

# SIRC Newsletter

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Southern India Regional Council ▶ THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA ▶ SET UP BY AN ACT OF PARLIAMENT

BANK  
BANK  
AUDIT



BANK  
AUDIT



## AT THE HELM OF ICAI



**CA. SUBODH KUMAR AGRAWAL**  
*President*



**CA. K. RAGHU**  
*Vice-President*

## NEW OFFICE BEARERS OF SIRC OF ICAI



**CA. D. PRASANNA KUMAR**  
*Chairman*



**CA. P.R. SURESH**  
*Vice-Chairman*



**CA. P.R. ARULOLI**  
*Secretary*



**CA. GOPAL KRISHNA RAJU**  
*Treasurer*



**CA. B. SEKKIZHAR**  
*Chairman*

## SICASA



*Group photograph of Chairman & other Office-Bearers of SIRC of ICAI with CA. K. Raghu, Vice-President, ICAI and other Central Council Members of ICAI from Southern Region and Regional Council Members of SIRC of ICAI taken on 20th February 2013*

# Chairman writes ...



## **My dear Professional Colleagues,**

I deem it my proud and pleasant privilege to express my sincere thanks to all my colleagues in the Southern India Regional Council for reposing confidence in me and electing me as the Chairman of SIRC. With my team of office-bearers CA. P.R. Suresh, Vice-Chairman, CA. P.R. Aruloli, Secretary and CA. Gopal Krishna Raju, Treasurer, I am sure that the SIRC would set new benchmarks in serving the cause of members, students and stakeholders of our profession. I take this opportunity to express my sincere gratitude to all the members for their good wishes.

On behalf of the entire Chartered Accountants fraternity I congratulate our President CA. Subodh Kumar Agrawal and Vice-President CA. K. Raghu on their assuming respective offices and pledge our wholehearted support in all their initiatives and in realizing the Action Plan of the President. I also congratulate the Central Council Members from the Southern Region who are in various Committees and wish them all the best to realize their ambitions in promoting the interests of the members and students.

### **ICAI Recognition to SIRC**

I am pleased to share with you that SIRC was awarded the Highly Commended Performance Certificate for the year 2012. I compliment my predecessor CA. K. Viswanath and thank all the members of the Regional Council and the office for achieving this recognition. I seek your indulgence and support so that SIRC bags the Best Regional Council Award in the year 2013. I thank my immediate predecessor CA. K. Viswanath whose guidance was immense to me and will stand in good stead.

I also congratulate the Branches who have received the awards from ICAI and SIRC for the year 2012 and wish all the branches a very purposeful and fruitful year ahead.

### **Long Term Perspective**

World class enterprises - be it in business or in service - which have been built developed and positioned have one thing common in them viz., all of them had visionary leaders with long term focus. With a key role in Nation Building and imminent role in economic management of the country, our profession should have long term focus and serve our stakeholders in the vision mode to make India a developed Nation.

### **Action Plan of SIRC for 2013-14**

With a view to enable SIRC to function with a strategic focus and to adopt duly measurable yardsticks for the performance in terms of

such strategic focus of the SIRC, I have released an Action Plan for this year. Salient features are published in Page No. 6.

Though I have limited the priorities initially in this regard, I solicit your support and encouragement to realize the Action Plan.

### **Economic Survey and Union Budget 2013**

The recent Economic Survey has indicated the overall strengths and concerns of our economy in the backdrop of the world economic developments. I am confident that the Union Budget-2013 presented by the Honourable Union Finance Minister Shri P. Chidambaram would lead our economy in the right direction and in the long term perspective as aforesaid. The Institute would be submitting a Post Budget Memorandum to the Ministry of Finance and SIRC would be sending the views to the Central Council. I therefore request the members to send their inputs for consideration and incorporation at our end.

### **Meet the Vice-President of ICAI CA. K. Raghu**

It was a pleasant occasion for SIRC to have the first programme immediately on the assumption of new office-bearers on 20th February 2013 to have a function to meet our beloved Vice-President CA. K. Raghu and felicitate him on his election as Vice-President, ICAI for the year 2013-14. It also gave an opportunity for me to interact with him and with other members.

### **History of SIRC**

I am pleased to inform you that a publication titled "History of SIRC" has been released which, inter alia, deals with the decade wise vital information about SIRC. Softcopy of the booklet has been hosted at [www.sircoficai.org](http://www.sircoficai.org). Members and Students may refer the book to have indepth information about the evolution of SIRC and its contribution to the development of the CA Profession.

### **Online Registration of Students' Programmes**

As an adaptation of Information Technology in the services of the students SIRC has launched a portal for students related services like Coaching Classes GMCS I & GMCS II, ITT & Orientation Course. In the next few weeks, students of this region would have an opportunity for online registration, thus saving time.

### **Visit to Branches**

The first seminar of SIRC after I assumed office as Chairman was at Tirupati on 23rd February 2013 and this gave me yet another opportunity to meet the members. I also had an occasion to meet the members of Visakhapatnam Branch when the Branch organized a meeting on 25th February 2013. It will be my endeavour to come into contact with the members throughout the Region during my visits to the branches and other places.

### **Branch Elections**

Branches of our Institute are in the forefront in serving the members and students on 24x7 basis and Elections are being held (wherever applicable) for the Managing Committees of the Branches during March 2013. I believe that appropriate and appreciable leadership at these Branches would take the image of the profession to greater heights. I solicit the participation of the members in large numbers to elect the members in the election process.

### **Theme Based SIRC Newsletter**

Continuing the theme based issues of our SIRC Newsletter, this issue has been devoted on Bank Audit. This issue also carries a write up on Financial Frauds and Forensic Audit which would be included as a regular feature based on the feedback from our members.

### **Resource Persons**

SIRC wishes members to offer their services to be the Resource Persons at the programmes of SIRC and its branches and I extend our invitation to the members to send their brief profile and the subjects of preference to SIRC. (Please refer Page No. 21 for details)

### **Suggestions and Feedback**

I eagerly look forward to your valuable inputs on matters relating to quality services to members and students, public outreach programmes and brand building initiatives. You may forward your valuable suggestions to SIRC office or e-mail to [chairmansirc@gmail.com](mailto:chairmansirc@gmail.com).

With warm regards

Yours in professional service

**CA. D. PRASANNA KUMAR**  
[chairmansirc@gmail.com](mailto:chairmansirc@gmail.com)

## SIRC CALENDAR

MARCH 2013 &amp; APRIL 2013

Contact: Dr. T. Paramasivan, Senior Deputy Director (Tech.) – ICAI - Phone: 044 – 30210361 / 320 – Email: sirc@icai.in

