

# CMA<sub>s</sub> WITH EXPOSURE TO FORENSIC ACCOUNTING CAN HELP BUILD SOUND INTERNAL CONTROL SYSTEMS



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*When you discover your mission, you will feel its demand. It will fill you with enthusiasm and a burning desire to get to work on it. – W. Clement Stone*

## My Dear Professional Colleagues,

It is time to recall the Mission Statement of the Institute which states that "The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting." The Vision talks about the CMA Professionals being source of Financial Leadership of enterprises globally. The CMA professional in his kitty, should necessarily possess one key tool which has come to occupy the center stage recently Viz., Forensic Accounting and Auditing.

Forensic Audit is the application of forensic accounting methods to track and collect forensic evidence, for investigation and prosecution for fraudulent acts in the business as well as non-business entities. It also inspects the accounting system for weaknesses that may lead to misappropriations, embezzlement, money laundering or other white collar crimes. The proliferation of e-commerce has led to another emerging face of these fraudulent practices in the cyber space. This in turn has meant an increasing demand for forensic IT services aimed at identifying unauthorized or unethical IT activities. The continuous efforts by the Institute to reskill the members thru Information System and Security Audit, thru international collaborations is also the dictate of the users of the profession. Those who wish to become a complete finance professional

will have to necessarily acquire these skills, as otherwise they have to mull in mundane routine jobs.

It is undeniable that this is the fastest growing forensic discipline that will assume greater importance. As investigative accounting is an important aspect of forensic accounting, computer forensics and its sub-disciplines are important tools for the forensic accountant in his task of retrieving and analysing evidence for the purposes of uncovering a fraud or challenging any financial information critical to the outcome of any dispute.

The forensic auditor must possess not only multiple skills but should have the qualities of curiosity, persistence, creativity, discretion, organisation, confidence and sound professional judgment. He brings with him the collective experience and varied skills of his team, which comprises not only accountants but also investigators, attorneys, financial analysts and computer forensic specialists. CMA professionals having exposure in Forensic Accounting can be of immense help in this area to build-up sound internal control system through their expert knowledge. CMAs can improve efficiency with the help of Resource Mapping by identifying areas of waste which would lead to efficient utilization of resources. They can apply Risk Mapping procedures to identify, analyse and quantify the risks, interfering with the achievement of organizational objectives. CMAs can verify discrepancies through performance study of the organization by analysing efficiency. This has come as a major factor in the Independent Evaluation Committee meetings, where Institute representatives have pointed out the deficiencies which may derail the revenue flows and the early warning signals that have to be kept in mind by the banks in the post sanction monitoring of NPAs. They can point out imbalance of input-output ratio, thus would lead the firm to efficiently allocate resources to increase productivity and profitability in due course. CMAs will be an invaluable resource for the subrogation recovery team to manage subrogation handling cost.

The cost of any new skill development is also directly related to the value derived from it. Even in practicing streams, system audit and assurance commands a premium over the mere certification requirements. The costs involved with forensic audit can be high but the potential cost of not undertaking such an audit and implementing its findings can be even higher. I firmly believe that CMAs have the potential to excel in this area and they should come up to acquire available knowledge and expertise in this field.

## Union Budget 2015-16

I congratulate the Finance Minister for presenting growth oriented and forward looking budget proposals for the year 2015-16. Economic Survey 2014-15 indicated signs of revival of Indian economy and good prospects of overall growth of the Country. Growth will gather pace in Financial Year 2017 following the implementation of Goods and Services Tax (GST) and liquidity conditions are expected to remain comfortable in Financial

Year 2016. Proposals under 'Housing for all' scheme and providing basic facilities like power, water, toilets and road connectivity will assure all inclusive growth of the country. The Infrastructure scenario would be strengthened with the establishment of National Investment and Infrastructure Fund. Introduction of a new scheme 'Self-Employment and Talent Utilization' for Techno-financial, incubation and facilitation program to support all aspects of start-up business will encourage setting up of new business.

