

LAW (EDUCATION) (192 6) Department.

Miscellaneous SERIES.

G.O. No. 98

DATED 22 nd J a n u a r y 1926

[Despatch Abstract.]

ACCOUNTANCY -

DIPLOMA - Establishment of an All-India Board - Local Govern-
ment's views - Furnished to the Government of India.

CONFIDENTIAL.

No. 131-T(2).

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

Delhi, the 16th November 1925.

The Hon'ble Mr. D. T. Chadwick, C. S. I., C. I. E., F. C. S.,

Secretary to the Government of India,

To

The Secretary to the Government of Madras,
Law (Education) Department.

Sir,

I am directed to refer to the correspondence ending with your letter No. 720, dated the 11th May 1924

on the subject of the proposals of the Government of Bombay for the revision of the rules regulating the award of the Government diploma in accountancy of the Sydenham College of Commerce and Economics at Bombay. The Government of India have now received replies from all Local Governments in respect of these proposals, and as the result of these replies and of the developments that have taken place in India since the position was last reviewed in their letter No. 5392-5404-3 of the 9th July, 1913, they are satisfied that the whole question of the training and certification of auditors in India must be reconsidered from a broader standpoint.

2. One of the main objects of the Government of India in passing the Indian Companies Act of 1913 was to ensure that the accounts of Companies should be properly audited, and Section 144 of the Act deals with the appointment and qualifications of auditors. This section provides for three classes of auditors. Under the proviso to Section 144(1) the Governor General in Council may notify institutions or associations whose members shall be entitled to be appointed and to act as auditors of companies throughout India, and

six associations have been notified under this section. They are:-

- The Institute of Chartered Accountants of England and Wales
- The Society of Incorporated Accountants and Auditors
- The Society of Accountants in Edinburgh
- The Institute of Accountants and Actuaries in Glasgow
- The Society of Accountants in Aberdeen, and
- The Institute of Chartered Accountants in Ireland.

Apart from this proviso to Section 144(1), the Act leaves it to Local Governments to make rules regulating the grant of certificates to auditors of public companies, and under section 144(2) a Local Government may grant either an unrestricted certificate entitling the holder to act as an auditor of companies throughout British India or a restricted certificate entitling the holder to act as an auditor of companies only within the limits of the province. The Act imposes no limit on the discretion of Local Governments but by arrangement between the Local Governments and the Government of India, the grant of unrestricted certificates is ordinarily confined to those who have obtained the diploma of the Accountancy Diploma Board, Bombay. Such persons, however, are not entitled to practise within the limits of any particular province unless they have first obtained a certificate under Section 144(1)

from the Government of that Province. They constitute the second class of auditors. In addition, there is a third class of auditors who do not possess the above diploma but who by reason of long practical experience are considered fit by a Local Government to be appointed auditors of companies and who are permitted to practise in the province for such period as may be thought advisable.

3. The existing arrangements were never intended to be more than temporary and transitional. The third class of auditors referred to will obviously disappear in the course of time ^{as} properly trained auditors become available, but apart from this point, the arrangements are open to criticism. In the first place, the Government of India doubt whether the provisions of Section 144 of the Companies Act are in consonance either with the classification of subjects under the existing constitution or with the probable lines of future constitutional advance. Secondly, other Local

GOVERNMENT OF INDIA
DEPARTMENT OF COMMERCE

Dated the 14th November 1932

The Hon'ble Mr. D. T. Chaudhary, C. S. I., C. I. R., L. C. S.,
Secretary to the Government of India

The Secretary to the Government of Madras,
Law (Education) Department.

I am directed to refer to the correspondence ending with
your letter No. 730, dated the 8th May 1932

on the subject of the proposals of the Government of Bombay for the revision of the rules relating to the award of the Government diploma in accountancy of the Sydenham College of Commerce and Economics at Bombay. The Government of India have now received replies from all Local Governments in respect of these proposals, and as the result of these replies and of the developments that have taken place in India since the position was last reviewed in their letter No. 3392-240-3 of the 26th July, 1931, they are satisfied that the whole question of the training and certification of auditors in India must be reconsidered from a broader standpoint. One of the main objects of the Government of India in passing the Indian Companies Act of 1913 was to ensure that the members of Companies should be properly qualified, and Section 144 of the Act deals with the appointment and qualifications of auditors. This section provides for three classes of auditors. Under the proviso to Section 144(1) the Governor General in Council may notify institutions or associations whose members shall be entitled to be appointed and to act as auditors of companies throughout India, and

governments can hardly be expected to acquiesce indefinitely in an arrangement which concentrates the theoretical part of the training of auditors of companies in a single province. Indeed, one Local Government has already put up a scheme for the training of auditors in its own province.

4. For these and other reasons the Government of India consider that the whole position must now be re-examined. The last twelve years have seen in India not only a large increase in the number of limited liability companies but also an increase in their size and importance and in the range of their activities. These activities frequently extend beyond the limits of a single province, and there is now a tendency also for shares in industrial concerns to be more widely held. It is obvious of course that the main object should be that a high standard of professional qualification should be prescribed, and that the maintenance of that standard at a uniformly high level throughout India, should be ensured. A further and equally important object to be kept in view is the maintenance among certified auditors of a high uniform standard of discipline and professional conduct.

5. The Government of India have always held and are still of opinion that the ideal system would be to build up in India an Association or Associations of the same standing and reputation as those mentioned in paragraph 2 of this letter, and they observe that expression has been given to the same ideal in paragraph 12 of the report of the External Capital Committee. If such an institution could be established, it could appropriately make itself responsible for the maintenance of the requisite standard of professional qualification and conduct among its members. The Government of India do not propose to rule out absolutely the possibility of encouraging the formation of an Association or Institute of this kind, with the object subsequently of conferring upon it some kind of charter. It is a question which requires further examination and discussion. But as at present advised, they think that it will be generally agreed that in consideration of the importance of the issues at

six associations have been notified under this section. They are:-
The Institute of Chartered Accountants of England and Wales
The Society of Incorporated Accountants and Auditors
The Society of Accountants in Edinburgh
The Institute of Accountants and Actuaries in Glasgow
The Society of Accountants in Aberdeen, and
The Institute of Chartered Accountants in Ireland.

Apart from this proviso to Section 144(1), the Act leaves it to Local Governments to make rules regulating the grant of certificates to auditors of public companies, and under section 144(2) a Local Government may grant either an unrestricted certificate entitling the holder to act as an auditor of companies throughout British India or a restricted certificate entitling the holder to act as an auditor of companies only within the limits of the province. The Act imposes no limit on the discretion of Local Governments but by arrangement between the Local Governments and the Government of India, the grant of unrestricted certificates is ordinarily confined to those who have obtained the diploma of the Accountancy Diploma Board, Bombay. Such persons, however, are not entitled to practice within the limits of any particular province unless they have first obtained a certificate under Section 144(1) from the Government of that Province. They constitute the second class of auditors. In addition, there is a third class of auditors who do not possess the above diploma but who by reason of long practical experience are considered fit by a Local Government to be appointed auditors of companies and who are permitted to practice in the province for such period as may be thought advisable. 3. The existing arrangements were never intended to be more than temporary and transitional. The third class of auditors referred to will obviously disappear in the course of time, properly trained auditors become available, but apart from this point, the arrangements are open to criticism. In the first place, the Government of India doubt whether the provisions of Section 144 of the Companies Act are in consonance either with the classification of subjects under the existing constitution or with the probable lines of future constitutional advance. Secondly, other local

stake and of the need for ensuring that any such Institute should be generally recognized as authoritative it would be premature at present to attempt to establish an Institute fully endowed with these functions. But if this is the general opinion, then it appears to the Government of India to be essential that any new arrangements which may be made for the grant of certificates to auditors of companies in India should be such as would be consistent with the ultimate formation of an Association or Institute of the kind referred to in the preceding paragraph of this letter. With this object in view, it has been suggested that the Government of India should begin by establishing an All India Accountancy Board. The diploma given by this Board would entitle the holders thereof to practise their profession anywhere throughout British India without further permission. This Board would be only a temporary institution. It is hoped that in connection with this All India Board it may prove possible to bring together in some form of Institute or Association auditors possessing high professional qualifications and now practising in India as well as those who may hereafter be qualified to practise whether on diplomas issued by this All India Board or otherwise, so that, as experience is gained and numbers, such Institute or Association will be able and competent to take over the duty of maintaining standards of qualification and training in the profession.

6. The Government of India are of opinion that the suggestion is an attractive one. If the principle of the proposal meets with general approval, it will be necessary to work it out in detail, but there are one or two points on which some preliminary remarks are required. The first relates to the functions of the proposed All India Board. These might roughly be defined as below:-

(1) Subject to the approval of the Government of India, to frame and issue rules prescribing the qualifications and governing both the theoretical and practical training of auditors and the grant of diplomas in accountancy;

Government can hardly be expected to acquiesce indefinitely in an arrangement which concentrates the theoretical part of the training of auditors of companies in a single province. Indeed, one local Government has already put up a scheme for the training of auditors in its own province.

4. For these and other reasons the Government of India consider that the whole position must now be re-examined. The last twelve years have seen in India not only a large increase in the number of limited liability companies but also an increase in their size and importance and in the range of their activities. These activities frequently extend beyond the limits of a single province, and there is now a tendency also for shares in companies to be more widely held. It is obvious of course that the main object should be that a high standard of professional qualification should be prescribed, and that the maintenance of that standard at a uniformly high level throughout India, should be ensured. A further and equally important object to be kept in view is the maintenance among certified auditors of a high uniform standard of discipline and professional conduct.

