliance & regulatory issues, scarcity of skilled talent and low financial literacy persist within the Indian FinTech sector.

Objectives of the Study

1. To study the factors contributing to the success or failure of FinTech in the Indian landscape.

2. To suggest strategies for growth and success of FinTech in the Indian environment.

The study explores funding patterns, regulatory frameworks, target markets, product offerings, and customer adoption rates of FinTechs in India. Further, it also examines the competitive landscapes of five such

start-up initiatives in India. It incorporates secondary data on the aforesaid factors from various government reports, reputed newspapers, and research articles. By understanding the relationship between these factors and entrepreneurial outcomes, this study could contribute to the development of strategies that enhance the overall success of Fintech ventures in India.

Evolution of FinTech over the years

The history of India's FinTech market reflects a dynamic evolution fuelled by technological advancements and changing regulatory landscapes. Initially, digital payment solutions like NEFT and RTGS laid the groundwork. However, the sector witnessed a transformative surge with the advent of mobile technology, which birthed mobile wallets and payment apps like Paytm, PhonePe, and Google Pay. The demonetization drive in 2016 further accelerated digital adoption, propelling the rise of UPI-based payments.

The growth of modern banking has been underpinned by technology-based banking, identified as the dual foundations in the Indian context. The rapid expansion of mobile networks in previously underserved areas and communities has played a significant role in this advancement over the past decade. Payment banks have emerged as an additional option alongside online and mobile banking, contributing to improved operational efficiency and reduced costs associated with serving customers in rural and semi-urban areas. Additionally, this intersection between Information Systems (IS) and financial services is strengthened by financial technology companies (FinTechs) that originated in the digital realm.

Taking a closer look at the FinTech market, the number of FinTechs increased from approximately 12,000 in 2018 to 26,000 in November 2021 (Statista, 2021a). Furthermore, FinTech adoption rates have notably risen in various countries, such as the USA and the UK (Insider Intelligence, 2021; Statista, 2021a). Investments in these ventures saw a substantial increase before the COVID-19 pandemic, reaching 215.1 billion US Dollars in 2019 (Statista, 2021b). The latest data indicates that investment volumes surpass the pre-pandemic levels (226.5 billion US Dollars in 2021) and appear to continue growing in 2022 (107.8 billion US Dollars in the first half of 2022) (Statista, 2021b). Consequently, the FinTech market remains an appealing business sector for investors, founders, and customers. Nevertheless, the failure rates for FinTechs are high, standing at around 75% overall (The Fintech Mag, 2022), and even reaching 87% in Germany within 3 to 6 years after establishment (Stuckenborg & Leker, 2019). The concept of a "FinTech Bubble" that might burst has been associated with the past, suggesting uncertainties in the survival of these companies (Dratva, 2020, p. 66). Challenges faced by FinTechs include market or product risks (Buckley & Webster, 2016) and valuation losses, as seen in the case of Klarna (Fintech Magazine, 2022), making it imperative for them to navigate these challenges for long-term market presence. Achieving success factors (SFs), especially in the initial years, is crucial for (new) FinTechs to remain attractive to investors and customers, contributing to their survival (Stuckenborg & Leker, 2019).

As of February 2024, India had over 14,726 crore digital transactions, which is a 90-fold increase from 2012-13. This accounts for nearly 46% of the world's digital transactions. The number of transactions is estimated to increase to over 3,43,235 Crore by 2027.

Pattern of FinTech Funding in India

The funding aspects of FinTech startups in India have been dynamic and have seen significant growth in recent years. Here are some general trends that were observed in the FinTech funding landscape of the country over the years.

i. **Investment Growth:** The FinTech industry in India has attracted huge fundings from both domestic as well as global investors. Multiple funding rounds reflect investors' confidence in this sector. With the growing popularity of digital platforms, investors are eager to support technology-oriented startups to boost their credit scoring and risk appetite. Even regulatory agencies like RBI also support the funding of these innovative startups.

ii. **Diverse Funding Sources:** FinTech startups have attracted funding from various sources based on the stage of growth. Venture capital, angel investors, corporate investment, private equity funding, government grants and subsidies, crowdfunding, IPOs, and debt financing are some funding resources available to FinTech startups in India.

iii. **Global Expansion:** Investors from all around the globe have shown interest in funding startups in India to tap into the marketing opportunities in the country. Cross-border investments have tremendously contributed to the internationalization of the Indian Fintech firms.

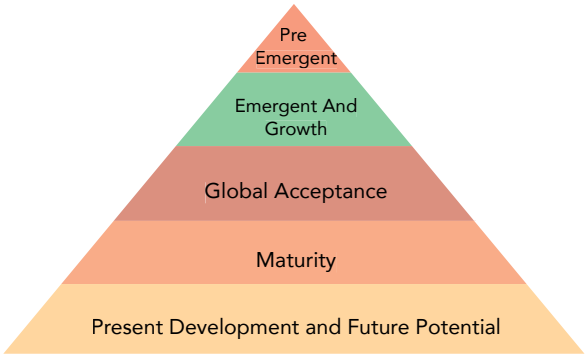
iv. **Focus on Specific Segments:** Investment focus within the FinTech sector tends to center around particular segments, with notable concentration in areas like digital payments, online lending, robo-advisors, blockchain, and InsurTech. The preferences for these segments may undergo shifts over time, influenced by evolving market dynamics and changing consumer demands.

v. **Unicorn Growth:** Some FinTech startups have achieved unicorn status, reaching valuations of over $1 billion. This reflects the high expectations and potential investors see in certain FinTech ventures.

Stages of growth in FinTech fundings

FinTech funding has undergone a drastic leap over the years since its inception in the country. In this view, the researchers have classified, in the following model, the growth of Fintech Funding across various stages.

Fig 1: Model representing pattern of FinTech funding over the years



i. **Pre-Emergent phase**

In the nascent phases of the FinTech industry, especially prior to 2010, funding levels were comparatively modest. Only a handful of trailblazing startups secured financial backing from angel investors, venture capital firms, and government initiatives. However, during this period, the overall investment landscape had not yet reached the robustness that would characterize later stages of FinTech development.

ii. **Emergence and Growth**

Between 2010 and 2015, there was a notable surge in funding within the FinTech sector. Growing recognition of technology's potential to disrupt conventional financial services sparked heightened investor interest. This period saw a proliferation of investments in digital payments, peer-to-peer lending, and startups focusing on personal finance management, indicating a substantial shift toward innovative financial solutions.

iii. **Global Acceptance**

Fintech funding transitioned into a stage of worldwide expansion, marked by a growing trend of cross-border investments and the emergence of FinTech hubs across diverse regions. Attaining unicorn status became increasingly achievable for prosperous FinTech enterprises, and funding rounds reached unprecedented levels. Substantial investment flowed into digital banking, InsurTech, and solutions based on blockchain technology, indicating a broadening scope of interest and diverse areas of innovation within the FinTech landscape.

iv. **Maturity Stage**

With the maturation of the FinTech sector, funding exhibited a shift towards diversification across a wider array of segments. While digital payments remained a focal point, significant investments extended to burgeoning areas such as WealthTech, InsurTech, RegTech, and embedded finance. The onset of the COVID-19 pandemic acted as a catalyst, expediting the adoption of digital financial services and leaving a discernible impact on the prevailing trends in funding within the sector.

v. **Present Developments and Future Potential**

The forthcoming path of FinTech funding is anticipated to be influenced by continuous technological advancements, regulatory shifts, and the dynamic evolution of consumer behaviors. There is a likelihood that investment focus will pivot towards areas such as artificial intelligence, decentralized finance (DeFi), and FinTech solutions with a sustainability focus. These emerging trends are expected to capture increased attention and investment within the evolving landscape of the FinTech sector.

Regulatory framework of FinTech in India

The regulatory agencies are keeping a strict vigilance over FinTechs in India, right from the financial, technical, and safety aspects concerning customer privacy and sensitive information.

i. **Reserve Bank of India**: The RBI has implemented guidelines and regulations concerning payment and settlement systems, digital lending, and various other FinTech activities.

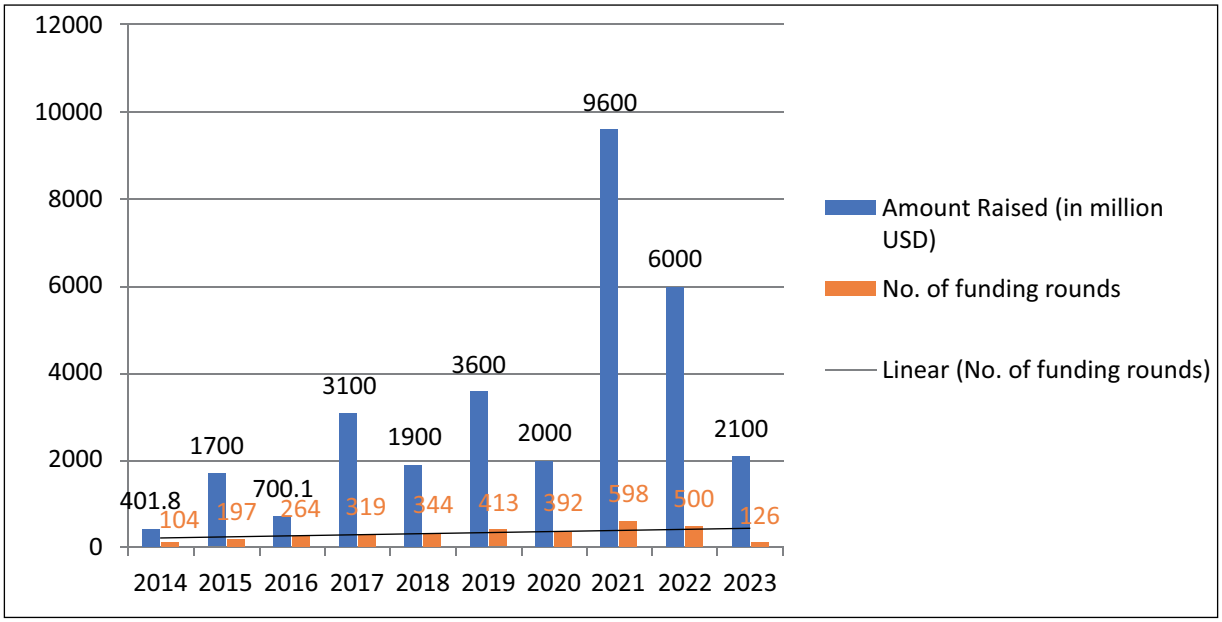
ii. **SEBI**: FinTech startups engaged in crowdfunding, robo-advisory and other security related activities come under vigilance of the SEBI.

iii. **IRDAI**: The InsurTechs in India come under the purview of IRDAI.

iv. **Ministry of Finance**: The MoF shapes the entire regulatory environment surrounding FinTechs in India.

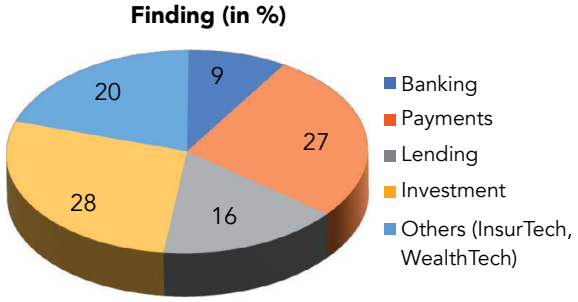
v. **Ministry of Electronics and Information Technology**: The technological aspects of Indian FinTechs are regulated under the MeitY.

Fig 2: FinTech Funding in India over the years



Source: Economic Times

Fig 3: Category wise fundings of FinTech Models



Source: BLinC Report

vi. **NPCI:** The FinTechs involved in digital payments are interacting with the mechanisms under NPCI.

vii. **UIDAI:** FinTechs dealing with Aadhaar based authentication need to comply with the UIDAI.

Marketing Strategies for FinTechs

The target market for FinTech (financial technology) can vary depending on the specific products and services offered by a FinTech company. However, in general, FinTech companies often target the following broad categories of customers:

i. **Consumers**

FinTechs attract general customers willing to ease out availing financial services. Further, they also support customers' financial literacy and cater to advisory needs to tactfully manage their finances.

ii. **Small and Medium-sized Enterprises (SMEs)**

FinTechs generally target SMEs by offering them funding, and alternative loan options overcoming complications of availing and dealing with bank loans. They also offer accounting and payment management solutions to the SMEs.

The Payments and Settlements Systems Act 2007

Electronical Payments System
Issuance of prepaid Instruments

Master Directions on Digital payment Security Controls

Guidelines on Security Controls for digital payments

iii. **Investors**

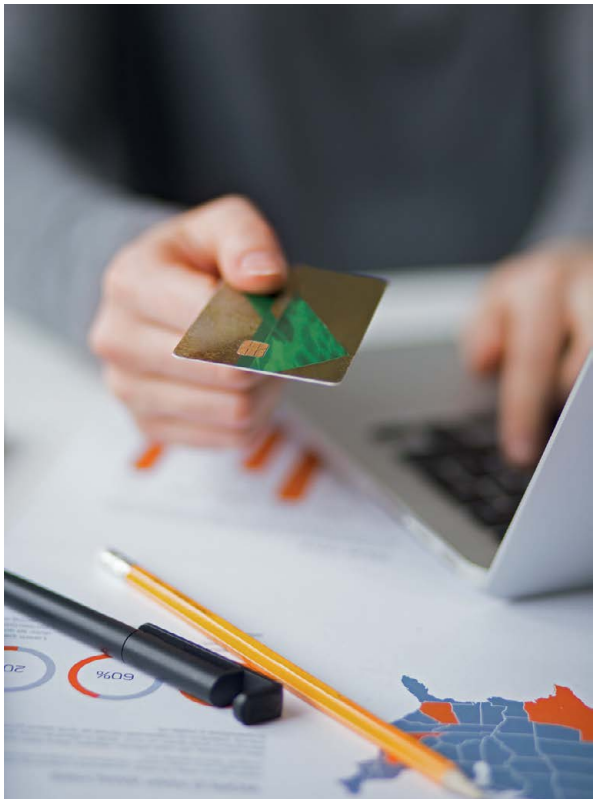
FinTechs offer AI solutions to investors catering to their need for superior portfolio management and investment advice. They aim at offering investors with the safest risk return arrangements for their investment solutions.

iv. **Financial Institutions**

FinTech companies offer modern business-to-business (B2B) solutions to traditional financial institutions, including banks and insurance companies, to enhance their technological capabilities, improve efficiency, and reduce costs.

v. **Corporate Clients**

FinTech firms offering treasury management solutions, such as automated cash flow forecasting and liquidity management, may target corporate clients seeking advanced financial tools.



Product Offerings by FinTechs in India

The financial services offered by FinTech are exhaustive. Based on the significant impact on financial sector, FinTech product innovations are categorised under the following categories:

Table 1: Product Offering by FinTechs in India

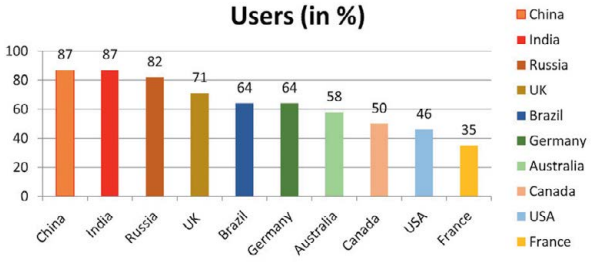
Fintech Innovations	Products offered
Payments Clearing and Settlement	Mobile and Internet based payments Blockchain/Digital Currencies Distributed Ledger
Deposits Lending and Capital Raising	Crowdfunding Peer to Peer Lending Blockchain/Digital Currencies Distributed Ledger
Market Provisions	Smart Contracts Cloud Computing E-Aggregators
Investment Management	Smart Contracts E-Trading AI Advice
Data Analytics and Risk Management	AI and Robotics Huge Database

Source: World Economic Forum 2019

Customer Adoption of FinTechs

India has emerged as a global leader in FinTech adoption across the globe over the years. It has gracefully embraced the technology-based solution to boost the pace of digital growth and development while mitigating the associated risks. Fig 4. represents global FinTech adoption of 10 major countries where India stands firmly in the second place.

Fig 4. Global Adoption of Fintech by Customers



Source: Data compiled from EY Global FinTech

Strategies for growth and success of Fintech in the Indian environment

The rapid evolution of FinTech in India has been driven by technological advancements, changing consumer behaviour, and supportive regulatory policies. To ensure sustained growth and success in this dynamic environment, following collaborative models are suggested between FinTech startups and traditional financial institutions that shall leverage each other's strengths. These partnerships help FinTech firms gain access to large customer bases, regulatory expertise, and financial backing, while financial institutions benefit from cutting-edge technology, agility, and innovation.

Table 2: Collaborative models between Fintech startups and Financial Institutions

Collaborations	Types
Strategic Collaborations	Joint Ventures: For creation and delivery of innovative products and services Strategic Alliances: Project collaborations, resource pooling, crafting joint solutions
Platform Integration	API Integration: Application Programming Interface allows integration of financial services to existing systems White Label Services: Rebranding existing Financial Products by fintech startups under their own name
Corporate Venturing	Investment: By Financial Institutions Acquisitions: Financial institutions may acquire FinTech startups to adapt the changing market dynamics
Innovation Hubs and Accelerators	Innovation Labs: Hubs for experimentation, idea generation, and development of new technologies and solutions Accelerator Programs: Funding Mentorship, Funding resources and expertise
Regulatory Sandboxes	Controlled Testing: Controlled environment for testing FinTech products Collaborative solutions
Partnerships	Cross Selling: Cross sell products between traditional financial services and FinTech startups Referral Programs: Complementary service offerings and referring each other's products and services
Data Collaboration	Accurate Risk Assessment solutions Personalised Tailored financial services

Conclusion

The success of FinTech startups in India is influenced by several key factors, including government support and policies, understanding the Indian consumer, digital payments and financial inclusion, technological innovation and security, and competition and regulatory compliance. The growth of FinTech in India is driven by several factors, including a strong talent pool, increasing collaboration between banks and fintech companies, widespread internet penetration, and increased internet speed and coverage. The future of FinTech in India is bright, with the industry set to play a significant role in the country's economy and financial inclusion efforts.

The blueprint for FinTech triumph in India hinges on understanding and leveraging key success factors. With a rapidly evolving landscape, embracing technological innovation and customer-centric solutions is paramount. Collaboration between FinTech startups, traditional financial institutions, and regulatory bodies fosters an ecosystem conducive to growth. Moreover, addressing infrastructural challenges and ensuring widespread digital literacy are essential for inclusive expansion. Adaptability to regulatory changes and maintaining robust cybersecurity measures are imperative for sustained success. By prioritizing innovation, collaboration, inclusivity, and regulatory compliance, India's fintech industry is poised for unprecedented growth and transformative impact on financial inclusion and economic development.

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Authors may be reached at nazreenparveen8@gmail.com, nomamidutta@gmail.com and eboard@icai.in

Unleashing the Power of Automation: A Guide for CAs to Thrive in the Digital Age

CA. Tanmay Jain
Member of the Institute

CA. Arpit Jain
Member of the Institute

The CA profession is undergoing a digital revolution. Automation technologies like Robotic Process Automation (RPA), Artificial Intelligence (AI), blockchain, Internet of Things (IoT), Cloud computing, big data, cyber security, etc. are transforming how CAs work. By automating repetitive tasks like data entry, reconciliations, computation of income and regulatory filings, and report generation, CAs can achieve significant gains in efficiency and accuracy. This free up valuable time for more strategic activities like client service, business advisory, and specialized services.

Implementing automation requires careful planning and addressing challenges like upfront costs, employee resistance, and data security concerns. However, the long-term benefits outweigh the initial hurdles. Firms can adopt a phased approach, starting with pilot projects and employee training.

The future of automation in CA practice is bright. AI-powered insights, cognitive automation, and automated client interaction are on the horizon. By embracing these advancements, CAs can evolve into "augmented CAs" – leveraging technology to become more efficient, insightful, and strategic partners for their clients. Automation is not a threat, but a powerful tool for the transformation and continued success of the CA profession.

In an era where technology is reshaping every industry, the field of Chartered Accountancy (CA) is no exception. The integration of automation within CA practice not only enhances efficiency but also enables practitioners to focus on high-value tasks. This article explores the transformative potential of automation in CA practice, covering its benefits, challenges, implementation strategies, and future prospects along with a few case studies.

Understanding Automation in CA Practice

Automation in CA (Chartered Accountancy) practice represents a significant shift in how accounting professionals manage and execute their tasks. Traditionally, many accounting functions involved manual efforts, such as data entry, reconciliations, report generation, and compliance checks. However, with the advent of advanced technologies, these labour-intensive processes are increasingly being automated, leading to substantial improvements in efficiency, accuracy, and productivity.

Here are streamlined examples of how SAP and Tally use automation for better visibility:

SAP in Supply Chain Management

Automated Task: Inventory Management

- **Real-Time Data Integration:** SAP integrates with ERP and WMS systems to provide real-time visibility into inventory levels across the supply chain.
- **Automated Replenishment:** Automatically generates purchase or production orders based on inventory thresholds, ensuring optimal stock levels without manual intervention.

Tally in Financial Management

Automated Task: Financial Reporting

- **Automated Bookkeeping:** Records financial transactions like sales and purchases automatically by integrating with bank accounts and payment gateways.
- **Real-Time Financial Reports:** Generates balance sheets, profit and loss statements, cash flow statements, and aging analysis in real-time for up-to-date financial insights.

Robotic Process Automation (RPA) is a cornerstone of this transformation. RPA involves the use of software robots to automate repetitive, rule-based tasks. For instance, RPA can handle data extraction from invoices, perform account reconciliations, and update financial records in real-time, significantly reducing the time and effort required for these processes. This not only speeds up operations but also minimizes the risk of human error, ensuring greater accuracy in financial reporting.

Case Study: Implementing Robotic Process Automation (RPA) in a CA Practice Firm

Background

A Chartered Accountancy (CA) practice firm, specializing in auditing, tax consulting, and financial advisory services, faced challenges with repetitive and time-consuming tasks. These tasks included data entry, invoice processing, compliance checks, and financial report generation. The firm aimed to enhance productivity, accuracy, and client satisfaction by implementing Robotic Process Automation (RPA).

Objectives

1. **Increase Efficiency:** Automate routine tasks to allow accountants to focus on higher-value activities.
2. **Reduce Errors:** Minimize manual errors in data processing and reporting.

Implementation

After evaluating multiple RPA solutions including UI Path, Blue Prism and Automation Anywhere.The firm selected a tool that offered ease of use, strong document processing capabilities, and seamless integration with existing systems. The automation journey began with identifying key processes such as tax return preparation, invoice processing, compliance checks, and financial report generation. Following the selection of the most suitable tool, workflows were developed to streamline tasks like data extraction from financial documents, automated data entry, and financial report generation. As a result, the firm achieved a 60% reduction in time spent on automated tasks and a significant decrease in errors related to data entry and report generation, enhancing overall efficiency and accuracy.

Popular RPA Tools

1 **UI Path:**

   a. **Overview:** UI Path is a leading RPA tool known for its ease of use and extensive capabilities. It offers a visual process designer, pre-built activities, and strong integration with various applications.

   b. **Key Features:** Visual workflow design, AI integration, robust security features, and a large community for support.

2 **Blue Prism:**

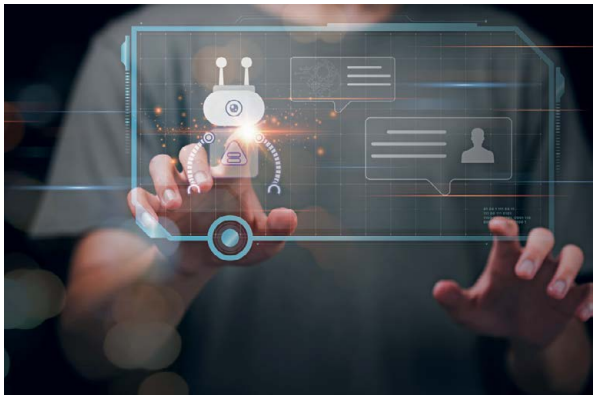
   a. **Overview:** Blue Prism is a highly scalable RPA tool, favored for its strong security and governance features, making it suitable for complex and regulated environments.

b. **Key Features:** Centralized control, secure credential management, and extensive integration options.

Artificial Intelligence (AI) and Machine Learning (ML) further enhance CA practices by enabling more complex analytical tasks. AI can analyze vast amounts of data to identify patterns and anomalies that might be missed by human accountants. For example, AI-powered audit tools can scrutinize transactions to detect fraudulent activities or discrepancies, providing deeper insights and enhancing audit accuracy. ML algorithms, on the other hand, can predict financial trends and outcomes based on historical data, aiding in strategic decision-making and planning.

Few handy tools are:

1. **Kira Systems:**
   a. **Overview:** Kira Systems is an AI-powered document review and analysis platform. It is particularly useful for CA firms handling large volumes of contracts and documents, as it can quickly extract and analyze data.
   b. **Relevance to CA Firms:**
      i. **Automated Data Extraction:** Extract relevant information from financial documents, contracts, and agreements efficiently.
      ii. **Compliance Checks:** Identify key clauses and ensure compliance with regulatory standards.
      iii. **Due Diligence:** Perform faster and more accurate due diligence during audits and mergers & acquisitions.
   c. **Key Features:** Machine learning models trained on legal and financial documents, customizable extraction models, and robust analytics tools.
2. **MindBridge Ai Auditor:**
   a. **Overview:** MindBridge Ai Auditor is an AI-powered auditing platform that enhances traditional audit procedures by identifying anomalies and potential risks in financial data.
   b. **Relevance to CA Firms:**
      i. **Risk Identification:** Automatically detect unusual transactions and potential fraud, reducing audit risks.
      ii. **Data Analysis:** Analyze large datasets quickly and accurately, improving audit efficiency.
      iii. **Audit Assurance:** Enhance audit quality with AI-driven insights and detailed reports.



   c. **Key Features:** AI and machine learning algorithms for anomaly detection, integration with various accounting systems, and comprehensive reporting tools.

