

PRESS RELEASE

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

NEW DELHI

19th NOVEMBER 2022

**ACCOUNTING PROFESSION MUST REMAIN IN TUNE WITH
TECHNOLOGICAL CHANGES AND BUSINESS MODELS SAYS CAG
ADDRESSES 21ST WORLD CONGRESS OF ACCOUNTANTS**

The accounting profession has to remain in tune with the technological changes and keep in step with the new disruptive business models of the 21st century. This was stated by the Comptroller and Auditor General of India in Mumbai today. Addressing 21st World Congress of Accountants hosted by the Institute of Chartered Accountants of India putting spotlight on Building Trust and Enabling Stability, Shri Girish Chandra Murmu stated that this is necessary as the economy is going through massive transformation with evolution of new and innovative tools in doing business and these will challenge the conventional accounting traditions and thinking.

There are many other challenges which impact the global value chain, especially international transactions; an example being the emergence of crypto currency and the challenges of capturing untraceable financial transactions which will be a huge challenge in financial audits.

The CAG said that “we need sustainable IT governance and prudent financial management to enact large public programmes transparently without running into cost and time delays. Accounting and Audit professionals must take note of these developments to complement the government’s efforts. We have to ensure that we discharge our duties with high ethical, technical and professional standards. Digital assurance will allow auditors to validate for an entire population, which will improve efficient workflow and build trust in financial statements. It is time therefore, for the accountancy profession to take steps towards building high quality integrated reporting and performance statements. It is heartening to note that ICAI has been adopting emerging technologies like block chain, Artificial intelligence, Big Data and is imparting training on those tools”.

Shri Murmu said that hundreds of home grown, small and medium enterprises and young entrepreneurs are creating unicorns which shows a positive signal. They would require especially in their initial days guidance and support from the accounting profession for legal and regulatory compliance, he added.

The CAG said that the issue of sustainable development can no longer be overlooked and accountants and auditors also have an important role to play here to comment not just on legality, propriety, transparency and accountability; but also on sustainability.

Shri Murmu said that the CAG institution has used cutting edge technologies, such as satellite imagery and geospatial analyses to aid audit planning and evidence gathering and its progress in the areas of research and capacity building for information system, data analytics and environmental audits is comparable to the best in the world.

Shri Murmu stated that the CAG shares a long and fruitful association with the Institute of Chartered Accountants of India. “We have also been working together to evolve standards for accounting and auditing, and for improving Quality Reviews for a long time in various committees and this synergy would be instrumental in establishing quality financial reporting and a credible compliance framework. This will not only strengthen corporate governance practices in our country, but also guide us towards realising the country’s economic and social objectives”, he added.

Following is the full text of CAG’s speech

A very good afternoon to all the participating panellists and distinguished guests present here today. I am very happy to be here at 21st World Congress of Accountants hosted by the Institute of Chartered Accountants of India this year. I am glad to learn that this year’s conference has put the spotlight on Building Trust, Enabling Sustainability.

2. Both Trust and Sustainability are critical for any civilized society, democratic governance and for entire humanity. It assumes greater importance in the globalised inter-dependent systems and on the face of emerging challenges. Accounting is core to build trust in all walks of trade, commerce, industry and in governance. The culture of accounting has to be made in tune with sustainable development and inclusive growth.

3. The World Congress of Accountants, as we all know, is a meeting ground for some of the best global minds in the accounting profession. Its members are some of the most diverse and talented professionals, including auditors, accountants, actuaries, regulators, standard setters, finance controllers, CEOs and CFOs. The business community, the public and professional field experts - all look up to the World Congress of Accountants to provide new insights and innovations for improving efficacy of financial reporting and business management.

4. The history of phenomenal growth in trade and commerce is closely intertwined with that of the development of the accounting profession. It is inconceivable that without timely and accurate financial information in form of accounts, the era of international economic model would have grown to its present size.

5. The ICAI has been awake to the emerging situation, challenges and constantly strived to evolve and uphold its standards to ensure transparency and accountability in financial reporting.

The ICAI has been playing a crucial role in regulating the profession by adopting high accounting standards, auditing procedures and accurate accounting practices. It has diverse expertise in a wide array of taxation matters, from capital budgeting, budget forecasting to accounts auditing. The accountancy and auditing profession has always been a strong enabler in policy formation and policy implementation. One of the recent examples, I may cite is the contributions made by the CA fraternity in the implementation of Goods and Service Tax in the country

6. However, the economy is going through massive transformation with evolution of new and innovative tools in doing business. These will challenge the conventional accounting traditions and thinking. For example, there is this issue of new balance sheet where companies which hardly have any physical assets or employees have revenue streams of billions of dollars. Case in point is the cab and hotel room aggregators. The accounting profession not only has to keep itself abreast with the technological changes but has to keep in step with the new disruptive business models of the 21st century.

There are many other challenges which impact the global value chain, especially international transactions; an example being the emergence of crypto currency and the challenges of capturing untraceable financial transactions which will be a huge challenge in financial audits.