5. The Government of India have always held and are still of opinion that the ideal system would be to build up in India an Association or Association of the same standing and reputation as those mentioned in paragraph 2 of this letter, and they observe that expression has been given to the same ideal in paragraph 12 of the report of the External Capital Committee. If such an institution could be established, it could appropriate to itself the responsibility for the maintenance of the standards of professional qualification and conduct among its members. The Government of India do not propose to rule out absolutely the possibility of encouraging the formation of an Association or Institute of this kind, with the object of assisting of course upon it some kind of charter. It is a question which requires further examination and discussion. But as at present advised, they think that it will be generally agreed that in consideration of the importance of the issues

- (2) to appoint examiners and to arrange for the conduct of examinations in accountancy;
- (3) to recognise institutions in which the arrangements made for instruction in accountancy are satisfactory and the students of which will be allowed to sit for examination;
- (4) to maintain lists of approved firms in which candidates for the final diploma can obtain practical training;
- (5) to prescribe the period of such practical training;
- (6) to grant an All India diploma in accountancy;
- (7) to institute enquiries into alleged misconduct by holders of All India diplomas;
- (8) to recommend to the Government of India the cancellation of All India diplomas where the holder has been found guilty of professional misconduct; and
- (9) generally to keep in touch with holders of the All India diploma and with other members in India of the six societies referred to in paragraph 2 above in order gradually to build up an Association of Accountants and Auditors in India.

The exact constitution of the Board will be worked out later, but if the functions are on the lines indicated above, clearly the Board should be composed mainly of persons of high standing in the profession drawn as far as possible from different provinces. The members of the Board would be nominated by the Government of India who would also nominate the Chairman. It may also be necessary to establish in a few selected centres where the work is heavy Local Boards similarly constituted but working under the All India Board to relieve the All India Board of certain current but local work. It is not proposed that men now holding restricted or unrestricted certificates should be debarred from practising, but it is essential part of the scheme that after a stated period the issue of such certificates by Local Governments should cease in order that ultimately the auditing of the accounts of companies may be left entirely to those who hold the higher qualification of the All India diploma.

7. The subject is a very important one, and it will be understood that the views expressed in this letter are purely tentative

stand and of the need for ensuring that any such Institute should be generally recognised as authoritative it would be premature at present to attempt to establish an Institute fully endowed with these functions. But if this is the general opinion, then it appears to the Government of India to be essential that any new arrangements which may be made for the grant of certificates to auditors of companies in India should be such as would be consistent with the ultimate formation of an Association or Institute of the kind referred to in the preceding paragraph of this letter. With this object in view, it has been suggested that the Government of India should begin by establishing an All India Accountancy Board. The diploma given by this Board would confer high professional attainments and would entitle the holders thereof to practise their profession anywhere throughout British India without further permission. This Board would be only a temporary institution. It is hoped that in connection with this All India Board it may prove possible to bring together in some form of Institute or Association auditors possessing high professional qualifications and now practising in India as well as those who may hereafter be qualified to practise whether or not diplomas issued by this All India Board or otherwise, so that, as experience is gained and numbers, such Institute or Association will be able and competent to take over the duty of maintaining standards of qualification and training in the profession.

6. The Government of India are of opinion that the suggestion is an attractive one. If the principle of the proposal meets with general approval, it will be necessary to work it out in detail, but there are one or two points on which some preliminary remarks are required. The first relates to the functions of the proposed All India Board. These might roughly be defined as follows:-

- (1) Subject to the approval of the Government of India to frame and issue rules prescribing the qualifications and governing both the theoretical and practical training of auditors and the grant of diplomas in accountancy;

stood that the views expressed in this letter are purely tentative. The subject is a very important one, and it will be understood that the All India Board of accountants may be left entirely to those who hold the accounts of companies in order that ultimately the auditing of the stated period the issue of such certificates by Local Governments practising, but it is essential part of the scheme that after a restricted or unrestricted certificates should be obtained from but local work. It is not proposed that men now holding All India Board to relieve the All India Board of certain current is heavy local Boards similarly constituted but working under the necessary to establish in a few selected centres where the work India who would also nominate the Chairman. It may also be the members of the Board would be nominated by the Government of in the Professor drawn as far as possible from different provinces. The Board should be composed mainly of persons of high standing but if the functions are on the lines indicated above, clearly the exact constitution of the Board will be worked out later. up an Association of Accountants and Auditors in India. referred to in paragraph 2 above in order gradually to build diploma and with other members in India of the six societies (2) generally to keep in touch with holders of the All India quality of professional misconduct; and tion of All India diploma where the holder has been found (3) to recommend to the Government of India the cancellation of holders of All India diploma; (7) to institute enquiries into alleged misconduct by (6) to grant an All India diploma in accountancy; (5) to prescribe the period of such practical training; for the final diploma can obtain practical training; (4) to maintain lists of approved firms in which candidates students of which will be allowed to sit for examination; made for instruction in accountancy are satisfactory and the (3) to recognise institutions in which the arrangements examinations in accountancy; (2) to appoint examiners and to arrange for the conduct of

and provisional. The Government of India would be grateful if the Government of Madras could let them have a preliminary expression of their views by the 15th January next. It is their present idea to take advantage of the opportunity afforded by the presence in Delhi during the forthcoming session of the Legislature of various persons who are specially interested in the subject and specially qualified to advise on it, to assemble a small informal conference. At the conference the whole subject will be explored, and it is hoped that it will be possible not only to arrive at preliminary conclusions but also to decide how best those conclusions can be carried into effect. It is hoped that the Government of Madras will be able either to nominate one of its representatives on the Legislature to attend this conference or to send up some one specially for the purpose. In the meantime, I am to say that there is no objection to non-officials specially interested in the subject or in commerce or banking being consulted confidentially.

I have the honour to be,

Sir,

Your most obedient servant,

M. Chadwick P.

Secretary to the Government of India.

and provisions. The Government of India would be grateful if
the Government of Madras could let them know a
preliminary expression of their views by the 15th January next.
It is their present idea to take advantage of the opportunity
afforded by the presence in Delhi during the forthcoming
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Legislature to attend this conference or to send up some one
specially for the purpose. In the meantime, I am to say that
there is no objection to non-officials specially interested in
the subject or in commerce or banking being consulted con-
sultative.

I have the honour to be,
Sir,
Your most obedient servant,

W. Lawrence
Secretary to the Government of India.

Confidential

The D.P.I. (with copy of the
Govt. of India's letter)
" Regr. of Joint Stock Cos.,
with copy of India's
letter.

Reminder - 20-12-25
Spw 2/12

Law (Education) Department

Mem o No.3814 C/25-1 d. 3-12-25-
CONFIDENTIAL

Establishment of an All-India Account-
ancy Board.

A copy of the letter from
the Government of India, Department
of Commerce, No.131-T (2), dated
16-11-25, on the subject of the train-
ing and certification of Auditors in
India is forwarded to the D.P.I.
Regr. of Joint Stock Companies
who is requested to submit his re-
marks on the proposals of the Govern-
ment of India not later than the 20th
December. *The commt. shd. be headed
a conf.*

G.N.	
30-11-25	
E.A.V.	C.R.
30-11-25	1-12-25

I have discussed these proposals with Mr. Dandekar, the Principal of the Government Institute of Commerce, Madras, and would press for Madras being represented upon the All-India Board. I do not, however, consider that there is much likelihood of this province not being represented in view of the fact that

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next to Bombay this presidency has more auditors qualified by the diploma of the Accountancy Diploma Board, Bombay, than has any other province in India except Bombay.

If the Government of Madras are proposing to nominate some representative to attend the conference proposed to be held by the Government of India in January next I suggest that Mr. Dandekar, the Principal of the Government Institute of Commerce, Madras, be deputed for this purpose.

I have the honour to be,

Sir,

Your most obedient servant,

[Signature]
Director of Public Instruction,
M a d r a s.

SI 30-41,000-8-9-24.



DEPARTMENT.

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Received 192 . Registered 192

Subject.

Confidential

All India Accountancy Diploma Board--Establishment.

ENCLOSURES.

No. 1 (*in duplicate*)

Spare copies *nil*

No. *Comp. Con. 1.*

Station M a d r a s, Dated the 12 th December 1925.

From (Name) E.H.M. Bower, Esquire, B.A., LL.B.(Lond),
(Designation) Registrar of Joint Stock Companies.

To The Secretary to the Government of Madras,
Law (Education) Department.

Sir.

17/12/25
REFERENCE--Memorandum No. 3814 C 25/1 dated the 3rd
December 1925.

Annexed is a note containing my remarks on the suggestions made in the Government of India Letter referred to in the above Memorandum.

I have the honour to be,

Sir,

Your most obedient servant,

[Signature]

For Registrar of Joint Stock Cos.

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ANNEXURE.

Reference to
paragraph in the
Government of
India letter
No.131-T(2) dated
16--11--1925.

Paragraph No.	Suggestion.	Remarks.
5.	"The Government of India "should begin by establish- "ing an All India Account- "ancy Board." p 4 anti	Ever since the Indian Companies Act, 1913, came into force it has been the prime object of the Government of India to foster on the best lines possible the profession of Accountancy and Auditing in order that registered companies may not experience any difficulty in procuring the services of duly qualified auditors. Now that Joint Stock enterprise has considerably increased, the functions of Public Accountants on whose certificates the investing public rely have concomitantly grown in importance and the necessity has now arisen for aiming at the elevation of the profession of Public Accountants and Auditors as a whole to with with a view to ensure their usefulness and efficiency by requiring on their part a high standard of professional and general educational knowledge and by the compelling of the observance of strict rules of conduct. This object could be satisfactorily attained only if there is <u>one</u> standard of judgment for British India as a whole. Further, the present system has proved defective in as much as it has enabled in several cases candidates

Paragraph No. Suggestion. Remarks.

of this Presidency who were refused the grant of an Auditor's Certificate to secure certificates from the Governments of other Provinces, such as Bengal and Burma. For these and other reasons, it is desirable that the present system of the Local Governments issuing certificates should be put an end to and the authority issuing the Diploma centralized in one body for the whole of British India.