Blockchain technology is also making inroads into the accounting profession. Known for its robust security and transparency, blockchain can be used to create immutable financial records, facilitating secure and verifiable transactions. This technology is particularly useful in areas such as asset management and audit trails, where maintaining the integrity and traceability of records is crucial.

List of some handy tools are as follows:

1. **Hyperledger Fabric:**
   a. **Overview:** Hyperledger Fabric is a permissioned blockchain framework hosted by The Linux Foundation. It is designed for use in enterprise contexts and provides a modular architecture that allows for plug-and-play components.
   b. **Relevance to CA Firms:**
      i. **Audit Trails:** Create immutable audit trails for financial transactions, enhancing transparency and trust.
      ii. **Smart Contracts:** Automate compliance checks and contractual obligations with smart contracts.
      iii. **Data Security:** Ensure the security and integrity of financial records through a decentralized ledger.
   c. **Key Features:** Modular architecture, permissioned network, support for smart contracts, and high scalability.
2. **Ethereum:**
   a. **Overview:** Ethereum is a decentralized platform that enables the creation and deployment of smart contracts and decentralized applications

(dApps). It is widely used for developing blockchain-based applications.

b. Relevance to CA Firms:

i. **Smart Contracts:** Automate complex financial agreements and compliance procedures.

ii. **Decentralized Applications:** Develop custom dApps for various accounting and auditing needs.

iii. **Transparency:** Enhance transparency in financial transactions and reporting.

c. Key Features: Turing-complete virtual machine (EVM), large developer community, robust smart contract capabilities, and support for decentralized applications.

Benefits of Automation

Automation in Chartered Accountancy (CA) practice significantly enhances efficiency and accuracy by handling repetitive tasks like data entry, ledger maintenance, and reconciliations swiftly and accurately, reducing human error. This allows accountants to focus on tasks requiring professional judgment, improving overall productivity and reputation. Cost savings are substantial as automation reduces the need for manual labor, lowering operational costs in areas like payroll processing and tax calculations. These savings can be invested in strategic initiatives, with automation's reduction of errors further minimizing compliance costs. Enhanced compliance and security are also key benefits, with automated systems ensuring adherence to regulatory updates and incorporating advanced security protocols, resulting in reliable financial data management. Improved client service is another major advantage, as automation frees up accountants to provide personalized advice and strategic insights, enhancing client satisfaction and loyalty. Overall, automation leads to faster, more accurate service delivery, strengthening client relationships and positioning firms as trusted advisors.

Automation in Chartered Accountancy (CA) practice significantly enhances efficiency and accuracy by handling repetitive tasks like data entry, ledger maintenance, and reconciliations swiftly and accurately, reducing human error.

Challenges in Implementing Automation

Implementing automation in Chartered Accountancy (CA) practice faces several challenges, starting with significant initial investment costs. Acquiring technologies like RPA, AI, and ML involves high expenses for software, hardware, installation, customization, and staff training. Small and medium-sized firms, in particular, may find these costs daunting. A thorough cost-benefit analysis is essential to justify these investments, considering long-term savings from reduced labor costs, increased efficiency, and fewer errors.

Resistance to change is another major hurdle, as employees may fear job displacement or struggle to adapt to new systems. Effective change management strategies, including transparent communication, training, and involving employees in the transition process, are crucial to overcoming this resistance.

Data privacy and security concerns also pose significant challenges, given the large volumes of sensitive financial information handled by automated systems. Firms must implement robust security measures, comply with regulations like General Data Protection

Regulation (GDPR), and establish clear data governance policies to protect this information and build client trust.

Technical challenges arise from integrating new technologies with existing legacy systems, which may lead to operational disruptions. Careful planning, IT infrastructure assessment, and collaboration with experienced professionals are necessary to ensure seamless integration and address compatibility issues. Establishing a robust support system is essential to manage technical issues during and after integration.

Data privacy and security concerns also pose significant challenges, given the large volumes of sensitive financial information handled by automated systems.

Strategies for Effective Implementation

Comprehensive Planning: A thorough implementation plan is vital for the successful integration of automation in Chartered Accountancy (CA) practice. This plan should clearly define the goals, timelines, and resources needed for the transition. Identifying which processes to automate is the first step; typically, these are repetitive, time-consuming tasks such as data entry, payroll processing, and report generation. Setting clear milestones and deliverables ensures that the project stays on track and allows for progress monitoring. Detailed planning also involves risk assessment and contingency planning to address potential challenges proactively.

Employee Training and Engagement: Investing in employee training programs is essential to equip staff with the skills necessary to effectively use new automation technologies. Training should cover both the technical aspects of the tools and their practical applications in daily tasks. Engaging employees throughout the transition process can significantly reduce resistance to change. Involving them in decision-making, seeking their input, and addressing their concerns fosters a sense of ownership and collaboration. This inclusive approach can help build a culture of innovation and continuous improvement within the firm.

Choosing the Right Technology: Selecting the right automation tools is crucial to meet the firm's specific needs. This involves evaluating various software solutions based on their features, scalability, and flexibility. Firms should consider the long-term benefits of the tools, such as their ability to integrate with existing systems and support future growth. It's also important to assess the vendor's reputation, customer support, and the cost of implementation and maintenance. Choosing the appropriate technology ensures that the firm can achieve its automation goals without facing unnecessary disruptions.

Pilot Testing: Conducting pilot tests before full-scale implementation is an effective strategy to identify potential issues and areas for improvement. A pilot test allows the firm to evaluate how well the new technology integrates with existing systems and workflows on a smaller scale. Feedback from this phase is invaluable for making necessary adjustments and refinements. It helps in fine-tuning the processes, addressing any technical glitches, and ensuring that employees are comfortable with the new tools. Successful pilot testing paves the way for a smoother and more confident transition to full automation.

Case Studies and Success Stories

Case Study 1: Streamlining Tax Compliance for a Growing E-commerce Company (ABC e-commerce)

Challenge: ABC e-commerce, a rapidly growing online retailer, faced significant challenges in managing tax compliance due to its extensive transaction volume across multiple states. This resulted in complex Goods and Services Tax (GST) working and filing requirements. The manual process of processing and filing GST returns was:

- Time-consuming
- Prone to errors
- Required a dedicated staff member to manage

Solution: ABC e-commerce implemented an automated tax compliance software solution designed to address these challenges effectively.

Implementation Details:

a. **Integration with Accounting System:**

   i. The software was integrated seamlessly with ABC e-commerce's existing accounting system.

ii. This integration enabled automatic collection and categorization of sales data based on the transaction location.

b. Automated Tax Calculation:

i. The software automatically calculated the applicable sales tax rates for each transaction, considering the varying GST rates across different states.

c. Pre-filled Tax Forms:

i. The system generated pre-filled tax forms based on the categorized and calculated data.

ii. This significantly reduced the manual effort and chances of errors.

d. Electronic Filing:

i. The software facilitated the electronic filing of GST returns with state authorities.

ii. This ensured timely compliance and reduced the administrative burden on the staff.

Case Study 2: Boosting Client Service and Profitability for a Mid-Sized CA Firm (Reliable Accountants)

Challenge: ABC and Associates, a mid-sized CA firm with a diverse client base, struggled to balance client service with profitability. While they prided themselves on personalized client relationships, the time spent on routine tasks like bookkeeping and financial report generation limited their capacity for high-value services like strategic consulting and financial planning.

Solution: ABC and Associates implemented a suite of automation tools including:

ICAI PMS software: This helped them in:

(i) Assignment management

(ii) Work allocation and tracking

(iii) Timesheet recording

(iv) Variance and profitability analysis

(v) Leave management

(vi) Expense management

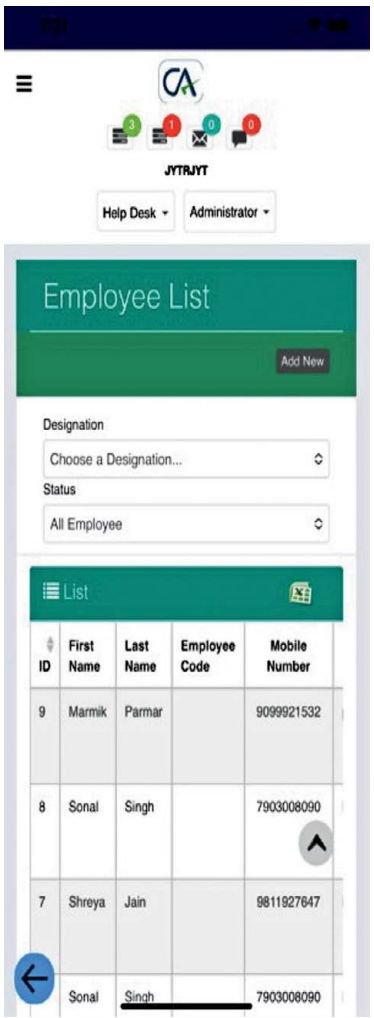
(vii) Meeting management

(viii) Mobile-based attendance management

Cloud-based bookkeeping software: This allowed clients to securely upload their financial documents, automatically categorizing transactions and generating real-time financial reports.

Automated report generation tools: Standardized financial reports were automatically generated based on client data, eliminating manual formatting and ensuring consistency.

Data visualization tools: Client reports were enhanced with interactive data visualizations, allowing management to gain deeper insights into their financial performance.



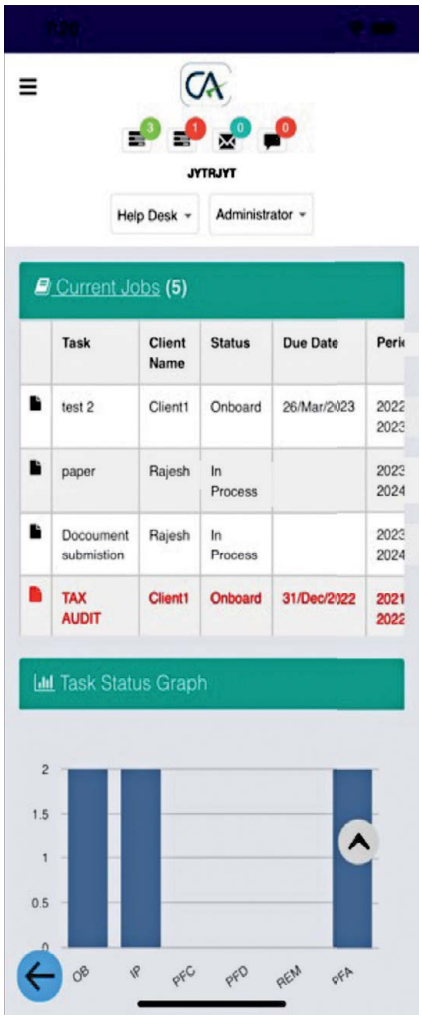


Table 1: Statistical benefits of automation in CA practice

Metric	Benefit (% improvement)
Increase in Operational Efficiency	25% at least
Improvement in Accuracy	20% at least
Increase in Client Satisfaction	15% at least
Return on Investment (ROI) from Automation	30% at least
Impact on Profitability	Up to 30%

Future Prospects of Automation in CA Practice

The landscape of the CA practice is undergoing a significant transformation fuelled by automation. While the initial wave has focused on streamlining routine tasks, the future holds even greater possibilities for enhanced efficiency, deeper client service, and a more strategic role for CAs.

Here's a glimpse into what the future of automation holds for CA practices:

AI-powered Insights and Automation: Artificial Intelligence (AI) will play a critical role in automating complex tasks like fraud detection, risk assessment, and even audit procedures. AI will analyze vast datasets to identify patterns and anomalies, providing CAs with deeper insights and allowing them to focus on areas requiring human judgment and strategic intervention.

Cognitive Automation and Decision-Making: Cognitive automation tools will go beyond mimicking human actions to understand context and intent. This will enable CAs to automate complex decision-making processes, such as tax optimization strategies and financial forecasting while retaining control over critical business decisions.

Automated Client Onboarding and Communication: The client onboarding process will become entirely automated, streamlining data collection, document verification, and even personalized communication through chatbots. This will free up CAs to focus on building deeper relationships with clients from day one.

Focus on Specializations and Niche Services: Automation will free up CAs to specialize in niche areas like forensic accounting, international tax planning, or valuation services. This will allow them to command higher fees and establish themselves as subject-matter experts.

Rise of the "Augmented CA": The future will see the emergence of the "augmented CA" – a professional who leverages automation tools to become more efficient, insightful, and strategic in their approach to client service. CAs will need to develop a strong understanding of technology to best utilize its capabilities and remain relevant in the evolving business landscape.

Conclusion

The statistical benefits of automation in CA practice are shown in table 1.

In conclusion, automation is not a passing fad but a transformative force reshaping the CA landscape. While initial concerns regarding job displacement may arise, the reality is that automation empowers CAs to excel in a more strategic and value-driven role. By embracing automation, CAs can free themselves from the shackles of mundane tasks, dedicating their expertise to areas like strategic tax planning, risk assessment, and providing proactive business insights. This shift allows them to build stronger client relationships, acting as trusted advisors and partners in driving business growth.

The future of the CA profession is undoubtedly intertwined with the intelligent application of technology. As AI and cognitive automation tools continue to evolve, CAs who embrace lifelong learning and technological fluency will be best positioned to thrive. Firms that invest in automation not only enhance efficiency and profitability but also demonstrate a commitment to innovation and staying ahead of the curve. This forward-thinking approach will attract and retain top talent, ensuring the continued success of the CA profession in the digital age.

Ultimately, the power of automation lies in its ability to augment, not replace, human expertise. As CAs leverage these tools, they can unlock a future of greater efficiency, deeper client connections, and a more strategic role in driving business success. This transformation presents a tremendous opportunity for CAs to solidify their position as invaluable advisors in the ever-evolving financial landscape.

Authors may be reached at eboard@icai.in

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Understanding Behavioural Biases and their Impact on Mutual Fund Investment Decisions: A Systematic Literature Review

Ayan Banerjee
Academician

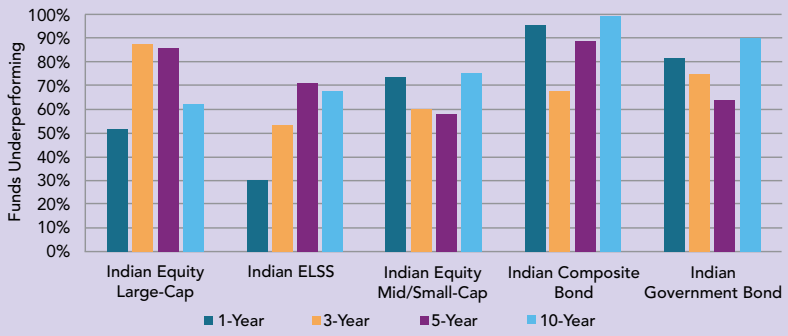
Pooled investments, or mutual funds, offer investors economies of scale from inexpensive and diversified portfolios that are frequently distinguished by fund style. They also give investors access to liquidity. The present study is descriptive in nature and it critically surveys the literature on behavioural biases of retail investors and fund managers and impact of the same on their investment decisions and risk taking. The study points out that both herding and window dressing occurs, and fund manager also displays home bias and overconfidence, which lead to increased risk taking and turnover. The disposition effect and performance related incentive fee cause manager to further increase risk.

Introduction

According to **SPIVA Year-End Report**[1] for 2023, a whopping 74 per cent of actively managed mid and small-cap funds failed to outperform their benchmark indices ***(Exhibit 1)***. The report thus posed a serious question about the effectiveness of the actively managed funds.

Indians exhibit a higher level of bias since the Indian financial market is considerably less established (Quddus, 2022). The institutional context of the Indian Mutual Fund business is unique and relatively unexplored. The present study is focussed towards understanding the behavioural biases and its impact on mutual fund investment decisions.

Exhibit 1: Percent of Underperforming Indian Active Funds



Source: *S&P Dow Jones Indices LLC, Morningstar, Association of Mutual Funds in India. Data as of Dec. 31, 2023. Index performance based on total returns in INR. The S&P BSE 400 Mid/SmallCap Index was launched in Nov. 30, 2017. The S&P BSE India Government Bond Index and the S&P BSE India Bond Index were launched March 12, 2014. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.*

[1] **SPIVA YEAR END REPORT** is published by S&P Dow Jones Indices which is a division of S&P Global. The report provides extensive data related to performance of actively managed funds around the world.

Literature Reviews on Behavioural Biases and Investment Decisions

In case of behavioural finance, theories argue that stock prices can be influenced by psychological and emotional factors. Investment decisions are also influenced by risk perception and are significantly positively related to one another. The perception of risk is significantly positively impacted by herding, disposition effect, and blue-chip bias. However, overconfidence has a significant positive impact on investment decision, but not on risk perception (Almansour, 2023). Eight major biases which can affect investment decisions can be categorised in the following manner:

Table 1: Selected literature reviews on behavioural biases and its impact on mutual fund investment decisions

Sl. No.	Reference	Biases	Major findings	Impact on Investment Decision
1	(Odean, 1999)	Disposition	Disposition bias is estimated as a difference between the fraction of realized gains and fraction of realized losses. Rapid winner liquidation may be associated with subpar fund performance.	An investor or fund manager may have a tendency to cling onto losing equities for an extended period of time, while selling winning stocks fast. Investors thus make a mistake of choosing high front-end load funds and overestimate anticipated holding periods.
2	(Candraningrat I. R., 2018)	Framing	Investors who are given positive information framing will predict stock prices higher than investors given negative information framing.	An investor with narrow framing bias does not pay attention to the overall effect of the judgement of buying and selling the assets.
3	(Alexander Puetz, 2011)	Overconfidence	Overconfident investors subsequently trade more which showcases the false beliefs related to their abilities.	The fund manager trades frequently or prefers speculative stock, which leads to poor performance.
4	(Massa, 2006)	Home or Local	Investors prefer geographic proximity as it offers familiarity and low cost for acquisition of information.	Fund managers may prefer the stock of companies which are geographically close to his or her home. This leads to an exposure of locally managed mutual funds without putting any importance on its performance and cost.
5	(Kartasova, 2014)	Snake Bite	This causes fear to take risks that prevents investors from profit lock which may affect investment return.	Fund managers may weigh their decision more heavily towards the events of recent past.
6	(Koch, 2017) & (Kumar & Jarwal, 2022)	Herding	Out of a sample of 2700 funds between 1989 and 2009, it was identified that only leading funds outperform over several subsequent quarters. In a recent study, herding bias is a short run phenomenon and herding is more prevalent in developing nations during crisis period.	The pervasiveness of herding bias among fund managers is more prevalent in the events of economic crisis and bubbles.
7	(Ormos & Timotity, 2016)	Anchoring	It causes investors to rely on immediate and recent price changes.	Fund managers put emphasis on first piece of information while making decisions.

Sl. No.	Reference	Biases	Major findings	Impact on Investment Decision
8	(Wang, 2012)	Window-dressing	It was found that 9.4% of almost 54,000 transactions in the sample are based on window dressing. The paper also suggests that past poor performance leads to window dressing because of increased employment risk and window dressed fund enjoys subsequent cash inflows which in turn suggests that investors are misled by it.	Fund managers undertake cosmetic adjustments to the portfolio just before the declaration date in order to make it more attractive to the investors.

Source: Author's Compilation from various literature

Research Methodology

The study is descriptive in nature and to address the research objective, a secondary survey has been applied using "Google Scholar", "Semantic Scholar" and "Bielefeld Academic Search Engine (BASE)". To study about behavioural biases and their impact on Mutual Fund investment decisions, a literature review has been undertaken along with bibliometric analysis. "Behavioural Biases", "Investment Decisions", "Mutual Funds Investment" and "Actively Managed Funds" were considered to be the keywords for downloading and fetching relevant publications for this purpose. A total of 52 research works have been downloaded after removing the duplicates in "Zotero". Uncertainty of not choosing a relevant paper has been corrected by adopting three stage strategy which are database searching, abstract study, and citation checking. "Research Rabbit", which is an AI powered tool, has been used to check for similar papers to ensure that the downloaded papers are specific towards the objective of the study. A network analysis has been undertaken using VOS viewer on downloaded papers based on "Title", "Keywords" and "Abstract" data. The papers were downloaded and fetched last on 25th May 2024, therefore any publication after the above-mentioned date has not been taken into consideration. Also, 9 Scopus indexed research papers out of a total of 52 selected research works were selected (Refer Table 2) based on their number of citation and recency to understand behavioural biases and its impact on mutual fund investment decision making.

Analysis and Findings

a. Bibliometric Analysis

An analysis has been carried out to identify the repeatedly used keywords or phrases in the title or abstract of the papers. The analysis of the keywords highlights that there exists a uniform pattern in the selection of keywords used, especially in the title and the abstract. Out of the total 1235 terms or phrases, 103 met the threshold limit of 4 minimum number of occurrences. For each of these 103 terms, a relevance score has been calculated. The most relevant terms have been selected based on this score. By default, in VOS viewer, 60 per cent of the terms been selected which comes to 62 (See Fig. 2). Major 6 clusters were formed. These clusters have been depicted below by the network formed by applying "Association Strength" method of "Normalization". The clusters with their constituents have been tabulated as follows:

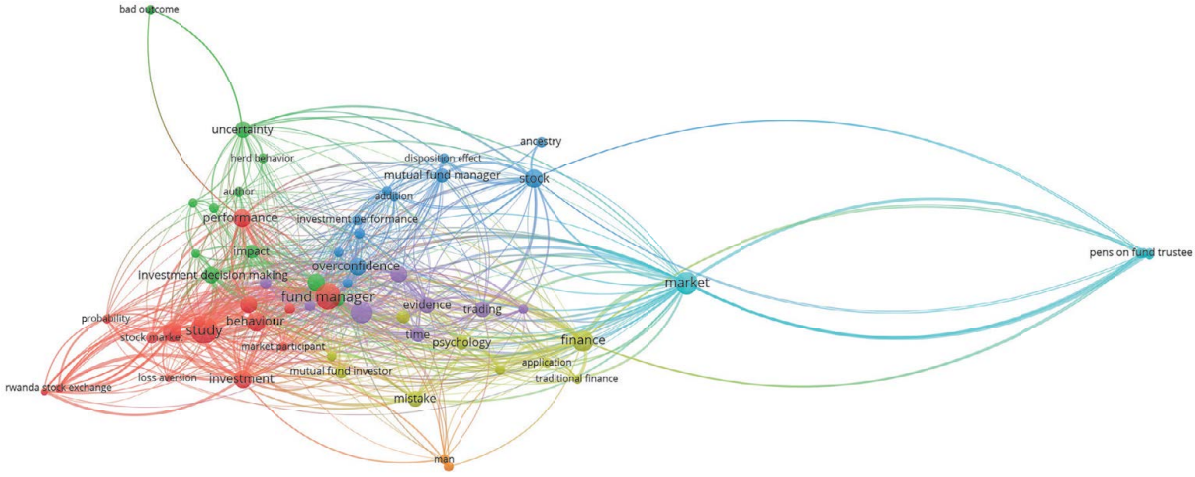
Table 2: Cluster and its Constituents

Cluster Number	Total Items	Four Major Items in the Cluster	Links	Total Link Strength	Occurences
1	15	Analysis	41	281	14
		Behaviour	38	315	20
		Behavioural Bias	36	467	20
		Fund Manager	46	393	34
2	12	Equity Fund Manager	10	73	4
		Herd Behaviour	10	35	5
		Heuristic	13	46	4
		Investment Decision Making	24	265	15

Cluster Number	Total Items	Four Major Items in the Cluster	Links	Total Link Strength	Occurences
3	11	Disposition Effect	15	92	5
		Equity Mutual Fund	31	99	5
		Overconfidence	27	223	16
		Professional Investor	24	81	5
4	9	Mutual Fund Investor	27	134	8
		Mistake	18	258	13
		Psychology	38	225	12
		Application	19	82	5
5	8	Evidence	41	257	13
		Herding	23	268	14
		Trading	29	217	13
		Stock Price	21	115	5
6	5	Market	46	563	26
		Member	6	96	4
		Pension Fund Trustee	6	132	6
		Option	6	115	5

(Source: VOS viewer "Network Visualization")

Fig 2: Network Visualization: Co-occurrence Map based on text data



(Source: VOS viewer "Network Visualization")

b. Impact on Retail Investors

Investors who view their investment portfolio to serve various purposes exhibit different behaviour in their use of individual stock versus mutual funds. It has been observed that investors pay less attention to hidden management costs and are more attentive to obvious fees like front-end loads. Investors who stay in less affluent and less educated societies or have such neighbours tend to select high expense funds. Investors who are busy more likely to choose mutual funds than individual equities, and households with higher levels of personal and professional responsibilities and less free time are more likely to choose mutual funds.

c. Impact on Fund Managers or Institutional Investors

It has been identified that sophisticated investors i.e. those who are better informed, have higher income and better experience make good use of mutual funds, whereas behaviourally biased investors buy mutual fund for frequent trading and prefer high expense funds and active funds rather than indexed funds. A study of large sample of US actively managed equity mutual funds during the year 2003-2009 explained that superior past performance boosts managerial overconfidence. The researcher identified inverted U-shaped relationship between fund manager overconfidence and subsequent investment performance.

d. Behavioural Biases in Investment Decisions and Strategies for Mitigation

In recent times, research has focussed on how to reduce investor biases. Some of the studies proposed in these directions are using gamification approach (Dhawan, 2020), or usage of Artificial Intelligence (Chartier, 2021) or agent-based modelling. It was well established that in the future, an investor's behaviour would become such an integral part of finance that any financial modelling without it would make the model incorrect (Thaler, 1999).