7. Today, we need to constantly search for credible tools to meet the challenges emanating from the development in trade and tariff systems and emergence of digital assets necessitating credible accounting environment. We need accountants who can contribute in creating sustainable businesses by taking advantage of emerging tools and innovations in public financial management to foster inclusive growth.

8. India has remained resilient during the emerging challenges of pandemic and economic slowdown and has become the fifth largest economy in the world. And the country is witnessing massive infrastructure development, high industrial growth and rising consumption levels. It is well on its way to become a global manufacturing hub.

Hundreds of home grown, small and medium enterprises and young entrepreneurs are creating unicorns which shows a positive signal. They would require especially in their initial days guidance and support from the accounting profession for legal and regulatory compliance

9. The Government of India has a well-defined digital strategy for augmenting the country's social and physical infrastructure. The country has initiated several e-governance solutions for delivery of public services. At present, we run the world's largest Direct Benefit Transfer

programme for the welfare of millions of poor in the country. The Pradhan Mantri Jan Dhan financial inclusion programme is linked to citizens' unique identity numbers and their mobile phones. An effort that has been able to plug subsidy leakages to a large extent.

10. We need sustainable IT governance and prudent financial management to enact large public programmes transparently without running into cost and time delays. Accounting and Audit professionals must take note of these developments to complement the government's efforts. We have to ensure that we discharge our duties with high ethical, technical and professional standards. Digital assurance will allow auditors to validate for an entire population, which will improve efficient workflow and build trust in financial statements. It is time therefore, for the accountancy profession to take steps towards building high quality integrated reporting and performance statements. It is heartening to note that ICAI has been adopting emerging technologies like block chain, Artificial intelligence, Big Data and is imparting training on those tools

11. The Comptroller and Auditor General of India, as an independent constitutional authority has a unique role of auditing all the receipts and all the expenditure of the Union and States of India. Moreover, for the third tier of government, which is local bodies such as municipalities and village level institutions, CAG provides both Technical Guidance and Support to their respective auditors as well as conducts periodic audits wherever entrusted. CAG audits all the public sector enterprises which are run on commercial lines and follow the ICAI's accounting standards. It also, by statutes of Parliament, is responsible for reporting on issues of fiscal deficit, revenue deficit and matter of debt sustainability.

12. We at CAG have used cutting edge technologies, such as satellite imagery and geospatial analyses to aid audit planning and evidence gathering. I am happy to share that our progress in the areas of research and capacity building for information system, data analytics and environmental audits is comparable to the best in the world.

13. I would like to touch upon another important area for accountants on the issue of sustainable development paradigm. The maxim popularised in the 1980s that "Greed is good" requires a serious rethink if our planet has to sustain itself. Though humans are still only a footnote in the chronological history of millions of years of evolution of life in this planet, however, within a few thousands of years we have brought unimaginable changes upon earth. The issue of sustainable development can no longer be overlooked and accountants and auditors also have an important role to play here to comment not just on legality, propriety, transparency and accountability; but also on sustainability. Today, more than ever we should be guided by Mahatma Gandhi's message when he said that "The Earth provides enough to satisfy every man's needs, but not every man's greed".

14. Towards this end, I commend the ICAI's Sustainability Reporting Standards Board for making persistent efforts to achieve 'Panchamrits', or the five nectars necessary to make India a low intensity carbon state -- as envisioned by our Honourable Prime Minister Shri Narendra Modi Ji during the COP 26 at Glasgow.

It is heartening to note that the ICAI is formulating comprehensive standards for measuring and disclosing non-financial information on an entity's progress towards meeting the SDG Goals, and has recently issued first ever assurance standards on ESG.

15. CAG's Government Accounting Standards Advisory Board (GASAB) released the first-ever Compendium of Asset Accounts of Natural Resources in October this year. This data was prepared in line with the UN system of Environmental and Economic Accounts and covers all the 28 states and one Union Territory. We are proud that this specialised handbook detailing available fossil fuels and minerals, is one of the few examples of Natural Resource Accounting anywhere in the world.

16. The CAG shares a long and fruitful association with the Institute of Chartered Accountants of India. We have also been working together to evolve standards for accounting and auditing, and for improving Quality Reviews for a long time in various committees.

A special mention has to be made about joint efforts to improve financial statements of public sector undertakings.

17. I am sure this synergy would be instrumental in establishing quality financial reporting and a credible compliance framework. This will not only strengthen corporate governance practices in our country, but also guide us towards realising the country's economic and social objectives.

18. I'm certain that the experience and insights of the panel speakers would set the tone for fruitful discussions and sharing of new ideas from practice for the greater good of society and economy. We live in an interconnected world today, and adoption of universally acceptable standards is critical for professional competence in any field today.

19. As I conclude, I would emphatically state that the world comity of accountants and auditors is a very valuable pillar of the global financial and economic environment. Emerging challenges have to be addressed by such world bodies with a holistic approach keeping in mind the existing inequalities, unique and diversified systems, digital divide and sustainability. The expectation of the society from accountants and auditors is that they will contribute constructively and positively towards the goal of a more equitable and sustainable world. As I leave these thoughts with you, I convey my best wishes to all the participants at the 2022 World Congress of Accountants. Also, I would like to congratulate ICAI, once again for successfully hosting this event in India.