DATE and TIME	PROGRAM DETAILS	RESOURCE PERSON	FEE (₹)	CPE CREDIT
Mar 9, Saturday 09.30 am - 5.00 pm	<b>*SEMINAR ON CLAUSE BY CLAUSE ANALYSIS OF FINANCE BILL-2013</b>	Details hosted in the website: www.sircoficai.org	750/-	6 hrs
Mar 13, Wednesday 05.30 pm - 08.30 pm	<b>*CPE Study Circle Meeting- ISSUES IN VALUATION &amp; *CPE Study Circle Meeting-2 COMPLIANCE REQUIREMENTS UNDER INDIRECT TAX LAWS WITH REFERENCE TO ST3</b>	<b>Mr. William A. Hanlin, Jr.</b> President-IACVA, Canada  <b>CA. K. Sivarajan, Chennai</b>	150/-	3 hrs
Mar 16, Saturday 09.30 am - 5.00 pm	<b>**SEMINAR ON BANK BRANCH AUDIT</b>	Details at page 5	2000/-	6 hrs
Mar 18, Monday 06.30 pm - 8.00 pm	<b>*CA. M. R. NARAYANAN MEMORIAL LECTURE</b>	Details at page 5	No Delegate fee	No CPE
Mar 20, Wednesday 06.15 pm - 08.30 pm	<b>*CPE Study Circle Meeting DOMESTIC TRANSFER PRICING</b>	<b>CA. Sivam Subramanian, Chennai</b>	No Delegate fee	2 hrs
Mar 23, Saturday 09.30 am - 05.00 pm	<b>***WORKSHOP ON ADVANCED EXCEL</b>	Details at page 15	1200/-	6 hrs
Mar 23, Saturday 09.30 am - 05.00 pm	<b>*INDUSTRY FOCUSED CPE SEMINAR</b>	Details at page 15	750/-	6 hrs
Mar 26, Tuesday 04.30 pm - 07.30 pm	<b>*INVESTOR AWARENESS PROGRAMME</b>	Details will be hosted in the website: www.sircoficai.org	No Delegate fee	2 hrs
Mar 27, Wednesday 06.15 pm - 08.30 pm	<b>*CPE Study Circle Meeting COMPANIES BILL-2012</b>	<b>CA. R. Swaminathan, Chennai</b>	150/-	2 hrs
Mar 28, Thursday 05.30 pm	<b>*Extraordinary General Meeting of SIRC of ICAI</b>	Details at page 7		
Apr 3, Wednesday 06.15 pm - 08.30 pm	<b>*CPE Study Circle Meeting NEGATIVE LIST OF SERVICES</b>	<b>CA. V.P. Manavalan, Chennai</b>	150/-	2 hrs
Apr 10, Wednesday 06.15 pm - 08.30 pm	<b>*CPE Study Circle Meeting FORENSIC AUDITING</b>	<b>Shri. R Vasudevan, Chennai</b>	150/-	2 hrs
Apr 13, Saturday 09.30 am - 05.00 pm	<b>***WORKSHOP ON ADVANCED EXCEL</b>	Details at page 15	1200/-	6 hrs
Apr 17, Wednesday 06.15 pm - 08.30 pm	<b>*CPE Study Circle Meeting</b>	Details will be hosted in the website: www.sircoficai.org	No Delegate fee	2 hrs
Apr 24, Wednesday 06.15 pm - 08.30 pm	<b>*CPE Study Circle Meeting</b>	Details will be hosted in the website: www.sircoficai.org	150/-	2 hrs
Apr 26, 27 & 28 Fri., Sat. & Sun.	<b>****Regional Residential Course at Yercaud</b>	Details at page 5		12 hrs
<p>* Programmes at P. Brahmayya Memorial Hall, "ICAI Bhawan", SIRC Premises, Chennai – 600034.  ** Hotel Le Royal Meridien, 1 GST Road, St. Thomas Mount, Chennai - 600 016.  *** Programme at IIT Lab, 3rd Floor, Annexe Building, ICAI Bhawan, SIRC Premises, Chennai - 600034.  **** Programme at Hotel Shevroys, Yercaud.</p>				

# SEMINAR ON BANK BRANCH AUDIT

**Hotel Le Royal Meridien**  
1 GST Road  
St. Thomas Mount  
Chennai - 600 016

CPE Credit  
**6**  
HOURS

Saturday, March 16, 2013

Timings: 9:30 AM to 5:00 PM

Topics	Resource Persons
Branch Audit - From Bankers View	<b>CA. S.Pattabiraman</b> General Manager & Head-South Zone, Corporation Bank, Chennai
Advances-Certain Key Questions	<b>CA. Vivek Krishna Govind</b> , Kochi
Technology as an Audit Tool in Bank	<b>CA. D.Venkataraman</b> , Salem
An Advisory On Auditor's Role Vis-A- Vis Bank Audit	<b>Eminent Resource Person</b>
Adding Value to LFAR	<b>CA.S Bernard</b> , Myladuthurai

## DELEGATE FEE: 2000/-

Delegate fee by way of Cash or by Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai may be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034. Phone: 044-30210320; Fax: 044-30210355 ; Email: sirc@icai.in

**CA. P. R. Aruloli**  
Secretary, SIRC

**CA. D. Prasanna Kumar**  
Chairman, SIRC

### CA. M R Narayanan Memorial Lecture

organized by  
SIRC of ICAI jointly with The Society of Auditors

on **Monday, the 18th March 2013 at 6:30 p.m.**

at P. Brahmayya Memorial Hall, ICAI Bhawan,  
No. 122 Mahatma Gandhi Road, Nungambakkam, Chennai – 600034

by  
**CA. S. Gurumurthy**  
Eminent Columnist

**CA. G. Narayanaswamy**  
Former Central Council Member, ICAI, Presides

Dinner at 8:00 p.m.

<b>CA. D. Prasanna Kumar</b> Chairman, SIRC of ICAI	<b>CA. P.R. Aruloli</b> Secretary, SIRC of ICAI	<b>CA. P. Anand</b> President, The Society of Auditors
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## Mr. P. CHANDRAN WE WISH YOU A HAPPY RETIRED LIFE



### Retired on Superannuation on Feb. 28, 2013

Mr. P. Chandran, Assistant Secretary, ICAI retired on superannuation after 34 years of meritorious service on February 28, 2013. He joined the Institute as Lower Division Clerk and rose to the present position of Assistant Secretary by his sincere and hard work.

**May the Almighty give him health, wealth, prosperity, peaceful and long retired life.**

## REGIONAL RESIDENTIAL COURSE AT YERCAUD

CPE Credit  
**12**  
HOURS

SIRC is pleased to inform the holding of the First Regional Residential Course of this year and Sixth in the series at Yercaud. The seminar is being hosted by Salem Branch of SIRC.

Members are requested to register for the seminar well in advance. Outstation delegates are requested to book the travel plan accordingly.

The detailed programme schedule will be hosted in SIRC website [www.sircoficai.org](http://www.sircoficai.org).

Venue : **Hotel Shevroys, Yercaud**  
Date : **26, 27 & 28 April 2013**

### Delegate Fee:

Residential Members	- Rs. 7000/-
Spouse Registrations	- Rs. 6000/-
Non Residential Members	- Rs. 3500/-

Contact email : [salem@icai.org](mailto:salem@icai.org)

## Invitation for Forming New CPE Study Circles, CPE Chapters, CPE Study Groups and CPE Study Circles for Members in Industry.

With a view to enable the Members of the ICAI to meet the CPE requirements (Please see Link for present CPE requirements <http://www.cpeicai.org/cpehours>) ICAI has developed Norms for establishing CPE Study Circles, CPE Chapters, CPE Study Groups and CPE Study Circles for Members in Industry throughout the country.

In order to make the Southern Region as the most vibrant organ of the ICAI, we invite Members, as per the applicable Norms, to form CPE Study Circles, CPE Chapters, CPE Study Groups and CPE Study Circles for Members in Industry.

Please see the detailed norms available at the Links as detailed below:

S.No	CPE POU	Link for Norms
1	CPE Study Circles	<a href="http://www.cpeicai.org/SCnorms.pdf">http://www.cpeicai.org/SCnorms.pdf</a>
2	CPE Chapters	<a href="http://www.cpeicai.org/Ann%202.pdf">http://www.cpeicai.org/Ann%202.pdf</a>
3	CPE Study Groups	<a href="http://www.cpeicai.org/FinalSGnorms021106.pdf">http://www.cpeicai.org/FinalSGnorms021106.pdf</a>
4	CPE Study Circles for Members in Industry	<a href="http://www.cmii.icai.org/imgs/Updated%20Norms%20for%20the%20CPE%20Study%20Circles%20for%20Members%20in%20Industry.doc">http://www.cmii.icai.org/imgs/Updated%20Norms%20for%20the%20CPE%20Study%20Circles%20for%20Members%20in%20Industry.doc</a>

**Help line:** Members desiring to establish CPE Study Circles, CPE Chapters, CPE Study Groups and CPE Study Circles for Members in Industry, may contact CA. T. L. Kirubakar, Executive Officer, ICAI at [kirubakart@icai.in](mailto:kirubakart@icai.in)

**2013-2014 - A VIBRANT AND VALUE ADDING YEAR FOR THE SIRC OF ICAI****ACTION PLAN****1. MEMBERS**

- Chain Seminars with uniform background materials to all branches, CPE Study Circles and other places in the region in subjects like
  - ❖ Empowerment of Chartered Accountants,
  - ❖ Indirect Taxes,
  - ❖ Banking
  - ❖ Internal Audit
- Exploring new areas of professional opportunities for Chartered Accountants.
- Setting up of new branches.
- Introducing newer subjects in the CPE Programmes.
- Residential Seminars on a bi-monthly basis.
- Two International Tours.
- Further improving the functioning of SIRC Library with more facilities for members with e-library concept.
- Organizing Sports Fixtures at all branches and culminating at the Regional Level Sports Competition.
- Mobilisation of Life Membership for the Chartered Accountants Benevolent Fund (CABF).
- Focus on restoration of membership of those members whose names at present are not on rolls.