Further, the literatures revealed that investors' decision gets biased by the form of presentation of financial reporting, pro-forma and GAAP[2] disclosure. Interestingly, one study states that wealthy investors and large institutions do not show behavioural biases while investing as they have information advantage. One study identified that both top and bottom performing managers showcase 40% increased risk in the second half of the year (relative to minimum risk level)[3] (Hu, 2011). Incentive fee which are related to performance also affects manager behaviour. Research work suggests that effective fee rates are convex over lower ranges of performances. The researchers examined the manager's age, average composite SAT score from their undergraduate program, and whether or not they held an MBA to ascertain whether the characteristics of fund managers affect mutual fund performance. Compared to managers who attended less selective undergraduate institutions, mutual fund managers who attended more selective ones performed better. The researchers strongly suggest that stock-picking ability exists. Additionally, the researchers suggest that managers with the "best" attributes may outperform the market on average, and that younger managers are more sensitive to performance when it comes to managerial turnover.

Studies have demonstrated that there is an enhanced exchange of information between fund managers and the CEO, CFO, and chairman of the company in pre-existing social networks.

Conclusion

Several behavioral biases that fund managers' face are well shown by empirical research. There is window dressing and herding going on, and the manager exhibits home bias and overconfidence as well, which increases risk-taking and turnover. Managers take on more risk due to the disposition impact and performance-related incentive fees, but they also contribute to somewhat better risk-adjusted performance. The cross-section of fund returns can be effectively explained by both manager and fund characteristics. Risk-taking in reaction to prior performance is convex, even U-shaped; that is, it is lower among mid-ranked managers and higher among both good and poor performers. Nonetheless, it is evident that a solitary time series of returns is typically associated with several managers throughout time, each of whom may possess distinct behavioral biases and attributes.

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Author may be reached at eboard@icai.in

[2] Generally Accepted Accounting Principles, or GAAPs, are a set of accounting guidelines, regulations, and practices that are published by the Financial Accounting Standard Board (FASB) and regularly updated

[3] Relative risk is the standard deviation of the fund's relative performance, while relative performance is the return, before costs and fees, above the fund benchmark for each half-year.

** Disclaimer: Please note that data provided in this article is upto the year 2023.*

adani

WE MAKE IT HAPPEN

We connect people, are friends with nature, and turn the wheels of the future. We love, we care, we respect. We give wings to every dream and light up a million smiles. We know it takes each one of us to build a nation, and anything can be achieved if we come together as one.

A Comprehensive Analysis: The Impact of Internal Audit Function Elements on Sustainability Audits

Dr. Kalpana Kataria
Academician

Dr. Abhishek Kumar Singh
Academician

The purpose of the study is to examine the impact of internal audit function components like risk valuation, business environment knowledge and evaluation, internal audit efficiency, assurance and representations, strategies, principles, arrangements and techniques in sustainability audits. The existing studies review supports that the internal audits and sustainability audits are related component of organizational governance and risk management. By leveraging the synergies between the two, organizations can increase their ability to identify risks, seize opportunities and achieve sustainability goals while enforcing stringent internal controls and compliance standards.

The Institute of Chartered Accountants of India (ICAI) lauds SEBI's move, highlighting the commitment to Environmental, Social, and Governance (ESG) goals and capacity building within the profession. Industry experts considered this a significant step in improving the ESG reporting quality, enhancing transparency and fostering sustainable practices. The "long-term value creation" process for the organization and its stakeholders is ultimately accelerated by the internal audit and sustainability teams working together to help in establishment of a culture of accountability, transparency and continuous improvement.

Corporate sustainability is based on a company's ethical business practices and value system. Previous research specify that companies that are engrossed in sustainability reporting and activities to signal effectiveness, stimulate employees and aid in process control. The importance of this kind of action in corporate sustainability is becoming more widely recognized. Assuring sustainability is still in its infancy even despite of the growing demand for assurance to boost reliability therein and an increase in the studies recording the expansion of sustainability is maintained in order to reduce the possibility of legal ramifications for environmental misconduct and negative public perceptions of unsustainable operations (Corazza, Truant, Scagnelli, & Mio, 2020; Hoffman, 2018).

The scope of internal auditing has expanded to include sustainability or reflection on the growing importance of environmental, social and governance (ESG) factors in business operations.

Internal Audit

The concept of internal audit involves an efficient, documented procedure to gather audit evidence and evaluate it objectively to ensure compliance with audit criteria, enhancing the Quality Management System and Organizational Performance. Internal audit serves as a vital tool to verify organizational practices, ensuring that they align with quality objectives and relevant standards, ultimately enhancing product or service quality to meet client needs. It is considered a type of internal economic control with business entities, focusing on efficiency, productivity and cost-effectiveness to improve the accounting system and overall operations of the organization. The effectiveness of internal audit is contingent upon well-organized internal audit systems, auditor's activities and audit processes within an enterprise (Kataria & Sharma, 2024).

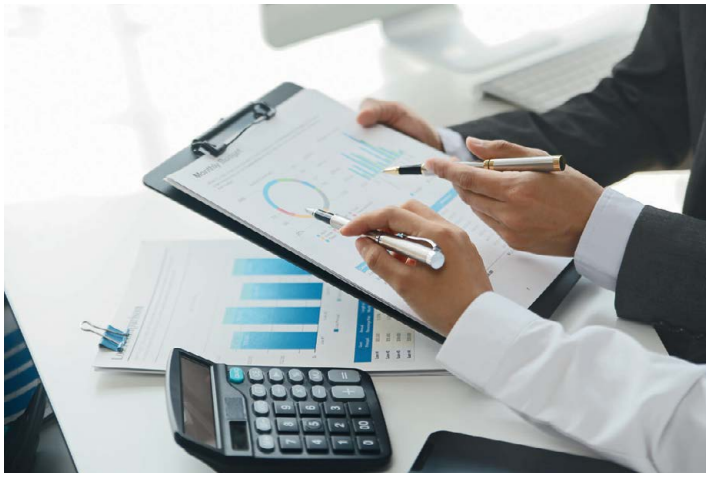
Beyond the control assurance, internal auditors significantly enhance organizational performance and management decision making. By identifying efficiencies and recommending improvements, they enable managers to make better-informed decisions that can lead to superior organizational outcomes. Internal audit and process improvement initiatives should not be limited to examine only financial aspects. Instead, they should also include other areas such as operational efficiency, regulatory compliance, risk management, technology processes and overall organizational effectiveness. This broader scope can help identify and improve non-financial processes that also contribute to an organization's success. This advisory function is a vital aspect of their rule extending the impact of internal auditing from compliance and risk mitigation to being a catalyst for strategic improvements and innovations. The scope of internal auditing has expanded to include sustainability or reflection on the growing importance of environmental, social and governance (ESG) factors in business operations. The extent to which internal auditors are involved in sustainability related issues can be influenced by these several factors. Governance structure that prioritizes sustainability, management's commitment to sustainable practices and the extent of sustainability reporting are pivotal in determining the level of involvement by internal auditors in the following areas.

These objectives are key to all activities and are critical for improving control and management within organizations. The role of internal audit is expanding to fulfill stakeholders' expectation and enhance the overall performance of the organization.

- **Verification of conformity:** Internal audit checks if the company's activities match its policies, programs and legal requirements
- **Adequacy of information:** Internal audit review whether the financial and non-financial information available is sufficient to accurately understand what is happening within the organization.
- **Protection and Prevention:** Goal is to safeguard the company's assets as shown on the balance sheet and to find ways to prevent fraud and losses
- **Continuous improvement:** Internal audits continuously monitor and critique the auditing process itself to make it better.
- **Supporting Development and Change:** Internal auditing aids in the company's development and helps in achievement of goals and encourages organizational changes.
- **Corporate Social Responsibility (CSR):** Internal audits can also support CSR initiatives by providing assurance and helping to develop CSR strategies
- **Risk Assessment and Management:** It is crucial to correctly identify and manage risks and opportunities that could impact the effectiveness of internal audits.

Best Practices for Conducting Effective Internal Audit by Chartered Accountants

- Defining Audit effectiveness: Davies (2009), Carcello, Hermanson, and Raghunandan (2005), and Van Gansberghe (2005) have identified several key indicators and factors that determine the effectiveness of an internal audit.. These factors include: (i) concept of ownership (ii) organization



of governance framework (iii) improve professional efficiency (iv) law (v) conceptual framework (Gramling, Maletta, Schneider, & Church, 2004). This involves setting clear criteria to measure the success of audits.

- **Internal Audit Intelligence:** This concept refers to the combination of thorough knowledge and a focus on being skeptical during audits. Auditors need to be well-rounded in their knowledge and always question the information and processes they are reviewing. This helps in making better decisions and following best practices.
- **Aiming for Excellence:** Striving for excellence in Internal audit can greatly benefit an organization not just in meeting today's needs but also in ensuring long-term survival and success. Excellence means continually improving and adapting audit practices to add value.
- **Key Factors for Effective Auditing:** The skills and competencies of the audit staff along with how well they communicate with the audit committee significantly impact the effectiveness of the audits. Effective communication and skilled auditors are crucial for a successful audit process.
- **Quality Assurance Programs:** Developing a program to ensure and improve the quality of internal audit is essential. This involves setting standards for the audit process that align with internationally recognized benchmarks and criteria.
- **Balancing Standards and Expectations:** Internal auditors often face the challenge of meeting both the professional standards set for audits and the expectations of the management. Balancing these can be difficult but is necessary for effective auditing.

Sustainability Audit

A sustainability audit could be referred to as a sustainability assessment or review, a methodical analysis of an organization's procedures, practices and guidelines to ascertain how they affect the economy, society and environment. Sustainability audits have a wider focus than traditional financial audits which are mainly concerned with financial performance. They also consider social responsibility, environment stewardship and economic viability. The sustainability audits are comprehensive evaluations that extend across entire supply chains reflecting the broad ESG impacts of an organization and supporting the nature of sustainable business practices. The key areas include energy usage, waste management, water conservation, carbon emissions and resource efficiency. It also evaluates compliance with environmental laws, environmental footprint reduction and supply chain sustainability. Social aspects such as employee welfare, diversity and community engagement are considered as well as ethical sourcing practices. Economic factors like financial viability, cost-effectiveness and long-term sustainability strategies are reviewed. Finally, governance structures, risk management practices and overall corporate social responsibility are also critical components of sustainability audits.

SEBI, the market regulator in India has specified a "glide path" for the mandatory "reasonable assurance" of Core Business Responsibility and Sustainability Reporting (BRSR Core) which is a novel ESG framework for listed companies. Starting from financial year 2023-24, the top 150 listed companies must comply, with the threshold gradually increasing to the top 1000 listed entities by 2026-27. The BRSR, a framework introduced in India for companies to disclose their sustainability practices to focus on ESG factors. The BRSR core emphasizes 49 parameters for ESG reporting, aiming for standardized disclosures to aid investment decisions. SEBI has updated its BRSR format to incorporate new key performance indicators (KPIs) and directed boards of companies to ensure no conflict of interest with assurance providers. The phased approach will standardize ESG disclosure, promote trust among stakeholders and facilitate informed decision-making in India's business landscape.

The industry in which an organization operates also plays a crucial role, as different sectors face unique sustainability challenges and need to comply with different standards. Additionally, the extent and nature of sustainability reporting by a company can affect the depth and scope of sustainability audits. Organizations that publicly report their sustainability practices are likely to undergo more rigorous and detailed audits, driven by the need to substantiate the claims made in these reports.

Is Internal Audit and Sustainability Audit Similar?

Both types of audits support accountability and transparency but internal audits are broader in examining the overall organization while sustainability audits are specifically focused on advancing responsible environmental and social practices. The details of the differences have been reported in the table 1.

Impact of Internal Audit Function on Sustainability Audit

There is a positive correlation between the presence of an internal audit function and the robustness of sustainability reporting practices within an organization. This relationship is particularly strong with regard to economic and social sustainability indicators. When internal auditors are engaged in sustainability matters their expertise in verification and control assurance can lead to more comprehensive and reliable sustainability reporting. For instance, internal auditors can verify whether a company's carbon emissions or waste reduction claims are accurate by reviewing data, tracking systems and procedures. They also help organizations follow proper controls such as regulatory requirements for environmental or social reporting. By applying their skills in risk management and internal controls, auditors can enhance the reliability and transparency of sustainability

Table 1: Difference Between Internal Audit and Sustainability Audit

Basis of Difference	Internal Audit	Sustainability Audit
Scope and Focus	It typically focuses on evaluating an organization's internal controls, compliance, financial reporting, risk management and operational efficiency. It aims to ensure that the organization is operating effectively, efficiently and in line with policies and regulations.	It evaluates an organization's ESG performance. This includes assessing areas such as energy consumption, waste management, social impact, carbon emissions, labor practices and ethical governance.
Objective	The primary objective of this is to provide assurance to management and the board that the organization's processes are effective, risks are managed and regulatory compliance is maintained.	It aims to assess and report on the organization's sustainability practices, promoting improvements in ESG areas to support long-term environmental and social responsibility and compliance with sustainability standards.
Stakeholders	Internal Audit findings are typically reported to senior management, the board and sometimes to regulatory bodies.	Sustainability Audits are important to a broader group including investors, customer and communities, as these audits address transparency in sustainability practices.
Regulatory Influence	Internal Audits are required by law or regulatory authorities to ensure that organizations comply with financial regulations and standards. They help in identifying any risks, errors or frauds that could impact financial reporting. In many industries, regular internal audits are mandatory to maintain regulatory compliance, avoid legal penalties and provide stakeholders with confidence in the organization's financial health and integrity. Essentially, internal audits ensure that financial operations are being conducted properly and in line with the law.	Sustainability audits are voluntary but are now becoming important as global standards for ESG reporting are established. Organizations conduct sustainability audits to assess their impact on the environment, society and ethical governance. These audits help companies to improve their sustainability practices and demonstrate transparency to investors, customers and stakeholders. As regulations around ESG reporting grow stricter, sustainability audits are becoming more formalized and required by certain regulatory bodies. The goal is to promote responsible practices and ensure organizations contribute positively to the environment and society.

Source: Authors Study

reports. This leads to build trust with the stakeholders, ensuring that the company meets its environmental and social commitments. This not only helps in fulfilling regulatory and stakeholder requirements but also boosts the organization's credibility and reputation in sustainability reflecting a holistic approach to modern business challenges.

Effective integrated audit practices ensure that the organization can sustain its business operation over the long term by aligning audit processes with the business goals and adapting to a changing environment.

Internal audit functions play a crucial role in enhancing an organization's sustainability and financial robustness through a variety if mechanisms. The impact of internal audit on sustainability audit is influenced by various factors and contribution of them across different dimensions are as follows.

- **Management Support and External Reporting:** The involvement of internal audits in environmental and social aspects largely depends on the support from management and the level of external reporting of sustainability information. Organizations that emphasize sustainability in their external communications typically see a more pronounced role of internal auditing in these areas. This support enables internal auditors to extend their assurance and consulting services to cover ESG aspects, ensuring that the company's sustainability efforts are both effective and transparent.
- **Internal audit effect on financial performance:** Internal audits contribute to strengthening a company's financial performance. This is achieved through various consulting services and assurance activities that help improve reliability in financial reporting and operational efficiencies. By addressing and mitigating risks, internal audits help create a more stable financial environment conducive to growth and sustainability.
- **Integrated Audit Management and Business Sustainability:** The effectiveness of integrated audit management, which encompasses the audit of both financial and non-financial aspects of a business is influenced by several internal capabilities, including human resources, technology and quality management. Effective integrated audit practices ensure that the organization can sustain its business operation over the long term by aligning audit processes with the business goals and adapting to a changing environment.
- **Continuous Audit Environment:** In an environment where audits are conducted continuously, statutory auditors tend to place greater reliance on the work performed by internal auditors, especially when existing controls are effective. A continuous audit approach allows for real time monitoring and assessment, enhancing the reliability of financial reporting and operational practice.
- **Internal Audit Quality and Control Deficiencies**: The quality and skills of internal audit personnel significantly affect the occurrence and severity of deficiencies in internal control. Competent internal auditors are able to identify, assess and suggest improvements for control weaknesses, thereby reducing the risk of errors and fraud.
- **Internal Auditors Compliance with Standards and Financial Reporting Quality:** Acquiescence with the "International Standards for the Professional Practice of Internal Auditing (ISPPIA)" is crucial. Organizations that adhere to these standards generally experience higher quality in financial reporting. This compliance ensures that the internal audits are carried out with a high degree of professionalism and adherence to globally recognized best practices, thereby enhancing the reliability and credibility of financial reports.

Role of Internal Auditors in Sustainability Audits

The present section has been categorized into different dimensions as the role of internal auditors in sustainability audit involves various key duties, challenges and best practices.

I. Key Responsibilities of Internal Auditors in Sustainability Audits

Internal auditors play a crucial role in sustainability audits by ensuring that an organization's sustainability efforts are effective and aligned with goals. They assess compliance with environmental regulations, corporate social responsibility standards and sustainability policies. Auditors evaluate the accuracy of sustainability initiatives and identify areas for improvement. Additionally, internal auditors ensure that sustainability practices are integrated into the company's overall risk management framework. By providing unbiased assessments, they help organizations improve performance, minimize risks and ensure continuous improvement in sustainability efforts.

II. Contribution of Internal Auditors to Sustainable Business Practices

a. The effectiveness of internal audits along with risk management processes and a focus on sustainability positively impacts sustainability audits. This underscores the importance of internal audits in promoting sustainable

practices. For example, A manufacturing company conducts the regular internal audits to assess its energy consumption, waste disposal and environmental impact. Through risk management, auditors can identify areas with high energy consumption and waste production which could lead to regulatory fines or damage to the company's reputation. By integrating sustainability goals into their audit processes, the company can create strategies to reduce energy and adopt more sustainable waste management practices. Internal auditor monitors these changes and assesses their effectiveness. Over the time, company reduces costs, complies with environmental regulations and strengthens its commitment to sustainability and shows how audits and risk management processes support sustainable practices and drive positive outcomes.

b. The capabilities of human resources, technology and quality management all play roles in making the internal audit process crucial for integrated audit management and sustainable business outcomes.

c. The effectiveness of audit committee and internal audit functions are closely linked to better sustainability reporting, especially concerning economic and social aspects.

d. The effectiveness of the audit committees and internal audit functions is crucial for ensuring that companies report accurately and transparently under the BRSR guidelines, especially regarding economic and social aspects. The BRSR framework helps companies disclose sustainability practices, focusing on ESG factors. The audit committee and internal audit functions ensure accurate, transparent reporting particularly on economic and social aspects. They oversee compliance, risk management and sustainability policies, ensuring that reports meet BRSR requirements, boosting transparency and trust.

Best Practices for Internal Auditors to Ensure Effective Sustainability Audits

- Internal auditors need to adopt new ways of thinking and acting to play a comprehensive role in governance, supporting sustainability and improving ESG practices. They should move beyond their traditional roles and become drivers of change within their companies, which requires new skills, attitudes and competences. Developing new skills in areas like corporate culture, social responsibility, ethics, cybersecurity and risk management is essential for internal auditors to help their companies achieve their goals and improve sustainability practices.

Table 2: Skills/Training Required for Internal Auditors to handle the Sustainability Audits

Skill/Training Area	Importance	Components
Communication Skills	Crucial for stakeholder interaction and clear reporting	Listening, interpersonal skills, clear communication
Risk Assessment and Management	Essential for evaluating ESG risks	Understanding and integrating ESG risks
Technical and IT Skills	Necessary for handling digital tools and data analytics	Proficiency in data analytics, digital reporting tools
Soft Skills	Vital for managing relationships and ensuring smooth audit processes	Negotiation, collaboration, influencing
Knowledge of Sustainability Standards	Important for compliance and best practices	ISO standards, Global Reporting Initiative
Formal Education and Certifications	Crucial for staying updated with industry standards	Courses and certifications in sustainability and environmental management
Professional Development Programs	Enhances skills and knowledge through ongoing learning	Workshops, seminars, peer-to-peer learning
Practical Experience	Helps apply theoretical knowledge effectively	Real-life audit scenarios, academic modules

Source: Authors Study

By developing these skills and engaging in continuous training, internal auditors can effectively handle sustainability audits and contribute to the accurate and reliable reporting of sustainability initiatives.

Contribution of Sustainability Audit to Internal Audit Effectiveness

The study reveals that the formation of an audit department, acquisition of a permanent internal auditor, providing suitable logistics, training personnel on the value of internal audit and using internal auditing standards and principles enhance sustainability audit effectiveness. The effectiveness of the internal audit function is positively associated with sustainability reporting practices, indicating the role of internal audit in driving sustainability-oriented strategies.

Conclusion

The existing literature supports that the internal audits and sustainability audits are related aspects of organizational governance and risk management even though they have different goals and areas of concentration. The impact of internal audit on sustainability performance is influenced by factors such as management support, external reporting of sustainability information and internal audit function characteristics. Sustainability audit contributes to the effectiveness of internal audit processes by emphasizing the importance of sustainability reporting practices and the role of internal audits in driving sustainability-oriented strategies. The key differences between internal audit and sustainability audit lie in their focus areas and indicators. Best practices for integrating internal audit and sustainability audit include adopting environmental auditing as a mandatory audit, training internal auditors in environmental auditing and focusing on environmental performance improvement. Organizations can improve their capacity to recognize risks, take advantage of opportunities and accomplish sustainability goals while uploading strict internal controls and compliance standards by utilizing the synergies between the two. The establishment of a culture of accountability, transparency and continuous improvement through collaboration between internal audit and sustainability teams ultimately propels the creation of long-term value for the organization and its stakeholders.

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Authors may be reached at abhishekbhu008@gmail.com and eboard@icai.in

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About the Course

Day	Date	Chapter
1	12-04-2025	Mastering Fundamental Analysis- Fundamentals of Fundamental Analysis
		Mastering Fundamental Analysis- Digging Deeper: Analyzing Financial Statements
2	13-04-2025	Mastering Fundamental Analysis- Valuation Techniques and Models
3	19-04-2025	Analyzing Market Environment
		Analyzing Management Quality and Corporate Governance
		Uncovering Hidden Gems: Identifying Undervalued Stocks
		Financial Performance and Key Metrics
4	20-04-2025	Risk Analysis and Mitigation
		Case Studies: Applying Fundamental Analysis
5	26-04-2025	Case Studies: Applying Fundamental Analysis _continued
6	27-04-2025	Understanding Technical Analysis
7	03-05-2025	Dow Theory and Market Trends
		Chart Patterns and Formations
8	04-05-2025	Continued -Chart Patterns and Formations
9	10-05-2025	Chart Patterns and Formations
		Moving Averages and Trend Indicators
10	11-05-2025	Moving Averages and Trend Indicators
		Oscillators and Overbought/Oversold Conditions
11	17-05-2025	Fibonacci Analysis
		Japanese Candlestick Patterns
12	18-05-2025	Japanese Candlestick Patterns
13	24-05-2025	Technical Indicators and Strategies
		Risk Management and Stop Losses
14	25-05-2025	Risk Management and Stop Losses
		Putting it All Together: Practical Examples and Case Studies
15	31-05-2025	Finding the Intersection: Identifying Stocks with Strong Fundamentals
		Technical Patterns and Trend Analysis with Fundamental Backdrop
16	01-06-2025	Fundamental Catalysts and Technical Breakouts
		News and Sentiment Analysis in Technical Context
		Case Studies: Real-Life Examples of Integrating Fundamental Analysis with Technical Analysis
17	07-06-2025	Psychology and its Impact on Trading / Investing
18	08-06-2025	Continued - Psychology and its Impact on Trading / Investing
19	14-06-2025	Report Writing
20	15-06-2025	Legal and Regulatory Framework in India

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A candidate will have to attend 75% of classes, failing which, he/ she will not be entitled to appear in the exams (Assessment Test)

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If a member fails to attend 75% of the classes due to unavoidable reasons, they must complete the remaining course hours in the next two consecutive batches, failing which a fresh registration will be required to complete the course.

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There will be 2 Papers of 100 marks for three hours at the end of the course. The paper will consist of 100% multiple objective type questions with two section A & B. A passing grade is awarded if the candidate obtains 40% marks in each paper and 50% in the aggregate

Paper-1	Module 1 & 4 along with practical questions	Section A (80 Marks -80 MCQs- 1 marks each) Section B (Project - Case study with 20 Marks -20 MCQs- 1 marks each)
Paper-2	Module 2 & 3 along with practical questions	Section A (80 Marks -80 MCQs- 1 marks each) Section B (Project - Case study with 20 Marks -20 MCQs- 1 marks each)
	Total	200 Marks

Note:

1. Assessment test fee: Rs.1000/-+GST fee is applicable only if the participant is unable to clear/take the Assessment test in their first eligible attempt.
2. A participant will be allowed a maximum of 4 attempts to pass the assessment. If a candidate is unable to qualify/take the assessment after 4 attempts within two years, a fresh registration is required to complete the course.