The proposal of bringing Ports in public sector to corporatize and becoming companies under the Companies Act to attract investment and leverage the huge unused land resources is also a welcome move. This will surely open new avenues for CMA professionals. Government's move to deal the concealment of black money parked abroad, effectively and forcefully, by introducing a Bill for comprehensive new law could be a path breaking effort. Other forward looking proposals which are sure to have a long lasting impact on the economy are Job creation through revival of growth and investment & promotion of domestic Manufacturing; improving ease of doing business and Improving quality of life and public health.

#### **Seminar on Companies (Cost Records and Audit) Rules 2014**

With the objectives of providing necessary assistance to Industry and Professionals in understanding the intent & object of the Government and also to enhance technical capability and competency of the professionals and to provide clarifications with regard to Companies (Cost Records and Audit) Rules 2014 as amended, PD Directorate and CPD Department of the Institute in association with PHD Chamber of Commerce and Industry organized One Day Seminar on "Decoding the Amended Companies (Cost Records & Audit) Rules, 2014" on 25th February 2015 at New Delhi. There was active participation of CMA Professionals in the Seminar.

#### **Karnataka CMA Convention**

Bangalore Chapter in association with SIRC of ICAI organized the Karnataka CMA Convention on the theme "Role of CMA's in Industrial Growth & Service Sector in the State of Karnataka" to commemorate its Golden Jubilee at Bangalore on 7th and 8th February 2015. While addressing the participants, I conveyed that since Karnataka is manufacturing hub for some of the largest public sector industries in India and has emerged as pan-Indian leader in field of Information Technology, the CMA fraternity has a very significant role in providing decision support systems to industry, Government and other stake holders for effective and efficient management of available scarce resources to enable organizations to supply goods and services at affordable prices thereby making the region and country cost competitive. I congratulated Bangalore Chapter for completing the glorious 50 years of its existence this year.

#### **Virtual Centre for Development of MSMEs**

The Institute in association with ASSOCHAM has set up the country's first 'Virtual Centre for Development of MSMEs', which was formally inaugurated by Shri Kalraj Mishra, Hon'ble Union Minister of MSME on 20th February 2015. Objective of the Centre is to make India's micro, small and medium enterprises (MSMEs) globally competitive, highly innovative and create first-generation entrepreneurs. It aims to overcome the stagnating productivity in the sector through technology upgradation, improving credit flow, updating the MSMEs as per latest trends and demands, developing globally competitive human resource, ensuring better compliance with government policies and facilitating their participation in international trade thereby eliminating the bottlenecks in successful business operations. It will serve as a single window for all MSME related issues and will also impart training to nurture experts.

#### **MoU with ACCA**

I wish to inform that in a major breakthrough I, on behalf of the Institute, signed a Memorandum of Understanding with the Association of Chartered Certified Accountants (ACCA) of the UK on 20th February 2015 at New Delhi to work towards co-operation in respect of professional training, education, research and examinations. As per the understanding, members of both the Institutes will be allowed mutual advanced entry to the membership of both the professional institutes, through exemptions from appearing majority of papers to acquire the qualification of the other Professional Body. The significance of this MoU must be seen in the light of changing global as well as local business environment which requires Professional Accountants in Business to strengthen their financial accounting and control knowledge in addition to the domain knowledge of Cost and Management Accounting. As the role of finance function is evolving, the Institute recognizes its changing nature which is taking a global hue, with a finger on the pulse of local economy. It is expected that MoU will open new avenues for students and members of the Institute.

#### **MoU with Genpact**

In another major pact, the Institute signed an MoU with Genpact India to train CMA students and help them in placement thereafter. It will facilitate future opportunity to thousands of CMA students across the country to be part of the global system and practice. The training will be on a Genpact prescribed platform that will enhance employability of the Certificate in Accounting Technicians (CAT)/CMA students. The Institute will soon launch special courses in various domain and verticals of Genpact, leading to their final placement with the leading business process outsourcer.

#### **MoU with National Skill Development Agency (NSDA)**

The Institute signed an MoU with National Skill Development Agency (NSDA) on February 10, 2015 at New Delhi to enable offering various collaborative activities for promoting and to encourage entrepreneurship and skill development activities in India. Director General of NSDA, Shri J.P. Rai, IAS and I were present on the occasion. This MoU would groom and train budding entrepreneurs through vibrant entrepreneurship and skill development program mainly in the MSME sector throughout India.