There will be no practical difficulty even as regards the audit of Nidhis in the Madras Presidency as there are already in the field a sufficient number of Auditors in the Presidency who are Government Diplomates in Accountancy and who are acquainted with the vernaculars obtaining in the Presidency.

This is also a step in the right direction and the provision in Section 144 of the Indian Companies Act, 1913, may be altered suitably.

As opined by the Government of India, this is an attractive proposal and the Constitution of the All India Board will, by bringing together professional men of recognised status and capacity, serve as a nucleus for the formation of an "Association of Holders of the All India Diploma" and this

5. "The Diploma given by this Board would connote high professional attainments and would entitle the holders thereof to practise their profession anywhere throughout British India without further permission."

5. "It is hoped that in connection with this All India Board it may prove possible to bring together in some form an Institute or Association of Auditors possessing high professional qualifications. x x x Such Institute or Association will be able and competent to take over the duty of maintaining standards of qualification and training in the profession."

Paragraph No. Suggestion. Remarks.

6. Functions of the All India Board.

Ms 4-5 anti

Association may in course of time be recognised by a Charter as in the case of the Institute of Chartered Accountants in England.

In addition to the functions enumerated, the undermentioned duty may also be assigned to the Board:

"Subject to the approval of the Government of India to lay down rules respecting the rules of conduct of the Holders of the All India Diploma, e.g.,

(a) An Accountant who holds a Diploma should not allow any person who is not himself the Holder of a Diploma to practise in his name or in the name of his Firm as a partner; and

(b) A Public Accountant should not be allowed to follow any business or occupation other than that of a Public Accountant or some other business which, in the opinion of the All India Board, is incident thereto or consistent therewith.

[c.f. paragraphs 19 (1) and (4) of the Royal Charter governing the Institute of Chartered Accountants in England and Wales.]

Item 8 of the function quoted in the Government of India letter refers to cancellation of the Diploma. To meet cases not too serious "suspension" of such Diplomas may also be introduced.

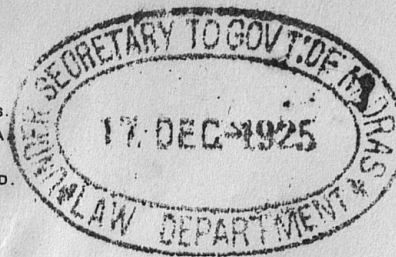
The establishment of Local Boards is essential as it is the Local Board that will have every facility to conduct the necessary local enquiries regarding any Auditor or to examine questions affecting local areas.

Establishment of Local Boards.

Ms 4 anti

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FRASER & ROSS,
CHARTERED ACCOUNTANTS.
MADRAS & MADURA.
IAN S. FRASER, C.A.
GRAHAM F. ROSS, C.A.
JAMES V. PIRRIE, A.C.A.
TELEGRAMS "VERIFY" (MADRAS
MADURA)
MADURA 263, RAMNAD ROAD.



22.4069 C/17.12.
17. Armenian Street. 14
(13) Madras.
16th December 1925

The Secretary, to Government,
Law (Education) Department,
MADRAS.

Sir,

With reference to your letter No.3814 C/25
forwarding a copy of a letter from the Government
of India, Department of Commerce, No.131 T (2)
dated 16--11--25, I enclose a note of my views
on the subject, and, as the matter is one of
general interest to qualified Accountants in India,
I also attach notes by Messrs.Graham Ross and
J.V.Pirrie, my partners, and by Messrs.S.W.Edwards
and Cyril Gill, Assistants in my firm.

I have the honor to be,

Sir,

Your most obedient servant,

Sam. S. Fraser

Enc:

K.K

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14 15
NOTE BY IAN S. FRASER, C.A.

All India Accountancy Board.

I consider that the formation of an Institute or Association of Accountants in India should be encouraged, but I agree that it is premature to attempt to form such an Institute now. When formed it - would make itself responsible for the maintenance of the requisite standard of professional qualification and conduct.

The Institute would be formed from the Accountants in practice in India and all Accountants holding the necessary qualification to practice viz., an unrestricted certificate or a G.D.A. would be eligible for membership of the Institute.

104 ante
ibid.
I think that there can be no doubt that the G.D.A. Scheme has improved the - standard of Accountants in India, I judge merely by the Apprentices who have passed through my firm's office, and I mean the standard of young Indian Accountants; the scheme is too young and the men who have qualified under it are still too young to pass a definite opinion. It is for this reason that I agree that it is premature to attempt to form an Institute now.

I agree that there should be an All India Accountancy Board, until such time as

an -

an Institute can with safety be formed, but I would not make any distinction between diplomas granted under The All India Accountancy Board and those granted by the Accountancy Diploma Board, Bombay. When the various Institutes and Societies were formed in Great Britain the standard of qualification was not nearly so high as it now is, nor was it equal in all Societies and Institutes and no distinction is drawn between the members of the various Societies and Institutes, nor is there any distinction drawn between those who qualified years ago and those who qualified recently. After all it is only by experience gained in actual practice that an Accountant can become proficient in his profession, and I think that too much can be made of a very high standard of theoretical training. It - is a practical training plus a reasonably high standard of theoretical training that is wanted, and this is the difficulty in - India because there are very few practising Accountants who can or will give the necessary practical training to apprentices.

If it is possible I would suggest that the present Bombay Diploma Board should be made the nucleus of The All India Board, and that say at least 50% of the members of the Board are practising accountants and if possible members of one of the 5 Institutes or Societies named in para 2 of the letter No.131 T (2). The

functions of the Board would be those set out in 1 to 9 in para 6 of the letter No.131 T (2).

A difficulty which I anticipate in forming an All India Board is that it may be found difficult or even impossible to get the right class of practising accountant to sit on the Board. Few firms of Chartered Accountants can spare the time of Partners or Senior Assistants for such work, entirely apart from the fact that they could ill afford to lose the earning time of such seniors. I presume that work on the Board would be honorary.

There is one last point which must not be overlooked, I speak only for conditions in the Madras Presidency, and think it that there is only a very limited field for practising Indian Accountants, and it is not a growing field. There is also only a very limited field for European Accountants, and the fact that one firm has supplied the needs of the Presidency for the past twenty years, and now only employs 5 Europeans (including partners) speaks for itself.

I would not discourage the scheme just because the field for those who are to practise is limited as it is the qualification that is desired, and the surplus can be absorbed in Banks, Mercantile Offices, Government employment, Trade and Business, and will be all the better fitted for same by virtue of

a sound training in Accounts, but I do not think that the need for the Professional Accountant is being overstated, and that it is a profession which could become very easily overcrowded, and overcrowding in any profession is dangerous.

K.K

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18 19
NOTE BY J.V. PIRRIE, A.C.A.

All India Accountancy Board.

p 4 anti
I agree with the suggestion of the Government of India that the present is not the time to form an Indian Institute with power to make its own rules and byelaws and govern itself.

p 17 anti
On the other hand there is undoubtedly scope for an All India Accountancy Board, which should be composed as far as possible, of practical Accountants holding recognised qualifications, and, I think, such a Board should work on the lines of the Diploma Board of the Sydenham College of Commerce, Bombay. The latter Board should cease to exist but should form the nucleus of the All India Board.

It will probably be found a matter of considerable difficulty to persuade practising accountants to become members of an All India Board as presumably no compensation could be granted them for the time occupied not only in attending meetings of the Board but in travelling.

The Accountancy profession is growing, but what demand for the services of public accountants there is likely to be cannot be estimated; the demand depends upon the growth of industry and commerce and it is significant that the field of practice of established firms of Chartered Accountants in India has not increased appreciably during the last few years; overcrowding in any profession is bad for the profession and in order to maintain the standard of a profession, admission thereto cannot be too strict.

The great difficulty in India is the lack of qualified accountants fit to take and train apprentices, and as an accountant's training in practical work is much the most important part of his training it follows that the number of men who can qualify annually must be limited; the number must be still more limited by reason of the fact that practising Accountants can only take as apprentices such a number as they can sufficiently train.

As regards apprentices, my firm has experienced no difficulty in choosing the right type of man. We have restricted our apprenticeships to candidates who have already passed the G.D.A. examination or who are graduates.

It does not necessarily follow that because a man has passed his G.D.A. examination he is qualified as a practical accountant and I would therefore suggest that the period of apprenticeship should be reconsidered.

A graduate should be apprenticed for 3 years, and a non-graduate for 5 years the whole period to be served in the office of a practising accountant.

Non-graduates should pass a Preliminary Examination of the Board or hold a certificate as to general educational abilities by having passed an examination recognised by the Board as equivalent thereto. I would increase the percentages of marks required to pass such examination to 50 per cent in Mathematical

English and the optional language tests and 45 per cent in other papers.

All apprentices should pass an Intermediate Examination equivalent in standard to the present G.D.A. examination, candidates not to present themselves for examination until half the apprenticeship course has been served.

All candidates to pass a Final Examination and not to be allowed to present themselves for the examination in less than 1 year in the case of a graduate or in less than 2 years in the case of a non-graduate from the date of passing the Intermediate examination.

(2) As regards Examiners, practising accountants should set and value all Accounts and Auditing papers.

Book-keeping in any form should be excluded from the Preliminary Examination.

Practising accountants need not, therefore, be Members of the Preliminary Examination Board.

(3) Institutions for Theoretical training: Continue present ones and create others as necessity arises. Possibly the three in Bombay recognised by the Accountancy Diploma Board could be amalgamated.

(4) As regards firms entitled to take and train apprentices, I believe that the present arrangement

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arrangement is that local Committees advise the Diploma Board in Bombay. If this is so, the practice might be continued but under advice to the All India Board who should, perhaps, revise the present list.

(5) The Rules of the Board should include powers to deal with misconduct.