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Assessment of the Role of Present Regulatory Framework of Executive Compensation in India: An Exploratory Study

Dr. Arindam Ghosh
Academician

Dr. Amir Jafar
Academician

Diptayan Bhattacharya
Academician

The executive remuneration in India is subject to diligent corporate governance. The regulatory framework of executive compensation was constituted by the Companies Act, 2013. The Organisation for Economic Co-operation and Development (OECD) has observed that related party transactions (RPT) create a problem in case of family-owned business where the recommendations of the remuneration committee are allegedly ignored. Nevertheless, the Indian corporate regulations along with contemporary amendments and necessary synchronizations with international corporate practices, have been effectively controlling the exorbitant executive remuneration. This exploratory study has attempted to critically assess the role of regulatory framework in India that controls the executive compensation.

Introduction

Risk preference and executives' ability to take risk has crucial effects on executive compensation. These effects can sometimes be positive, negative, or insignificant. Especially for financial institutions, risky decision-making of the executives is expected only if equity interests are aligned with the executive remuneration.

The Reserve Bank of India has also recommended that executive compensation must be subject to effective corporate governance and monitoring, effective alignment with judicious and restrained risk-taking, and effective supervisory control of stakeholders. Moreover, the establishment of a of Remuneration Committee (RC) has also been recommended for non-governmental banking institutions. (Reserve Bank of India, 2012).

The remuneration of executives has been comprehensively controlled and regulated by the Companies Act, 2013. The term "remuneration" has been described as -"any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under Income-tax Act, 1961" (Ministry of Corporate Affairs, 2013; p.11).

The Companies Act, 2013, states that the principal managerial personnel of a public limited company will be remunerated according to the recommendations of the Nomination and Remuneration Committee made to the Board of Directors [Section 178(1)]. Section 197 of the same Act states that there is a mandate for the listed companies to disclose the ratio of employees' median salary and the remuneration of each director. In addition to that, the restriction imposed in the 1956 Act under Section 309 on receiving commission and remuneration from the subsidiary company has been removed in the 2013 Act; however,

the Board report should reflect the remuneration received [Section 197 (14)]. This act has liberalised the administrative procedures of seeking permission from the central government for any special resolution taken for managerial salary determination.[1]

This article primarily encompasses two major areas pertinent to executive remuneration - corporate governance and managerial remuneration issues. The following section will illustrate these features of the Indian legal framework with necessary details.

The Reserve Bank of India has also recommended that executive compensation must be subject to effective corporate governance and monitoring, effective alignment with judicious and restrained risk-taking, and effective supervisory control of stakeholders.

Corporate Governance and Associated Indian Regulations - An Overview

The following sub-sections are going to provide an overview of the relevant corporate governance issues in the Indian context:

i. Appointment and Other Liabilities of Directors

In India, the Companies Act, 2013, has laid down the provisions of governance in corporate domain. Section 149(1) of this Act states the increment of directors' number from 12 to 15. One director of the Board must be the resident of India for a minimum period of 182 days [Section 149(3)]. Moreover, the inclusion of one-woman director has also been prescribed in Section 149(1) (Ministry of Corporate Affairs, 2013).

The Companies Act, 2013, has made an attempt to maintain ethical governance practices and in view of that, Section 166(2) has laid down the provision of good governance by saying - "whole of the Board is required to act in good faith in order to promote the objects of the company for the benefits of its members as a whole, and in the best interest of the company, its employees, the shareholders, the community, and for the protection of the environment.[2]". In addition to that, ethical practices are further boosted as the Act lays down that whoever is unable to be elected as a director in a general meeting will not be qualified to be appointed by the Board of Directors as an additional director (Section 161).

ii. Role of Nomination and Compensation Committee

Every listed company has got a need to set up a nomination and remuneration committee. Other companies having paid-up capital of 100 crore INR or more or having aggregated outstanding loans or borrowing or debentures or deposits surpassing 200 crore INR also need to set up a remuneration committee. The role of the remuneration/compensation committee is highly influential and crucial as it reviews, formulates, and recommends the company strategies and policies to the Board of Directors about - "remuneration for directors, key managerial personnel and other employees, criteria for determining qualifications, positive attributes, and independence of director [Section 178(1)]"[3]. Compensation committee plays a pivotal role in the supervision of the entire employee stock option scheme (Securities and Exchange Board of India, 2009).

iii. Appointment of Key Managerial Personnel

The executive compensation remains dependent on profitability of any organisation. Assuming a linear relationship between company profit and key managerial personnel's remuneration, the Companies Act, 2013 has laid down that the overall limit of executive compensation is set at 11% of the profit for the financial year (Ministry of Corporate Affairs, 2013).

The age criteria for the key managerial personnel have been revised in the 2013 Act. However, the predecessor of this Act, The Companies Act, 1956, stated the lower age limit of the key personnel appointment was 25. This limit has been relaxed to 21 years. In addition to that, the upper age limit has also been stretched in the 2013 Act and it prescribes that an individual over the age of 70 can also be appointed as key functionary of the organisation.

According to Section 203, the appointment of the key managerieal personnel like managing director, chief executive officer, managers, chief financial officer, as well as company secretary is mandatory for every listed company and every other company which has a paid-up share capital of 5 crores or more. In addition to that, appointment or re-entry at the same time for an individual in multiple capacities of chairperson,

[1] Companies Act, 2013.
[2] Companies Act, 2013.
[3] Companies Act, 2013.

managing director, or chief executive officer has been barred in the same section[4].

Compensation of Executives

This is perhaps the most significant section of this article discussing the remuneration practices of executives as guided by Indian regulations. Such remuneration practices are principally guided by two sets of legal guidelines i.e. the Companies Act, 2013 as well as Securities and Exchange Board of India Guidelines, 1999 (updated up to September 3, 2009). In our ambit of discussion thus far, we have cited the evidently linear relationship between profit earning of the organisation and healthy executive compensation, irrespective of controlling factors such as country or economic diversities. Now, the question is relevantly raised as to how an inadequate degree of profit impacts executive remuneration. Section 197 of the 2013 Act provides necessary explanation to this question. This section explains the applicability of provisions of managerial remuneration restricted to public limited companies only. In order to maintain transparency, it has been made mandatory for the listed companies to unveil the ratio of compensation of each director to median remuneration of general employees[5].

Apparently, the precursor of the 2013 Act i.e. the 1956 Act, was comparatively stringent, as Section 309 of the old Act restricted the managing director or whole-time director of a subsidiary company from obtaining commission from the holding and subsidiary companies simultaneously. However, the 2013 Act has obliterated the aforementioned restriction, but such benefit should be declared in pertinent reports [Section 197(14)] (Ministry of Corporate Affairs, 2013).

Remarkably, the definition of remuneration has evolved in the 2013 Act. Section 2(78) has defined remuneration as - "any money or its equivalent given or passed to any person for service rendered by him and includes perquisites as defined under the Income-tax Act 1961" (Ministry of Corporate Affairs, 2013, p. 11). In the previous Act of 1956, under Section 200, any remuneration paid to top-notch executives without tax component was restricted. The present Act of 2013 carries the same spirit as the above-mentioned definition which involves direct tax attachment to compensation components (Ministry of Corporate Affairs, 2013). Moreover, executive compensation is also defined as – "the total cost incurred by the company towards employee compensation including basic salary, dearness allowance, other allowances, bonus and commissions including the value of all perquisites provided, but does not include:

a. The fair value of option granted under an Employee Stock Option Scheme; and

b. The discount at which shares are issued under an Employee Stock Purchase Scheme" (Securities and Exchange Board of India, 2009, p. 1)

According to Section 198 or the 2013 Act, the allowance and deductions pertaining to executive remuneration should be accounted for calculating the profit (Ministry of Corporate Affairs, 2013). This provision of the Act strengthens the proposition that executive remuneration affects a firm's financial performance.

i. Regulatory Guidelines on Employee Stock Option Scheme (ESOS) and Employee Stock Purchase Scheme (ESPS)

The Securities and Exchange Board of India has provided these guidelines on executive compensation in India under Section 11 of the Securities and Exchange Board of India Act, 1992. In the previous section, the definition of executive compensation as explained by the Securities and Exchange Board of India (SEBI, hereon) has been provided.

SEBI specifies the definition of ESOP as – "option given to the whole-time Directors, Officers, or employees of a company which gives such Directors, Officers, or employees, the benefit or right to purchase or subscribe at a future date, the securities offered by the company at a predetermined price" (Securities and Exchange Board of India, 2009, p. 1).

ESOS or employees stock option scheme refers to a scheme which allows the organisation to grant stock option to employees. On the other hand, ESPS or employee stock purchase scheme allows the employees to purchase share as a part of the public issue. The term "market price" refers to –

[4] Companies Act, 2013.

[5] Companies Act, 2013.

"the latest available closing price prior to the date of the meeting of the Board of Directors in which options are granted/shares are issued, on the stock exchange on which the shares of the company are listed" (Securities and Exchange Board of India, 2009, p. 3). SEBI further explains the term "share" as equity shares and the securities which can be converted into equity shares.

The eligibility for ESOS has already been explained in the preceding section and ineligibility is extended to an employee who is the promotor or belonging to the promotor group of the company as well as a director who holds more than 10% of the outstanding equity shares, either by himself or through relationships. We have already illustrated the role of compensation committee in the prior section and would now try to shed light on the role of shareholders. In order to ratify an ESOS for offering to employees, shareholders must approve the scheme through a special resolution in the general meeting (Securities and Exchange Board of India, 2009).

An adequate quantum of corporate governance has been ascertained with respect to ESOS and disclosure report by the Board of Directors which contains intricate details like - "options granted, pricing formula, options vested, options exercised, the total number of shares arising as a result of exercise of option, option lapsed, variation of terms of options, money realised by exercise of options etc." (Securities and Exchange Board of India, 2009, p. 11).

On the other hand, ESPS resembles ESOS in terms of eligibility, shareholder approval, vesting schedule and other identical parameters.

Critical Appreciation of Regulatory Framework of Executive Compensation in India

The Ministry of Corporate Affairs (MCA) is the principal government body which administers the Companies Act with the current 2013 version. Of late, the Companies (Amendment) Act, 2015, has come into force as well. The Companies Act is enforced by the Company Law Board (CLB). The other primary body regulating the security market since 1992 is SEBI. Therefore, corporate operations in India are under constant monitoring by multiple regulatory bodies (Pande & Kaushik, 2011).

There has been a conflict between regulations laid down by the MCA and SEBI. For example, Clause 49 or Equity Listing Agreement and the 2013 Act have some overlapping mandates regarding the appointment and tenure of service of the independent directors as well as the grant of stock options for independent directors (Ministry of Corporate Affairs, 2013). However, to avoid this conflict, the Standing Committee of the Parliament in its final report in August 2010, recommended that for establishing "minimum benchmarks", SEBI should be allowed to act according to their jurisdictional extent (Pande & Kaushik, 2011, p. 17).

Corporate governance is the presumed panacea to curb every corporate malpractice. Beyond its therapeutic nature, corporate governance is used to align different corporate exercises to socioeconomic ethical standards of the country. The Confederation of Indian Industries (CII) has introduced the practice as a voluntary method to ascertain the values and ethics in Indian corporations; however, soon it got mandatory status through Clause 49 of the Equity Listing Agreement which consists of eight attributes of corporate governance like Board of Directors, Audit Committee, Remuneration of Directors, Board Procedure, Management, Shareholders, Report on Corporate Governance, and Compliance. In the later half of 2009, voluntary guidelines were prescribed by the Ministry of Corporate Affairs (Pande & Kaushik, 2011).

The main objective of corporate control in organisations is to ascertain appropriate executive remuneration practices. This "control" is exercised through an adequate corporate structure, especially referable to the role of directors as well as composition of the Board of Directors. In an attempt to ensure gender diversity, the attempt to incorporate female directors in the Board has been made in the Companies Act, 2013. The most significant feature of this Act is the number and functions of independent directors. These directors are also held responsible along with the members of the Board of Directors if any malpractice takes place[6].

In light of the occurance of financial frauds, SEBI has incorporated several corrective measures including disclosure of pledged shares, peer review, compulsory dematerialization of promoter holdings etc. (Securities and Exchange Board of India, 2003).

Executive remuneration is reported to be ineffectively managed by family-owned firms. Organisation for Economic Co-operation and Development (OECD) has highlighted the disadvantages of related party transactions (RPT), which are attributable to organisations being managed by a family or multiple families integrated together through relationships. In such companies, the shareholders force the remuneration committee to accept reckless recommendations about executive compensation (Organisation for Economic Co-operation and Development (OECD), 2014).

[6] Companies Act, 2013.

Even though the presence of structured legislations for executive compensation in India is observed, the mismatch in the payment structure between private and public sectors in India is evident. The private sector is paying exorbitantly high remuneration to its public sector counterparts (Sridhar, 2021). The regulatory control on executive remuneration in India has been criticized for being too normative, with limited scope for shareholders to share their opinions on the issue of hefty managerial compensation (Khurana, 2022). However, the Companies Act, 2013, has guided the establishment of the "Nomination and Remuneration Committee (NRC)" with active participation of independent directors in corporate governance matters including executive compensation (Kishore, 2021).

Over the years, Indian corporate regulations, with relevant amendments and necessary alignment with international corporate practices, have been handling executive remuneration as well as related corporate governance issues efficiently. However, the instrumentality of the regulatory system is not beyond question, and recent studies have shown little impact of corporate governance on the growth of the financial market in India. Moreover, the effective implementation of the governance system could possibly induce the growth of the Indian economy (Guha, Samanta, Majumdar, Singh, & Bharadwaj, 2020).

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Authors may be reached at arindam122074@gmail.com, aamirjafar@gmail.com, diptayan.bhattacheryya@gmail.com and eboard@icai.in

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4	20-04-2025	Chapter 4: Securitized Debt Instruments
5	26-04-2025	Chapter 5: Foreign Exchange Market
6	27-04-2025	Chapter 6: Capital Market - Primary Market
7	03-05-2025	Chapter 7: Capital Market - Secondary Market
8	04-05-2025	Chapter 8: Capital Market - Secondary Market Compliance
9	10-05-2025	Chapter 9: Mutual Funds & Commodity Derivatives Markets
10	11-05-2025	Chapter 10: Common Laws – Study of Relevant Provisions
11	17-05-2025	Chapter 11: Fund Raising
12	18-05-2025	Chapter 12: Infrastructure Finance
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Paper-2	Module10 to 14	Section A (80 Marks -80 MCQs- 1 marks each) Section B (Project - Case study with 20 Marks -20 MCQs- 1 marks each)
	Total	200 Marks

1. Note:
2. Assessment test fee: Rs.1000/-+GST fee is applicable only if the participant is unable to clear/take the Assessment test in their first eligible attempt.
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Vicarious Liability of Directors in Corporate Laws - Analysis and Synthesis

CA. PT Padmanabh
Member of the Institute

Dr. PT Giridharan
Company Secretary

Vicarious liability, being derived and imputed, largely arises due to status occupying the position of directorship. The disqualifications of directors contained in Section 164(2) of the Companies Act, 2013, brings the concept of vicarious liability and related disqualifications. Court rulings under various corporate laws, from time to time, on the director's liability rests on certain tests to be put in place to decide whether they are responsible and accountable.

The main issues that take us further on the vicarious liability are:

- **What 'tests' to be put in place to determine the responsibility vis-à-vis the liability of directors?**
- **Whom to be prosecuted for vicarious liability: the Company or the Directors?**
- **When does the directors' liability become vicarious?**
- **Should they necessarily give 'consent' or 'dissent' in deliberations?**
- **Are offences by companies vast and very vicarious?**

The Board of Directors (BOD) occupies a pivotal position in the hierarchy of a corporate structure, with larger expectations of the stakeholders expecting them to act as trustees, fiduciary agents, and key financial decision-makers of their investment in the company. The provisions of the Companies Act, 2013, relating to the director's roles and responsibilities are somewhat diversified and not crystal clear. Court rulings under various corporate laws have established certain tests to determine whether directors are responsible and accountable. The classification of directors under various designations under the Companies Act, 2013, also adds different dimensions to the practicality of the problems. The appointment of Independent Directors to the Board composition raises several questions relating to their position and liability. The notion that Independent Directors not only seem to be independent but are also seen to be independent, is put under test from time to time.

The issues that take us further are:

- Whether the Board is a 'collective responsibility' or 'individual responsibility' of the director?
- Is the role and responsibility of directors being well defined?

Vicarious liability — A legal concept where one person is held responsible for the actions of another — applies to directors primarily because of their position and status as directors within a company. The directorship coupled

with vicariousness makes their position as *'titanic ship'* at times of turbulence while managing the affairs of the company, safeguarding assets and driving the company in the larger interest of stakeholders, and also being socially responsible. Though a director is appointed through a process and procedure at the general meetings of the company, the important point is that the 'consent' to act as a director necessarily be given and filed by the director concerned with the Registrar of Companies. The consent sent conveys the message that it is voluntary and not by mere abstraction or manifestation of the law. The disqualifications of directors contained in Section 164(2) of the Companies Act, 2013, brings the concept of vicarious liability and further disqualifications.

1. The Companies Act, 2013

Section 2(60)(vi) – Who is an 'Officer' in default?

For the purpose of ***any provision in this Act***, an ***"officer who is in default"*** includes, among others, ***every director*** who is aware of a contravention of any provision of this Act, either by virtue of the receipt of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance. (*This implies that the meetings of the company can be used as evidence to determine liability of non-executive directors in such cases).*

Section 149(12) - Company to have Board of Directors

Notwithstanding anything contained in this Act —

i. **an independent director,** and

ii. **a non-executive director** who is neither a promoter nor a key managerial personnel,

shall be held liable, only in respect of such acts of omission or by a company which had occurred:

- with his knowledge, attributable through Board processes,
- with his consent or connivance, or
- due to his failure to act diligently.

Although the Code of Conduct (Schedule IV to the Companies Act, 2013) prescribes Independent Director's roles, the scope of their duties and responsibilities has increasingly come to imply that they are expected to be aware of all actual or suspected violations or fraud.

Section 164 (Disqualifications of Directors)

Apart from other parameters stated in sub-section (1), two important parameters under sub-section (2) are:

"No person who is or has been a director of a company which

*a) has **not filed** financial statements or annual returns for any continuous period of three financial years; **or***

*b) has **failed** to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more,*

*shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of **five years** from the date on which the said company fails to do so. Provided that where a person is appointed as a director of a company which is in default of clause (a) or clause (b), he shall not incur the disqualification for a period of six months from the date of his appointment".*

The words used in the sub-section are **'not filed' or 'failed'**. While failure to file returns is a compliance factor, the failure to repay deposits and the interest thereon is a commercial and financial matter, which the Board and its directors, as a whole, are expected to understand and address. Ignorance of law in these circumstances is non-excusable and will be met with vicarious liability where directorship will be questionable for a period of five years from the date of default, not only in the said company but also in other company.

Section 166 (Duties of Directors)

Directors "*shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company*"

and "*shall not assign his office*", such that no one as a delegatee can further delegate.

Section 179 (Powers of Board)

The Board of Directors can exercise all such powers for which the company is authorised and can take actions within the company's authority. Except the powers mentioned in sub-section (3) of section 179–such as the power to borrow money, power to invest the funds of the company and power to grant loans or provide guarantee or security for loans, no other powers can be further delegated to any sub-committee of directors. The Board, as a whole, and each director as an individual, hold vicarious responsibility for understanding the sensibilities of its powers which are not omnibus.

Tests for Vicarious Liability

- **Factual - When he is in charge?**
- **Legal - When he is responsible to Principal?**

A case of vicarious criminal liability cannot succeed unless the prosecution satisfies both the principles of vicarious liability.

The Supreme Court in ***K.K. Ahuja v. V.K. Arora, 10 SCC 48, 2009,*** analysed the two terms often used in vicarious liability provisions, i.e., 'in charge of' and 'responsible to'. It was held that the 'in charge of' principle presents a factual test and the 'responsible to' principle presents a legal test. A person would be considered 'in charge of' the company's business if the person is in overall control of its day-to-day operations. A case of vicarious criminal liability cannot succeed unless the prosecution satisfies both the principles of vicarious liability.

Supreme Court's Observations on Liability of Directors:

- **Whether Vicarious liability can be automatically imputed on the directors in the absence of a statutory provision to the effect?** A constitution bench of five Judges in *Standard Chartered Bank and Others v. Directorate of Enforcement, (2005) 4 SCC 530* had held that a company could be prosecuted and convicted for an offence that requires a minimum sentence of imprisonment. However, the constitution bench categorically clarified that it is not expressing any opinion on the question of whether a corporation could be attributed with requisite *mens rea* to prove the guilt. The Supreme Court categorically laid down that, "*When the company is the offendor, vicarious liability of the directors cannot be imputed automatically, in the absence of any statutory provision to that effect.*" It is a cardinal principle of criminal jurisprudence that there is no vicarious liability unless the statute specifically provides for it.
- **Whether a Corporate Body can be prosecuted for committing an offence under the Indian Penal Code?** The question of punishing a corporation was deliberated in a criminal case filed by *Iridium India Telecom Ltd. against Motorola Inc., SC - Criminal Appeal No.688 of 2005.* A division bench of the Supreme Court had laid down that the criminal intent of the "alter ego" (an alternate self-distinct from the original personality) of the company, referring to the group of individuals guiding the company's business, would be imputed to the company. The SC held that a corporation can no longer claim immunity from criminal prosecution on grounds that it lacks mind or *mens rea*.
- **On whom does liability depends upon?** "Liability depends on the role one plays in the affairs of a company and not on designation or status." In the *S.M.S. Pharmaceuticals Limited v. Neeta Bhalla, 8 SCC 89 (2005),* the Supreme Court held that liability arises from being *'in charge'* of and **'responsible'** for the conduct of the business of the company at the relevant time when the offence was

committed *and not on the basis of merely holding a designation* or office in a company. Conversely, a person not holding any office or designation in a company may be liable if he satisfies the main requirement of being in-charge of and responsible for the conduct of business of a company at the relevant time.

Company or Directors – Who shall be responsible?

The Supreme Court in *Sunil Bharti Mittal v. Central Bureau of Investigation and Others, AIR 2015 SC 923 or (2015) 4 SCC 609*, was faced with the issue of when can a director/person in charge of the affairs of the company be prosecuted for an offence committed by the company. Given the artificial nature of companies and corporations, it is the employees and executives that act as its agents. Executives are the ones who make the major decisions on behalf of the company. They can easily control the acts and omissions of the company on a short-term and long-term basis. It is vital to have laws, regulations, and principles governing the actions of these executives so that they do not violate the law without fear of repercussions and do not evade punishment. The Court relying upon the decision in ***Iridium India Telecom Ltd. against Motorola Inc. (Iridium)*** stated that *the principal of attribution is applied to impute criminal intention to the company on account of criminal intention of its alter ego and cannot be applied in a reverse scenario to make the directors liable for offences committed by the company.*

When can Individual directors be made liable?

The Supreme Court in *Shiv Kumar Jatia v. State of NCT of Delhi, CA. No. 1263 of 2019*, quashed the criminal proceedings that were initiated only on the ground that the accused was the managing director of the company and that he was the only non-independent executive director of the company. The Court in this case reaffirmed its views set forth in the case of *Sunil Bharti Mittal v. Central Bureau of Investigation*, holding that, in the absence of any vicarious liability provision**,** individual directors can be accused only if there is sufficient evidence to prove their active role coupled with criminal intent.

2. The Negotiable Instruments Act, 1881

Is prosecution of a company a condition precedent? The Supreme Court in *Aneeta Hada v. Godfather Travels and Tours (P) Ltd., (2012) 5 SCC 661*, while adjudicating a dispute under the Negotiable Instruments Act, 1881, ruled that the prosecution of a company is a condition precedent if its officer-in-charge is responsible for the conduct of its business to be prosecuted.

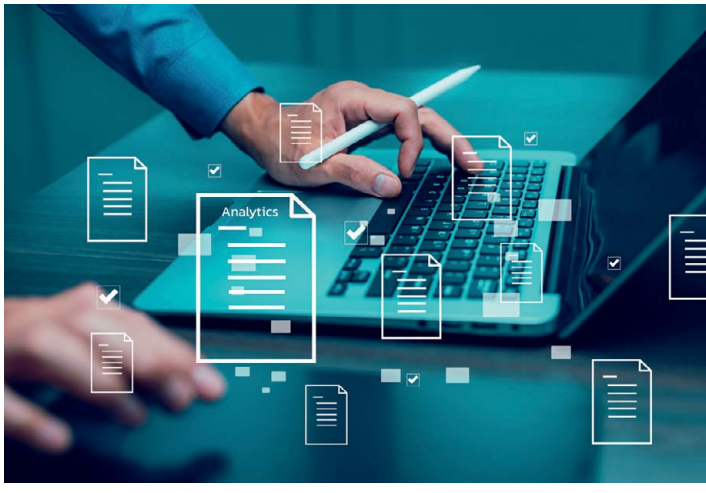
Are directors criminally liable if they were not involved in the day-to-day affairs of the company? An example of the vicarious liability provision can be seen under Section 141 of the Negotiable Instruments Act, 1881, which provides that *"every person who, at the time the offence was committed, was in charge of, and was responsible to the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly."* According to a Supreme Court judgment, liability under section 138/141 of the Negotiable Instruments Act only arises if the directors were involved in the day-to-day functioning of the enterprise.