**2. PROFESSION**

- Closer interaction with print and electronic media and to have a separate cell for Image Building of ICAI.
- More pro-active role in supplementing the initiatives of ICAI through submission of views on Exposure Drafts, Pre and Post Budget Memorandum and on other matters of professional importance and interest.
- Closely coordinating and offering views of SIRC and support the Action Plan of ICAI for the year 2013-14.
- Inter-Branch and State Level Programmes.
- Establishment of more CPE Study Circles for Members in Industry and opening up of opportunities of larger participation by members in industry in the programmes of SIRC.

**3. STUDENTS**

- SIRC is considered the "Mecca of Coaching Classes". To take it forward to further levels of superiority and providing more facilities to students.
- Further activating the functions of the Branches of Students' Association.
- Organizing Elocution, Quiz, Debate Competitions for Students
- Establishing Reading Rooms at as many places as possible (under the jurisdiction of Regional Council, Branches).

**4. INSTITUTE**

- Development of Infrastructural facilities at ICAI – Chennai Office.
- Upgrading the SIRC Portal with facilities of
  - ❖ Webcasting of major events of SIRC
  - ❖ Online Registration for Students and Members programmes at SIRC and its Branches
- Creation / Upgradation / Relocation of infrastructure facilities at all branches of SIRC of ICAI.

**5. NATION**

- Corporate (Institutional) Social Responsibility Initiatives.
- Specialized Programmes for Corporate through Management Development Programme.
- Organizing Investor Awareness Programmes under the aegis of Ministry of Corporate Affairs (MCA).
- Career Counselling Programmes at as many educational institutions as possible.
- Closer interaction with the Government Departments on offering services of Chartered Accountants.

**SOUTHERN INDIA REGIONAL COUNCIL OF  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

'ICAI Bhawan', No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034

**EXTRAORDINARY GENERAL MEETING**

**NOTICE**

**NOTICE** is hereby given under Regulation 147 of the Chartered Accountants Regulations, 1988 that the **Extraordinary General Meeting** (EGM) of the Members of the Southern India Regional Council of the Institute of Chartered Accountants of India will be held on **Thursday, the 28th March 2013 at 5.30 p.m.** at the **P. Brahmaya Memorial Hall at ICAI Bhawan, No. 122 Mahatma Gandhi Road, Nungambakkam, Chennai – 600034** to transact the following agenda:

1. To consider certain resolutions received from the member(s).

BY ORDER OF THE  
SOUTHERN INDIA REGIONAL COUNCIL OF ICAI

Place : Chennai  
Date : 28/02/2013

**CA. P.R. ARULOLI**  
SECRETARY

**Explanation** - At the 61st Annual General Meeting of SIRC of ICAI held on 22/01/2013 at Chennai, Members desired that the Regional Council may call for an Extraordinary General Meeting of SIRC of ICAI to discuss certain resolutions moved by few members. Accordingly, the Regional Council, at its 211th Meeting held on 20/02/2013, considered the requests of the members at the 61st AGM and decided to hold the Extraordinary General Meeting to consider those resolutions.

**Note:**

1. Resolutions received from the members are being sent by email, and have been hosted on the website of the Southern India Regional Council of the Institute of Chartered Accountants of India ([www.sircoficai.org](http://www.sircoficai.org)) and have also been displayed on the Notice Board at the office of the Southern India Regional Council of the Institute of Chartered Accountants of India. Members who have not received the email may provide their email ids to [sirc@icai.in](mailto:sirc@icai.in) to enable us to send the notice to such members by email.
2. Members desirous of having hardcopy of the aforesaid documents may write with their ICAI Membership Number to Dr. T Paramasivan, Senior Deputy Director, the Institute of Chartered Accountants of India, 'ICAI Bhawan', Post Box No.3314, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034 (**email: [sirc@icai.in](mailto:sirc@icai.in)**)



CA. A. MONY

Kozhikode

lrp2201@yahoo.co.in

## Key Areas of Bank Audit 2013 and Value Addition to the process

This article aims at bringing about the key areas of the bank branch audit particularly relevant to the year 2013, in the advent of the latest development in the regulatory frame work. The value addition which can be made to the branch audit is also discussed in line with the expectations of the Central Statutory Auditors, Head Office of the bank and on the basis of the regulators comments on the Annual Financial Inspection (AFI) of banks.

The key element of a bank branch audit is the verification of advances and classification of the accounts as per the Prudential Norms and consequent provisioning. The branch audit concept itself remains with the Chartered Accountant fraternity only due to the justification and logic behind verification of advances at the branch level with the security and other documents underlying the loan portfolio at each branch. The main edge of the branch audit is stressed on the following:

- Nationalised banks by and large have decentralized physical custody of security documents. The verification of availability, legality and enforceability of such documents can better be assessed at the branch level than at the corporate level.
- The critical analysis of the transactions with the connected documents as stock statements, debtor's statements and the audited balance sheet can be better done at the branch level.
- The data integrity at the branch level is not fully achieved by the banks. The granule data available at the branch in the "account masters" are still subject to massive data correction. The accuracy and compatibility of master data with the sanction terms can only be done at the branch level.
- The computerization and centralized data base fails to assess the real time situation at the branch level and the

strength of the borrower in terms of his/her local standy.

Thus the from the above, we can infer the reasons for still holding the bank audit at the branch level although the CBS and centralized data base is vogue. We have to give thrust to physical verification of security and other documents, analyse the advance account with its quality and health at the shop floor, ensure data integrity of master of each advance account and ensure availability of connected documents etc..

### PART – 1: KEY AREAS FOR BANK AUDIT

On a general parlance the above hold good, the key area which is important for the year 2013 audit are the advent of system generated classification of NPAs and process of de-flagging of NPAs from system generated NPA statement and the special regulatory framework of restructuring of advances.

#### i. SYSTEM GENERATED NPA STATEMENT

The banks are required to go by the system generated NPA statement for all classification and provisioning requirements as per the instruction from the ministry of finance. This has gained much importance and has enlarged the scope of verification. Thus the data in the CBS platform of the banks are used to generate the NPA statement which will ensure programmed control over the classification and provisioning of NPAs. The Reserve Bank of India in line with the monetary policy statement dated 17.4.2012, issued letters to all Chairmen and Managing Directors of Banks vide RBI/2012-13/208 DBOD. No.BP.BC/42/21.04.048/2012-13 to strengthen the platform of MIS to streamline the granular data base leading to the perfection of all information regarding NPAs. Thus it is a known fact that the banks are not fully geared up to totally depend on the system generated

NPAs. The data base based on which the statement is generated is often proved to be requiring thorough correction and improvement. The data influencing the NPA statement at the branch level at any given date are

- The outstanding balance.
- The drawing power of the borrower.
- The security value of the advances both primary and collateral.
- The repayment term or EMI fixed for loans.
- Initial Holiday, if any granted for the repayment.
- The unification of other facilities granted to the borrower.

Some of the above granular data are static and some set to change during the currency of the loan on the basis of the documents, performance and other factors. The programme interfacing with these granular data will bring results as per the integrity of such data. Since these are not properly updated, corrected at the branch level there are many chances of mistakes in the system generated NPA statement. This enlarges the scope of our audit to verify the integrity of data and the schematic in which the NPA statement is generated.

As per prudential norms, for the purpose of provisioning, the security cover and overflow in one facility can be reckoned for the other facilities of the borrower subject to the overall asset/security coverage available. This process is called security optimization. Thus apart from the integrity of granular data, the concept of security optimization also plays a vital role in ensuring the provisioning requirement as in the system generated NPA statement.

The timely feeding of drawing power on the basis of the stock and book debts statement received, adjustment



of deterioration in value of depreciable assets held as security, product specific vulnerability of security cover etc.. also in a long way influence the accuracy of the system generated NPA statement.

The software platform and its compatibility with the CBS platform also leads to lot of aberrations in the system generated NPA statement. The system of capturing the data, manual intervention for corrections at any stage etc.. also influences the correctness of the same.

Considering all the above, Branch auditors are required to vouch and ensure the correct classification on the basis of the information available as on the date of audit and suggest for MOC for any changes.