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NOTE BY S.W. EDWARDS, A.C.A.

All India Accountancy Board.

A candidate for the G.D.A. may present himself for examination on a theoretical knowledge of accounts only.

Providing the standard of the Matriculation Examination is maintained as a preliminary test of a candidate's educational qualification to present himself for the All India Board Examinations, I am of opinion that further examinations should be based on practical lines rather than on theory.

A period of three years does not appear to be sufficient for an apprentice to gain all the practical experience necessary except in the case of a graduate and I am of opinion that a full five years should be served under a practising accountant before a candidate is allowed to present himself for the final examination.

As a help to candidates in preparing for the final examination I would suggest that an Intermediate Examination (of similar standard to the present G.D.A.) be held and that a candidate be allowed to present himself therefor after the completion of half his term of service under a practising accountant.

The above would necessitate examinations being held twice a year.

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NOTE BY CYRIL GILL, A.C.A.

All India Accountancy Board.

It will be observed from the above that the course of training recommended would be closely akin to that of the recognised accountancy bodies in the United Kingdom. I am very firmly of the opinion that the Standard should not be lowered because, apart from other considerations, the granting of a charter at some future date would undoubtedly meet with strong opposition from the Institutions and Associations referred to in para 2 of your letter, if a Standard equal to that of these Associations was not maintained.

NOTE BY GRAHAM ROSS, C.A.

I agree with Mr. Pirrie, the great difficulty in any scheme is that of giving practical training as there are comparatively few firms of practising accountants in India capable of giving the training. We have applications for apprenticeships far in excess of our requirements. Mr. Gill rightly draws attention to the necessity of keeping up the Standard of training if a charter is eventually to be applied for.

1. The classification into first, second and third class of Auditors was never contemplated by the Act. Auditors to whom certificates are granted by the Government of India, should

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have the same status and position as the members of the Chartered Institutions approved by notification. There are several differences and invidious distinctions between holders of certificates granted by the Government and the members of the approved Chartered Societies who are, ipso facto, i.e., by virtue of their mere membership of such institutions, "entitled to be appointed and to act as Auditors", without any application for enlistment as Auditors locally, from them. A Barrister of the Inns of Court in England has to enrol himself in the Indian Courts and pay a fee therefor, before he can practise his profession. While it is so with the legal profession, there is no reason why a Chartered Accountant, etc., merely as such, should enjoy this invidious privilege. A few of such distinctions are enumerated below:

(a) The Government have powers under the rules to cancel the certificates and suspend auditors from practising for unprofessional conduct in the case of holders of such certificates from the Government, but, they have reserved no such power in the case of the members of the approved Chartered Societies. I know that Certificates granted by the Government of India were cancelled in the case of Indians holding such certificates from the Government for their carelessness and negligence in audit work; but, the European Members of the Chartered bodies guilty of similar misconduct, such as the auditors of the Alliance Bank of Simla, the Delhi & London Bank and the Imperial Bank of India

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VIDYA SAGAR PANDYA.

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(as evidenced by the disclosures in the several suits before the Law Courts in several parts of India in connection with the frauds in the Bank) have not yet been brought to book, nor has any action been taken to suspend them from practising. Probably, this is due to the Government not having the requisite powers to do so in as much as they are "entitled to be appointed and to act as Auditors" by virtue of their being members of the chartered bodies and are not created as auditors by Government and given a certificate. I know also instances in which the members of the Chartered bodies have been removed by the Court for not carrying out liquidation proceedings properly and also one or two cases in which they had to compromise by the payment of money to avoid suits being filed against them for not carrying out the audit properly. No action has been taken against them for unprofessional conduct and that is why I suggest that the Government should have powers to suspend or disallow any member of the Chartered bodies practising in India for misconduct and the All India Board should be empowered to institute enquiries into cases of alleged misconduct of members of the chartered bodies and to recommend to the Government of India suspension from practice and cancellation of certificates where the member of any chartered body is found guilty of professional misconduct.

(b) Holders of unrestricted certificates are required to obtain fresh certificates from local Governments before they can practise in the Provinces, while, in the case of the members of the approved societies, there is no such restriction.

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(c) Members of the Chartered bodies are allowed to audit for incometax purposes by virtue of their membership of such bodies, while the other certificate holders have to be appointed every year.

Such invidious distinctions must not exist. The members of the Chartered institutions should produce their credentials and the Government should inquire into their character and their past and should allow them to practise only after they have ^{satisfied} themselves. The Associations of which they are members cannot obviously control them from that distance and the Government here should keep a vigilant eye over their conduct and career also.

Why I insist on the production of credentials is that I have come across an instance of an European gentleman practising as Auditor for several years in this Presidency by simply declaring himself a member of one of these chartered institutions. Those engaging his services never asked him to produce his credentials and the Registrar of Joint Stock Companies accepted his audited Balance Sheets without enquiring or calling upon him to produce his certificate of membership. When his conduct became so glaringly discreditable that it could not be tolerated any longer, the Registrar of Joint Stock Companies asked me to let him know whether he belonged to any of the approved bodies and I suggested to him to call upon the offending member to produce his credentials. The result was that the Auditor absconded, while the Balance Sheets passed by a person

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who was not competent to undertake such work remain on the files.

2. I know that the Institute of Chartered Accountants of England and Wales and the Society of Incorporated Accountants and Auditors are the two leading institutions and that they now enforce strict discipline and a high standard of proficiency and efficiency before admitting anyone as member. I would suggest deleting the names of the four other societies from the approved list as they do not come up to that high standard though they may have a long tradition and history behind them. If the idea is that hereafter only those who have secured a diploma from the Board instituted by the Government should practise, I do not see why the members of these bodies also should not comply with that requirement.

3. I am amused to read that "other Local Governments can hardly be expected to acquiesce indefinitely in an arrangement which concentrates the theoretical part of the training of Auditors of Companies in a single province". I do not see how they can object to having Auditors trained in a single province when they meekly submit to admitting the members of certain chartered bodies 6000 miles away.

4. Regarding the constitution of the All India Accountancy Board, I would insist on more than half the members being Indians. The members of the foreign Chartered Institutions are not likely to take a sympathetic view of an Indian Association

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whose existence is likely to diminish their own privileges and favoured treatment and dim the glamour of superior status and position. These members of Foreign Chartered Societies should not be allowed to sit in judgment over their own rivals.

5. The qualifications governing the training of candidates in the proposed association should not be harder than the standard required to gain admission into the approved Chartered Societies, into which a number of Indians can very easily get admitted but for the residential qualification. The qualifications, while they should not impair efficiency and should be a proper test of experience and practical knowledge, should not be too high.

I do not see why private students should not be allowed to sit for the examinations, especially as those working in Banks and other Offices will have better facilities for getting practical training and instruction in accountancy.

When an All India Diploma is granted, the restriction of applying to Local Governments for certificates before commencing practice should be abolished.

Enquiry into alleged misconduct of Auditors should extend also to members of the Chartered Institutions and should not stop with an inquisition over holders of All India Diplomas only.

The members of the foreign Chartered Societies should not be given undue preference. They should also get

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themselves enlisted as members of the Profession in India and be under the same control for conduct, etc., as other Indian Members.

Though the audits of the Accounts of Companies should be left mostly to those who hold the higher qualification of an All India Diploma, the examination alone should not be the criterion. The Government should continue to give restricted and unrestricted certificates to those who have the necessary qualifications and experience. An Accountant-General with a knowledge of accounts in the Departments of Government, for instance, should not be debarred from practising as an Auditor simply because in his advanced age, he cannot pass an examination.

6. I agree that the subject should be explored fully and advantage taken of the services of those who are interested in the matter, with the warning that the members of the Chartered bodies should not be given a preponderant voice in deciding about matters concerning their own rivals in profession.

Yours faithfully,

Vijay Sagar Pandya,

(Confidential)

From

M.R.Ry C.Gopal Menon Avargal, M.L.C.,
20, Gengu Reddi Road,
Egmore, Madras.

To

M.R.Ry Rao Bahadur V.T.Krishnama Achariyar Avl.,
Secretary to Government (Law Dept.)
Fort St.George.

Sir,

I have the honour to acknowledge receipt of your letter No.3814-C/25 dated 3rd December, and beg to make the following observations thereon:-

There is no doubt that a serious attempt made now to re-organise the system of training and certification of auditors in India will by no means be premature. I believe the pressing need for it is a long felt one with the rapid progress in trade and industries. This question has been brought to the notice of the authorities by the Southern India Chamber of Commerce and it was discussed in its Committee at the time of the Hon'ble Sir Charles Innes' visit to the Chamber on the last occasion.

I fully realise that there is a degree of difference in the standing and status of auditors trained and certified in India (Clause II & III in Government of India's letter) and those trained and certified in the United Kingdom. I am of opinion that the course of training afforded in India would not account for it in any considerable measure. The examination is stiff enough and the apprentice course is in most cases under Chartered Accountants or Incorporated Accountants. There is no lack of honesty or

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or grasp or thoroughness. A possible explanation is that a body of practitioners in India who are new to their profession, must naturally be working under a handicap as compared with the products of a long standing Institute of high reputation as those recognised in the United Kingdom. Neither is it to be deprecated if the British commercial community in India have led the way by reposing greater confidence in the integrity and ability of their own countrymen certified by a historical Institute with which they have long been familiar. I am not mentioning that in any spirit of recrimination, but a due appreciation of the real cause of preference must, I think, be helpful in the proposed rehabilitation.