#### **MoU with Tata Hitachi**

The Institute entered into an MoU with Tata Hitachi at Kolkata on February 4, 2015 for conducting industry-specific research studies to enhance cost competitiveness and skill development programs to promote entrepreneurship development ideas among the youths. I am hopeful academia-industry interface would be aimed to create amalgam theory and practice suitably for smooth dissemination of knowledge.

#### **MoU with West Bengal State Rural Livelihood Mission (WBSRLM)**

The Institute and West Bengal State Rural Livelihood Mission (WBSRLM) entered into an MoU on February 13, 2015 to enable undertaking of various research and training activities for establishing 'Community Audit' system for Self Help Groups in West Bengal by developing sufficient number of quality 'Community Auditors' for meeting the audit needs of SHGs in the state.

To apprise all the members about the activities / initiatives undertaken by the Departments/ Directorates of the Institute, I now present a brief summary of the activities.

#### **Administration Department**

The Admin department of the Institute has initiated the process of seeking nominations from the members of the Institute for the 2nd CMA Awards-2014 under three main categories; CMA-CFO, CMA Young Achiever (Male), and CMA Young Achiever (Female). CMA-CFO Award, institutionalized last year, recognizes the significant contributions to

operational efficiency, risk management, value creation, improving corporate governance and CSR, and innovations in Cost & Management Accounting practices by members of the Institute in employment.

With the objective of building the brand image of CMA Profession and Institute, an advertisement entitled 'Cost and Management Accountant's contribution to Nation, Economy and Business' was released in leading newspapers which got appreciation by one and all.

#### **CAT Directorate**

The Chairman, CAT along with officials of CAT department of Institute met Shri Shrawan Sawhey, IAS, Commissioner and Dr. Amita Gill, Joint Director, Department of College Education, Government of Rajasthan to review the progress of CAT in the State of Rajasthan and discuss the future expansion plans with them. Meeting provided base for further expansion of CAT in Rajasthan. Meetings were also held with Shri B.K. Agarwal, Joint Secretary, Department of Personnel, to discuss the placement opportunities for CAT students in Rajasthan and with corporate HR executives for placement of CAT Students. I am sure these interactions will go a long way in establishing the CAT course in the State of Rajasthan firmly.

#### **Continuing Professional Development Directorate**

The increasing initiatives by our Regional Councils and Chapters in organizing various programs, seminars and discussions for the members on the topics of professional relevance such as, Emerging Global Outlook for CMA Profession Through Recent Collaborations, Service Tax-Issues and Problems, Quick Bites of Budget 2015 Live Telecast and Discussions, Tax Implication on E-Commerce Transaction, Role of CMAs in Coal Sector, The Companies (Cost Records & Audit) Amendment Rules 2014, Goods & Service Tax, Forensic Audit, Costing System and Awareness of Port Operation - Role of CMA, Make in India- Role of CMA, Enterprise Risk Management relate to Insurance, Recent Trends in Trade Finance, Best Practices in Internal Audit and Role of CMA as Internal Auditor, Cost Audit Tool for Productivity & Growth, Export-Import benefits & Obligations, Karnataka CMA Convention, and so on. We are sure that our members are immensely benefitted with such programs. Look forward for active participation of our members to enhance professional knowledge and skills.

#### **Cost & Management Accounting Committee**

As mentioned in the previous month's communiqué that Institute is organizing 'Asian Summit on Health Care Cost Management' on theme 'Touching Lives through Cost Management in Health Care' on 12th & 13th March 2015 at New Delhi. We look forward for active participation from members. For details visit the website of the Institute. Cost & Management Accounting Committee continued with the Webinars on 'Series on Cost Management' to reach members at large. These webinar sessions are well received by the members. The details of the Series are available on the website of the Institute.

#### **Exams Directorate**

The results of Intermediate and Final examinations of December 2014 term were declared on 21st February 2015 as per schedule. I wish all the passed out students a successful future, and urge the students who could not pass, to work hard for the next term. The preparation is on for online Foundation examination to be held on 1st March 2015.