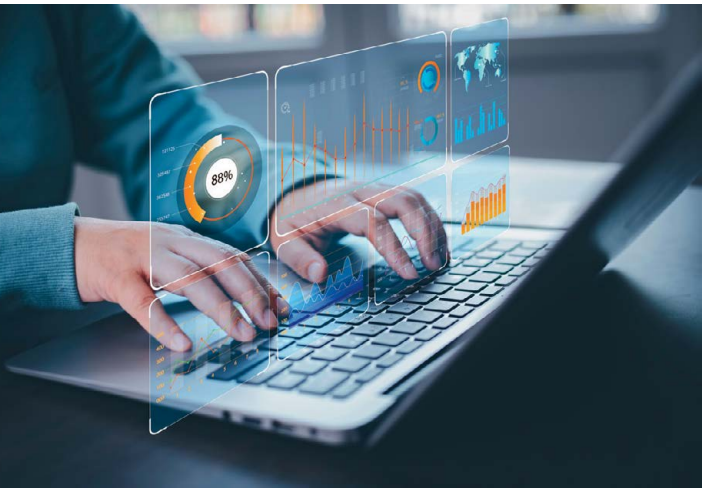
3. The Competition Act, 2002

Whether a director can simultaneously proceed along with that of the company or a conviction on the company is a condition precedent to proceed against the director? The Competition Commission of India (CCI) in Monsanto *(Monsanto Holdings Pvt Ltd and Others Vs. CCI & Others (W.P. (C) 1776/2016 & 3556/2017) observed that*:

a) Under the Indian law, numerous statutes impose vicarious liability for the acts of the company upon its directors and other officers in key managerial positions.

b) Such provisions generally contain an exception stating that the director shall not be held vicariously liable for the acts of the company if he is able to prove that the alleged act was committed without his knowledge and negligence and he has exercised all due diligence to prevent the offence.





c) Vicarious liability is attached on the officer-in-charge responsible for the conduct of business of the company **by fiction of law in spite of the fact that such person may or may not have been directly responsible for the commission of such offence by the company**.

d) A person vicariously liable for acts of the company may be prosecuted simultaneously with the company.

e) The Competition Commission of India is not required to first record a conviction against the company to proceed against the directors.

4. The Foreign Exchange Management Act, 1999

Section 42 of the Foreign Exchange Management Act, 1999, provides that *"where a person committing a contravention of any of the provisions of this Act or of any rule, direction or order made thereunder is a company, every person who, at the time the contravention was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly."* In both instances, there is no distinction between the Executive Director and the Non-Executive Director in imposing the liability.

5. The Insolvency and Bankruptcy Code, 2016

The Latest SC Ruling on Director of a Company in IBC, 2016: Merely because a person is a director of a company does not imply that he is aware of its day-to-day functioning. There is no universal rule that a director of a company is in charge of its everyday affairs. *(Susela Padmavathy Amma Vs. Bharati Airtel Ltd. SC, March 19, 2024)*

To Conclude: Is Vicarious A Precarious?

- The list of statutes furthering vicarious liability in the Law of Torts is unending.
- The Concept of Vicarious Liability on the part of the company and its directors is fraught with many complexities.
- The Law on Liability of Directors is not clear, not to say it is not correct.
- Summons and Notices have become the Order of the Ordeal.

The principles reiterated by *Lord Denning in Bolton (H.L.) (Engg) Co. Ltd. v T.J. Graham & Sons Ltd. are no doubt worth pondering.*

"A company may in many ways be likened to have a human body. They have a brain and never centre which controls what they do. They also have hands which hold the tools and act in accordance with directions from the centre. Some of the people in the company are mere servants and agents who are nothing more than hands to do the work and cannot be said to represent the mind and will of the company and control what they do. The state of mind of these managers is the state of mind of the company and is treated by law as such. So, you will find in these cases where the law requires personal fault of the manager will be fault of the company. That is made clear in Lord Haldane's speech in Lennard's Carrying Co. Ltd. v. Asiatic Petroleum Co. Ltd. (AC at pp 713, 714). So also, in criminal cases where the law requires a guilty of mind of the directors or managers will render the company themselves guilty".

In short, but not so sweet to conclude, 'Vicarious is Precarious'.

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Authors may be reached at padmanabh1999@gmail.com, drptgiridharan@gmail.com and eboard@icai.in

Loans through Business Rule Engines- Audit Process

NDSV Nageswara Rao
Banking Professional

Sanction of loans through Business Rule Engines (BREs) has been evolving in the recent years in many of the Banks/ Financial Institutions. This article delves into the aspect of workings of BREs and their nitty-gritties. It discusses the key inputs used in BREs and the key functions of the decision-making process. It goes on to discuss the functions, objectives, methodologies, and report making of audit of loans sanctioned through BREs. It also examines the evolving nature of audit and the future course of action.

Introduction

Traditionally, to sanction a loan, banks conduct due diligence on the borrower, verify the relevant documents like KYC and balance sheets, perform pre-sanction inspection, and assess the loan eligibility through different methods. Finally, the loan is sanctioned by an appropriate authority. All these steps must be followed as per the laid down structure, as approved by the Board of the concerned bank, within regulatory norms.

Over a period of time, banks have transitioned from manual assessment to spreadsheet-based calculations as part of their analysis. They then came up with Loan Management Systems to manage the entire life cycle of the loan, from application to sanction and disbursement. After disbursement, many banks use Core Banking Solutions to handle the accounting, follow up and recovery.

With the increase in loan numbers both qualitatively and quantitatively, there came a need to deploy more staff to handle these volumes. While the rules remain the same under a scheme or product, due to the discretion exercised by individuals handling the appraisal of the loan, the results may differ not only on account of knowledge and skills but also due to the inherent bias based on his/her previous experiences. This may create an undesirable loss of business in some cases.

Business Rule Engines

To avoid such situations, banks have started using Business Rule Engines (BRE) recently, aided by Fintechs who are using these BREs on a large scale. These BREs can be used not only for credit decisions but also for different processes like fraud detection, customer relationship management, and compliance. However, for this article, we have restricted our discussion to loans only.

A Business Rule Engine in the banking area can be defined as a software system that defines, manages and executes business rules that govern various banking decisions. As far as banking is concerned, the business rules are often complex and subject to periodic changes due to regulatory guidelines, market conditions and business strategies.

A Business Rule Engine in the banking area can be defined as a software system that defines, manages and executes business rules that govern various banking decisions.

A BRE can be updated in real-time with the new guidelines and may be made available across the bank to implement uniform rules. It helps automate decisions based on the input of data for better consistency, speed and accuracy.

Key inputs used in BREs

Depending on the type of loan (like personal loan, mortgage loan, or business loan), the bank's lending policies, and regulatory requirements, the bank will arrange to embed the rules in the BRE. The key inputs typically used by a BRE to make loan decisions are as under:

A. Information provided by the customer will be verified with the source data (wherever possible):

- Customer Information such as personal details, name (of individual or firm), address, and contact details. They will be cross-checked with sources like Aadhaar data (with due consent of the customer), mobile number verification, address verification services (e.g., utility bills or postal address confirmations) and AML/CFT screening.
- Financial Information such as income (gross as well as net), proof for verification, expenses (e.g., living expenses, loan instalments), assets, and liabilities. Employment or income verification will be conducted via third-party services (e.g., income tax filings, payroll services) using APIs.

Data from the applicant's bank statements will also help to verify income and spending patterns.

- Loan-specific details such as loan amount, loan term, and loan type.
- Collateral information (for Secured Loans) such as the description of the asset, the value of collateral security, and the loan-to-value ratio.

B. Analysis of the customer's behavioral patterns using external or internal data:

- Utilisation of credit already availed from the Bank/FI or any other bank through analysis of bank statements.
- Payment history, including timelines, days past due, frequency of late payments, and missed payments will be verified through credit bureau data.
- Credit Inquiries by other financial institutions may indicate credit shopping or financial distress.
- Loyalty factors such as long-term banking relationships, savings accounts, or current account history will also provide the desired insights.
- Decision rules and business logic: The bank's internal lending criteria, such as acceptable credit score ranges, debt-to-income ratios, and acceptable risk levels. For example, the rule engine might approve personal loans for applicants with a credit score above 700 and an EMI ratio below 50%.

Key Functions of a BRE in the Loan Process

Automation of decisions: The BRE will be able to assess whether a customer meets the predefined rules for creditworthiness based on the credit score, income and other criteria.

Regulatory compliance: A BRE ensures that the process complies with regulatory guidelines like Anti Money Laundering, Know Your Customer, and Data Protection, avoiding the risk of human error.

Dynamic Rule Management: Business users can modify or create new rules in the BRE as per requirements due to any regulatory change or strategic business decision.

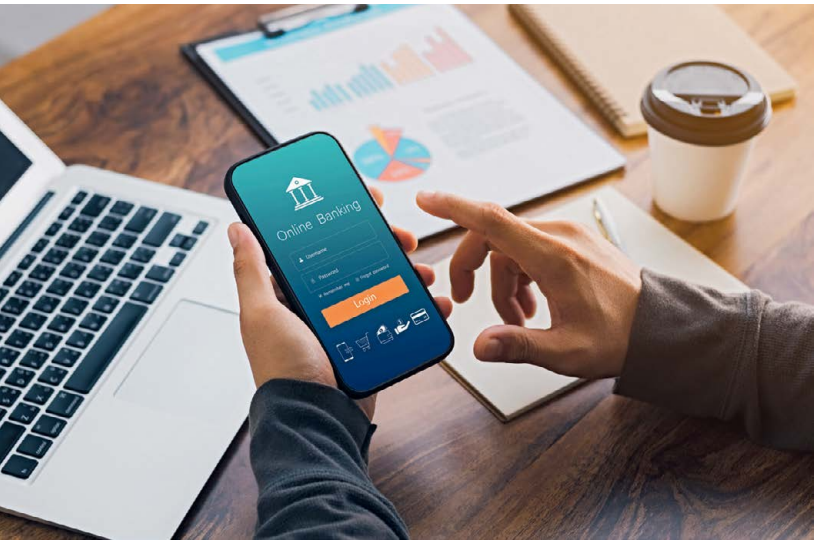
The audit of BREs in banking is an evolving field. As BREs become more central to decision-making processes, the way forward for auditing them involves adopting new strategies, technologies and frameworks.

Risk Management: BREs can be used to manage risk, by applying predefined rules to assess potential risks like unusual patterns in customer credit behaviour, and deposit/loan account transaction data.

In the market, there are plenty of business rule engines created by software companies, fintechs, and even by banks on their own. Many companies and fintechs are ready to customise their engines for use by the banks as per their requirement.

As per the market information, many banks are using BREs for arriving at the 'Go / No Go' criteria based on the rules defined by them. Once a 'Go' decision is received, the loan will be processed in the usual course and will proceed to the competent authority for final sanction. In some cases, this entire process has been made end-to-end, thereby allowing the system to handle the sanctioning itself. Wherever the decision is 'No Go', the customer will be informed about the same, either with an explanation for rejection or otherwise.

In summary, a Business Rule Engine in banking is a step in the right direction to automate and enforce rules related to financial decisions while ensuring regulatory compliance, and risk management. It is an enabler for banks to operate more efficiently, maintain consistency and remain agile in a constantly changing environment.



Audit of Loan accounts

For a long time, auditors have been well-versed in conducting audits of loans sanctioned by individuals and credit committees. These audits may include concurrent audits, credit audits, stock audits, etc. With the changing times, when banks are moving to wards sanctioning loans based on BREs, it is inevitable for the auditors to move in the new direction. Since their primary role is mainly to ensure proper implementation of the regulatory guidelines by the banks in the sanction, conduct and follow-up of loans, the auditors have to understand the nuances of new requirements and conduct audits in the changed circumstances.

Until now, the key areas of audit have included pre-sanction, assessment, appraisal, sanction, documentation, disbursement and post-sanction follow-up. When the introduction of BRE, some of the activities are no longer handled by human beings. Then, who will take responsibility in these areas? The system has to be verified for this purpose, whether the parameters have been set properly or not. For all other activities which are not handled by BRE, the existing system of audit will continue.

Thus, we will look into the areas where BRE functions and how the audit may be conducted in these areas. As the scope of BRE is evolving, the present understanding will be improved over some time. Basically, the aim is to review whether automated decisions are complying with the internal policy of the bank/FI, regulatory requirements and industry best practices. The audit will involve a review of decisions taken by the BRE.

At present, we may work on the following aspects:

Understanding the Policy of the Bank/FI

It is important to understand the Business Rules applied by the BRE, before conducting the audit. The Business Rules should conform to the policy of the Bank/FI. For this purpose, the actual rule sets used to provide 'Go / No Go' decisions are to be studied, which include parameters like credit score benchmarks,

As BREs become more complex and integrated with AI, blockchain, and real-time monitoring tools, audits need to be more automated, continuous, and adaptive.

ratios like loan to value, TOL/TNW, collateral requirements, and income tax return history. They have to be studied in conjunction with business policies like interest rate fixation, loan limit, and internal risk rating thresholds. In addition, it is also to be verified whether the BRE incorporated all relevant regulatory guidelines like fair lending practices, AML/CFT screening, and data protection laws. Thus, getting access to all these rule sets and policies will be the first step.

Audit Objectives

For aspects other than BRE, specified audit objectives are already available. Hence, one needs to define specific objectives of the audit for the BRE aspects. This may include, (i) checking the compliance of legal, regulatory and internal policy guidelines, (ii) verifying whether the BRE has applied all the rules in the decision-making, (iii) evaluating the performance of BRE about false positives/negatives, exceptions and error percentages, and (iv) confirming the availability of audit trail for all the activities of BRE. These points will become the Key Performance Indicators (KPIs) for the audit to check the BRE decision for transparency and accountability.

Capturing the logs for review

The detailed decision logs of BRE for the audit period are to be captured to initiate the audit. These logs should contain (i) the data used for decision making like borrower credentials, credit score, collateral, profitability, and transaction history, (ii) decisions provided (whether it was 'Go', 'No Go', or referred for review), (iii) the rationale used for triggering the decision, and (iv) the audit trail with a time stamp of various actions. A sample check on whether the capturing of the data in the system is proper and whether the eligibility rules were applied correctly by BRE or not, needs to be done. Thus, the complete set of input data, output data and the exceptions during loan decisions are to be captured for further action.

Verification of rule execution

While it is expected that the rule sets will be available and logs will be captured for verification, the real audit will be in checking the actual execution of the business rules to see whether the BRE is working as per the intended requirement. For this purpose, (i) a random sample of loans sanctioned by the BRE during the audit period are to be identified, (ii) all such loans are to be checked for proper application of the rules, (iii) check whether the system evaluates the parameters as per the established thresholds, (iv) Identify any conflicting rules or errors in the rule sets which may lead to incorrect decisions, and (v) modification of rule sets are to be investigated for their correctness. All these steps will result in knowing whether the BRE is applying the rules correctly or not.

A review of 'Go' Vs 'No Go' cases, coupled with reasons for 'No Go' has to be conducted to ensure that BRE is making sound decisions. Similarly, identifying cases where BRE flagged certain applications as high risk, which may be a false positives, or missed certain cases of problematic loans, which may be a false negative, should be taken up. Also, the performance of BRE by way of its uptime, downtime, system crashes or unexpected errors needs to be studied.

Whenever some exceptions are observed where the decision was taken manually, whether by correcting the data or handling borderline cases, the same has to be thoroughly verified for the correctness of the final decision.

Compliance

Any loan decision in a bank/FI is subject to strict regulatory checks; as such, the BRE must also comply with laws like AML, CFT guidelines, KYC norms, Fair lending practices code, and Data privacy regulations. Therefore, the auditor must verify that the BRE incorporates all these guidelines and that the logs reflect compliance with the same. It is always to be ensured that Personally Identifiable Information (PII) is

in an encrypted form. The audit process needs to verify whether the final decision is consistent with both the internal policies and external regulatory guidelines. It is also to be checked whether the disbursement process is automated or not, or whether it complies with the loan terms, regulatory guidelines and internal financial controls.

Audit Report

Once the audit is complete, the findings are to be documented in the form of an audit report. It should include (i) the review process and methodology, (ii) findings on compliance, rule execution, and proper/improper performance, and (iii) recommendations for improvement in the system for better decision-making and compliance.

Follow-up and Closure of the Report

The audit findings are to be addressed by the relevant teams, and a proper mechanism has to be established for continuous monitoring and improvement of the BRE system, in tune with the changing policies, guidelines and regulations.

The ultimate goal is to ensure that the BRE operates effectively, minimizing risks and complying with the policies of the Bank/FI, as well as the regulations of the industry in the loan sanctioning process.

Way Ahead

The audit of BREs in banking is an evolving field. As BREs become more central to decision-making processes, the way forward for auditing them involves adopting new strategies, technologies and frameworks.

The roadmap may include:

- **Integration of Advanced Analytics and AI:** By using AI and ML, new auditing tools may be developed to handle increasing complexities in the BREs.
- **Real-Time Auditing:** The traditional audits happen periodically, but with decision-making becoming real-time, so too must the audits become real-time.
- **Enhanced Focus on Ethics:** Audits should include aspects of fairness and ethics in the decision-making of BREs so that the rules do not discriminate against any person.
- **Integration with Blockchain:** This will ensure the transparency and immutability of loan decisions made by BREs, making it easier to track and audit decisions.
- **Collaboration between IT, Business, and Audit Teams:** Effective BRE auditing requires collaboration between IT, Business and Audit teams to ensure proper alignment between the rules and business objectives.

At present, BREs are mainly used to help proper decision making. But, going forward, business rules in BREs will play an important role in monitoring loans after disbursement, managing repayments, applying penalties for late repayments, as well as adjusting / recalibrating loan terms as required. At this juncture, auditors may recommend changes to the business rules, processes, or compliance checks to ensure future loans are handled more efficiently with proper guardrails. Regular audits will help organizations identify problematic areas, ensure scope for improvement, fulfill compliance and mitigate risks associated with lending.

Conclusion: Future of BRE Audits

The future of auditing Business Rule Engines in banking will be shaped by technology, regulatory demands, and a stronger focus on transparency. As BREs become more complex and integrated with AI, blockchain, and real-time monitoring tools, audits will need to be more automated, continuous, and adaptive. By staying ahead of technological advances and regulatory requirements, auditors can ensure that BREs support not only efficient business decisions, but also remain ethical, fair, and compliant.

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Author may be reached at
ndsvnrao@gmail.com and
eboard@icai.in

Climate Risk and Climate Finance

Dr. B. Yerram Raju
Rish Management Consultant

Dr. Kishore Nuthalapati
Corporate Finance Professional

Climate change and the resultant climate risks and damage are ubiquitously seen. These effects cannot be sufficiently quantified, particularly due to data inaccuracies. However, there are estimates on the volume of climate finance required to address climate change and climate risk issues. The impact of climate change, estimates on the losses, climate finance requirements, and the volumes deserve conceptual analysis. It is comprehensible that the objectives of climate finance are mostly directed towards reducing or containing the ongoing climate changes rather than recouping the total climate damage that has occurred thus far. Funds are certainly in shortage, resolve is suboptimal, and other resources are scarce. Due to these challenges, the approach to reduce the ongoing climate damage is appreciable. Furthermore, the forms in which climate finance is provided are critical to determining whether climate finance will achieve the desired objectives. This article endeavours to present a conceptual analysis and highlights the need for grant based climate finance to achieve better results while also suggesting the way forward to address climate risks in an improved manner.

Almost all the countries around the world are facing a common problem in the form of climate change. The issue is not usual or gradual climate changes due to natural evolution, but rather the unusual climate changes caused directly or indirectly by human beings in the name of advancements and development. These unusual climate changes are due to reckless approaches, over exploitation of natural resources, high levels of pollution, population explosion, erosion of forest cover, excessive mining or excavation of soils and mountains, extinction of several living creatures, etc. Unusual climate changes result in unendurable risks. Due to the involved risks and dangers, the world at large is deliberating and working on the measures to address unusual climate changes. The impact of climate risks, referring to a few major instances with costs, the agreed and actual contribution from developed countries to developing countries, and the composition of climate finance warrant at least a brief critical discussion to highlight the significance of the concept.

Impact of climate change & climate risks

Uncontrollable calamities, irreversible environmental losses, untimely rains, scorching heat and heat waves, extinction of certain flora and fauna, and deaths of human beings and other living creatures are the consequences of climate changes. The results of

adverse climate changes include heat stress, pollution, crop losses, undernutrition, natural calamities and many other disasters. Additionally, there are several other impacts that affect cultures, heritage, mobility, biodiversity, territory, indigenous knowledge, and poverty. Any unusual climate change causes climate risks and may pose dangerous threats to the world.

People are affected not only by climate change but also by the impacts of climate action. The green transition requires restructuring economies and radical shifts in some sectors to move to carbon neutrality[1]. If not designed and implemented properly, mitigation and adaptation policies could significantly widen inequalities, within and between countries. Therefore, the design, structure, funding and manner of implementing measures also play a key role in addressing climate risks. Climate finance targets could influence the volume and pace of measures to address climate risks and these are deliberated at designated forums such as the COP.

Welcome COP29

The awaited UN Climate Meetings of United Nations Environment Programme (UNEP), scheduled from 3rd to 13th June 2024, had its deliberations as expected. This event was considered a critical preparatory meeting for the upcoming 29th Conference of the Parties (COP29) of the United Nations Framework Convention on Climate Change (UNFCCC), which was held in November 2024[2]. Since deliberations in the June 2024 meeting will influence the decisions at COP29, where new climate finance targets will be set, climate change and related aspects are high on the global agenda.

Climate finance[i] is needed for mitigation and adaptation by all nations committed to reducing greenhouse gas emissions. Developed nations are expected to meet the climate finance requirements of other countries committed to the objectives of the UNFCCC.

Climate change incidents and costs

Climate changes and climate risks determine the volume of the required climate finance. According to a publication by the World Health Organization (WHO), climate change could cause about 250,000 additional deaths per year, and about 3.6 billion people live in areas vulnerable to climate change[3].

WHO states that the annual costs of direct damage to health would range between US $2billion to $4 billion by the year 2030. These costs do not include those associated with agriculture, water, sanitation, and other

sectors related to health. In fact, if the costs of damage which are indirect and caused from the latter sectors are also included, the volume of annual costs would be much higher. Besides causing huge annual costs both directly and indirectly, climate changes play a key role in causing natural disasters.

According to a report by a Zurich insurance company titled 'Climate loss and damage cost $16 million per hour', the economic losses due to global natural disasters in 2023 aggregated to US $380 billion. The World Economic Forum (WEF) states that between the years 2000 and 2019, the world incurred cumulative losses and damages of US $2.8 trillion due to climate change, translating to US $16 million per hour[4]. The WEF also states that the global annual cost due to climate change affecting infrastructure, property, agriculture and human health is expected to range between US $1.7 trillion to US $3 trillion by 2050.

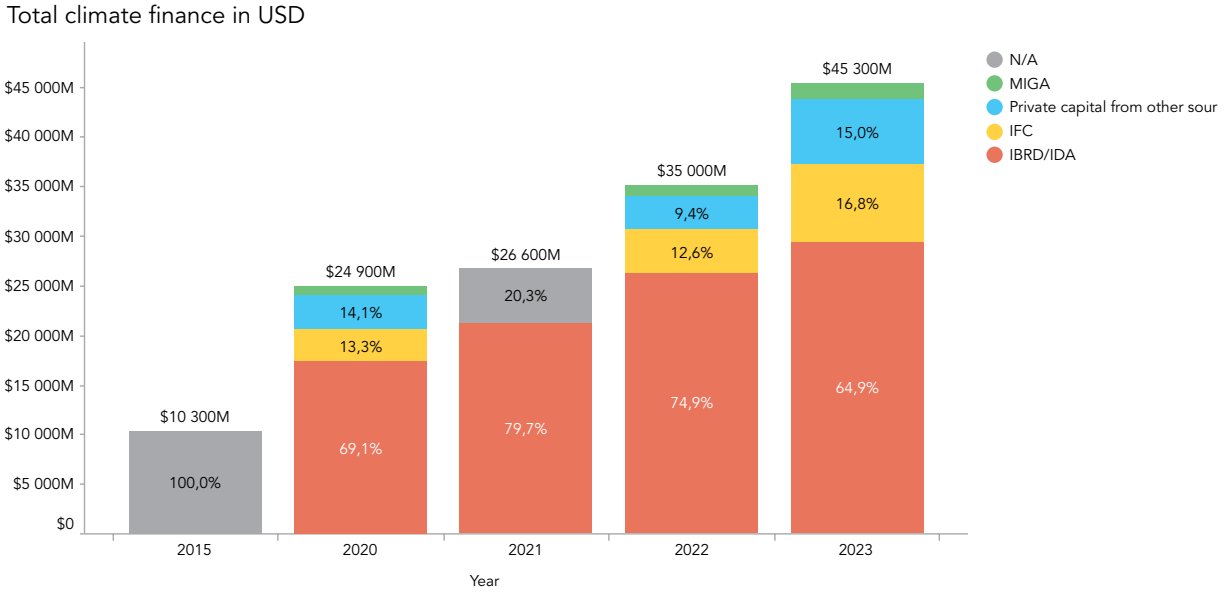
Climate Finance

There is unanimity on the need for climate finance as the main source to address climate change issues. "*Climate finance*[ii] *refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change.*"[iii]

Climate finance flow and volume

It is public information that developed countries have caused much more climate damage than developing countries. Therefore, it is almost unanimously agreed that most of the climate finance requirements for developing countries should be contributed by

1 https://www.un.org/en/desa/climate-change-and-social-inequality
2 https://unhabitat.org/events/un-climate-change-conference-unfccc-cop-29
3 https://iris.who.int/bitstream/handle/10665/134014/9789241507691_eng.pdf?sequence=1
4 https://www.weforum.org/agenda/2023/10/climate-loss-and-damage-cost-16-million-per-hour/



Source: *https://www.brettonwoodsproject.org/2024/04/the-world-bank-and-climate-finance-success-story-or-a-new-era-of-green-structural-adjustment*

developed countries. As the convention continues, the COP15 of UNFCCC determined that by 2020, the goal of annual contributions from developed countries to developing countries should be US $100 billion. This funding is required for climate action towards achieving the climate goals established in the Paris agreement, which is an international treaty on climate change mitigation, adoption, and finance.

