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PRESS RELEASE

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COST AUDIT AND ROLE OF COST ACCOUNTANTS IN COMPANIES BILL, 2012

CMA Suresh Chandra Mohanty, President, Institute of Cost Accountants of India, congratulated the Hon'ble Union Minister of Corporate Affairs, Shri Sachin Pilot ji and his team for their unstinted efforts in reforming the corporate legislation in tune with global reality and the Indian economy. The new legislation will ensure impetus for the growth momentum as the Bill focuses to enhance transparency, compliance, self-reporting, regulatory and disclosure with fewer regulations.

CMA Mohanty strongly refuted the apprehensions in the media that the companies opposed cost audit citing compliance cost and data theft which have been appropriately addressed even in the new mechanism in force since 2011 and as the objects and reasons in the Companies (Amendment) Bill, 1956 for maintenance of cost records and audit thereof to make efficient audit possible, effective utilization of available material and labour and to prevent fraud and dishonesty in the corporate sector have more relevance in the present competitive business environment.

While referring to the press reports on the subject, he said that it is quite natural that given the choice, industry does not need any audit, including financial and secretarial audit. In fact, in many countries there is no statutory financial audit for companies up to a threshold limit. But, the Indian economic and business environment is quite different and one size does not fit all. Different types of audits mandated under law have withstood the test of economic upheavals thru scams and other corporate frauds from which our country was protected. When some lone exceptions happened, the Govt. has acted fast in further strengthening the audit mechanism.

He added that the Ministry of Corporate Affairs' mandates to make available certified corporate information to various stakeholders within and outside Government. While in case of financial audit, the stakeholders are primarily outside the Government, in case of cost audit and secretarial audit, majority of them are used by regulators in the national interest. The later audits provide the much needed certification and assurance to the users of such information in the public interest. Since this information can be used as a check back mechanism for the regulatory authorities, it is quite natural that the industry may have some reservations. It is common all over the world to see any regulations as an impediment to business. The Government and Regulators often require confirmation on the information passed on from the assessee and have relied upon audit and assurance mechanism both in direct and indirect taxes to flag major revenue leakages. The judgment of the Hon'ble Supreme Court in the Fiat case relating to excise duty, the relevance of costing and the reliability of the cost data has become the backbone for assessments in the case of Central Excise in the entire manufacturing sector.

He said that a professional body which have specific mandate under the statute is not competent enough to comment on the specialized area of other professional institute as each profession has its expertise in its respective fields.

CMA Mohanty further refuted strongly the issue of compliance costs which has been put forward right from 1970s. While it may be true in the past even for financial records, in the current highly connected and wired world of corporate, the information is available almost free with the sunk costs in IT Infrastructure backbone and the maintenance of integrated system of accounting. The confidentiality issue has been fully addressed on the cost data submitted as a part of regulations and there is no relevance to sing the same tune as in 1970s. The cost of compliance for Cost Audit is very negligible compared to other audits and the socio-economic benefits for the economy.

The President further pointed out that the professionals in service or practice are taking care of the assurance issues from within the industry and audit issues from the practice side. The industry consists of professionals and their survival in the face of global trade threats are due to the strong regulatory mechanism existing within the country which ring fence them from corporate raiders from across the world. What is considered to be “costs”, are really investments which provide the insurance mechanism for the Government to act as and when needed to ensure the welfare of the citizens in the country and improve the efficiency in the use of the country’s scarce natural resources ensuring sustainability and inclusive growth.

The Institute has been working continuously to strengthen the cost competitiveness of Indian industry by inculcating cost management focus through propagating best practices in cost management and cost accounting / auditing. The initiatives have been made to provide low-cost accounting services to firms operating in the MSME sector and voluntary organizations by building accounting capabilities at the school level across the country and by creating a cadre of Accounting Technicians.

He appealed to the press and media to make a reference to the President of the Institute at (president@icmai.in) to obtain any correct and factual information relating to key issues of the profession.

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