#### **Hyderabad Center of Excellence**

The results for the Management Accountancy Examination conducted in December 2014 were declared. Webinars for various Diploma courses were conducted by the Advanced Studies Directorate. As part of the ICMAT- Training program the Directorate also offered couple of webinars

for the final students of the Institute.

#### **ICWAI MARF Programs**

I am pleased to inform that program for the officers of Indian Air Force was organised on 'Advanced Cost and Financial Management Techniques Relevant to IAF'. Another program for officers of Indian Navy was organised on 'Contracts and Cost Management'. A program on 'Internal Audit' for the officers of Nepal Electricity Authority, Kathmandu was organized at New Delhi and Mumbai. A Certified Accountant Program for the officers of Mahindra Finance Academy was organised at Mumbai. Program for the officers of Rural Electrification Corporation on 'Risk Management' was organised at New Delhi. The program for the officers of National Buildings Construction Corporation Limited on 'Service Tax, VAT and CESS' was organised at New Delhi. A program on 'Service Tax-Issues and Problems' was organized at Port Blair which was attended by executives of various organizations.

#### **IT Directorate**

We launched the Knowledge Bank portal during the National Cost Convention 2015 at Hyderabad. It is a web based portal containing shared knowledge resources for all the stakeholders of the Institute. This knowledge bank has been integrated with website of the Institute to provide quick access to the learning resources.

#### **International Affairs Department**

The International Federation of Accountants (IFAC) is holding next meeting of IFAC-PAIB Committee at Brussels, Belgium on March 23rd and 24th of 2015. On behalf of the Institute, CMA AN Raman will attend the meeting. Confederation of Asian & Pacific Accountants (CAPA) is holding the next meeting of Public Sector Financial Management Committee on 27th March 2015 at Kathmandu, Nepal. The meeting will be represented by the Vice-President of the Institute. The next South Asian Federation of Accountants (SAFA) events are also scheduled to be held at Kathmandu, Nepal on 27th March 2015. The events shall be attended by the Institute's representatives.

#### **Membership Department**

The March month heralds the yearly ritual of renewal of Certificate of Practice for members in practice. Practicing members are requested to comply with the formality of filing the prescribed form and COP renewal fee with the Institute for renewal of their CoP for FY 2015-16 well in advance to avoid any inconvenience. A write-up on 'Advisory for renewal of Certificate of Practice' is published elsewhere in this journal for general guidance of the practicing members. I am happy to share that w.e.f. 19th January 2015, 386 candidates have been admitted to Associateship, 86 members have been advanced to Fellowship, 11 candidates of IMA, USA and 02 candidates of IPA, Australia have been admitted to Associateship of this Institute. I heartily welcome all the new Associate members to the CMA family. I take this opportunity to remind that there are still a few members who are yet to clear their membership fee for FY 2014-15. I urge upon them to quickly pay off their membership fee to continue to enjoy the benefits of membership.

#### **Placement Directorate**

I am happy to share that the long standing demand of experienced CMAs for extending placement assistance to them has been fulfilled with the launch of Placement portal for experienced CMAs. Our members can now submit their CV on line and edit the same periodically. Placement Directorate will be approaching companies with the data base of experienced to meet their requirements for senior managers. I am sure this will help the industries in finding their managers with required skill sets.

**Professional Development Directorate**

During the 56th National Cost Convention-2015 held on January 31st-February 1st, 2015 at Hyderabad, Shri M. Venkaiah Naidu, Hon'ble Union Minister for Urban Development released two Guidance Notes on Internal Audit of Pharmaceutical Industry and Stock Brokers and Depository Participants. Both Guidance Notes are very comprehensive and concise reference book for the professionals preparing the Internal Audit in these Sectors. The publications can be purchased from the Institute headquarters, Delhi Office and all regional councils. Also, soft copies of these guidance notes are available in Professional Development portal of the Institute website.