However, a report by the United Nations Conference on Trade and Development (UNCTAD) finds that $100 billion is a fraction of what is needed to support developing countries to achieve the stated climate goals[5].

Climate finance has various channels and forums. One of the key entities is the Global Environment Facility (GEF), formed in the year 1991 as a multilateral environment fund to support climate change issues. GEF operates the financial mechanism of United Nations Framework Convention on Climate Change (UNFCCC). With the guidance of UNFCCC, GEF decides policies, programme priorities, and eligibility criteria for funding climate finance. GEF manages several funds, including the Green Climate Fund, the Special Climate Change Fund, the Least Developed Countries Fund, the Long-term Climate Finance and the Adaptation Fund. GEF has been performing as per its mandate for the benefit of its 186 member countries. However, GEF's budget of US $5.25 billion for five years i.e., 2022 through 2026 is paltry compared to the actual total requirement. Therefore, more such funds and higher budgets are needed to meet the huge and increasing needs of climate finance.

The world bank claims that it is the largest provider of multilateral climate finance[6]. According to a report by the Bretton Woods Project, the World Bank Group has provided significant amount of climate finance.

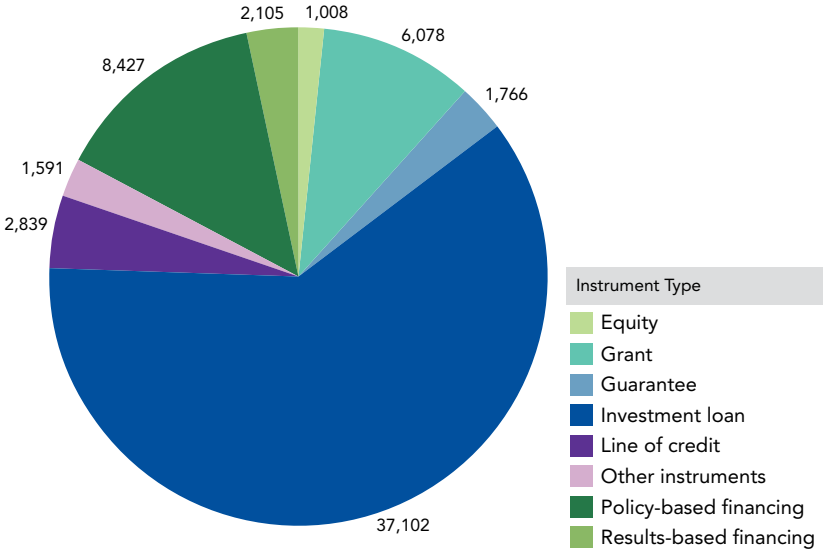
The volume and purpose for which climate finance is made available are more important than which agency leads in channelling these funds. There is also a need to set new finance targets to meet the increasing climate finance needs. At COP26 in 2021, the process began for setting new finance targets by the end of the year 2024 through technical expert dialogues (TED). If consensus is reached by the end of 2024, the new finance targets for climate finance will be revealed at COP29.

Purpose of climate finance

The objective of climate finance is to support projects and activities that address climate damage. If sufficient funds are extended in the form of climate finance, the ongoing climate damage could be contained while also working to avoid further damages. Such endeavours could create a trend of declining climate damage and potentially necessitate lower climate finance in the future. If the purposes are not solely to address climate damage, neither the current damage nor the

[5] https://unctad.org/news/climate-finance-goal-works-developing-countries

[6] https://www.brettonwoodsproject.org/2024/04/the-world-bank-and-climate-finance-success-story-or-a-new-era-of-green-structural-adjustment/



Source: *https://www.brettonwoodsproject.org/2024/04/the-world-bank-and-climate-finance-success-story-or-a-new-era-of-green-structural-adjustment/*

future potential damage could be effectively managed.

Therefore, climate finance is required at the minimum for mitigation and adaptation purposes. Mitigation purpose facilitate funding for projects such as renewable energy and energy efficiency. Adaptation purposes facilitate funding for projects creating resilient infrastructure and climate friendly agriculture.

Climate related projects often have lower returns, making them commercially less attractive and necessitating higher-cost debt. Projects with higher cost debt create debt stress on other projects and even on the economy. If climate finance helps retire existing higher-cost debt and avoids the need for higher-cost debt for new climate projects, then these climate projects will have more scope to fruition. Therefore, climate finance should also be provided to retire some debt of the developing countries to provide relief from their debt stress.

Forms of climate finance

Climate finance from developed countries is intended to support developing countries, benefiting both developed and developing nations. Ideally, climate finance should not carry any interest cost, have no repayment obligations, and be in the form of pure grants. Since developing countries often face capital scarcity, unless climate finance is provided as pure grants, they may not have the latitude to spend the amount for climate purposes. In fact, the Paris Agreement's letter and spirit include the provision that climate finance shall be in the form of grants with conditions directing the spending solely for climate purposes.

Climate finance from developed countries is intended to support developing countries, benefiting both developed and developing nations.

However, as per information in the public domain, approximately 70 percent of climate finance is in the form of loans, with only the remaining balance in the form of grants[7]. Even more concerning is that a significant share of these loans is non-concessional. In the first place, non-concessional loans for climate purposes may not be availed by developed countries and secondly, even if they avail them, the debt burden could be higher resulting in a compromise of yet other projects involving climate risks. There are also apprehensions that some of the climate finance is not additional and may replace existing commitments.

Details from the Bretton Woods Project reveal the forms in which climate finance is provided. Although these details specifically pertain to the climate finance provided by the World Bank Group, the trend has been consistent across various sources. The following picture presents the composition of climate finance by form.

Limitations on quantifying climate damage

Climate change is occurring globally, affecting both developed and developing countries. However, the adverse impact of climate change is more significant in developing countries. Despite this, the impact of climate change and associated risks cannot be accurately quantified for either developed or developing nations.

The inability to effectively and completely quantify the loss and damage from climate change and climate risks is a primary drawback in planning programs to counteract these changes. Due to diversity in climate risk portfolios, their immeasurability makes periodic

[7] https://www.business-standard.com/world-news/rich-nations-failed-to-meet-100-bn-climate-finance-promise-in-2022-oxfam-124071101089_1.html

monitoring and evaluation extremely difficult. Additionally, data integrity poses a problem due to the universal nature of the issue.

Debt and climate finance for developing countries

Developing countries are at a disadvantage when it comes to combating climate change due to their limited resources. In contrast, developed countries are better equipped to provide financial support for climate risks, owing to their advanced practices and stronger financial positions. The challenges faced by developing countries include insufficient funds to adopt alternative and safer practices, a lack of public awareness about climate change, and limited resources for low-return, climate-friendly projects. Additionally, these countries often struggle with mobilizing funds for climate finance. Many developing nations are already burdened with significant debt and find it difficult to service their existing obligations. Given their financial constraints, taking on additional debt for climate-related initiatives is impractical. As a result, these countries may be compelled to neglect climate change, exacerbating their vulnerability to its impacts. This situation underscores the need for developed countries to contribute more significantly to climate finance for developing nations, benefiting both parties in the process.

Approaches towards climate finance

For centuries, insufficient attention was paid to climate change, resulting in significant damage. Although recent efforts have increased focus on climate finance, this funding may still fall short of addressing the full scope of climate challenges. Mobilizing and spending climate finance alone is not enough. It needs to be clubbed with measures avoiding or minimizing the activities causing climate changes. Such measures may certainly cause huge inconvenience to the presently existing comforts and conveniences of the people. These measures may also stifle the ongoing development and advancements, be they technological or infrastructural. The measures may call for additional taxes and duties, and additional safety measures.

All the countries, all human beings, and all components on the earth are stakeholders of the climate. Therefore, climate change issues should be tackled with a sequential and concerted effort than with disconnected and isolated efforts of various stakeholders. Human beings should ensure that the efforts benefit all stakeholders and should implement the same in a concerted approach.

Mobilizing and spending climate finance alone is not enough. It needs to be clubbed with measures avoiding or minimizing the activities causing climate changes.

The sequence should be in the order of quantification of the climate risks and damages, identifying the sources and reasons of climate change, identifying the ways and means to discontinue the ongoing activities causing climate change, estimating the climate finance required for implementing the measures, mobilizing the required amounts of climate finance, endeavouring to reinstate or recoup climate changes, undertaking projects that could avoid further climate change damages, and finally measuring the outcomes of the implemented projects. This should be a continuous process until the overall desired outcomes are achieved.

Conclusion

Climate change has been causing huge risks, but all of the risks and damages could not be adequately quantified. Select incidents, details of which are referred, reveal how alarming the adverse impacts, loss of lives, and damages to properties are. The institutional deliberations under the aegis of the United Nations are in the right direction but the actions of the suggested measures appear to be lagging. Until now, the purposes for which climate finance is provided is appropriate and there need not be any apprehensions towards the purpose. However, between the mitigation and adaptation which should receive priority and what proportion should be allocated to which segment deserves a judicial approach. From the developments until now, it appears that the distribution is not optimal.

In any case, the need to address climate change risks and mobilize climate finance cannot be overstated. It is ubiquitously felt across the countries and sections of

people. Climate risks must be addressed in a planned and phased manner. These measures should not stifle the economic development of the least developed countries (LDCs), economic growth of the developing countries, and the stability of the developed countries.

Towards this, the mobilization of climate finance and addressing climate risks must be undertaken in a judicial and a sustainable manner.

When measures are implemented to contain or avoid climate changes, they may or may not benefit the current generation but will surely benefit the future generations. The climate finance spend should balance between mitigation and adaptation measures. Further, it is not uncommon that when such measures are implemented, there could be significant impact on the sustenance of the current lives. Therefore, to the extent possible, the pace, direction, and magnitude of such measures should balance between the present life and future life.

Climate finance should be mobilized in a timely manner, in sufficient volumes, and from affluent countries, should be disbursed timely, meant for genuine climate related projects, and measurable projects. Competent agencies should handhold developing countries and LDCs in implementing climate related projects. To ensure ownership of all the stakeholders, in addition to public finance, private finance should also be encouraged as much as private parties are involved in the implementation.

The form of climate finance should be predominantly in grants, and if inevitable, on concessional terms and convertible to grants on performance outcomes. Climate finance should also be used to promote the awareness on risks and damages due to climate changes. Climate finance should be subject to suitable climate audits. The climate finance related guidelines by several multilateral agencies including the UN Group, the World Bank Group, OECD, etc., should be completely codified. COP29 should take note of the existing anomalies, the developing and developed countries should be transparent in raising and deliberating the issue along with statistics and plan to increase the targets to the extent required. The revised targets could be more ambitious if required so that the catch-up program can be implemented. In fact, the climate finance planned could be directed on the distribution towards the mitigation and adaptation measures as well than merely stating the targets of climate finance. Further, since the loan form of climate finance would not help the developing countries meet their requirements and indeed has the risk of dissuading them against focusing on climate measures, it is imminent that developed countries extend grant-based climate finance and also streamline their fund delivery and support mechanisms towards the developing countries.

It is only by prioritizing equitable, accessible, and effective climate finance that we can hope to mitigate the far-reaching impacts of climate change and secure a sustainable future for all.

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- www.brettonwoodsproject.org

Authors may be reached at yerramr@gmail.com, okkishore@yahoo.co.in and eboard@icai.in

All India Managing Committee Members Meet (AIMCMM-2025)

AIMCMM 2025 was ceremoniously inaugurated with the sacred ritual of Deep Prajwalan, graced by the esteemed presence of CA. Charanjot Singh Nanda, President, ICAI, and CA. Prasanna Kumar D, Vice President, ICAI. Also seen in the picture are CA. Purushottamlal H. Khandelwal, Convenor, RBA Directorate; CA. (Dr.) Rohit Ruwatia Agarwal, Deputy Convenor, RBA Directorate; CA. Satish Kumar Gupta, Chairman, CPE Committee; CA. Vishnu Kumar Agarwal, Vice Chairman, CPE Committee; CA. Jagjeet Singh Jags, Chairman, NIRC; and CA. (Dr.) Jai Kumar Batra, Secretary, ICAI.

The Institute of Chartered Accountants of India (ICAI) organised the All India Managing Committee Members Meet (AIMCMM2025) from March 21st to 23rd at Aerocity, New Delhi. The event marked the vibrant three-day orientation program and brought together over 1,400 elected members from across the country comprising Regional Council Members, Branch Managing Committee Members, Convenors, Deputy Convenors of CPE Study Circles, and Chapters, uniting them to share insights into ICAI's operations, and governance, and make a strategic framework to achieve the collective vision of Viksit Bharat. The event was graced by the esteemed Chief Guest Shri P.P. Chaudhary, Hon'ble Member of Parliament (Lok Sabha), Chairperson, Joint Parliamentary Committee-One Nation One Election, and Former Union Minister of State. The event was also graced by CA. Anil Singhvi, Managing Editor of Zee Business, who provided valuable perspectives on India's economic landscape and capital markets during the session.

The theme of ICAI, "VISHWASNIYA" for the year 2025-26, embodies trust, integrity, and progressive leadership, steering the profession towards excellence. AIMCMM 2025 offered an immersive learning experience, arming participants with essential knowledge, leadership insights, and governance strategies for professional excellence. Engaging sessions, expert-led discussions, and interactive workshops cultivated a collaborative leadership spirit, preparing ICAI's regional framework for the future.

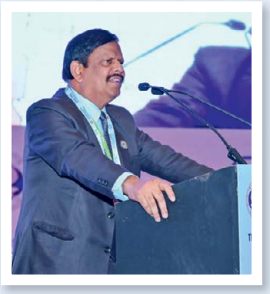
AIMCMM 2025 witnessed an exceptional level of participation, reflecting the resolute commitment of ICAI's leadership and members. The event saw the presence of 1,084 elected Managing Committee Members from 177 Branches, representing an impressive 94.7% of the total

strength of 1,144. Additionally, 62 Regional Council Members actively contributed to the discussions, along with 256 Convenors and Deputy Convenors representing 153 CPE Study Circles and Chapters from across the nation. Over 3 days, the conference was enriched by 47 insightful presentations delivered by esteemed Council Members, offering a comprehensive analysis of ICAI's initiatives, policies, and the dynamic role of its Committees and Directorates.

Additionally, ICAI showcased dedicated kiosks representing its Committees and Departments, offering real-time information, support, and guidance to newly elected representatives. These interactive hubs facilitated direct engagement with ICAI officials, ensuring that participants stayed informed about their roles and responsibilities while strengthening operations and enhancing service delivery to stakeholders. The event culminated in a solemn oath, where the members of the Regional Council and Branches demonstrated their allegiance to the profession and the Institute.

CA. (Dr.) Jai Kumar Batra, Secretary, ICAI, extended a warm welcome to the President, Vice President, Central Council Members, Regional Chairpersons, Study Chapter leaders, ICAI officials, and esteemed guests. He emphasized that true success lies in unity and collaboration, as no individual or department can thrive in isolation.

Highlighting the Council Year's theme, VISHWASNIYA, set by Hon'ble President CA. Charanjot Singh Nanda, he also expressed confidence that ICAI and its branches would diligently follow head office directives with passion and dedication. He concluded by reaffirming ICAI's commitment to Viksit Bharat@2047, urging all members to contribute towards making India a developed nation by its 100th year of independence.



CA. Prasanna Kumar D, Vice President, ICAI, expressed great pride in participating in the inaugural session of the AIMCMM 2025. He congratulated all the elected representatives at the Central, Regional, Branch, and CPE Chapter levels for volunteering selflessly to serve the profession.

CA. Prasanna emphasized that while ICAI sets policies, its members are key to implementing them, shaping the profession's brand image. He highlighted the record participation of nearly 1,400 leaders, showcasing ICAI's unity and commitment. Reflecting on ICAI's role since 1949, he noted its contribution to India's economy, including the introduction of key fiscal laws like GST in 2017. Despite challenges, Chartered Accountants played a crucial role in its success, earning government recognition in 2022.

He stressed the need for quality audits, need for technological advancements like AI, and ICAI's efforts to create quality students. Encouraging full participation in sessions, he concluded by outlining goals for finalizing accounts by June 30, 2025, and improving HR efficiency for better administration.

A solemn pledge to drive progress with Determination, Discipline, and Dedication—empowering the Profession, and enriching the Nation

CA. Charanjot Singh Nanda, President, ICAI, addressed the gathering at AIMCMM 2025, acknowledging the invaluable contribution of Indian Chartered Accountants as the financial backbone of the nation.

He emphasized that ICAI has always stood as a symbol of trust by imbibing the values of Excellence, Independence and Integrity. This year's theme, VISHWASNIYA, resonates with our profession and our commitment to a developed India. We are a strong community of over 14 lakh members and students, dedicated to nation-building. The Institute empowers us with world-class expertise, positioning India as a global hub for accountants.

> "भीगे हुए परों से परवाज़ करके देख,
> अंजाम उसके हाथ है, आगाज़ करके देख।"

He further stated, in order to be future-ready in this global dynamic business landscape, it is important to assimilate new technologies like AI, IoT, blockchain, data science, cybersecurity and information security. As India leads global Gen AI adoption, ICAI too is a part of it. ICAI has formed a specialized Committee "AI in ICAI" to skill and explore new professional avenues.

Beyond professional excellence, he stressed the importance of work-life balance. Drawing inspiration from religious epics, he emphasized the significance of faith and the need to avoid doubt, which can hinder growth and progress. Recognizing the demands of the profession, ICAI has established a *Committee for Promoting Work-Life Balance* to support members in achieving harmony between their professional and personal lives.

He concluded by reaffirming profession's dedication to nation-building as financial soldiers of Republic of India, ensuring that the legacy of Chartered Accountants continues to illuminate India's path to global economic leadership.

Chief Guest Shri P.P. Chaudhary, Hon'ble Member of Parliament (Lok Sabha), Chairperson, Joint Parliamentary Committee-One Nation One Election, and Former Union Minister of State, in his address, highlighted that ICAI has been the backbone of our nation's financial ecosystem, ensuring transparency, compliance and economic growth. Chartered Accountants are more than just financial experts; they serve as facilitators for wealth creators, playing a crucial role in driving economic growth. Their contributions to tax collection directly support the development of society and the nation.

The role of Chartered Accounts is very crucial for making India a Viksit Bharat. He congratulated the profession on playing a pivotal role in the seamless implementation of GST and the Insolvency and Bankruptcy Code (IBC), 2016. Profession's expertise, deep insights, and valuable contributions have been instrumental in shaping policies that drive economic growth.

Concluding his address, he urged ICAI members to champion the discourse on One Nation, One Election, reinforcing its potential to strengthen India's democratic and economic landscape. Expressing his gratitude, he remarked that he felt at home among the esteemed professionals present.

Session 1

ICAI: Pioneering Excellence in Standard Setting

A captivating discussion took place on ICAI's pioneering leadership in shaping global financial standards, regulatory frameworks, and transparency initiatives, paving the way for a brighter and more transparent financial future.

Session 2

ICAI: Strengthening the Profession with Audit Quality & Robust Regulation

Engaging discussions on building trust, enhancing compliance, and ensuring top-tier audit practices for the CA profession were conducted.

Session 3

ICAI: Advancing Education, Professional Skills & Research for a Future-Ready Profession

An engaging discussion on the Overview of the RBA Directorate & CPE Committee focused on regulatory updates, professional education, and continuous learning for members.

Dynamic discussions unfolded on upskilling, fostering innovation, and embracing research-driven learning to equip students for the ever-evolving financial landscape.

Session 4

ICAI: Committed to Empowering Firms, Members & Students

Session focused on ICAI's initiatives to support firms, upskill members & empower students for a dynamic future.

Session 5

Special Session on Capital Market

CA. Charanjot Singh Nanda, President-ICAI along with CCMs, graced the Session on Capital Markets at AIMCMM2025 featuring insights from CA. Anil Singhvi, Managing Editor, Zee Business. Engaging discussions on finance & investment strategies took place.

Session 6

ICAI: Revolutionizing the Profession through Digital Transformation & AI

Digital Accounting & Assurance Board, AI Committee & Digital Re-Engineering & Transformation Directorate explored how AI & emerging technologies are reshaping the accounting profession. A step towards a smarter, tech-driven future!

Session 7

Building for Tomorrow: ICAI's Vision for Human Resource & Infrastructure Excellence

CA. Prasanna Kumar D, Vice President, ICAI, alongside CCMs, graced an insightful session at AIMCMM2025, exploring HR best practices, capacity building, and infrastructure expansion to strengthen the CA profession.

Session 9

ICAI: Spearheading Initiatives in Emerging & Niche Areas

A thought-provoking discussion exploring ICAI's role in fostering innovation, new-age sectors & future-ready strategies by Committee on Financial Markets and Investors' Protection (CFMIP), Committee on MSME & Start Up, Development of International Trade, Services & WTO Directorate, Committee on Promoting Work Life Balance & Board of Internal Audit & Management Accounting.

Session 8

ICAI: A Trusted Partner in Nation Building

Insightful discussions held on Direct & Indirect Taxes, International Taxation, Corporate Laws, Public Financial Management & Financial Literacy reinforcing ICAI's commitment to the Nation.

Session 10

ICAI: Strengthening Governance through Trust & Accountability

Audit Committee, Specific Fund Management Directorate & Disciplinary Directorate provided valuable insights into ethical leadership & governance excellence.

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

14th Online batch
Certificate Course on Forex and Treasury Management (FXTM)

Organised by: Committee on Financial Markets and Investors' Protection,ICAI

12th APR 2025 to 17th MAY 2025
10 AM to 2 PM (Saturday & Sunday only)

4 Hours/ Day

10 DAYS ONLINE VIRTUAL CLASSES

COURSE FEES: RS. 5,900/-
Course fee of Certificate course on Forex and Treasury Management is Rs. 5,900/- [Rs. 5,000/- (Course fee) + Rs. 900/- (18% GST)]

30 HOURS **CPE Credit**

The participants to this course will be given 30 CPE Hrs wherein credit of 25 CPE hours will be given after completion of entire classes and remaining 5 hours will be given after successfully clearing the exam (Assessment Test) as per CPE guidelines.

About the Course

The Committee on Financial Markets and Investors' Protection is one of the Non-Standing Committees of the ICAI which conducts Certificate Course on Forex and Treasury Management (FXTM) for professional development of members in this field. This course covers foreign exchange market, money market, bond market operations and related financial products. It therefore analyses the international finance environment within which banks, other intermediaries and companies operate and how it affects their operations in treasury. Sound treasury management utilizes the right financial products and tools for minimizing risk. The course examines alternative strategies and techniques that can be employed to manage the risks associated with international business transactions and other treasury operations. It also provides an overview of the structure and key functions of the treasury.

Learning Objectives

- To have a contextual appreciation of the changes taking place in the global financial market, the issues facing the corporate financial manager, the development of academic theory and of practice in explaining and managing the financial risk which these changes bring.
- Understand and conquer the complexities of Forex and treasury management
- Be able to solve integrated and practical treasury problem
- Identify and evaluate exchange rate risks facing domestic and multinational companies
- Apply and evaluate alternative methods for managing foreign exchange
- Be able to use forex derivatives to hedge forex risk
- Be able to structure the finances of foreign operations
- Be able to make international capital budgeting decisions
- Demonstrate the ability to manage cash and liquidity in multinational organisation
- Be able to make short term investment decisions
- Be able to use money market instruments, bond market instruments and manage interest risk using derivatives
- Be able to understand linkages between money market and Forex market
- Demonstrate understanding of ethical and compliance issues

Course Contents

Day	Date		Module I & II
1	12-04-2025	2 hrs	CHAPTER- 1 Treasury - Organisation Structure
		2 hrs	CHAPTER- 2 Treasury - Process
2	13-04-2025	4 hrs	CHAPTER- 3 Treasury - Domestic
3	19-04-2025	4 hrs	CHAPTER- 4 Treasury - Forex
4	20-04-2025	4 hrs	CHAPTER- 5 Treasury - Mathematics
5	26-04-2025	4 hrs	CHAPTER- 6 Treasury - Technology
6	27-04-2025		CHAPTER- 7 Treasury - Accounting
7	03-05-2025	2 hrs	CHAPTER - 8 Treasury - Taxation
		2 hrs	CHAPTER - 9 Treasury - Types
8	04-05-2025	4 hrs	CHAPTER - 10 Treasury - Risk Management
9	10-05-2025	4 hrs	CHAPTER - 11 Treasury - Regulation, Supervision and Compliance
10	11-05-2025	4 hrs	CHAPTER - 12 Treasury - Auditing
11	17-05-2025	4 hrs	Project evaluation

Eligibility

Only the Members of ICAI are eligible to pursue this course.

Course Duration

Online/Virtual Classes will be for 10 Days and 11th Day Project Presentation & Evaluation - 4 Hours each

Attendance

A candidate will have to attend 75% of classes, failing which, s/he will not be entitled to appear in the exams (Assessment Test)

Assessment Test & Evaluation Pattern:

There will be 2 Papers of 100 marks each for three hours at the end of the course and one Project of 150 marks will be allotted during the classroom sessions. The paper will consist of 100% multiple objective type questions with Section A, B & C. A passing grade is awarded if the candidate obtains 40% marks in each paper and project and 50% in the aggregate.