## ii. DEFLAGGING or UNFLAGGING OF NPAs.

For reasons stated above, the system generated NPA statement will tend to have many aberrations which is well accepted by the bank and the Reserve Bank of India. Thus, for any technical reason or due to genuine mistake of the data resulting in wrong classification of assets as NPA, the banks are given permission to cull out those advance accounts out of the system generated NPA. This process is technically called "unflagging or de-flagging" of NPAs. The Annual Financial Inspection conducted by the RBI on many banks has commented on the system of de-flagging/unflagging. The delegated authority, the documents procedure and the reasons for which any account is de-flagged is commented up on the RBI inspection. These accounts, if un-flagged will not appear in the NPA statement submitted for audit at the branch level. This requires a thorough verification by the auditors. The branch auditors should obtain the list of such un-flagged accounts and verify it thread bear with respect to the prudential norms and pass MOC for any correction required. The following action points may be adopted for a better audit and value addition to the process of audit:-

- Obtain a list of un-flagged accounts from the branch and verify each such account from prudential norms. The reasons for un-flagging need to be analysed prudentially.
- The list of watch category accounts should be obtained and verified with the system generated NPA statement. All

accounts appearing in the former list but not appearing in the later should be verified with respect to prudential norms.

- The accounts regularized by the year end and skipping out of the system generated NPA statement needs special attention.
- The comparison of such statement as on 31.12.2012 should be made with that of 31.3.2013 to cull out up-gradations made during the quarter for further verification.
- The overall NPA percentage of the branch may be analytically verified with reference to the movement of NPAs as on 31.3.2013 and prior to the system generated regime.
- The branch auditor may obtain a management representation from the branch specifying the status and details of un-flagged accounts.
- Usually, the controlling offices of the banks are given the authority to de-flag the NPAs. Thus, if the branch auditor fails to obtain any information regarding the process of un-flagging, the branch auditor also can submit a disclaimer report specifying the reason thereon.

## iii. RESTRUCTURING OF ADVANCES.

This is another area which has gained much importance in the bank audit arena for the year 2013. The Reserve Bank of India and the Government are much concerned about the mounting levels of NPAs and the effective gearing of restructuring process. It is a known fact that the timing, extend and the speed of implementation of the restructuring process is the key for the success of the entire scheme. Each bank have been asked to streamline the systems and procedures for early identification and efficient implantation of the regulatory treatment to extract the fruits of the process. All banks thus developing efficacy of their system. We the auditors, both at the branch level and the central audit level has to sharpen our knowledge and skills to be watch dogs to monitor the whole process and its implementation from the legal and pragmatic angle while performing our attest function as branch auditors.

The Reserve Bank of India has given autonomy to all banks to restructure

the loans of borrowers vide circular No DBOD.No.BP.BC.9/21.04.048/2012-13 July 2, 2012 , PART- B para 9 to 18. The restructuring of advance can be done by CDR mechanism or Non CDR. The salient features of the restructuring are given below:

### ➤ The Corporate Debt Restructuring Mechanism. (CDR)

- The CDR is introduced for loans of industrial and non industrial borrowers enjoying multiple banking or consortium banking facility.
- The CDR mechanism will cover only multiple banking accounts / syndication / consortium accounts of corporate borrowers engaged in any type of activity with outstanding fund-based and non-fund based exposure of Rs.10 crore and above by banks and institutions.
- Cases referred to Board of Industrial Finance Reconstruction (BIFR) are not eligible for CDR.
- CDR is a non-statutory mechanism which is a voluntary system based on Debtor-Creditor Agreement (DCA) and Inter-Creditor Agreement (ICA). The Debtor-Creditor Agreement (DCA) and the Inter-Creditor Agreement (ICA) shall provide the legal basis to the CDR mechanism.
- The viability of the project and future cash flows is the prime eligibility criteria for restructuring.

### ➤ Timing of restructuring of advances

- Before commencement of commercial production / operation.
- After commencement of commercial production / operation but before the asset has been classified as 'sub-standard'.
- After commencement of commercial production / operation and the asset has been classified as 'sub-standard' or 'doubtful'.
- The accounts classified as 'standard assets' should be immediately reclassified as 'sub-standard assets' upon restructuring.

### ➤ Eligibility criteria for restructuring of advances

- Banks may restructure any accounts classified otherwise as a LOSS ASSET.
- Banks cannot reschedule or restructure loan accounts with retrospective effect.
- Each restructuring has to be with a detailed proposal suo-motto by banks or against application of the borrower. However, if it is done suo-motto by banks the terms of restructuring has to be agreed upon by the borrower.
- The process of reclassification of an asset as per prudential norms should not stop merely because restructuring proposal is under consideration.
- The asset classification status as on the date of approval of the restructured package by the competent authority would be relevant to decide asset classification after restructuring /rescheduling / renegotiation.
- If there is undue delay in sanctioning and in the mean time, assets quality further undergoes deterioration, it would be a matter of supervisory concern.

### ➤ Asset Classification norms of restructured advances

- The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per extant asset classification norms with reference to the pre-restructuring repayment schedule.
- Upgradation of asset classification permitted on satisfactory performance of one year under restructured terms.
- If satisfactory performance after the specified period is not evidenced, the asset classification of the restructured account would be governed as per the applicable prudential norms with reference to the pre-restructuring payment schedule.
- Any additional finance may be treated as 'standard asset', up

to a period of one year after the first interest / principal payment, whichever is earlier, falls due under the approved restructuring package

- Provision against the restructured advances as per the existing provisioning norms should be held and cannot be written back on restructuring.
- Restructuring resulting in reduction in the rate of interest and / or re-schedulement of the repayment of principal amount will result in diminution in the fair value of the advance. Such provision should be held in addition to the provisions as per existing provisioning norms.
- Erosion in the fair value of the advance should be computed as the difference between the "fair value" worked out based on present value of cash flows from advance before and after restructuring. This along with the usual provisions should not be more than 100% outstanding.
- A portion of the un-serviced interest can be funded as a distinct loan called the "Funded Interest Term Loan (FITL)".
- The FITL created by conversion of unpaid interest will be classified in the same asset classification category in which the restructured advance has been classified.
- The unrealized income represented by FITL should have a corresponding credit in an account styled as "Sundry Liabilities Account".
- Only on repayment in case of FITL, the amount received will be recognized in the P&L Account, while simultaneously reducing the balance in the "Sundry Liabilities Account".

### ➤ Special regulatory treatment of restructured advances

- As an incentive to quick implementation of CDR and non CDR package of restructuring would be granted special regulatory treatment with respect to asset classification.
- the accounts satisfying the conditions would be restored

with the asset classification as on the date of reference to the CDR cell or as on the date of receipt of application from borrower

- The advances covered under CDR mechanism have to implement the package within 120 days of approval by CDR Cell.
- In non CDR cases the bank has to implement the restructuring package within 90 days of receipt of application.
- However, in both cases the advance should be fully secured by tangible assets.
  - SSI borrowers, where the outstanding is up to Rs.25 lakh.
  - Infrastructure projects where cash flows are satisfactory
  - Dues of Micro Finance Institutions restructured up to 31.3.2011.

### PART – 2: THE VALUE ADDITION PROCESS TO BANK BRANCH AUDIT

It is imperative that Chartered Accountants should update with latest development and directions issued by Reserve Bank of India and know the intricate details and procedure of bank transactions in the conduct the Branch Bank Audit. Time and again our fraternity has proved their mettle by bringing out the balance sheets of banking sector which represent the economic backbone of the country. This is by converging our acumen and wisdom at the same time throughout the country. However we should always finetune our efforts and delivery skills. We should confess that the efforts put in by us is not presented and displayed properly to hit the banks top management and the regulatory authorities. This article try to give some imputes for giving value addition to branch bank audit which will have far reaching impact on expanding our reporting skills to achieve due credit to our profession.

It is a proven fact that the acumen and the domain knowledge of the Chartered Accountants and accordingly properly showcased by us in the branch audit arena. This would lead to a scenario wherein the regulators and the bank managements to appreciate the efforts put in by us. The following illustrative points may be kept

in mind while performing the audit and reporting.