In the first place, I recognise that an All-India Board, to begin with, should function, which, in order to allay all provincial jealousies, should be located in Delhi, and which, in order to circumvent the constitutional issue raised in Government of India's letter, should be neither official nor controlled by Government, either Central or Provincial. I am strongly of opinion that the gap produced by the gradual withdrawal of Government control should be substantially filled up by the recognised commercial bodies in the country. I cannot too strongly emphasize the need for employing the commercial community, much more than any other, to educate and leaven mercantile public opinion in favour of the desired change of mood adverted to in the previous paragraph. Secondly, I recognise that a body of auditors possessing high professional qualifications, and advisory in function in the beginning and gradually appropriating larger and larger share and greater and greater responsibility in the work of the All-India Board, should be closely asso-

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associated with it from the outset, with a view to its eventual development into a full-blown Chartered Institute and the simultaneous elimination of the Board. Thirdly, there should be boards created in the Provinces on the same model and under the control and supervision of the Central Institution. Fourthly, I should like that the theory course and practical training should go 'pari passu' with an Intermediate and Final Examination at the end of the II and V years course.

I am for prescribing five years' course for Matriculates and Secondary School-Leaving Certificate holders. I am particular that the course, theoretical and practical combined, should be sufficiently long, and am disposed to make a concession in the case of graduates by reducing the course from 5 to 4 years. It would not conduce to the maintenance of high professional training and ability if the course is reduced to a lesser period.

I agree that the functions enumerated in paragraph 6 of the Government of India's letter may appropriately be discharged first by the All-India Board, and then by the Chartered Institute, with the co-operation of the Provincial bodies, on all of which the Chambers of Commerce should have effective representation and control.

I have the honour to be,

Sir,

Your most obedient servant,

C. Sathalmenon

Madras,

17th Decr. 25.

Letter No. 3814 C/25-4 dated
Confidential.

Sir,
My
Refce: letter No. 3814 C/25-2 Law
Confidential
(Education), dated 3-12-1925 -

Training and certification of auditors

I am directed to request you
to be so good ~~as to~~ as to send an
early reply to my letter quoted above.

I have etc.,

To

M.R.Ry. ~~Widya Raju Panaya, Secretary,~~
~~Indian Bank~~

The Hon'ble Dewan Bahadur Sir S.R.M. ^{19/12}
Annamalai Chettiyar,
Natana Vilas, Police Commr.'s Road,
Vepery, Madras. ^{19/12}

L.C. Nicholson Esq., M.L.C.,

C/O Messrs. Spencer & Co., Madras.

M.R.Ry. ~~G. Gopal Menon, M.L.C.,~~
~~20, Ganga Road, Madras.~~

T. M. Ross Esq., M.L.C.,

C/O Messrs. Best & Co. Ltd.
Post Box No. 63, Madras.

D.N. Strathie Esq., I.C.S.,

Commissioner of Income-tax, Madras.

M.R.Ry. G. Narasimham Pantulu Garu,

Auditor, 20, Thambu Chetti Street,
Madras.

Note. Replies have been received from
the Director of Public Instruction,
the ~~Exx~~ Registrar of Joint Stock
Companies and from Mr. Ian Fraser of
Messrs. Fraser and Ross.

Please take
up file above

page 8 c.f.

In reply please quote
number, date and short
title "

Received

Registered



From (Name) D.N. Strathie Esqr., I.C.S.,

(Designation) Commissioner of Incometax,

Post Box G.P.O., (STATION) Madras.

Telegraphic Address "Intax"

To The Secretary to the Government of Madras,

Law (Education) Department, Madras.

No., dated 19th December 1925.

Sir,

* Auditors - Training and certification / revision
of rules regarding the - Your letter No. 3814 C/25
dated the 3rd December 1925.

ENCLOSURES

SPARE COPIES

In the first place I may say for the information of the Government of Madras that I have very little faith in the existing system under which Government attempt to guarantee the reliability of auditors. In the United Kingdom, as Government are no doubt aware, a Government certificate is necessary for a very small class of audits -- practically only for those of friendly societies - and there is already an agitation on foot to abolish this slight -- measure of Government control. On the one hand young accountants who cannot get on to the list of public auditors, as it is already congested, are protesting against their -- exclusion from this branch of work. On the other hand, there have been such incidents as the recent disclosures in the case of Streatham Tenants, Limited, which have led the Editor of "The Accountant" to remark in an editorial "one is tempted to ask if it would not be better to scrap the volumes of Acts and Regulations on paper which may delude people into the belief that they are protected against fraud, and let the public rely on their own resources for protection and take the consequences if they are foolish enough to be misled." Personally I consider that Government should stand aside and leave the selection of auditors to the experience of the business community and the investing public. Government have really little material on which they can base their

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certificates and the result is that the Government list includes everybody who has passed certain examinations, has had a certain amount of practical training and has not yet been detected in any grave fraud. That of course is always something but the unfortunate point is that a place on -- Government's list is popularly supposed to carry with it a guarantee of respectability and honesty. A well-meaning -- Company promoter and an ignorant investor may therefore be induced to put trust in a rogue whom they would not have -- employed had they been guided only by the auditor's professional reputation in the business world. If I had my way therefore I would amend section 144 of the Companies Act by cutting out sub-sections (1) and (2) and I would do nothing further in the direction of attempting to guarantee a supply of trustworthy auditors. There are already a large number of technically qualified young men being turned out by the commercial -- colleges and it only remains for the business community to select those who can be trusted.

2. I realise however that in the existing state of -- affairs in this country my proposals would not be considered and I therefore proceed to discuss the measure now put forward by the Government of India on the assumption that some Government control is necessary.

3. I am not in favour of the proposal of the Government of India. They say they are aiming at the establishment in India of an association of the same standing and reputation as the British Institutes, ~~an~~ an association which will be able and competent to take over the duty of maintaining standards of -- qualification and training in the profession. That is their ideal. I think it should be sufficiently obvious that that ideal can never be attained in India. It is something akin to the idea of a governing body of Chartered Accountants stationed at Copenhagen for the whole of Europe. I feel sure that Government will find the greatest difficulty in persuading "persons of high standing in the profession drawn from different provinces to serve on their proposed Board. It is certain that none of

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the Madras accountants are prepared to go to Calcutta, Bombay or Delhi for this purpose. Secondly, I do not think that a non-official body of the kind suggested will be able to carry out the duties allotted to it. In particular, it will not be able to compile any useful list of firms approved for training of apprentices or to carry out enquiries into alleged misconduct. Any list of approved firms compiled by the Board would resolve itself into a list of firms with a reasonable amount of practice. Such a list would be valueless. As regards enquiries into -- misconduct I feel certain that a body of businessmen, who are accustomed to say to an employee "go" and he goes, will not be able to conduct an enquiry with the precision and attention to procedure necessary to justify Government action.

4. It appears from the letter of the Government of India that the chief objection to the existing system is the dominating position now occupied by Sydenham College of Commerce at Bombay. I agree that it is time that Bombay lost its pre-eminence. There is really nothing special in the examination held under the auspices of the Bombay Accountancy Board and the Principal of that College has admitted as much to me. I have several subordinates who have passed the Government Diploma of --- Accountancy examination and they are in no whit superior to men who have passed other commercial examinations, nor is there any special point in the control now exercised over the grant of the G.D.A. diploma by the Bombay Accountancy Board. A similar Board in any other Presidency ~~xxx~~ Town could perform its -- functions equally well. I consider therefore that every Local Government should be empowered to grant certificates within its own province and that that power should not be limited by rules laid down by the Government of India. Further I would suggest that each Local Government's certificate should only be available for its own province. I see no reason for the subtle distinction drawn in the existing rules (note to Form B) between "acting as an auditor" and "having a place of business" and there is moreover no reason why a Tamil youth, even if

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secured a Bombay diploma and had considerable experience in Madras, should necessarily be considered fit to audit a -- company which carries on transactions in Guzerathi. If these two measures were taken, i.e. if the unrestricted certificate is abolished and if each Local Government is left free to issue certificates as it pleases for the audit of companies within its jurisdiction I think the more obvious disadvantages of the existing system would disappear. After all, Industries is a transferred subject and I do not think that the fact that shares in a public company in one province may be held by residents of other provinces supplies any reason for the retention of any control over the appointment of auditors by the Government of India.

I have the honour to be,

Sir,

Your most obedient servant,

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COMMISSIONER.

K.P.19/12.

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BEST & CO., LTD.

TELEGRAMS: "BEST"

37 26 41390
38 Post Box No. 63. 22.12.25

Madras 22nd. December



M. R. Ry. Rao Bahadur,
V.T.Krishnama Achariyar Avl.,
Secretary to Government,
Law(Education) Department,
FORT ST. GEORGE.

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VTK
S i r,

ps 2
infra
I have the honor to acknowledge receipt of your letter No.3814 C/25 of the 3rd. instant enclosing copy of a letter from the Government of India, Department of Commerce No.131-T (2) dated 16.11.1925 on the subject of the training and certification of Auditors. In reply I enclose herewith copy of a note prepared by Mr. W.H.Ruddle one of the Directors of my firm. I am in general agreement with the views expressed by Mr. Ruddle and under the circumstances it seems unnecessary for me to add to what he has said.

I have the honor to be,

S i r,

Your most obedient Servant,

M. R. Rao

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NOTE BY W. H. RUDDIE A.C.A.

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On Training and Certification of Auditors.

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In view of what has happened in the United Kingdom the Government of India's suggestion that the training and certification of Auditors should be dealt with by an all India body would appear to be most advisable. I do not think however that the time has yet arrived for the formation of any all India Institute, an all India Accountancy Board should be able to deal at present with any question of training & certification. The Board should have to have on it representatives of the Association referred to in paragraph 2 of the Govt. of India letter and as these would probably be practising accountants they would have to be remunerated for attending Board Meetings - Funds for the purpose being obtained from charges made for Certificates issued by the Board. I think that it is essential that all Candidates that appear before the Board should be Graduates of a recognised Indian University - that any system of training should include from 3 to 5 years of practical work.