Paper	Module	Marks	Time allotted
Paper-1	Chapters 1-6 along with case studies and practical questions	100 Marks	3 hrs
Paper-2	Chapters 7-12 along with case studies and practical questions	100 Marks	3 hrs
Project/s	Topic given during sessions (Different topics are allotted for each participant with project guidelines & template of PPT)	150 Marks	Evaluation 11th day of session (5 minutes allotted to each participant for present Project online)
	Total	350 Marks	

Note:
1. Assessment test fee: Rs.1000/-+GST fee is applicable only if the participant is unable to clear/take the Assessment test in their first eligible attempt.
2. A participant will be allowed a maximum of 4 attempts to pass the assessment. If a candidate is unable to qualify/take the assessment after 4 attempts within two years, a fresh registration is required to complete the course.

Refund policy:
- Requests for refund or admission cancellation must be received at least one week before the Certificate Course starts.
- A deduction of 10% of the gross fee paid (including GST) will be applied, in accordance with ICAI norms.
- No refund requests will be accepted once the course has commenced.

https://learning.icai.org/committee/ccmip/ccftm/batch14-onl/

For details-contact
Secretariat,
Committee on Financial Markets and Investors' Protection
The Institute of Chartered Accountants of India,
Second Floor, Hostel Block, ICAI Bhawan,
A-29- Sector 62 ,Noida - 201309

Contact : 0120- 3045905
Email: fxtm@icai.in

SCAN TO REGISTER

Note: Committee reserves the right to change the venue, time, date, pattern and course curriculum

IFAC Enhances International Education Standards to Equip Professional Accountants for Sustainability Reporting

The International Federation of Accountants (IFAC), which unites and connects professional accountancy organizations worldwide, has finalized revisions to the International Education Standards to embed sustainability throughout aspiring professional accountants' training. These updates reinforce the accountancy profession's role in supporting high-quality sustainability reporting and assurance while upholding integrity and professional quality.

The revisions to these foundational education standards establish a global baseline of sustainability competence, ensuring professional accountants worldwide are prepared to implement sustainability-related disclosure and assurance standards. This includes standards issued by the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA), and the International Sustainability Standards Board (ISSB), as well as those under development by the International Public Sector Accounting Standards Board (IPSASB).

IASB issues a major update to the IFRS for SMEs Accounting Standard

The International Accounting Standards Board (IASB) has issued a major update to the IFRS for SMEs Accounting Standard, which is currently required or permitted in 85 jurisdictions. This Standard aims to balance the information needs of lenders and other users of SMEs' financial statements with the resources available to SMEs. The Standard defines SMEs as entities without public accountability that prepare general purpose financial statements.

The update of this Standard is the outcome of a periodic comprehensive review of the Standard. Highlights include:

- a revised model for revenue recognition;
- bringing together the requirements for fair value measurement in a single location; and
- updating the requirements for business combinations, consolidations and financial instruments.

New PCAOB Publication Aims To Help Auditors Get Form AP Right

The PCAOB has released a staff publication, "Audit Focus: Form AP." For each audit report that they issue for a public company, PCAOB-registered audit firms are required to file a Form AP. Through this form, audit firms disclose key information specific to the audit, such as the engagement partner responsible for the audit, details about the audit report, and the participation of other accounting firms in the audit. These disclosures help investors, audit committees, and other stakeholders to understand exactly who has participated in the audits of public companies and how work is distributed among those participants.

PCAOB staff continues to identify a large number of deficiencies related to auditors' Form AP filings. The deficiencies include, among others, inaccurately reporting whether another accounting firm contributed 5% or more of total audit hours, omitting or incorrectly reporting the percentage of total audit hours contributed by a firm, or providing the incorrect date of the audit report.

PCAOB Posts New Knowledge Check To Help Auditors Gauge Understanding of New Confirmation Standard

The PCAOB has posted a new knowledge check designed to help auditors gauge their understanding of important aspects of AS 2310, The Auditor's Use of Confirmation. This new standard replaces an interim standard, AS 2310, The Confirmation Process, and is effective for audits of financial statements for fiscal years ending on or after June 15, 2025. This knowledge check, or informal quiz, highlights various aspects of the new standard.

The knowledge check is the latest in a series of resources the PCAOB has recently released to assist and inform auditors in their implementation of PCAOB standards and rules.

FRC Backs Growth in New Three-Year Plan

Following consultation and engagement with stakeholders, the Financial Reporting Council (FRC) has published its Strategy for 2025-28 and its Annual Business Plan and Budget for 2025-26. This is the first three-year strategy delivered by the regulator since 2023 and sets out a series of important changes intended to continue to support businesses and the government's mission to promote UK economic growth and investment.

The strategy outlines some key projects reviewing how the FRC undertakes its inspection and supervision of audit firms, its approach to enforcement and holding auditors to account when failings are identified.

4th Faculty Identification Program

AI Certificate for Chartered Accountants (AICA) Level 1

AI in ICAI announces a 2 Day Residential Faculty Identification Programme (FIP) for AI experts aspiring to become certified faculty for the AICA-Level 1 course. The program is open to eligible Chartered Accountants and professionals meeting the criteria.

Details :

Friday, 16th May, 2025 & Saturday 17th May,2025

10:00 AM to 7:00 PM

ICAI COE Hyderabad, Plot No. 10 & 11, Road No. 2,
I.T Park, Financial District, Gachibowli,
Nanakramguda, Telangana 500032

Important Information :

Free Registration :

The FIP is free of charge. ICAI will provide accommodation and meals at ICAI COE Hyderabad.

Eligibility for AICA Faculty:

Chartered Accountants and professionals with teaching experience and sound knowledge of Artificial Intelligence concepts and applications.

Travel Arrangements:

Participants must arrange their own travel to reach by 10:00 AM on Friday 16th May 2025.

Accommodation:

Available for outstation participants on a double-occupancy basis, subject to availability on a first-come, first-served basis.

Registration Deadline:

On a first-come, first-served basis, until all seats are filled. Once seats are filled, Participants may be allowed without Accommodation.a first-come, first-served basis.

Profile and Recording Submission:

Participants must upload their profile to Google Drive and submit the shared link through the designated Google Form.

In addition, each participant is required to record a video (maximum duration: 120 seconds) showcasing their AI use case. This video must include both the faculty's facial expression and technical content.

The video should be uploaded to YouTube or Google Drive, and the video link must be submitted through the same Google Form. Please ensure that the link is accessible to anyone with the link

For More Details on AICA:
https://ai.icai.org/assets/upload/attachment/AICA_7.0.pdf

Seats are limited and registration is on a first-come, first-served basis.
Click here to apply https://ai.icai.org/aifdp.php

Contact Information:
Email: ai@icai.in
WhatsApp Only: +91 9910568125

Q Whether there are any Know Your Client (KYC) Norms to be followed by members in practice?

Yes, members in practice are required to follow Know Your Client (KYC) Norms, which are mandatory w.e.f. 1.1.2017. These are applicable for all attest functions.

"Attest Functions" for this purpose include services pertaining to Audit, Review, Agreed upon Procedures and Compilation of Financial Statements.

The KYC Norms may be accessed in Paragraph R320.3 A6 of Volume-I of Code of Ethics which states as under: -

R320. 3 A6 Professional accountants while accepting engagement of attest functions are required to comply with the "Know Your client" (KYC) Norms of the Institute. The Announcement issued in this regard is reproduced below:-

1. Where Client is an individual / proprietor

A. General Information

✓ *Name of the Individual*

✓ *PAN No. or Aadhar Card No. of the Individual*

✓ *Business Description*

✓ *Copy of last Audited Financial Statement*

B. Engagement Information

✓ *Type of Engagement*

2. Where Client is a Corporate Entity

A. General Information

✓ *Name and Address of the Entity*

✓ *Business Description*

✓ *Name of the Parent Company in case of Subsidiary*

✓ *Copy of last Audited Financial Statement*

B. Engagement Information

✓ *Type of Engagement*

C. Regulatory Information

✓ *Company PAN No.*

✓ *Company Identification No.*

✓ *Directors' Names & Addresses*

✓ *Directors' Identification No.*

3. Where Client is a Non- Corporate Entity

A. General Information

✓ *Name and Address of the Entity*

✓ *Copy of PAN No.*

✓ *Business Description*

✓ *Partner's Names & Addresses (with their PAN/Aadhar Card/DIN No.)*

✓ *Copy of last Audited Financial Statement*

B. Engagement Information

✓ *Type of Engagement*

Explanation: "Attest Functions" for this purpose will include services pertaining to Audit, Review, Agreed upon Procedures and Compilation of Financial Statements.

Q If there is a change of auditor but the predecessor auditor is aware of an act or suspected act of NOCLAR that has not yet been addressed, does the predecessor auditor have to communicate information concerning the NOCLAR to a proposed auditor?

Yes, predecessor auditor on request by the proposed accountant pursuant to paragraph R320.8 of Volume-I of Code of Ethics, shall provide all relevant facts and other information concerning the identified or suspected non-compliance to the proposed accountant.

Q What are the circumstances that create threats while accepting a client engagement?

As per Paragraph 320.3 A1 of Volume-I of Code of Ethics, while accepting a client engagement, threats to compliance with the principles of integrity or professional behaviour might be created, for example, from questionable issues associated with the client (its owners, management or activities).

Issues that might create such a threat include client involvement in illegal activities, dishonesty, questionable financial reporting practices or other unethical behaviour.

Further, as per Paragraph 320.3 A3 of Volume-I of Code of Ethics, a self-interest threat to compliance with the principle of professional competence and due care is created if the engagement team does not possess, or cannot acquire, the competencies to perform the professional services.

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Opinion

Accounting for rectification of interest earned on fixed deposits made out of surplus funds erroneously accounted for as income for certain earlier years, under AS framework.

A. Facts of the Case

1. A company (hereinafter referred to as 'the Company' or 'the Corporation') is a wholly owned Government Company under the ambit of the Ministry of Textiles. The Company is a national level agency to assist the speedy development of the handloom sector with the help of 07 regional offices and 29 branch offices. The Company is the nodal agency for implementation of the Raw Material Supply Scheme (RMSS) and National Handloom Development Programme (NHDP) of the Government of India (GoI). The Company receives funds from the Government and the same are deposited in separate corpus fund account and then these are utilised for the purpose these are granted for.

2. *Corpus Fund (Marketing Complex) Account:* Marketing Complex is the Scheme of GoI, which is aimed at providing marketing support by setting up marketing complexes with a view to create permanent marketing outlets for handloom weavers/agencies. The Company was appointed as the nodal agency for implementation of the scheme by the order of (O/o) Development Commissioner for Handloom, Ministry of Textiles. For implementing the aforesaid scheme, an amount of Rs. 825.81 lakhs was received from the Government of India for setting up of marketing complexes at Mumbai, Indore, Jaipur and New Delhi. As per the Scheme, fund received from the Government of India was credited to a separate bank account i.e. Corpus Fund (Marketing Complex) Account. Thereafter, the fund was utilised for setting up of marketing complex. A fixed deposit (FD) account was opened and unutilised amount was transferred therein. Interest earned on fixed deposit was transferred back to corpus fund account on yearly basis upto financial year (F.Y.) 2016-17. However, during the F.Y. 2017-18 and 2018-19, the interest earned on FDs was treated as income of the Company and was not credited to the Corpus Fund. From F.Y. 2019-20 onwards, again the interest earned on the FDs has been credited to Corpus.

3. *Corpus Fund (Mega Cluster) Account:* Ministry of Textiles, GoI sanctioned grant-in-aid as corpus fund of Rs. 950.00 lakhs to the Company for supply of yarn, dyes and chemicals to the handloom weavers in Mega Handloom Clusters of various locations under the Comprehensive Handloom Cluster Development Scheme (CHCDS) from 2009-10 onwards. Fund was released on the condition that a separate account of Corpus Fund shall be opened and the grant-in-aid shall be utilised for the purpose of supply of yarn, dyes and chemicals to the handloom weavers in Mega Clusters. Accordingly, Corpus Fund (Mega Cluster) Account was opened and operated for implementing the scheme. Unutilised fund, however, was deposited

in a fixed deposit account. Initially, interest earned on fixed deposit was transferred back to Corpus Fund account on yearly basis upto F.Y. 2016-17. However, the same was withdrawn and treated as income of the Corporation. Further, interest earned on fixed deposit was also treated as income of the Company during financial years 2017-18 and 2018-19 instead of crediting to the Fund. From F.Y. 2019-20 onwards, again the interest earned on the FDs has been credited to Corpus.

4. The querist has stated that the Comptroller and Auditor General of India (C&AG) vide its letter dated 03.05.2021 has commented upon the aforementioned issues in the accounts of the Company for the financial year ended on 31st March, 2020. C&AG vide its letter dated 02.06.2021 also instructed to consider and act upon its comments before finalising accounts in future (a copy of letter of C&AG has been provided by the querist for the perusal of the Committee). C&AG also reiterated that matter is important and be placed before the Board of Directors/Audit Committee. The matter was placed before the Board of Directors and Board directed to take the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India (ICAI).

5. Therefore, as per the querist, the Company is required to take necessary corrective action in respect of the interest earned on these funds during aforementioned years. Hence, internal auditors of the Company have requested the Expert Advisory Committee to consider the matter as described hereinabove and comment of C&AG and share its opinion and provide guidance for appropriate accounting treatment.

6. The querist has stated that in previous years 2017-18 and 2018-19, interest earned on the Corpus Funds (Fund) was treated as income of the Company, instead of crediting to the Fund itself. During the F.Y. 2019-20 onwards, the Company changed its accounting treatment and credited the interest earned to the Fund itself. However, interest earned during financial years 2017-18 and 2018-19 has not been credited to the Fund. Therefore, the Company is required to take necessary corrective action in respect of the interest earned during said period.

B. Query

7. In view of the above, the Expert Advisory Committee is requested to give its opinion and necessary guidance for proper accounting treatment for reversal or otherwise as Committee deems fit of interest included in income during the financial years 2017-18 and 2018-19.

C. Points considered by the Committee

8. The Committee notes that the basic issue raised by the querist relates to the accounting for rectification of interest earned on fixed deposits made out of surplus funds received for implementation of above-mentioned Schemes of GoI, erroneously accounted for as income in the Statement of Profit and Loss for certain earlier years. The Committee has, therefore, considered only this issue and has not examined any other issue that may arise from the Facts of the Case, such as, accounting for funds/grants received by the Company for execution/ implementation of Marketing Complex Scheme and Comprehensive Handloom Cluster Development Scheme, calculation of interest, accounting treatment including presentation (if any) of the fixed deposits by the Company in its financial statements, other interest income, whether or not there exists a principal-agent relationship between the Company and the GoI for implementation of the Schemes mentioned, etc. Further, the Committee wishes to point out that its opinion is expressed purely from accounting perspective and not from any legal perspective or interpretation of Marketing Complex Scheme and Comprehensive Handloom Cluster Development Scheme and various other documents submitted by the querist such as allotment letters for shops, Orders from the office of Development Commissioner for Handlooms, grant-in-aid sanction letters, communication with the Government, lease agreement, etc. The Committee notes from the financial statements of the Company for the financial year 2022-23 that the same have been prepared as per Accounting Standards, notified under the Companies (Accounting Standards) Rules, 2021; therefore, the opinion is expressed from the perspective of the Accounting Standards and not Indian Accounting Standards (Ind AS).

9. The Committee notes from the Facts of the Case that the Company is working as a facilitating or implementing agency for implementing various schemes (Marketing Complex Scheme and Comprehensive Handloom Cluster Development scheme) of the Government of India (GoI). In this regard, the Committee notes the following from one of the grant sanction letter for Marketing Complex Scheme:

> "1. …the sanction of the President for release of further Grant-in-aid of …to the Company for purchase of 31 shops from M/s H for setting up of Handloom Marketing Complex by the Company.
>
> "2. The above amount is being released subject to the following conditions:
>
> …
>
> iv) The amount will be kept in a separate Bank Account which is in

operation and will be utilised only for the purpose for which it has been sanctioned.

v) Amount of interest accrued will also be deposited/credited in above account as mentioned in para (iv) above

vi) The Company is requested to take over the possession of the shops immediately and hand over the same to the participating agencies."

From the above, the Committee notes that the Company receives funds from the Government on a condition that a separate account shall be opened and the funds shall be utilised for the purpose of the Scheme only (viz., purchase of shops and then handing over to the participating handloom agencies). Any interest earned accrued on unutilised funds will also be credited/deposited in the said separate account. In this regard, the Committee notes that paragraph 69(a) of the 'Framework for the Preparation and Presentation of Financial Statements', issued by the Institute of Chartered Accountants of India states that "*Income* is increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants." In the extant case, the Committee is of the view that interest income is to be deposited back to separate bank account (which is to be used for the purpose of the Scheme only), and therefore, the same does not result into an increase in economic benefits in any form to the Company. Thus, interest income cannot be considered as 'Income' of the Company in case of Marketing Complex Scheme. Hence, based on the facts supplied, presuming the same conditions to be present in case of Comprehensive Handloom Cluster Development Scheme also, the Committee is of the view that interest earned on surplus funds received for Corpus Funds of the above-mentioned Schemes should not have been credited to the Statement of Profit and Loss. However, since the interest was erroneously treated as income for certain earlier years, the same needs to be rectified in the current reporting year.

10. With regard to accounting for rectification of interest erroneously credited to Statement of Profit and Loss in earlier years, the Committee notes the following requirements of Accounting Standard (AS) 5, 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies':

"4.3 Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods."

"15. The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived.

16. The term 'prior period items', as defined in this Standard, refers only to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The term does not include other adjustments necessitated by circumstances, which though related to prior periods, are determined in the current period, e.g., arrears payable to workers as a result of revision of wages with retrospective effect during the current period.

17. Errors in the preparation of the financial statements of one or more prior periods may be discovered in the current period. Errors may occur as a result of mathematical mistakes, mistakes in applying accounting policies, misinterpretation of facts, or oversight.

18. Prior period items are generally infrequent in nature and can be distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, income or expense recognised on the outcome of a contingency which previously could not be estimated reliably does not constitute a prior period item.

19. Prior period items are normally included in the determination of net profit or loss for the current period. An alternative approach is to show such items in the statement of profit and loss after determination of current net profit or loss. In either case, the objective is to indicate the effect of such items on the current profit or loss."

From the above, the Committee is of the view that the interest for certain earlier years, which was erroneously treated as income and credited to the Statement of Profit and Loss of the Company would constitute a 'prior-period item' in the current reporting period. Therefore, as per the above-reproduced requirements, the same should be rectified by including its effect in the determination of profit or loss for the current period, viz., by debiting or including it as an expense in the Statement of Profit and Loss (since earlier, the amount was credited to the Statement of Profit and Loss as income). Further, as per the requirements of the Standard, the nature and amount of prior period items should be separately disclosed in the Statement of Profit and Loss in a manner that their impact on the current profit or loss can be perceived. Also, the

requirements of the Companies Act, 2013 in this regard should be complied with.

D. Opinion

11. On the basis of the above, the Committee is of the opinion that the interest for certain earlier years, which was erroneously treated as income and credited to the Statement of Profit and Loss of the Company would constitute a 'prior-period item' in the current reporting period and the same should be rectified by including its effect in the determination of profit or loss for the current period, viz., by debiting or including it as an expense in the Statement of Profit and Loss. Further, as per the requirements of the Standard, the nature and amount of prior period items should be separately disclosed in the Statement of Profit and Loss in a manner that their impact on the current profit or loss can be perceived, as discussed in paragraphs 9 and 10 above. Also, the requirements of the Companies Act, 2013 in this regard should be complied with.

1.	The Opinion is only that of the Expert Advisory Committee and does not necessarily represent the Opinion of the Council of the Institute.
2.	The Opinion is based on the facts supplied and in the specific circumstances of the querist. The Committee finalised the Opinion on 6th September 2024. The Opinion must, therefore, be read in the light of any amendments and/or other developments subsequent to the issuance of Opinion by the Committee.
3.	The Compendium of Opinions containing the Opinions of Expert Advisory Committee has been published in forty-three volumes. These volumes are available for sale and can be procured online through CDS Portal at https://icai-cds.org/.
4.	Opinions of the Committee may be accessed at the following link: http://115.248.235.50/eacicai/.
5.	Opinions can be obtained from EAC as per its Advisory Service Rules which are available on the website of the ICAI, under the head 'Resources'. For further information, write to eac@icai.in.

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Accountant's Browser

PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

Index of some useful articles taken from Periodicals received during February – March 2025 for the reference of Faculty/Students & Members of the Institute.

1. Accountancy

Forensic Accounting & Investigation in Healthcare Industry – Challenges & Opportunities by Niraj N. Navindgikar. *Bombay Chartered Accountant Journal, February 2025, pp. 29-35.*

2. Law

Factories Act: Related Problems & their Solutions by C.M. Bhasin. *Labour Law Reporter, March 2025, pp. 80.*

Law and Procedure Relating to Significant Beneficial Ownership of Shares Under Section 90 of the Companies Act, 2013 by K R Chandratre and K D Rane. *Chartered Secretary, February 2025, pp. 88-97.*

3. Management

CSR and Sustainable Leadership: Shaping the Future by Anjali Darshan Paliwal. *Chartered Secretary, February 2025, pp. 65-69.*

4. Taxation and Finance

Accelerating GST Refunds: A Guide for Businesses by Siddharth Surana. *Goods & Services Tax, vol. 107, i.8, pp. 29-32.*

Don't Let Vouchers Tax Your Brain – Unwrap the GST Rules with Ease! by Sachin Mishra and Laavanyaa Ramesh. *Goods & Services Tax, vol. 108, i.2, pp. 26-30.*

Investment by Non-Resident Individuals in Indian Non-Debt Securities – Permissibility Under FEMA, Taxation and Repatriation Issues by Prashant Paleja, Paras Doshi and Kartik Badiani. *Bombay Chartered Accountant Journal, February 2025, pp. 11-21.*

Union Budget 2025: A Progressive, Futuristic and Inclusive Budget Towards Viksit Bharat 2047 by CS Asish Mohan. *Chartered Secretary, February 2025, pp. 44-49.*

Full Texts of the above articles are available with the Central Council library, ICAI, which can be referred on all working days. For further inquiries please contact on 011-30110419 and 011-30110420 or by e-mail at library@icai.in.

CLASSIFIEDS

6093 Required Full/Part time CAs as Partners/ Retainers, Semi-Qualified, Article Asstts. for Delhi-NCR, Jammu & Kashmir. Contact 9205136037; E-mail: kkg200317@gmail.com

6094 45 years old CA firm requires practising CAs only as a full time Partner purely on revenue sharing basis (No fixed remuneration) for Mumbai, Bhopal, Chennai, Hyderabad, Indore, Ahmedabad, Gandhinagar, Surat, Siliguri, Darjeeling, Guwahati, Agartala, Chandigarh and Portblair. Write: bwaho2005@gmail.com

6095 We invite practicing members to form a partnership with us in Mumbai. We have an audit and tax practice. Interested members may apply to: rddavar@gmail.com

Legal Decisions

Income Tax

LD/73/50
ITAT Delhi: ITA No. 2091/Del/2018
The Asst. Commissioner of Income Tax
Vs.
Windlass Steel Crafts LLP
25th February 2025

ITAT affirmed deletion of addition of deemed dividend u/s 2(22)(e) towards receipt and payment of loan from a company, in which two of the firm's partners held substantial interest; Assessee is an LLP converted from a partnership firm; Deeming fiction u/s 2(22)(e) requires that the person who takes the loan to be a shareholder in the lender entity, however Assessee, being a separate legal entity, after its conversion into LLP and is not a shareholder in the aforementioned lender entity; Assessee took several amounts and also paid certain amount back, thus, the transactions were in the nature of business transactions; Revenue didn't verify whether transactions are regular business transactions or diverted to the individual benefits of the shareholders.

LD/73/51
ITAT Chennai: ITA No. 617/Chny/2023
Gateway Office Parks Pvt Ltd
Vs.
The Asst. Commissioner of Income Tax
19th February 2025

No benefit is accrued to assessee on issuance of shares to holding and subsidiary, company and hence application of Section 56(2)(viib) held to be unwarranted; Rule 11UA(2)(b) clearly provides Assessee with the option to adopt either of the methods (DCF or NAV) which cannot be unilaterally taken away by the Revenue; Assessee issued rights shares to two holding companies, in equal proportion, and one of them being a non-resident company wherein the AO has split the transactions in two parts and applied DCF method in one and NAV in another part; ITAT accedes to Assessee's submissions that that the DCF method was adopted for shares issued to overseas entities as a result of the RBI guidelines and therefore the Assessee cannot be faulted.

LD/73/52
ITAT Delhi: ITA No. 1798/Del/2021
Harry Township Limited
Vs.
The Asst. Commissioner of Income Tax
19th February 2025

Assessee is entitled to tax exemption under Section 10(37) on the compensation received on compulsory acquisition of land by NHAI; CIT(A) had disallowed the claim on the ground that no notification was issued by the Government in terms of Section 105(3) of RFCTLARR Act; As per ITAT, after the amendment in Section 105(3), the precondition of issue of notification was withdrawn w.e.f. Jan 1, 2015; ITAT highlighted CBDT Circular No. 36 of 2016 dated Oct 25, 2016 clarifying that compensation awarded on acquisition of agricultural and non-agricultural land under RFCTLARR Act was subject to tax exemption.

LD/73/53
ITAT Chandigarh: ITA No. 699/Chd/2024
M/s Sahibzada Timber & Ply Private Limited
Vs.
The Dy. Commissioner of Income Tax
19th February 2025

AO disallowed a capital loss of Rs 27.75 Lakhs on sale of plot of land and added it to Assessee's income; AO had referred to another comparative sale transaction executed by the Assessee for plot of the same size; ITAT notes that both the said plots of land were adjacent to each other and had the same purchase price of Rs 60.75 Lakhs and that there was substantial difference in terms of sale consideration of both; CIT(A) had ruled that it was beyond logic as to how probable unavailability of infrastructure could cause huge difference in sale consideration when the purchase price was not affected.

