

UPSC Preparation

Chartered Accountants Act, 1949

Chartered Accountants Act, 1949 was enacted to make provisions for the regulation of the professions of Chartered Accountants.

Latest Context: The Chartered Accountants, the Cost and Works Accountants and the Company Secretaries (Amendment) Bill, 2021 was passed by Lok Sabha. The Bill seeks to amend the existing Chartered Accountants Act (ICAI), 1949, the Cost and Works Accountants Act, 1959 and the Company Secretaries Act 1980.

About Chartered Accountants, the Cost and Works Accountants and the Company Secretaries (Amendment) Bill, 2021

- The main aim of the bill is to provide a mechanism for dealing with the cases of misconduct in the 3 professional institutes. They are
 - The Institute of Chartered Accountants of India
 - Institute of Cost Accountants of India
 - Institute of Company Secretaries of India
- It also aims to strengthen the existing mechanism and ensure speedy disposal of disciplinary cases.
- It provides for the audit of accounts of the institutes by a firm of chartered accountants that will be appointed every year by the Council from the panel of auditors maintained by the CAG of India.
- The Bill creates a Coordination Committee headed by the Secretary of the Ministry of Corporate Affairs. The Committee will have representation from the three Institutes formed under the Acts.
- The Secretary to each Council will be designated as chief executive with the President as the head of the Council. The President will be responsible for ensuring the implementation of decisions of the Council.
- The Bill increases certain fines under the three Acts. If a partner or owner of a firm is repeatedly found guilty of misconduct during the last five years, disciplinary action can be taken against the firm.

Issues with the Bill

- The Bill proposes to change the composition of the 2 disciplinary entities to allow for more external representation. This can raise an issue of conflict of interest between the disciplinary and administrative functions of the Councils.
- The functions of the coordination committee that is proposed in the bill may overlap with certain functions of the three Institutes. The bill also proposes that the Coordination Committee is to be

chaired by the Secretary of the Ministry of Corporate Affairs. This might impinge on the independence of the three Institutes.

- The Bill provides for disclosure of pending complaints or actionable information against members and firms. Disclosing details of pending complaints before finding guilt may tarnish their professional reputation.

About Chartered Accountants Act, 1949

Chartered Accountants Act, 1949 was enacted to make provisions for the regulation of the professions of Chartered Accountants.

The act provides provisions for

- **The Constitution of the Council of the Institute:** The Institute of Chartered Accountants of India (ICAI) is a statutory body established under the Chartered Accountants Act, 1949 for the regulation of the profession of chartered accountancy in India.
- **Register of members:** The Council shall maintain, in the prescribed manner, a Register of the Members of the Institute.
- **Misconduct:** The Council shall, by notification, establish a Disciplinary Directorate headed by an officer of the Institute designated as Director (Discipline) and such other employees for making investigations in respect of any information or complaint received by it.
- **Penalties:** Being a member of the Institute, but not having a certificate of practice, represents that he is in practice or practises as a chartered accountant, shall be punishable on first conviction with a fine which may extend to one thousand rupees, and on any subsequent conviction with imprisonment which may extend to six months or with fine which may extend to five thousand rupees, or with both.
- **Quality Review Board:** The Central Government shall, by notification, constitute a Quality Review Board consisting of a Chairperson and ten other members.