In view of the ultimate object to be attained it would I think be most advisable to consult at each stage the Governing bodies of the 6 Associations referred to in Paragraph II of the Govt. of India's letter.

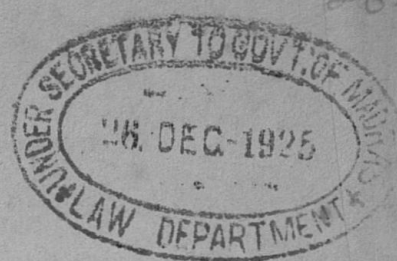
195-ant
With regard to Paragraph VI (VIII) of the Govt. of India are not prepared to delegate to the Accountancy Board the duty of dealing with Professional Misconduct it would probably be advisable to delegate this to a Presidency High Court rather than to a Dept. of the Government of India.

V.K.
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Spencer & Co Ltd 43
Madras

22nd December '25.

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From

L. G. Nicholson, Esq., M. L. C.,
c/o Messrs. Spencer & Co., Ltd.,
Mount Road, Madras.

To

M. R. Ry. Rao Bahadur
V. T. Krishnama Achariyar Ayl.,
Secretary to Government,
Fort St. George,
Madras.

Sir,

Ref. 3814 6/25

I have the honour to submit the following statement of my views upon the letter from the Government of India, Department of Commerce, No. 131-T (2) dated 16-11-25 on the subject of the Training and certification of Auditors.

The latter part of Para 4 of the Government of India's letter correctly sets out the objects to be attained, viz.

1. That a high standard of professional qualification shall be prescribed.
2. That the maintenance of that high standard shall be ensured.
3. That a high uniform standard of discipline and professional conduct shall be maintained.

The Rules of ^{the} six Institutes and Societies which are named in paragraph 2 do not preclude membership by Indians, and in the case of the Society of Incorporated Accountants and Auditors there is already a considerable body of Indian members.

Much of the esteem in which the six Institutes and Societies are held is due to the stringency of the regulations as to entrance. Service under Articles for five years, or service as a principal clerk for ten years, in the office of a Member of the Institute or Society in question, is required before admission to the Final Examination, and admission to the Institute or Society then follows only on recommendation of Members and approval by the Governing Committee or Council. There is no Governmental control.

The tendency is towards further stringency, and although

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in the early days of the Institutes and Societies almost any Accountants who were practising in business as such were admitted without examination, it will not be possible soon, even if that time has not already arrived, to obtain permission to sit at the Final Examinations without previous service for 5 years under Articles with practising Accountants who are themselves Members of the Institutes or Societies.

Unless the examinations in India are such that no candidate, except a natural genius, can hope to be successful without a previous lengthy period of practical service with practising Accountants, the diplomas which will entitle the recipients to conduct Company Audits, will not command the confidence of business men. The result would be that audits would be given only to those Accountants who possessed one of the English, Scottish, or Irish diplomas, where practical training prior to the examination is a sine qua non, excepting where the personality of the particular Accountant would be the deciding factor in any case.

At present in England and in India the fact that a person is a Chartered Accountant or an Incorporated Accountant gives him the hall-mark which leads the business world to appoint him a Company Auditor without further enquiry or anxiety as to his fitness. This would not be the case if different grades of qualification were sanctioned by Government and as a matter of fact the examinations and diplomas of certain Institutes and Societies established in England, with large Memberships, whose examinations differ very little from those of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, but whose Regulations do not prescribe previous service under Articles, are very far from conferring on their holders the same status as the examinations and diplomas of the six Societies now recognised by the Government of India.

The proposed All India Accountancy Board or Institute should forthwith be constituted by charter or Act of the Legislature as a corporation to consist of all the Members of the six Institutes and Societies from time to time practising in India, with power for a limited time to them to co-opt other practising Accountants who are not Members of the six Institutes and Societies. The control of the

profession as regards all matters should be left to the All India Institute so constituted. They would elect, and act through, a Council. Government should recognise Membership of the Institute for all purposes where audit of accounts is prescribed by Statute.

The Charter or Statute constituting the Institute should prescribe that after the lapse of a definite period, say 10 years, admission should only be eligible to successful examinees, and that admission to the examinations should be confined to Clerks to practising Accountants while serving Articles or after completion of service under Articles to practising Members of the Institute.

I have the honour to be,

Sir,

Your most obedient servant,

LC Nicholson

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Eon 4/8/12
42 23/12/25

In re: the question of the training and certification of Auditors in India and the establishing of an All India Accountancy Board.

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ante

The suggestions made in the letter of the Government of India (Department of Commerce, Delhi) dated 16th November 1925 to the Government of Madras meet with the general approval of the Nattukottai Nagarathar Association.

The profession of Accountancy is becoming to be a very important public calling in ^{India} as in other countries and in the nature of things it is inevitable. Within ^{the} few years past the number of persons who have set up practice as public accountants is considerable. There is a dearth of really qualified accountants at present while the functions of accountancy profession are constantly broadening. ^{The} Work that they have to do is highly confidential and a public Accountant has to be a man of repute and character possessing a good knowledge of not merely Book - Keeping and Accountancy but of Company, Bankruptcy, Arbitration, Commercial Law, Law of Income-Tax, and Customs of business with an ability to grapple with intricacies of accounting, exchange &c. He must also be familiar with important decisions of Courts in the above subjects. The professional Accountant who is entrusted with the work of auditing the accounts of Companies does so for the benefit of the shareholders as it will not be possible to provide for an inspection of the books and records of the Company by every shareholder and his duties and responsibilities are becoming greater than ever before. The Accountant must be competent to design and control systems of Accounts required to record accurately the transactions in any particular business and must be able to marshal the facts so as to convey by means of figures the exact position of a business.

A high standard of general Education and Special education in the special subjects above referred to with a practical training should be set up in order to assure the public of the proficiency of persons who exercise the profession. The

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The Accountancy profession in India should have an equality of status with that of the same profession in other parts of the world which necessarily leads to the setting up and maintenance of equality of standards.

Official recognition or registration of the members of the profession upon liberal and well recognised lines would afford protection to the public and to the profession and would eliminate the unqualified and untrained persons from the fold. It is absolutely necessary for the Government to afford a measure of protection to the Public by legally prohibiting unqualified persons from practicing as Accountants. With qualified Accountants definite responsibility attaches while in the case of unqualified and unrecognised men they will be able to put forward ignorance when mistakes are made.

The functions of an all India Accountancy Board now proposed to be instituted under Government auspices might in course of time be transferred to Non-official professional bodies after the profession in all parts of India is brought under unified control and a sufficient number of fully qualified practitioners comes into existence capable of upholding the traditions and controlling the members of the profession. Meanwhile the Government might encourage and foster the growth of institutions like ^{the} Lahore Indian Institute of Professional Accountants.

In the proposed Reform, vested rights created in the existing members of the third class of Auditors referred to in para 2 of the letter of the Government of India might have to be respected as far as possible. Persons though not possessing ^{the} of University or other recognised Standard of General Education but who have acquired considerable experience in Commercial businesses might be enabled to start as Public Accountant Preliminary Examination might be dispensed with in their cases and they might be allowed to sit for the advanced or Final examinations. This will be necessary in the initial stage of the scheme to ensure its success as a sufficient number

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44
persons with University qualifications or strictly qualified ^{ac} according to the rules which may be framed may be available to meet the demand. Many of the ~~per~~ certified Accountants may have to be deleted from of the ~~qualification~~ qualified.

The Government must also provide for facilitati to the profession to have practical experience in t of practicing Public Accountants.

The members of the Board to be constituted should be ~~ed~~ from sympathetic and forceful members of the profession who have an interest in the advancement of the profession. There will be considerable difficulty in getting the men at the top of the Profession with extensive and lucrative practice to be active members of the Board.

As standards of examination depend very much on the personnel of the Board from time to time in order to maintain the continuity of policy, at every periodical re-selection of members of the Board a few members who were members of the previous Board may have to be continued as members of the New Board.

Persons with high academic qualifications should be tempted to take up this profession in preference to law. In the Higher branches of Accountancy work, there will always be a necessity of a commanding standard of education and of examination.

ck

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ASSOCIATED ACCOUNTANT (LONDON).
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FROM THE GOVERNMENT UNDER THE INDIAN COMPANIES ACT 1913
APPROVED UNDER THE INDIAN INCOME TAX ACT 1922
15 YEARS' EXPERIENCE

No. 811-A.

12
Telephone No. 831
Telegrams: "DASOPAK"
POST BOX NO. 2
20, Thambu Chetty St.

45
Madras, 22nd December

CONFIDENTIAL.

To

The Secretary

to the Government of Madras,

Law (Education) Department,

Fort St. George, MADRAS.

S i r,

Ref: Your letter No. 3814 C/25-2 Law
(Education) (Confidential) dated 3rd December 1925
Training and certification of Auditors.

Government Diploma: The present Rules regarding the grant of Government Diploma in Accountancy of the Sydenham College of Commerce and Economics, Bombay, require revision, particularly with regard to the training that is imparted to the apprentices prior to the grant of an Unrestricted Certificate. The candidates now undergoing training merely report to the Secretary to the Accountancy Diploma Board the date of joining as an apprentice under a particular Accountant who is entitled to train apprentices and at the ^{end of the} three years period send up a report showing merely that they completed the apprenticeship period. A candidate may not receive the necessary practical training of the right kind to enable him to become an efficient practitioner as an Accountant

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- 2 - Madras,

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after the three years period but is still awarded a certificate because he completed the required period of three years. In cases where the Accountant under whom a candidate serves his apprenticeship may not himself possess sufficient practice as an Auditor to enable him to impart sufficient practical training to his apprentice, such apprentice receives no practical training worth the name to make him an efficient Accountant on receipt of his certificate under the Act. At present, adequate provision does not appear to have been made concerning the discipline and the training of apprentices during the period of three years. In some cases when an apprentice joins an Accountant possibly as a part time apprentice merely to complete the three years period, employing his other time as a teacher or student in Law or otherwise, such apprentice receives no proper training to make him an efficient Accountant. Unless a certain standard of discipline and training is laid down and observed by the Accountancy Diploma Board by insisting on the submission of a detailed report covering the period of apprenticeship, the standard of the profession is bound to deteriorate. If I had been in possession of the proposals referred to in your letter No. 720 dated 8th May 1924 addressed to the Government of India regarding the Rules regulating the award of Government Diploma in

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- 2 - Madras,

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Accountancy of the Sydenham College of Commerce and Economics, Bombay, I should probably have been in a better position to state more in detail in the matter.

