



'NEW PROFESSIONS'

Interview of Shri M J Joseph, ICAS

MA We understand that one of the key concepts of the new Companies Act, 2013 is aimed at integrated governance. Can you enlighten us on that aspect and the role of professionals?

The focus of the Companies Act, 2013 is on promoting integrated and inclusive governance in corporates by providing a modern legal framework that is on par with those in developed nations. In the new scenario, professionals have a very important role to play, and their areas of responsibility have been widened to cover areas like financial audit, cost audit, secretarial audit, as experts, key managerial persons, etc. Also, checks and balances have been introduced to hold professionals accountable and responsible. They will play a key role in providing greater transparency of the business environment which would contribute to enhancing the trust of stakeholders in the company's management. I am sure that the three professional institutes will provide guidance to their members to meet the challenges ahead.

MA It is said the new provisions of domestic and cross-border mergers and acquisitions will ease the foreign investment climate in the country. Can you throw some light on this?

In the Companies Act, 2013, both in-bound and out-bound cross border mergers and acquisitions are allowed, between Indian and foreign companies, subject to RBI approval. This change is expected to have far-reaching impact on cross-border transactions, and facilitate development of corporate strategies on a global scale. This provision will allow Indian companies to internationalise their business for raising funds through listing or otherwise. Multi-nationals may also use it to invest more in India, or to consolidate their businesses in India.

MA The National Financial Reporting Authority

ADDITIONAL OPPORTUNITIES FOR CMAs'

, Additional Secretary to the Ministry of Corporate Affairs on the new Companies Act 2013

(NACAS) under the Companies Act substantially expands the role, which was played by NACAS under the earlier Act. In your view, in what manner has the breadth and depth of the scope expanded?

The National Financial Reporting Authority (NFRA) will replace the National Advisory Committee on Accounting Standards (NACAS), that acts as an advisor to the government on accounting policies and standards. Unlike NACAS, it will not merely be an advisory body but a regulatory authority for promoting and strengthening auditing, accounting and financial reporting. The role of the Authority has been extended to advice on matters related to Auditing Standards in addition to Accounting Standards, and also to act as a regulatory body for the accountancy profession. Compared to NACAS, NFRA will have powers to deal with professional misconduct. In addition to monitoring and ensuring compliance of accounting and auditing standards, NFRA will also oversee the quality of service of professionals and suggest measures required for further improvement. NFRA can also act suo moto or on a reference made to it by the Central government.

MA What is your message to cost and management accounting professionals on the cost audit and assurance mechanism as spelt out in the new Companies Act, 2013?

Cost auditing standards have been granted recognition for the first time under the Companies Act, 2013. This will provide a platform to CMAs to augment the quality of reporting that will benefit companies and ultimately the profession. New professional opportunities will be available to CMAs, not only in cost-related areas, but areas like internal audit, as experts etc. where they can contribute enormously. CMAs have to play an impor-

tant role to cater to the expectations of stakeholders. I am sure that the Institute of Cost Accountants of India will provide necessary guidance to its members in further advancements to the profession.

MA How are the interests of minority shareholders protected in the new Companies Act?

The Companies Act, 2013 has effective provisions to protect the interests of minority shareholders. The Act has introduced the concept of a Director of the Board elected by small shareholders. As per Section 151, a listed company may have one Director representing small shareholders. Also, there are provisions for easy exit by small shareholders and class action suit. Now, small shareholders would be able to seek damages from the company and its Directors in default for any fraudulent, wrongful and unlawful act. Shareholders will also be able to seek damages from auditors and audit firms in case of mis-statement of facts or any other unlawful act. These steps will increase the confidence of small shareholders in business that their interests are protected.

MA It is said that the internal audit and control mechanism is veering towards evaluation of risk management and mitigation in an entity. In your view, in what way does the mandate for internal audit as provided in the Companies Act can be strengthened through suitable rules?

The Companies Act, 2013 provides for appointment of an internal auditor to conduct internal audit of the functions and activities of the company. Rules will prescribe such class or classes of companies. Draft rules for this purpose have already been exposed to the public for comments. The endeavour will be towards framing appropriate rules for implementing the legislative intent. **MA**