LD/73/54
Bombay High Court: WP No. 1530/2022
Lupin Limited
Vs.
The Dy. Commissioner of Income Tax
18th February 2025

Reassessment proceedings u/s 148 set aside by the Bombay HC since re-opening was based on Revenue's change of opinion and no tangible fresh material was brought on record; In response to a particular query regarding the claims u/s 35AC and deductions u/s 80G and Revenue having considered assessee's response, had allowed these claims in the assessment order under Section 143(3); Even though this was a case of reopening within 4 years, still, reopening of the assessment only on re-examination of the very same material cannot be permitted.

LD/73/55
ITAT Mumbai: 3753/Mum/2023
The Dy. Commissioner of Income Tax
Vs.
M/s Shelter Developers
18th February 2025

Compensation received by the Assessee for giving up the 'right to sue' is a capital receipt and not chargeable to tax; ITAT noted that in accordance to Section 6 of Transfer of Property Act, the right to sue cannot be transferred; There was no right of specific performance but only 'right to sue' which was withdrawn as a result of the consent terms filed before court; relied on Bom HC ruling which stated that right to sue for damages is not an actionable claim, it cannot be assigned. Transfer of such right is illegal and is opposed to public policy. Not being capital asset and not being transferable, receipt of compensation is not liable to capital gains.

LD/73/56
ITAT Chennai: ITA No. 2717/Chny/2024
New Dawath Traders
Vs.
The Income Tax Officer
14th February 2025

Assessee had satisfied the substantive conditions drawn under clause (a) and (b) of Section 270AA(1) however had failed to file requisite Form 68 before the AO; ITAT directed deletion of penalty; Assessee had duly remitted the tax and interest as per the assessment order; Non-filing of Form 68 held to be only a technical or venial breach which should not snatch away the assessee's substantive right to claim immunity; Courts are meant to do substantial justice between the parties and that technical rules or procedure should not be given precedence over substantial justice.

LD/73/57
ITAT Mumbai: ITA No. 5689/Mum/2024
The Asst. Commissioner of Income Tax
Vs.
Prashant Prakash Nilawar
12th February 2025

Additions u/s 69C based on whatsapp communications were deleted by ITAT; AO failed to corroborate the evidence recovered from the third parties in accordance with the provisions under Information Technology Act, 2000 (IT Act) and Indian Evidence Act, 1872; Additions cannot be simply based on whatsapp conversation between third parties without placing on record corroborative evidence; Reliance placed on Bombay HC decision in Lata Mangeshkar wherein the importance and meaning of primary evidence was extensively discussed; Section 2(t) and Section 11 of Information Technology Act deal with the attribution of electronic records, and in consideration of the provisions of such Act there cannot be any presumption or attribution on the Assessee in respect of the electronic records based on which additions have been made in the hands of the Assessee.

LD/73/58
ITAT Delhi: ITA No. 3345/Del/2023
Max Ventures Investment Holdings Pvt Ltd
Vs.
The Income Tax Officer
04th February 2025

Suo-moto disallowance of expenditure on exempt income u/s 14A cannot be inferred to be underreporting of income to impose penalty under Section 270A; Assessee filed its return of income for AY 2017-18 by including a suo-moto disallowance of ₹18.14 Lac u/s 14A; Consequently, to avoid litigation and maintaining peace, assessee voluntarily offered an additional ₹7.62 Cr u/s 14A, which was also accepted by AO; Penalty at 50% under Section 270A for underreporting of income was imposed; W.r.t. Suo moto disallowance of expenditure in earning exempt income, it cannot be inferred that the Assessee has underreported the income; ITAT remitted the matter back to CIT(A) for denovo adjudication.

LD/73/59
ITAT Mumbai: ITA No.3482/M/2024
M/s Krishna Gopal Diwvedi HUF
Vs.
Centralized Processing Centre
27th January 2025

Assessee opted the new tax regime for AY 2021-22 by filing Form 10-IE on Jan 10, 2022 but the Assessee had to file a belated return under the old tax regime since the ITBA did not allow for choosing the new tax regime beyond the extended due date; Return filed by the Assessee for AY 2021-22 was neither rejected nor declared invalid by the CPC; As per ITAT, assessee should not be deprived of benefits of concessional rate; Where the Assessee opted for taxation u/s 115BBA and filed Form 10-IC or 10-IE electronically or for before Jan 31, 2024 or 3 months from the end of month in which the CBDT Circular is issued, then delay in filing of Form 10-IC for the previous year relevant to AY 2021-22 is liable to be condoned.

FEMA Updates

Asian Clearing Union (ACU) Mechanism – Indi Maldives Trade

A.P. (DIR Series) Circular No. 22 dated March 17, 2025

In the wake of signing of Memorandum of Understanding (MoU) between RBI and Maldives Monetary Authority in November 2024 for establishing a framework to promote the use of local currencies i.e., Indian Rupee (INR) and Maldivian Rufiyaa (MVR) for bilateral transactions, it has been decided that India's bilateral trade transactions with Maldives may also be settled in INR and/or MVR in addition to the ACU mechanism, as hitherto.

The above instructions shall come into force with immediate effect. AD Category-I banks may bring the contents of this circular to the notice of their constituents concerned.

Contributed by CA. Sahil Garud, Disciplinary Directorate. Matter on FEMA has been contributed by CA Manoj Shah, Mumbai, CA Hinesh Doshi, Mumbai, CA Sudha Bhushan, Mumbai and CA Viral Satra, Mumbai.

Disciplinary Case

Respondent while in employment with the Company created fake firms and embezzled money by issuing forged cheques against fake vouchers/invoices – Respondent is Guilty under Clauses (4) of Part II of the Second Schedule and Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949.

Held:

In the present case, the Respondent, who was employed as the head of accounts of the company engaged in embezzling funds by approving fraudulent invoices and payments to a non-existing advertising firm linked to his family. The Committee observed that the Respondent subsequently entered into a settlement agreement with the company and settled the dispute. The Respondent had made payments to the company pursuant to the settlement deed which itself proves that he has been a party to the embezzlement of funds through various questionable means and opted for settlement via compensation mode. The Complainant is a Japanese company who invested in India with an enormous trust and belief on India and its people. The acts of Respondent caused serious erosion of trust, not only of people of India but also in the country itself. Therefore, the Committee held that the Respondent is guilty of professional and other misconduct under Clauses (4) of Part II of the Second Schedule and Clause (2) of Part IV of the First Schedule of the Chartered Accountants Act, 1949.

PR-20/17-DD/217/2017/DC/989/2019

Disqualification of Auditor – Respondent, while holding the shares of the Company as Karta of an HUF conducted audit of the said company – Respondent should not have accepted the position of auditor, as conflict of interest is evident – Signing of audit report without verifying its contents with the financial statement – Failure to File Mandatory Forms – Respondent is Guilty of professional misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Held:

In this case, the Respondent, who was holding shares, conducted the audit of the company. The Committee noted that the Companies Act, 1956 does not directly refer to the HUF becoming a shareholder or promoter of the Company, but since an HUF does not enjoy a separate legal entity, it cannot become a member / shareholder in its own name. HUF can purchase shares in a Company through its Karta. Since the Respondent was the Karta of HUF, his contention that he was not having any security in his name, but that it was the HUF who was holding shares of the Company, does not seem tenable. In these circumstances, the Respondent should have desisted from conducting the audit of the said Company as the same may affect his independence of mind while conducting the audit. The act of the Respondent conducting audit of the Company appears to be an act of negligence on his part causing violation of the provisions of the Companies Act, 1956. Further, the Respondent admitted his mistake regarding the non-filing of Form 23B for his reappointment as Auditor with the Registrar, which is mandatory. Consequently, the Committee found the Respondent guilty of professional misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

PR-323/15/DD/45/2016-DC/1243/2019

Rack the Brain!

01 I am the product of a nation's economic health; excluding depreciation from the gross, I reflect the wealth. I account for the total market value of goods and services produced within borders but subtract the value of worn-out orders. What am I?

02 I exist when demand outpaces supply, a pressure on prices, causing them to rise high. My presence suggests the economy is too hot, where full employment exceeds the production's allotted lot. Which gap am I?

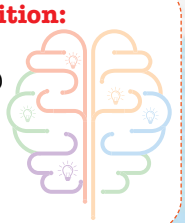
03 I represent the rewards for labor, land, and capital—the income that flows from resources, both financial and natural. I encompass wages, rents, interest, and profit. For those who contribute, I am their rightful allotment. Which payment am I?

04 I am the portion of earnings you retain; after taxes and mandatory payments, I remain. With me, you decide how to spend or save; for personal use, I offer the financial wave. Which income am I?

05 I reflect the spending on goods and services, by households and individuals, in various forms and purposes. I drive the economy with purchases day by day, a key indicator of demand in a nation's array. Which expenditure am I?

Answers of March 2025 Edition:

1. Fiscal Policy
2. IPO (Initial Public Offering)
3. Amalgamation
4. Consolidated Fund of India
5. Contingency Fund



ANNOUNCEMENT

Invitation for Empanelment as Examiners for Chartered Accountants Examinations

Applications are invited from eligible members of the Institute and other professionals including academicians of reputed educational institutions, tax and legal practitioners etc., having a flair for academic activities including evaluation of answer books and willing to undertake confidential assignments as a dedicated examiner, for empanelment as examiner in respect of the following papers of the Chartered Accountants Examinations.

Foundation Examination	
Paper - 2	Business Laws

Intermediate Examination	
Paper - 3	3A : Income Tax Law
Paper - 5	Auditing and Ethics

Final Examination	
Paper - 2	Advanced Financial Management
Paper - 3	Advanced Auditing, Assurance and Professional Ethics

The eligibility criteria for empanelment as examiner are as follows:

- Chartered Accountants with a minimum of five years standing in practice or in service are eligible.
- University Lecturers/Professors with a minimum of five years teaching experience are eligible.
- ICWA, ACS, M.Com, Post Graduates in Economics or Law, Lawyers, IT Professionals, MBA (Finance) and other professionals with at least five years experience, either in academic position or in practice or in employment are eligible to apply. Those with work experience having direct relevance to the aforesaid subjects(s) of examination(s) will be preferred.
- Persons above 65 years of age are not eligible.
- Persons who are visually impaired or suffer from such other physical disability that might necessitate taking the assistance of any other person for evaluation of answer books are not eligible.
- Persons who are undergoing CA Course of the Institute are not eligible.
- Persons whose applications were rejected earlier from the Panel are eligible to apply again after a gap of 1 year from the date of rejection.
- Those who are already empanelled with ICAI as examiners need not apply. Their candidature will be considered in the normal course, at the appropriate time.
- Persons associated with the coaching activities are not eligible. Those who have ceased to be associated with the coaching activity, are permitted to apply after a gap of 5 years.

Scales of honorarium for evaluation of answer books

Examination	Paper	Rate (for Digital Evaluation)
Foundation	1 & 2	Rs. 160/- per answer book
Intermediate (IPC)	1,2,4 & 5	Rs. 200/- per answer book
Intermediate (IPC)	Sectional papers (Paper 3A, 3B, 6A & 6B)	Rs. 130/- per answer book
Final examination	1, 2, 3, 4, 5 & 6	Rs. 250/- per answer book

Application for empanelment as examiner can be made online at http://examinerspanel.icaiexam.icai.org.

ICAI has implemented the Digital evaluation (Online Evaluation) of answer books in all the papers of Foundation, Intermediate and Final examinations. Hence, applicants are expected to be comfortable working on computers and also evaluating answer books on-line. However, requisite training will be provided, before on-line evaluation assignments are undertaken. Please fill the application online, take a print out, affix your photograph, sign it and send with all the requisite enclosures to the following address:

CA. Anand Kumar Chaturvedi
Joint Secretary (Exams)
The Institute of Chartered Accountants of India
ICAI Bhawan
Indraprastha Marg
New Delhi – 110002

Joint Secretary (Exams.)

RESULT OF CHARTERED ACCOUNTANTS FOUNDATION EXAMINATION HELD IN JANUARY- 2025

The result of the Foundation Examination held in January 2025 was declared recently.

The details of percentage of candidates passed in the above said examination are given below:

GENDER	No. of Candidates Appeared	No. of Candidates Passed	% of Pass	No. of Exam Centres
MALE	58240	12661	21.74	533
FEMALE	52647	11200	21.27	
TOTAL	110887	23861	21.52	

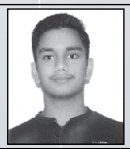
RESULT OF CHARTERED ACCOUNTANTS INTERMEDIATE EXAMINATION HELD IN JANUARY - 2025

The result of the Chartered Accountants Intermediate Examination was declared recently.
The details of percentage of candidates passed in the above said examination are given below:

	Group(s)	No. of Candidates Appeared	No. of Candidates Passed	% of pass
I	Group – I	108187	15332	14.17
II	Group – II	80368	17813	22.16
III	Both Groups	48261	6781	14.05

TOPPERS OF CHARTERED ACCOUNTANTS INTERMEDIATE EXAMINATION JANUARY – 2025

The details of top three rank holders on the all-India basis for the Intermediate Examination held in January - 2025 with the marks secured by them are also given herewith.

PARTICULARS	ALL INDIA TOPPER FIRST RANK	ALL INDIA SECOND RANK	ALL INDIA THIRD RANK
			
NAME	DEEPANSHI AGARWAL	THOTA SOMANADH SESHADRI NAIDU	SARTHAK AGRAWAL
CITY	HYDERABAD	VIJAYAWADA	HATHRAS
ROLL NO.	566708	655623	574012
MARKS	521/600	516/600	515/600
%	86.83	86.00	85.83
PHONE	9963362052	7386976359	9368272687

Business Standard

I-T Bill: ICAI submits suggestions to Parl select committee

Chartered accountants' apex body ICAI on Thursday submitted its suggestions to the Lok Sabha Select Committee examining the new Income Tax Bill, including seeking lesser number of sections and simplifying the language in the proposed legislation. The 31-member committee, headed by BJP MP Baijayant Panda, has been mandated to submit its report by the first day of the next Parliament session.

The Institute of Chartered Accountants of India (ICAI) has suggested reducing the number of sections in the proposed bill by 90 to 100, its President Charanjot Singh Nanda said. Currently, the proposed bill has 536 sections.

Besides, the institute has made suggestions on ways to reduce litigations and simplify the language of the bill further, he added. "We want to support the government," Nanda said at a briefing in the national capital.

The bill was introduced by Finance Minister Nirmala Sitharaman in Lok Sabha last month.

Meanwhile, the ICAI has expressed its interest to the government to be part of the Prime Minister's Internship Scheme whereby youth can be offered opportunities in various areas of accounting and finance. PTI

THE ECONOMIC TIMES

ICAI Bats for Shorter I-T Bill in Meet with LS Select Committee

Our Bureau

New Delhi: The Institute of Chartered Accountants of India (ICAI) on Thursday submitted a raft of suggestions to the Lok Sabha Select Committee that is scrutinising the new Income-tax Bill, its president, Charanjot Singh Nanda, said. These include pruning the number of sections in the bill, simplifying the language and reducing the scope for litigations.

The institute has suggested that the number of sections in the proposed bill be reduced by 90 to 100 from the current 536, Nanda said.

The select committee under BJP leader Baijayant Panda is expected to submit its report by the first day of the next Parliament session.

Moreover, the language of the bill can be simplified even further, he said, citing the institute's earlier stance. This, in turn, will leave ambiguity out of interpretation and eventually cut litigation, he added. He, however, acknowledged that proposed legislation is way simpler than the law that exists today.

But Nanda declined to spell out details of recommendations, stating the discussion with the select committee is a confidential matter.

PM'S INTERNSHIP SCHEME

The institute, he said, has also written to the corporate affairs ministry, expressing its willingness to be a part of the Prime Minister's Internship Scheme. It intends to train youth in various areas of accounting and finance.

Through the scheme, a pilot of which was launched in October 2024, the government plans to extend internship opportunities to 10 million youth at 500 top companies over five years.

THE ECHO OF INDIA

EIRC of ICAI celebrates International Women's Day & felicitates newly elected leadership of ICAI

EOI CORRESPONDENT

KOLKATA, MARCH 8/--/The Eastern India Regional Council (EIRC) of The Institute of Chartered Accountants of India (ICAI) successfully celebrated International Women's Day under the esteemed aegis of the Women and Young Members Empowerment Committee (WYMEC), ICAI. The event also followed by a Felicitation Ceremony for our torchbearer - the newly elected Hon'ble President, ICAI. The celebration was held at Kolkata, with an enthusiastic gathering of members, students,

and distinguished guests. It is a matter of pride that the Eastern Region took the opportunity to celebrate the International Women's Day graced by Hon'ble President, ICAI

The International Women's Day Celebration, focused on empowering women through insightful sessions conducted by renowned experts.

The event also honoured Senior Lady Members of ICAI for their contributions and dedication to the profession. Their felicitation was a moment of pride and recognition for the efforts and achievements of women in accountancy. President, ICAI in his speech shared his vision for the institute and the profession. Their inspiring speeches motivated members and students to strive for excellence in their careers.

CA. Vishnu K Tulsyan, Chairman, EIRC while addressing the gathering have mentioned about his vision for the Region as a whole and his mind in developing the profession by making available the (a) Revamped EIRC website (b) Mass Go Green initiative (c) Developing faculties/speakers and also finding avenues for inspiration to the profession as a whole.

THE ECONOMIC TIMES

PRESIDENT NANDA TALKS PROACTIVE MEASURES

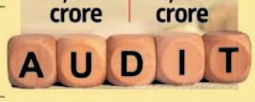
ICAI to Review IndusInd Bank's Books for Lapses

Under Scrutiny

- **Financial Reporting** Review Board of ICAI to review relevant financial statements of IndusInd Bank
- **If financial** statements are not "true and fair", it can refer the case to the ICAI's disciplinary committee
- **IndusInd Bank** said the discrepancies will have an adverse impact of **2.35%** on its net worth as of December 2024

ESTIMATED FINANCIAL IMPACT

Post Tax: About	Pre-tax: About
₹1,600 crore	₹2,100 crore



YOGEESH

Banikinkar Pattanayak

New Delhi: The Institute of Chartered Accountants of India (ICAI) will review the books of IndusInd Bank, taking suo motu cognizance of accounting discrepancies in its forex derivative portfolio disclosed by the private lender earlier this week, ICAI president Charanjot Singh Nanda told **ET.**

"As a proactive measure, the Financial Reporting Review Board (FRRB) of the ICAI can review the relevant financial statements of IndusInd Bank," said Nanda.

He added that if the FRRB finds the bank's financial statements are not "true and fair" as per the stipulated standards, it can refer the case to ICAI's disciplinary committee for subsequent action against the auditors concerned.

IndusInd Bank said on Monday the discrepancies could have an adverse impact of around 2.35% on its net worth as of December 2024.

The deficiencies are estimated to have a financial impact of nearly ₹1,600 crore post-tax and about ₹2,100 crore pre-tax on the bank.

The lender, during an internal review of processes relating to other assets and liability accounts of the derivative portfolio, found discrepancies in its derivative portfolio linked to transactions over 7-8 years through FY24.

On Tuesday, IndusInd Bank sought to allay concerns about the accounting discrepancy, saying it has enough reserves and capital to cover for it. However, the stock plunged about 30% amid investor worries.

On Thursday, the stock fell 1.84% to ₹672.1 apiece on the BSE, underperforming a 0.27% decline in the benchmark Sensex.

the pioneer

BIZ-ICAI-INTERNSHIP SCHEME

ICAI looks to be part of PM Internship Scheme

PNS ■ NEW DELHI

The Institute of Chartered Accountants of India (ICAI) has expressed its interest to the government to be part of the Prime Minister's Internship Scheme whereby youth can be offered opportunities in various areas of accounting and finance.

The scheme, being implemented by the corporate affairs ministry, was launched on October 3, 2024 and aims to provide internship opportunities to 1.25 lakh youth in the current financial year.

An ICAI official on Thursday said the institute has written to the ministry seeking to be part of the scheme.

After getting the ministry's in-principle approval, the ICAI Central Council will discuss on the modalities related to participating in the scheme, the official said and added that the aim is to provide internship opportunities for the youth at chartered accountant firms in the areas of accounting and finance.

The scheme, announced in the 2024-25 Budget, aims to provide internship opportunities to 1 crore youth in top 500 companies in 5 years.

Meanwhile, ICAI President Charanjot Singh Nanda on Thursday said 'VISHWAS-NIYA' will be the vision statement for the 2025-26 council year. The current council year will end on February 11, 2026.

It will focus on the vision for Viksit Bharat, integrity and ethics, sustainability and social impact, holistic professional and leadership development, and wellness and work-life balance.

Other aspects that will be in focus are accelerating digital transformation, stakeholder engagement, nation-first approach, innovation and entrepreneurship, youth and women-led development, accountability, trust and transparency,

ICAI has more than four lakh members.

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

FOLLOW TO LEAD

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- ✓ Authentic and reliable updates
- ✓ Updates on professional development programs
- ✓ Crucial insights with respect to profession
- ✓ Networking opportunities with peers

https://followus.icai.org/

CHARTERED ACCOUNTANTS' BENEVOLENT FUND [CABF]
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

JOIN HANDS TO STRENGTHEN CABF : SPECIAL DRIVE

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

A dedicated CABF Portal (cabf.icai.org) is functioning as One Stop solution for making CABF Contribution and grant of Financial Assistance.

During Covid pandemic, hundreds of ICAI members had lost their battle and many others were struggling hard to pass through that difficult time. The impact was deep and had certainly shattered their dreams. The Institute through the CABF had tried to help the members or their dependents in distress.

With an objective to augment funds to provide requisite support to members, it has been decided to launch special drive and to recognise the contributors. Details of the same are given below.

The Financial Assistance disbursed along with number of beneficiaries during the last five financial years has been produced below:-

S No.	Particulars (Years)	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
1.	Number of beneficiaries	88	280	877	221	84
2.	Financial assistance disbursed (in ₹)	0.94 Crore	3.97 Crore	11.92 Crore	3.67 Crore	1.50 Crore

The Contribution is eligible for tax exemption under Section 80G of the Income Tax Act

Link for Contribution as Life Member:
https://cabf.icai.org/lifeMember

Link for Voluntary Contribution:
https://cabf.icai.org/voluntaryMember

Contribution can also be made by scanning the QR code or directly through NEFT/RTGS

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

SPECIAL DRIVE FOR CONTRIBUTION TO THE CHARTERED ACCOUNTANTS BENEVOLENT FUND (CABF)

The contributions/donations are accepted from the following:

Members of ICAI **CA Firms**

The donors will be recognized as under: (All contributors exceeding ₹10,000 to receive congratulatory letter from the President, ICAI)

Category of Contribution	Amount Not Less Than	Acknowledgement/Recognition
CABF-Bronze	**₹ 1 Lakh**	Special Bronze Shield – Along with Congratulatory Letter from the President to be sent by Post/Courier
CABF-Silver	**₹ 5 Lakh**	Special Silver plated Shield – Along with Congratulatory Letter from the President to be handed over by Regional Chairman in Regional Council Meeting (Acknowledgement to be published in Regional Newsletter and quarterly list to be published in ICAI Journal)
CABF-Gold	**₹11 Lakh**	Special Gold plated Shield – Along with Congratulatory Letter from the President to be handed over at ICAI Head Office. (Acknowledgement to be published in ICAI Journal)
CABF-Platinum	**₹51 Lakh**	Special Platinum plated Shield – Along with Congratulatory Letter from the President to be handed over by President & Vice President at ICAI Council Meeting. (Acknowledgement to be published in ICAI Journal with photograph taken during Council Meeting)

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

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ICAI 75 YEARS OF TRUST | ७५ सालों विश्वास के

ICAI Digital Learning Hub

ICAI DIGITAL LEARNING HUB

Your New Knowledge Sharing Hub!!!

Connect, Collaborate and Enrich your knowledge & Professional Excellence
https://learning.icai.org/

ICAI Digital Learning Hub is an integrated Learning Management System (LMS) which brings a new knowledge ecosystem in a collaborative pedagogical model and with participatory learning to improve learner outcomes.

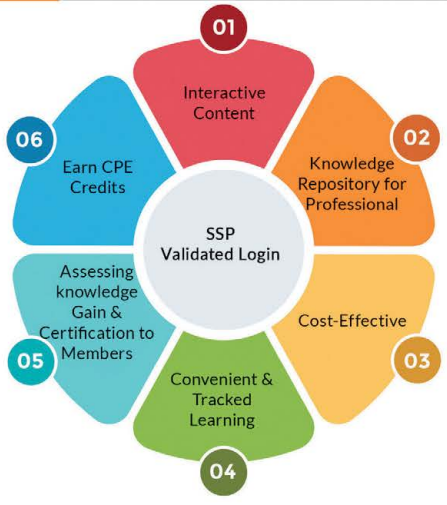
OUR STAKEHOLDERS

- Members
- Students
- MRA/ MOU/SAFA Members

What can Members do on the Digital Learning Hub?

- Subscribe to Certificate and Post- Qualification Courses
- Access Self-Paced Online E-Learning Courses
- Access Quick E-Referencers
- Subscribe to Web Lectures
- Register for Residential Programs
- Register for CPE Events
- Subsrcibe to E- Journals
- Undertake Assessments to assess one's subject knowledge
- Earn Structured & Unstructured CPE Credits
- Join Communities and interact with peers
- Take up Surveys, Quizzes, Polls
- Earn Badges

Benefits to the Stakeholders



CONTACT.

Share your valuable feedback on https://learning.icai.org/

For Queries, mail to elearning@icai.in