2. With a view to ensure a proper audit of the accounts of Companies, Section 144 of the Indian Companies Act 1913 has been framed prescribing the qualifications of the Auditors of Companies. Such Auditors are classified under the three following heads:-

(1) Members of the six privileged Associations of Accountants in Great Britain and Ireland, called Chartered or Incorporated Accountants.

(2) Holders of Diploma of the Accountancy Diploma Board, Bombay and of an Unrestricted Certificate from the Local Government, called the G.D.A. Auditors.

(3) Holders of Restricted or Unrestricted Certificates from the Local Government called the Certified Auditors.

3. Chartered or Incorporated Accountants have continued to enjoy exceptional privileges and have been able to successfully compete with the other two classes of Auditors who, however efficient their audits may be, are considered in the public estimation as inferior to the members of the privileged Institutions or Associations. It is indeed a sad misfortune that in India efforts made by certain Accountants and Auditors in the various provinces of India have not yet resulted in the formation of a

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Central Institute of Accountants similar to any^{one} of the six privileges Associations. It should be admitted that the want of sympathy shown by the members of the privileged bodies and even the refusal by such members to join any Association or Society proposed to be formed as such members have nothing to gain thereby -- largely accounts for the failure of the attempts made by interested Accountants in the formation of^a Central Society or Association of Accountants in India. In a country ~~in~~ like India, no professional or business enterprise can thrive without adequate support from the State. The Government have taken no ~~steps~~ in the matter during the past twelve years after the Indian Companies Act 1913 came into force, but continued to grant certificates under Section 144 of the Indian Companies Act 1913. This accounts for the non-existence in India of a proper Association of Accountants.

4. Section 144 provides for the recognition of certain bodies of Accountants and for the grant of certificates entitling the holders thereof to act as Auditors of Companies. The formation and the recognition of an Indian Institute of Accountants by a Royal Charter or otherwise is a step that the Government of India ought to take at the earliest opportunity with a view to see that an efficient audit of the accounts of Companies is

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conducted to promote the best interests of both the investing public and the public at large. Since the Indian Companies Act 1913 is an act of the Legislature applicable to the whole of India, steps should be taken to see that no favouritism is shown to any one Province by accepting or adopting a scheme put forward by one Local Government for the training of Auditors in its own Province as that would place the rest of the Provinces at an undue disadvantage. The Indian Company Law is responsible for the large increase in the number and activities of limited liability Companies and the present Law ^{has} ~~is~~ decidedly created more public confidence and security in Companies than its predecessor -- the old Act of 1882. At the same time it should be admitted that, owing to mismanagement and other causes, several Companies that were brought into existence in the recent war boom and after have been going into liquidation. The want of efficient audit and control of the affairs of Companies largely accounts for the failure of Joint Stock Companies. It is only by the Government taking adequate steps to maintain a high standard of professional talent, the efficient and incompetent auditors who have some how or other crept into the profession can be weeded out. Further, the duties and responsibilities of Auditors should be more clearly defined and provision in the Act

C

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should be made to see that a high standard of discipline and professional conduct is maintained, as experience has shown that the want of such a provision has placed honest and efficient Auditors at a disadvantage. For instance, Section 144 (3) and (6) is violated by several Companies and the Registrar of Companies took no action where an Auditor is not appointed in the annual general meeting as required under Section 144 (3) or where the power of such appointment is delegated to the Directors or where an Auditor is appointed by ignoring the retiring Auditor under Section 144 (6) on a small fee or without giving the required notice or where the Auditor's report is not printed at the foot of the Balance Sheet under Section 131 (2). Even when an Auditor's report discloses fraud or instances of mismanagement, it can be kept as a sealed document by the Managing Agent or Director and an Auditor who is a favourite of such Managing Director can be appointed as Section 131 (2) is defective in so far as it does not make it obligatory on the part of the Directors to print and publish the Auditor's Report along with the Balance Sheet for the benefit of the Shareholders who do not attend the general meeting in which it is laid or read out.

5. I entirely agree with the Government of India in the opinion that a Central Institute or Association of

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Accountants like any one of the Six privileged bodies should be established in India at an early date with branches in each Province so as to maintain the requisite standard of professional qualification and discipline. With this object in view, the present Accountancy Diploma Board, Bombay, should be made the All India Accountancy Board so that the Diploma awarded by this Board may entitle the holder thereof to practice anywhere in India without further permission. The All India Board may be allowed at once to exercise the nine functions specified in para 6 of the letter No.131-T (2) dated 16th November 1925 of the Government of India. The Board should be composed of persons of at least 10 years standing and experience in the profession and should be selected from the different provinces of India. The All India Board shall have Local Boards similarly constituted as branches of the All India Board. In making the selection of such members to the All India Board, not only the members of the Six Privileged bodies but also the certified Auditors possessing at least ten years experience and character should be admitted.

6. I feel thankful to you for the kindness with which you have granted me this opportunity of expressing my views in the matter and assure you that I shall be ready and willing to offer you any services whenever required in future.

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Madras,

- 8 - 56

7. I regret the delay owing to unavoidable
absence from Madras on urgent professional work.

I have the honour to be,

S i r,

Your most obedient servant,

G. Narasimham

URGENT

No. 131-T(2).

Government of India.

Department of Commerce.

Delhi, the 13th January 1926.

12 JAN-1926
Cm 1926
12/26

From

Rai Sahib L. Sen, B. A.,

Assistant Secretary to the Government of India,

To

The Secretary to the Government of Madras,

Law (Education) Department.

Subject:- Proposal to establish an All-India
Accountancy Board for the training and
certification of auditors in India.

Sir,

I am directed to invite attention to the communication noted
No. 131-T(2), dated the 16th November 1925. in the margin and to
request that, with the
permission of His Excellency the Governor in Council, the Govern-
ment of India may be favoured with a very early reply.

I have the honour to be,

Sir,

Your most obedient servant,

Law (Edu) Dept

dodged.

[Reply was sent
Yesterday - Kae

Copy below. This Assistant Secretary to the Government of India.

will be stitched
with the original]

Bu
28/1/26
B
28/1/26

CR
28/1

3.12

After issue, Public should see about this Govt nominating one of its representatives on the legislature to attend the proposed Conference, if possible

VTK
3.12

Public (X) Dept

Submitted.

AD
7.12.25.

Notes

all
8.12.25

Issued as Memo No. 3814 C/25-1 dated 3-12-1925.

page 7 c.f.

" Letter No. 3814 C/25-2 dated 3-12-1925.

page 8 c.f.

Replied received.

HP 9-56 c.f.

.....

Replies have been received from all the persons whose views were called for. Sectional notes on the proposals of the Government of India are submitted in the succeeding pages.

A
5/1

This Law Council

AR

The opinions received may be forwarded to India.

2. Orders may also be passed on the sectional notes.

VTK
7.1.

C,
M2

H.E. the Govt

Please see the sectional notes. I have suggested at p17 that the Law Secretary may be sent to Delhi to represent us at the proposed Conference as he is conversant with the details of this subject.

CSA
9-1.26



NO NO 3814 C/25-3
5/12/25

(X)

CURRENT NO.
3915
PUBLIC X.

Public u. 3915-1 D
8/2/25

2a

It will be well if an Officer also be deputed from Madras to place the case for Madras. That the Courses of training given in the Commercial Schools in Madras are not unequal to those in Bombay & that Madras also have the right to issue Diplomas.

No difficulty in going to accept a Diploma Course in Commerce in Madras. C. S. suggests that a nominated member of the Assembly may be requested to attend the informal Conference. The General issue relating to a Central Committee with provincial branches with the power defined & limited is accepted. Madras must retain its rights in issuing Diplomas.

9/1.26

Does my hon' colleague Mr. A. agree with my hon' colleague C's suggestion that the Law Sec should go.

G.
16.1.26

Subd to the Hon' the Minister.

A
16.1.26

M2

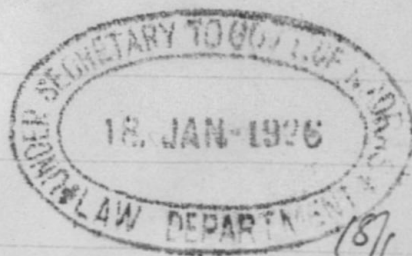
61
The matter is not of great importance.

Bagal is pressing ⁱⁿ the same direction
as we do. It does at least seem to me that
while deputing a special officer, it is
not an informal meeting. I would suggest
that a member nominated to the Assembly
may be briefed as proposed in the
letter of Govt of India p. 6 of.

[Signature]

Mr. T. Vijayaraghavachari may be "briefed".
He has received the brief as well.

CPS
16-1-26



I agree.

16.1.26.

A draft letter is submitted for approval.