- Link observation with the effect on Income Tax for the bank as the whole.
- Link the impact of capital adequacy and profitability in all figures which COSTS the bank.
- Give observations about legality and enforceability of document and security analyzing the same pragmatically.
- Comment on the system lapses and suggest for improvement in the internal control system with specific reference to newly introduced loan schemes, credit cards, ATM transactions, foreign exchange business etc..
- Give suggestion for overall reduction of balance sheet size and to save capital block on account of Capital to Risk Weighted Asset Ratio (CRAR), by elimination of expired bank guarantee, letter of credit, suspense balances, expenses pending capitalization etc
- Security stationery – report redundant/obsolete stationery in the wake of computerization. Report on internal controls in respect of structured and pre numbered computer stationery, in the event of reprint, damage, misprint etc..
- Comment about the compliance of company law of obtaining resolutions, informing/

filing with registrar, search report, charge creation lapses, borrowing powers of directors etc.. for all company borrower/ deposit accounts

- Comment on the accounting/ closing entries with specific reference to Accounting Standards and principles of accounting.
- Comment on any inconsistencies in the accounting policies adopted by the bank in the published accounts, with Accounting Standards.
- Comment on the matters which requires special attention of the Central Statutory auditors while consolidation.

Credit appraisal of major loan account from financial statements submitted viz ratio analysis, leveraging by borrowers, overtrading, intrinsic value of security, tangibility of security etc..

- Comment on the data flow and transaction flow embedded in the system requiring improvement.
- Practice documenting all communications to and from the branch.
- Adhere to time schedule or document seeking for any information for the purpose of audit with a copy marked to the controlling authorities.

The entire exercise of audit reaches the TOP management and the regulators only through reports. The main report may be prepared as per the format furnished by

the bankers with material qualifications, if any, however a detailed and descriptive observations on all irregular advances, other accounts, system lapses etc may be attached separately. Observations about the balance sheet, profit & loss account also should be forming part of audit report. The latest Standard on Auditing 700(Revised), 705, and 706 which describes about reporting, effective from 1.4.2011 is useful to decide the ways and means of reporting our observations. We may choose to report any other matters also to the central statutory auditors or the top management. The following points are note worthy;

- The report should disclaim the figures in the branch balance sheet, which are not in the control of the branches like balance in inter branch in CBS environment, some figures relating to foreign exchange etc..
- The account heads and figures which require attention of the Central Statutory auditors should be narrated in the report.
- Give name of borrower, scheme of advance, limit sanctioned and balance outstanding in the observations attached to the main report.
- The reporting may be done as bullet points to avoid ambiguity.

The above are only illustrative and the branch auditor may choose any other points for reporting under observations to ADD VALUE to the function and for the fraternity and to sustain the recognition of our core competence. ■

## OBITUARY

M.No	Name	Status	Place	Date of Death
002663	MR. KAILASAM A N	FCA	CHENNAI	20/01/2013
004271	MR. AMANULLAH K P	FCA	THIRUVANANTHAPURAM	26/03/2012
004632	MR. VENKATASUBBU S	FCA	COIMBATORE	26/09/2012
004778	MR. ZAINULABDIN M	FCA	CHENNAI	09/06/2012
008177	MR. BALASUNDARAM N	FCA	MANNARGUDI	28/10/2012
014592	MR. NARAYANASWAMY N	FCA	CHENNAI	28/01/2013
018140	MR. BALASUBRAMANIAN S P	FCA	KOCHI	25/12/2012
018432	MR. DHANDAYUTHAM R S	FCA	SALEM	26/11/2012
021219	MR. SHAHLORI SHAPOOR BEHRAM	ACA	BELGAUM	05/07/2012
026856	MR. SHIV KUMAR N	ACA	HYDERABAD	25/04/2012

*May the Almighty Architect of the Universe rest their souls in peace.*

## SOUTHERN INDIA REGIONAL COUNCIL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA COMPOSITION OF COMMITTEES FOR THE YEAR 2013-14

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## HANDS ON PRACTICAL WORKSHOP ON ADVANCED EXCEL FOR CAs

Under the auspices of IT Committee of SIRC of ICAI

FOR THE MONTH OF  
MARCH & APRIL  
2013

Saturday, March 23, 2013

Saturday, April 13, 2013

CPE Credit **SIRC Premises**  
ICAI Bhawan, Nungambakkam  
Chennai - 600 034  
Timings: 10:00 AM to 5:00 PM

**6**  
HOURS

CPE Credit **SIRC Premises**  
ICAI Bhawan, Nungambakkam  
Chennai - 600 034  
Timings: 10:00 AM to 5:00 PM

**6**  
HOURS

### PIVOT TABLES

- Introduction to Pivot Tables & Why use Pivot Tables?
- Creating a Pivot Table
- Sorting & Filtering Pivot Table Data
- Summarising Data in Pivot Table
- Calculated Fields & Calculates Items
- Formatting a Pivot Table
- Grouping / Ungrouping and Totalling Pivot Table Data
- Modifying & Updating a Pivot Table
- Pivot Charts - Intro

### FORMULAS & FUNCTIONS

- **FORMULA BASICS:**  
BODMAS Rule, Referencing, Named Ranges, Simple Formulas – SUM, COUNT, PRODUCT, AVERAGE, ROUND, MROUND.
- **LOGICAL FUNCTIONS:**  
IF Formula, IF with AND/ OR/ NOT, SUMIF and COUNTIFS.
- **LOOKUP FORMULAS**  
VLOOKUP & HLOOKUP Formula, VLOOKUP Formula with MATCH Formula

**DELEGATE FEE: ` 1200/-**

**Resource Persons : CA. Deepak Kumar & CA. Pradeep Gadhiya**

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Kindly send a line by return mail to [sirc@icai.in](mailto:sirc@icai.in) for early registrations. Since seats are limited to 25, SPOT registrations are NOT encouraged. Delegates are requested to bring their own laptops for the workshop.

**CA. P. R. Aruloli**  
Secretary, SIRC

**CA. D. Prasanna Kumar**  
Chairman, SIRC

## ONE DAY MEMBERS IN INDUSTRY FOCUSED CPE SEMINAR

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**6**  
HOURS

Saturday, March 23, 2013

Timings: 9.30 AM to 5:00 PM

### Topics

Common Errors in Compilation of Financial Statements  
Taxation- Accounting Standards  
Information Technology & its relevance in Audit  
Auditing- Vis-à-vis New Companies Bill-2012

### Speaker

**CA. Balasubramanyan S D\***, Coimbatore  
**CA. P. Anand**, Chennai  
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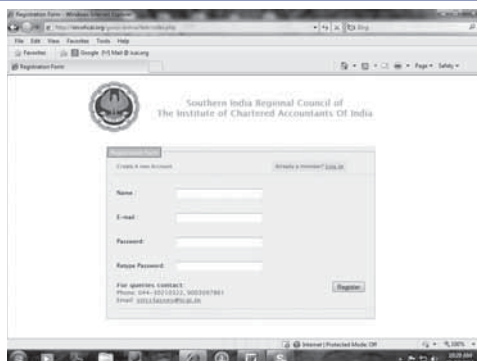
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**\* Subject to Confirmation**

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## Follow the money - Financial frauds and Forensic audit

### Introduction

Financial frauds impact, at micro level the affected entities and its stakeholders including the employees and at macro level the economy as a whole. Impact of global recession due to Lehman brothers scam is continuing even now and it has affected lives of millions of people. Cascading effect of this global recession led to bankruptcy of some countries. In this backdrop, forensic audit gains momentum not only as a tool for detection of financial frauds but also as a preventive mechanism. In this article, we shall discuss the basics of Forensic Auditing and some of the case studies to understand the tools and techniques.

### 1. Definition of financial fraud and forensic audit

1.1 The term "Financial frauds" encompasses accounting manipulation, banking frauds, capital market frauds (both primary and secondary markets), employee frauds, contract frauds, etc. Corruption and bribery can also be included as part of financial frauds as these emanate from contracts frauds.

1.2 Forensic audit is a tool to evaluate and determine evidentiary value for establishing criminal motive in any transactions or process. Dictionary meaning of the word "forensic" is "relating to or denoting the application of scientific methods and techniques to the investigation of a crime". Objective of Forensic Audit is to determine the perpetrators, motives, benefactors and the beneficiaries, i.e. it goes beyond the entity concept in its depth and application. Forensic Audit has 360° focus – i.e. in and around the transaction, systems, procedures, processes, controls, control overrides and without any limitation as to period and entities involved.