The Institute and WIRC are jointly organizing **National CMA Practitioners' Convention-2015** on Monday, 16th March 2015 at Mumbai. There shall be various interacting Technical Sessions of Practitioners covering the recent developments in the fields of GST, Direct Taxes, Opportunities in Banking & Project Financing, Forensic Audit, Internal & Risk Based Audits, enhancing the quality of cost audit etc. I urge all Practising Cost Accountants to kindly block the date and assemble in good numbers.

**Research & Journal Directorate**

The Institute in association with Confederation of Indian Industry (CII), Eastern Region organized a seminar on 'Emerging Trends in Corporate Governance and Business Ethics' on February 6, 2015 at the Park Hotel, Kolkata. Shri Amardeep Singh Bhatia, IAS, Joint Secretary, Ministry of Corporate Affairs, Government of India, Shri Manoj Kumar, IAS, Chief Vigilance Officer, Coal India, Ms. Cristina Albertin, Country Head, UNODC, Shri Krishna Dutt, Managing Partner, Udwardia Udeshi & Argus Partners,

Shri Darshan Patel, Partner, PWC Forensic Services, Shri Ramanilyer, Forbes Marshall Ltd, Swami Mahamedhananda, Joint Controller of Examinations, Ramakrishna Mission Vidyamandir were among the eminent dignitaries present in the dais. The objective of the seminar was to facilitate exchange of thoughts between the business leaders to better understand the challenges in corporate governance and business ethics.

Directorate of Research and Journal of the Institute organized a Round Table Discussion on 'The Role of Human Resource in the Make in India Initiative' on February 7, 2015 at Kolkata to commemorate the Golden Jubilee Celebration of 'The Management Accountant' Journal of the Institute. Shri Barun Das, Head, Trade Mark Consultant, D.P Ahuja & Co., Prof. (Dr.) Suman Mukherjee, Economist, Shri Kalyan Kar, Co-Founder & Managing Director, Inthink Knowledge Ventures, Shri Gautam Banerjee, Chief of Corporate Communication, Tata Hitachi Construction Machinery Co., Ms. Subalakshmi Samanta, Entrepreneur, were among the eminent dignitaries present in the discussion. There was an interactive session beautifully resolved by the dignitaries in the dais.

I wish prosperity and happiness to members, students and their family on the occasion of Holi, Gudi Padva, Ugadhi, Chaitra Nav Ratri and Ram Navami.

With warm regards,



**(CMA Dr. A S Durga Prasad)**  
1st March 2015

## Significance of ICAI - ACCA MoU

The changing global as well as local business environments require Professional Accountants in Business to strengthen their financial accounting and control knowledge in addition to the domain knowledge of Cost and Management Accounting. The top management requires their CFOs to advise them on the entire spectrum and financial accounting, reporting, management and decision making.

As this role of the finance function is evolving, ICAI recognizes its changing nature which is taking a global hue, with a finger on the pulse of local economy. More than ever before, in India finance leaders and businesses they represent are operating in a global economy that is significantly more volatile, presenting future Professionals with new challenges as well as new opportunities. The changing structure of global finance operations and changing demands placed on the role will necessitate acquiring expertise in varied experience and skill. Career path of an upwardly mobile finance professional gets accelerated if he has the necessary breadth and depth of practical financial as well as decision making skills.

The Institute of Cost Accountants of India (ICAI), in continuation of its policy of value added collaborations, has signed a **Memorandum of Understanding with The Association of Chartered Certified**

**Accountants (ACCA) of the UK on 20th February 2015** at New Delhi to work towards co-operation in respect of professional training, education, research and examinations. As per the understanding, members of both the Institutes will be allowed mutual advanced entry to the membership of both the professional institutes, through exemptions from appearing majority of papers to acquire the qualification of the other Professional Body. It is expected that MoU will open new avenues for students and members of both the Institutes.

ACCA (the Association of Chartered Certified Accountants) is a global body for professional accountants, which was founded more than 100 years back, offers business-relevant, first-choice qualification to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. Its globally relevant qualification will give an excellent start in core accountancy skills and specialist knowledge. The key role they play in IFRS, IPSAS as well as Integrated Reporting is well recognized by the International Accounting Community. Our Institute, which has been actively involved in these three areas, will also get benefitted from the rich expertise ACCA has in these fields and help us strengthen them in our country.