2. **Manipulation of separate entity concept:** Financial frauds are more in corporate sector as the promoters and perpetrators of frauds maneuver entity concept and the principles of double entry book keeping to their advantage to hide timely detection of frauds. Separate entity concept is also used for routing monies to avoid detection and punishment under anti money laundering and anti corruption laws of various countries. In most of these entities incorporated with a motive to perpetrate fraud, the directors are some illiterate and lowly paid personnel like clerks, driver, peon, etc. Actual beneficiaries hide behind these innocent personnel (in a way these lowly paid personnel are also victims).

3. **Statutory provisions as to fraud** The term fraud and more so, financial fraud has not been defined in any criminal law excepting in the Contract Act, 1872. Section 17 of Indian Contract Act defines fraud. "Fraud" means and includes any of the acts committed by a party to a contract, or with his connivance, or by his agent, with intent to deceive another party thereto or his agent, or to induce him to enter into the contract". Even the proposed Companies Bill 2012 does not contain definition of fraud though mechanism and punitive measure for fraudulent activities have been mentioned. The Indian Penal Code and Criminal Procedure Code have references to what are the fraudulent practices including financial frauds but bereft of definition of this term for innocuous reasons known to the lawmakers. .

4. **CARO requirement** Under the Companies (Auditor's Report) Order, 2003, the statutory auditors are required to report on the frauds noticed, if any, by or against the

company during the year under review. Unlike the existing laws where statutory auditors are let off with a paltry penalty, the new Companies Bill 2012 proposes stringent penal action against the erring audit firms. Hence the Statutory Auditors may consider engaging experts for Forensic Assistance in the Financial Audit (FAFA) for evaluation of select processes or transactions or off balance sheet items and thereby rely upon their work for reporting under CARO. Besides this, Forensic Experts can assist the auditors of multinational companies (MNC) in checking and reporting on the extent of compliance to anti-bribery and anti money laundering acts of respective countries where parent or subsidiary or associate companies have place of establishment or business transaction.

5. **The techniques** The techniques vary from ordinary auditing techniques of substantive checking, evidence gathering, etc to more advanced techniques of judgmental audits like value for money audit, propriety audit, etc. Besides these the techniques and tools also encompass the extent of compliance with regularity / legalities / directions of regulatory authorities, the motive behind such non-compliance, if any and the person(s) responsible for the same. The technique also involves investigative methodologies (as in any criminal activities) to establish the facts and interviewing all concerned. One of the main techniques is Critical Path Auditing including off balance sheet items to identify the red flags for detailed investigation.

### 6. Reporting Requirements under US Act

(a) Public Company Accounting Reform and Corporate



Responsibility Act of 2002 (Sarbanes-Oxley Act of 2002): After promulgation of SOX Act, the financial statements of SEC registrant shall disclose all material facts and affirmative statements from the CEO/CFO of the reported entity that internal control systems are in place and no fraud has been noticed during the period. Further the SOX Act requires that independent auditor shall verify and certify the assertions made by CEO / CFO. The provisions, amongst others, require disclosure of risk including fraud risk faced by the company, both at process level and entity level and measures taken to address the fraud risks.

- (b) Foreign Corrupt Practices Act (FCPA): Under this Act, independent audit shall be conducted in respect of US based companies or its overseas subsidiaries or overseas units, to find out whether any bribe has been paid to any Govt. official for the purposes of winning any contract or other favor. FCPA exempts payments of reasonable amount to small time Govt. employees like technicians or lines man who do not take part or play any role in decision making processes. These payments are known as facilitation payments.

## 7. Case study

- 7.1 Background: EFC is a manufacturing company catering with main objective of producing and supplying products to Govt. departments and undertakings for distribution of these goods in remote areas. This company was promoted by first generation entrepreneurs without any knowledge of the product or the sector. But they hired the qualified personnel to fill this gap. Paid up capital was Rs 200 crore as against the Authorised capital of Rs 500 crore. Project cost was initially estimated to be Rs 200 crore but later on revised to Rs 500 crore. The promoters approached a bank for term loan of Rs 300 crore and the same was sanctioned and disbursed within 3 months subject to usual terms and conditions. Besides term loan, the bank also sanctioned Working Capital Loan (WCL) of Rs 75 crore against hypothecation of stock and book debts. The company could not service the term loan and always resorted to overdrawing WCL also.

It defaulted in servicing the term loans on due dates but managed to avoid the account becoming Non Performing Asset (NPA) except on two occasions. When the bank recalled the loan, the promoters defaulted and hence it became DRT case.

- 7.2 Forensic Audit of the financial statements led to detection of overvaluation of assets, book entry for intellectual property and manipulation of working results:

On a detailed scrutiny of the financial statements, the Forensic Expert noticed the following aspects:

- 7.2.1 Land (2 acres) was acquired at a marginally low rate by two promoter directors in their individual names before incorporation of the company. Entire part and parcel of this land was leased out to the company at annual lease rent equivalent to 10 times of the original asset price. However this lease rent was not paid to the promoters as the company defaulted in repayment of loan and interest.

- 7.2.2 Two sets of title deeds: Lease agreement filed with the bank showed the land as vacant land. But the original sale deed entered into between the promoter-directors varied with the copies filed with the bank along with lease deed. Original sale deed available in the Registrar's office indicated existence of semi finished building (two storied) admeasuring 35000 sq m in that land and consideration paid included the cost of such semi-finished building also.

- 7.3 Construction cost inflated: Existence of semi-finished building was not shown in the Project Report. Capital Cost included construction cost of Rs. 120 crore and when the bankers went for site inspection, the promoters informed the bankers that the building had been constructed with the amount infused by the promoters. Not satisfied with this explanation, the bankers still insisted for infusion of cash by the promoters to the extent of 30% of loan amount (Rs 100 crore).

- 7.4 Infusion by the promoters: Promoters had signed MoU for acquisition of technology and some software at very nominal value. Technology and software were

shown transferred to the company at exorbitant rates, though no intellectual property right (patent rights) were created in favor of the company. Against this, shares were issued at a premium of Rs 190 per share. In the meantime, the promoters managed to deposit Rs 100 crore in cash (through their associates) in company's account maintained with the lending bank. This Rs 100 crore was shown as advance against share application.

- 7.5 Accounting jugglery: Shares at a premium of Rs 190 per share were shown as issued to the promoters and associates by capitalizing the technology cost. Share premium (Rs 95 crore) was shown as Capital Reserve. At the same time, auditors issued certificate stating that the promoters had infused Rs 100 crore in the bank account towards their contribution as mandated by the bank. Bank disbursed the loan and the cash infused by the promoters through their associates were refunded to them. Thus there was no actual cash infusion but the promoters had, in connivance with auditors, played a trick on the bank.

- 7.6 Window dressing of working results: In order to show that the company was doing well, the working results were manipulated by creating fictitious sales transactions, overvaluation of inventory and showing some of the fast moving items both as stock in trade and sales. Profit was shown and MAT paid on the fictitious profit.

- 7.7 Bank did not come to know of the above malpractices till Forensic Expert was engaged.

## Conclusion:

Perpetrators of financial frauds are innovative in their approach and normally do not replicate earlier fraudulent practices. Each fraudster has his own ambitions and notorious methods for reaping undue financial benefits. They hide behind the entity concept. Forensic audit does not depend upon the management certificates for existence and valuation of assets and liabilities or in following the money. It examines each and every transaction or bunch of transactions to understand the purport and intent with a view to establish legal tenability including compliance with applicable accounting and auditing standards. ■

## Restoration of Membership & Certificate of Practice

The names members who have not paid their Membership fee and/or Certificate of Practice fee for the year 2012-13 on or before 30.09.2012 were removed w.e.f. 01.10.2012 in the Register of Members. The notifications in regard to removal of membership and cancellation of Certificate of Practice w.e.f. 01.10.2012 are under issue.

Regulations provide for retrospective restoration of Membership and Certificate of Practice provided the application in the prescribed Form 9/101 (available on the website [www.icaai.org](http://www.icaai.org)) complete in all respects, together with restoration fees of Rs.1,200/- is received by the Institute on or before 31.03.2013. Members falling within the jurisdiction of Southern Region should send their application to the Institute of Chartered Accountants of India, ICAI Bhawan, No.122 M. G. Road, Nungambakkam, Chennai – 600034.

## GRIEVANCE REDRESSAL

To effectively serve the Members and Students and redress their complaints/grievances, a Grievance Register is maintained at the Reception (Ground Floor, Main Building) of the Institute at Chennai Office. Members & Students may lodge their complaints in the Register for unresolved issues for remedial action by the appropriate authority/Committee. Members and Students may also send their complaints through email at [grievance\\_sircmembers@icai.in](mailto:grievance_sircmembers@icai.in) and [grievance\\_sircstudents@icai.in](mailto:grievance_sircstudents@icai.in) respectively.

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**Manager (Audit):** CA or CA-Inter with strong analytical skills, strong conceptual knowledge with 7+ years of work experience in audit firms, in a computerised environment, hard working and determined. Conceptually sound and systems oriented. Expert skills in Excel. Capable of managing a team of audit professionals in a paperless work environment. Should be proficient in English.

**Supervisors (Tax /Audit /Accounts):** CA or CA-Inter with strong analytical skills, strong conceptual knowledge with 5+ years of work experience in accounting/audit/tax in a computerised environment, hard working and determined. Conceptually sound and systems oriented. Expert skills in Excel. Capable of supervising a team of accounting professionals in a paperless work environment. Should be proficient in English.

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## WORK DISPOSAL POSITION

The position of disposal of various matters relating to Members and Students of Regional Office, Chennai as on 27.02.2013 is as under:

Particulars	Disposal of records received upto
Members	
Enrolment of Members	15/02/2013
Fellow Admission	22/02/2013
Grant of COP	22/02/2013
Restoration of Name – Recommended upto	22/02/2013
Restoration of Name – Cleared upto	22/02/2013
Constitution of Firms	22/02/2013
Reconstitution of Firms	22/02/2013
Paid Assistant	15/02/2013
Change of Address – Members	25/02/2013
Change of Address – Firms	22/02/2013
Students	
Registration of Articles	31/01/2013
Re-registration of Articles	31/01/2013
Industrial Training	31/12/2012
Termination of Articles	31/01/2013
Completion of Articles	20/02/2013
Permission to pursue Other Courses	31/01/2013
Despatch of Materials – CPT	04/02/2013
Despatch of Materials – IPCC	10/02/2013
Despatch of Materials – ATC	10/02/2013
Despatch of Materials – Final	12/02/2013
Despatch of Materials - ITT	10/02/2013

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Bangalore: Mr. Arun - 09036191863

## ICAI AWARDS FOR THE YEAR 2011

Awards to Regional Councils		
Category	Recipient(s)	
Best Regional Council <b>Shield</b>	Western India Regional Council (WIRC)	
Best Regional Council <b>Highly Commended Performance Certificate</b>	Southern India Regional Council (SIRC), Eastern India Regional Council (EIRC) & Central India Regional Council (CIRC)	
Awards to Branches of Regional Councils		
Category of Award	Category of Branch	Recipient(s)
Best Branch of Regional Councils <b>Shield</b> jointly to	Large Size	Baroda Branch of WIRC, Nagpur Branch of WIRC, Ludhiana Branch of NIRC
	Medium Size	Salem Branch of SIRC, Aurangabad Branch of WIRC
	Small Size	Tuticorin Branch of SIRC, Hubli Branch of SIRC & Bhilai Branch of CIRC
Best Branch of Regional Councils <b>Highly commended Performance Certificate</b>	Large Size	Vasai Branch of WIRC, Ernakulam Branch of SIRC, Indore Branch of CIRC & Pune Branch of WIRC
	Medium Size	Guwahati Branch of EIRC, Bhopal Branch of CIRC & Bhubaneswar Branch of EIRC
	Small Size	Siliguri Branch of EIRC, Bikaner Branch of CIRC & Jamnagar Branch of WIRC
Award to Regional Students' Association		
Category	Recipient(s)	
Best Students' Association <b>Shield</b>	Western India Chartered Accountants Students' Association (WICASA)	
Award to Branches of Regional Students' Association		
Category of Award	Regional Students' Association	Recipient(s)
Best Branch of Students' Association <b>Shield</b>	WICASA	Baroda Branch of WICASA and Nagpur Branch of WICASA.
	SICASA	Ernakulam Branch of SICASA and Tuticorin Branch of SICASA
	CICASA	Indore Branch of CICASA
	EICASA	Guwahati Branch of EICASA

## Invitation for Contribution of Articles

SIRC of ICAI invites Articles from Members for publication in the SIRC Newsletter. SIRC is releasing Theme Based monthly Newsletter. The theme finalized for the February 2013 issue as follows:

Month	Theme	Articles to reach SIRC on or before
April 2013	Corporate Audit	March 10, 2013
May 2013	Financial Instruments	April 10, 2013
June 2013	Internal Audit	May 10, 2013

Members may send the soft copy of their article, profile and passport size colour photograph to SIRC by email to [sirc@icai.in](mailto:sirc@icai.in) and [sircnewsltr@icai.in](mailto:sircnewsltr@icai.in) for consideration by the Editorial Board on or before the above said dates.

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I, **P.T. Giridharan**, hereby declare that the particulars given are true to my knowledge and belief.

Date: 1<sup>st</sup> March 2013

sd/- **P.T. Giridharan**, Joint Director

**SIRC AWARDS TO BRANCHES OF SIRC FOR THE YEAR 2012**

Category of Branches	Category of Awards	Awards to Branches of SIRC of ICAI
Membership above 750	Best Branch Award	<b>Hyderabad</b>
	Highly Commended Performance Award	<b>Bangalore</b>
Membership between 301 and 750	Best Branch Award	<b>Trivandrum</b>
	Highly Commended Performance Award	<b>Mangalore &amp; Trichur</b>
Membership upto 300	Best Branch Award	<b>Udupi, Sivakasi &amp; Erode</b>
	Highly Commended Performance Award	<b>Vellore</b>

**SIRC AWARDS TO BRANCHES OF SICASA FOR THE YEAR 2012**

Category of Branches	Category of Awards	Awards to Branches of SICASA
Membership above 750	Best Branch Award	<b>Coimbatore</b>
Membership between 301 and 750	Best Branch Award	<b>Trichur</b>
Membership upto 300	Best Branch Award	<b>Hubli, Udupi &amp; Vellore</b>

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CA. J. MURALI  
Chennai  
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## Updates on Indirect Taxes

1. **Penalty UNDER SEC.78 NOT TO BE LEVIED WHEN PENALTY UNDER SECTION 76:** Assessee paid the tax due before the issue of notice and in that case no penalty be leviable under sec.78 because the penalty under sec.76 was already imposed. It was decided in the case of; **JIVANT ENTERPRISE Vs CST, Ahmedabad 28 STR 582** relying on the judgement in the case of 27 STR 225(Kar) CCE Vs MOTOR WORLD.
2. When Specific entry is removed General Entry rate will be levied: The special entry will lose the special rate of tax when the special entry is removed. **50 VST 435 BHATACHARJEE PHARMACEUTICALS & CO LTD. Vs. ACST, CORPORATE DIVISION, KOLKATA AND OTHERS.**
3. **Dismissal of Rectification petition filed by the Respondent for the remanded order is in order:** The Tribunal remanded the assessment order for fresh disposal after giving the principal of natural justice and respondent filed petition for rectification of order. That was dismissed and the respondent filed a writ before the High Court. Held High Court of Punjab & Haryana decided that the order of the Tribunal is in order and need no intervention and dismissed the writ filed by the Respondent in the case of **KAY KAY INDUSTRIAL CORPORATION Vs STATE OF HARYANA AND OTHERS reported in 50 VST 432.**
4. **Reimbursement of expenses** necessary to provide the services are liable for service tax. However expenses which are not necessary for provision of services but expanded when reimbursed, can be excluded from the value of services. **28 STR 46 (DELHI, TRIBUNAL) CCE Vs Raj Wines.**
5. **Erection, Commissioning and Installation:** Assessee engaged in the manufacture and sale of solar water heater systems and collected a composite value from the customers. Even though not charged for separately the erection commissioning and installation charges will attract Service tax. Held in the case of **27 STR 279 Suryatech Solar System Vs CST (Mumbai-Tribunal).**
6. **Money transfer Service is not Courier Services:** The Assessee through the network of branches provided money transfer services. The money was handed over at one branch and the money was different branch from their corpus without transferring the money from the first branch held this service will not be assessed under courier services. Held in the case of **28 STR 113 (Gujarat High Court), C.C.C Vs. Patel Vishnubhai Kantilal & co.**
7. The Assessee was engaged in the services of Erection Commissioning and installation and technical testing and analysis of electric meters at the premises of electricity consumers and claimed exemption provided by Notification No.45/2010-ST dated 20.7.10, services relating to transmission and distribution of electricity was not liable for service tax. Held Tribunal took a view that unless meter is provided the amount due from the customers could not be calculated and hence this service is not liable for the levy of service tax.  
*Puruvanchalvidyut Vitron Nigam Limited Vs CCE (TIOL-1169-CESTAT-DELHI)*
8. **Business Auxiliary Services:** Referral fees received by the Assessee for recommending the customers is liable for service tax under the category of Business Auxiliary Services.  
The Assessee incurred cost for referral of customers. Held the reimbursement of the expenses will also attract the service tax under the category of Business Auxiliary services. **HELD BY THE CHENNAI TRIBUNAL in the case of TVS Motor Company Limited Vs CCE, 28 STR 127.**
9. **CENVAT CREDIT:** The Assessee debited the CENVAT credit account for discharging duty liability though on wrong advice of the Departmental Officers. The Hon. Tribunal held that the suomotu re-credit of the same was inadmissible in law and only a refund claim was held permissible. However it further held that the refund claim if any also would be time barred since more than 1 year had elapsed since debiting the CENVAT credit account. **28 STR 219 Vighnagar SSK Lts Vs CCE (Mumbai Tribunal).**
10. **CENVAT CREDIT:** The Assessee claimed that service tax paid on construction services under taxable category of Commercial or Industrial construction Services would be available as CENVAT credit against, Renting of Immovable property services. The Honourable Tribunal relying on its own judgment in the case of **Mundra Port and Special Economic Zone Pvt Ltd Vs CCE 13 STR 178 (Allahabad Tribunal)** and the **circular No.98/2008 ST dated 4 January 2008** ( which also clarified that CENVAT credit of Commercial or Industrial Construction services or works contract services used for construction of an immovable property would not be available credit as immovable property is neither subjected to Central Excise duty nor subjected to service tax ) held that the credit would not be available. **28 STR 174 Venus Investments Vs CCE.**
11. The assessee had a power plant located at some distance from its factory, the plant used the entire power produced. The assessee claimed CENVAT credit of the service tax paid on the Insurance Premium for its power plant which the revenue denied. On appeal, Honourable Tribunal allowed credit holding that the power plant was a captive power plant as per Section 2 (8) of the Electricity Act, 2003 and based on the judgment in the case of **197 ELT 145(SC), Vikram Cement Vs CCE** the power plant supplying power exclusively to its manufacturing unit will be treated as one integrated unit and CENVAT credit of service tax paid on insurance policies concerning power plant situated would be allowable. **27 STR 401 (DELHI TRIBUNAL) Hindalco Industries Ltd Vs. CCE.**
12. Original required: The credit availed on the basis of photocopy of the bill of entry photocopy challan is not allowable. **28 STR 104 (Ahmadabad Tribunal) CCE Vs Survoday Blending (P) Ltd.**
13. Cenvat Credit on courier services used for sending the samples to the customers and correspondence with the head office is admissible being activities relating to the manufacturing business. **28 STR 111 CCE Vs. Parie International Pvt Ltd (Ahmadabad Tribunal)**
14. **Net value:** When the price to be paid to the foreign service provider was stated in the contract to be net of income tax the value of taxable service will include the income tax. **28 STR 150 (CHENNAI TRIBUNAL) T.V.S.Motor Company Ltd Vs CCE Chennai-III.** ■



Installation of CA. D. Prasanna Kumar as Chairman, SIRC by the Immediate Past Chairman CA. K. Viswanath in the presence of Central and Regional Council Members on 20th February 2013.



CA. D. Prasanna Kumar, Chairman, SIRC presenting memento to CA. K. Raghu, Vice-President, ICAI on the occasion of "Meet the Vice-President of ICAI" held on 20th February 2013. Also Seen in the picture are (L-R): CA. P.R. Aruloli, Secretary, SIRC, CA. P.R. Suresh, Vice-Chairman, SIRC and CA. Gopal Krishna Raju, Treasurer, SIRC.



CA. D. Prasanna Kumar, Chairman, SIRC lighting the traditional lamp to mark the inauguration of Seminar on Direct Taxes organized by SIRC at Tirupati on 23rd February 2013. CA. P.R. Aruloli, Secretary, SIRC, CA. E. Phalguna Kumar, Ex-officio Member, Tirupati Branch, CA. B. Chandra Reddy, Chairman, Tirupati Branch and other functionaries of Tirupati Branch are also seen in the picture.



CA. D. Prasanna Kumar, Chairman, SIRC along with the Central and Regional Council Members and CA. M.K. Kumar, Chairman, Visakhapatnam Branch at the Lecture Meeting and Felicitation to Newly Elected Members to the Council from Southern Region and SIRC organized by the Visakhapatnam Branch of SIRC on 25th February 2013.



CA. K. Viswanath, then Chairman, SIRC releasing the booklet "History of SIRC". Seen in the picture are (L-R) CA. P.R. Suresh, then Treasurer, SIRC, CA. D. Prasanna Kumar, then Vice-Chairman, SIRC, Shri T.V. Srinivasan, Deputy Secretary (Retd.), ICAI, CA. P.V. Rajarajeswaran, then Secretary, SIRC and Dr. T. Paramasivan, Senior Deputy Director (Tech.), ICAI on 20th February 2013.



CA. D. Prasanna Kumar, Chairman, SIRC along with other Office Bearers of SIRC and staff members of ICAI on 20th February 2013.

**PANEL DISCUSSION ON UNION BUDGET 2013**



CA. P.R. Aruloli, Secretary, SIRC, Shri K. Vaitheswaran, Advocate, Chennai, CA. D. Prasanna Kumar, Chairman, SIRC, CA. R. Bupathy, Past President, ICAI and CA. Gopal Krishna Raju, Treasurer, SIRC at the Panel Discussion on Union Budget held on 28th February, 2013.

**CPE STUDY CIRCLE MEETINGS**

**Resource Persons**

06.02.2013  CA. K. Bharathi, Chennai	13.02.2013  CA. Arun Laxminarayanan, Chennai	13.02.2013  CA. Santhanaraman, Chennai
22.02.2013  CA. Sriram Gopalakrishnan, Chennai	27.02.2013  CA. M. Sanjeev Adiya, Chennai	



**HIGHLY COMMENDED  
PERFORMANCE CERTIFICATE - 2012  
TO SIRC OF ICAI**

*SIRC of ICAI conveys its sincere  
thanks to all its Members.*

*CA. Jaydeep Narendra Shah, then President, ICAI presenting the Highly Commended Performance Certificate to CA. K. Viswanath, then Chairman, SIRC at the Annual Function of ICAI on February 11, 2013 at New Delhi, in the presence of CA. Subodh Kumar Agrawal, then Vice-President, ICAI, then Central Council Members of ICAI, then Office Bearers of SIRC and then Regional Council Members of SIRC.*

**ICAI AWARDS TO BRANCHES OF SIRC AND SICASA FOR THE YEAR 2012**

Presented by **CA. Jaydeep Narendra Shah, then President-ICAI** at the Annual Function of ICAI on February 11, 2013 at New Delhi in the presence of **CA. Subodh Kumar Agrawal, then Vice President-ICAI**, Central Council Members of ICAI, then Office Bearers of SIRC and Regional Council Members of SIRC.

**ERNAKULAM**



*Highly commended Performance Certificate-Large Size*

**SALEM**



*Best Branch of Regional Councils Shield-Medium Size*

**HUBLI**



*Best Branch of Regional Councils Shield-Small Size*

**TUTICORIN**



*Best Branch of Regional Councils Shield-Small Size*

**ERNAKULAM-SICASA**



*Best Branch of Students' Association - Southern Region - Shield*

**TUTICORIN-SICASA**



*Best Branch of Students' Association - Southern Region - Shield*