2. For orders whether ^{after its issue} a draft d.o. may
be sent to Mr. Vijayaraghavachari enclosing
copies of L.G. India's letter, opinions received,
our reply to India and the office notes

D.O. with our
reply to India

[Signature] - not the
office notes

V.T.K.
22/1

A draft d.o. is submitted for approval

[Signature]
22/1
S

56
General

Mr. Strathie, Commr. of Income-tax has entered
a strong caveat against the existing system of
issuing Auditors' certificates. He points out
that in the United Kingdom a Govt certificate
is necessary for a very small class of audits
and that an agitation is already on foot to
abolish this slight measure of Govt. control
in view of the recent disclosures in certain
cases. In his opinion the Govt should stand
aside and leave the selection of auditors to the
experience of the business communities and the
investing public. He would therefore cut out
sub-sections (1) & (2) of section 144 of the
Indian Companies Act. He adds that there are
already a large number of technically qualified
young men being turned out by the commercial
colleges and that it only remains for the business
community to select those who can be trusted.

2. With reference to the above observations
it is submitted that s. 144 relating to auditors
was ^{newly} inserted in the Act of 1913. The
necessity for the introduction of this provision
was explained ^{as follows} in the Statement of Objects & Rea-
sons that accompanied the Bill ~~as follows~~:-

"In regard to the qualifications of
Auditors a matter on which the English Law
imposes no restriction, a provision has been
inserted authorising Local Govts to issue certifi-
cates for the auditing of companies' accounts to
approved persons in accordance with rules to be
framed for the purpose and respecting the audit
of companies' accounts ~~as to~~ persons holding
such certificates".

(The Hon'ble Mr. Clarke who was in charge of the Bill spoke as follows in regard to this subject:-

The other matter is in connection with auditors. In ss. 112 and 113 of the English Act the appointment, remuneration, powers and duties of auditors are fully provided for, but nothing is said as to the qualifications of the men who are to act as auditors. In India the question of their qualifications is one of supreme importance. The Bombay Chamber of Commerce referred to it in their letter on the subject of this legislation, and I had the further advantage of discussing it with their committee as the Hon'ble Sir Vithaldas Thackersey will remember, when I was last in Bombay. What we propose is, in adopting the English provisions, also to provide in the Bill that no person other than a person holding a certificate from a Local Govt entitling him in that behalf, shall be appointed auditor of a company. In this country it would clearly be going too far to lay down that no one should act as an auditor who is not a chartered or Incorporated Accountant. Such a provision would mean an undue restriction on business. But we hope by requiring such certification by a Local Govt to establish a standard which will at least facilitate the elimination of the incompetent by the refusal or the cancellation of the certificate. I am also to say that the Govt have under consideration a scheme for starting schools of accountancy for the training of auditors at suitable centres under the control of Local Govts and for the establishment of examinations in connection with the proposed Govt. certificate".

In offering their views on the Bill, the

Madras Government made the following remarks:-

57 769 (5)
p 4 of letter No. 167 dated 27.1.1913
"Clause 142.- A good many apprehensions have been expressed as to the effect of the clause relating to auditors. The feature which seems to attract attention is the patronage which it bestows from the Govt. It seems to the Governor in Council that this criticism is misdirected. The Govt will not appoint auditors, but they will try and prevent companies from appointing as auditors men who are not fit for the post. There can be no objection to this in principle, and the clause should certainly be retained. It must be observed, however, that the rule-making power in sub-clause (2) involves many difficulties. The opening of a school of Accountancy is apparently under contemplation but it must be many years before any such institution takes root in this presidency. In the meanwhile, it is difficult to know what qualification the Local Govt can prescribe. They cannot undertake to examine individuals and must base their certificate upon the criterion afforded by some non-Government test. They cannot insist on membership of a society like that of chartered accountants for this would obviously be beyond the reach of most companies in the Presidency. It will no doubt be desirable in the first instance to frame the rules as liberally as possible."

The Select Committee which sat on the Bill redrafted the clause as in the present Act and the clause was passed by the Council without any discussion.

So far no exception appears to have been taken till now to the system by which Govt. --

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issues certificates to auditors. ~~The rules relating to the issue of certificates were revised in 1920 at the instance of the Govt of India and requests are being made to the Madras Govt for the issue of certificates to those who are not entitled to them under the rules.~~ Mr. Strathie's objection is mainly based on the facts that some auditors have misbehaved and are likely to misbehave and that there is an agitation in England to abolish even the small control now exercised by Govt over the auditors. It is submitted that a system should not be condemned merely because of a misconduct of a few stray individuals. Moreover as pointed by the Member in charge of the Bill in 1912, the condition in India differs from that in England. The suggestion to do away with the existing control does not therefore seem acceptable. ~~as the present system is not~~

~~as the present system is not~~ In the reply to India we may perhaps say that we do not agree with Mr. Strathie in removing control altogether.

[Mr. Strathie has made further suggestions on the presumption that in the existing state of affairs in the country his proposals referred to above ~~will~~ would not be considered. These suggestions are noted on in subsequent pages.]

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I do not agree with Mr. Strathie under that the present system (which is embodied in section 144 of the Indian Companies Act) the Govt ^{attempt to} either guarantee a supply of trustworthy auditors or attempt to assess the trustworthiness of every auditor who is placed on the list. The removal of the control now exercised is impracticable, in existing circumstances & Mr. Strathie himself recognises

(D)
f.v. 1891 Home (Ind),
4.8.20.

VTK

6(a)

58(3)
this in paragraph 2 of his letter. The withdrawal of the control will lead to the flooding of the profession by incompetent men and to the repetition of the scandals which led to the enactment of the Companies Act.

VTK
7.1.

I agree. The removal of all control will lead to the multiplication of undesirable agencies. As in the Co-operative movement, here also, the fact that Govt has some control albeit slight & residual, has produced public confidence. Of course, as pointed out, a Govt Certificate is neither a guarantee nor an indemnity. It merely ensures the elimination of the obviously unfit.

CAH
9-1-28

467 59 (54)

Proposal of the Government of India,
Establishment of an All-India Accountancy
Board.

The following classes of auditors are now recognised by the Government:-

- (1) Members of certain Institutes and Societies in the United Kingdom,
- (2) Holders of unrestricted certificates which ~~are~~ ordinarily granted by the Local Governments to those who have obtained the diploma of Accountancy Diploma Board, Bombay,
- (3) Persons with practical experience, but without any diploma permitted by Local Governments to practise within their Provinces

2. The Government of India point out that these arrangements were ^{never} intended to be more than temporary and transitional and that they are also open to the following objections:-

- (i) It is doubtful whether the provisions of Section 144 of the Indian Companies Act are in consonance with the classification of subjects under the existing constitution or with the probable lines of future constitutional advance.
- (ii) Other Local Governments are not likely to acquiesce indefinitely in an arrangement which concentrates the theoretical training of auditors in a single Province.

3. During the last 12 years there has been a large increase in the number of limited liability companies, in their size and importance and in the range of their activities frequently extending beyond a single Province. There is now a tendency also for shares in industrial concerns to be more widely held. In order to provide facilities for this expansion and to remedy the defects referred to in paragraph 2 above the Government of India consider that the ideal system will be to build up in India an Association or Associations of the same standing and status as those mentioned in paragraph 2 of their letter. But in view of the importance of the issues at stake and of the need for ensuring that any such Institute should be generally recognised as authoritative it

1/2 2 3
c. b.

p 2 c. b.

p 4 c. b.

2 68
would be premature at present to attempt to establish such an Institute. Any arrangements to be made in the meanwhile for the grant of certificates to auditors of companies in India should be such as ~~it~~ would be consistent with the ultimate formation of an Association or Institute of the kind referred to above. It is considered that a beginning should be made by the Government of India establishing an All-India Accountancy Board.

Summary of the opinions received.

The D.P.I. and the Registrar of Joint Stock

Companies are in agreement with the views of the Government of India.

The latter considers that the present system of Local Governments issuing certificates should be put an end to and the authority issuing the Diploma centralised in one body for the whole of British India.
(C. Narasimham, F.M. Ross & L.C. Nicholson and the Nizam-ul-Hind)
Messrs. Gopala Menon ~~and~~ Vidya Sagar Pandya agree to the proposal.

Mr. Ian Fraser states from his experience of the conditions ~~of~~ in this Presidency that there is only a very limited field for practising Indian Accountants and that it is not a growing field. But he ~~would~~ ^{will} not discourage the scheme as he considers that the surplus can be absorbed in Banks, Mercantile Offices, Government employment, Trade and Business.

Mr. Strathie is not in favour of the proposal. He states that there will be great difficulty in persuading persons of high standing in the profession drawn from different provinces to serve on the proposed Board ^{and} that a non-offl. body of the kind suggested will not be able to ~~carry out~~ compile any useful list of firms approved for training of apprentices or to carry out enquiries into alleged misconduct with the precision and attention to procedure necessary to justify Govt. action. He considers that every Local Govt should be empowered to

2 69 60 (55)
grant certificates within its own province and that that power should not be limited by rules laid down by the Govt of India.

Office Note

It is submitted that this Govt may accept the proposal of the Govt of India which is supported by a majority of the individuals consulted. We have already acquired in the ^{arrangement of an outside body like} the Bombay Diploma Board granting diplomas after examination & apprenticeship, and certificates are granted by the local Govt. as a matter of course to all those who obtain the diplomas. There is therefore no objection in our accepting India's proposal to have a central board. It is only a change of place from Bombay to Delhi and change of ~~control from~~ ^{control from} formal control from the Govt. of Bombay to the Govt. of India. So far as the granting of certificates after the issue of diplomas, it has come to be a matter of routine.

CA
57
I think we may accept India's proposal, which is endorsed by most of the gentlemen consulted

V. TK
7.1
I agree CBR
9-1-26

10 70 (56) bl
Proposal of the Government of India.

Nature of the Diploma to be granted by the Board.

p u c. b.
The Diploma given by this Board would connote high professional attainments and would entitle the holders thereof to practise anywhere throughout British India without further permission.

Summary of the opinions received.

p q c. b.
p 13 c. b.
No 26.27
c. b.
The D.P.I. agrees with the Government of India. The Registrar of Joint Stock Companies considers that this is a step in the right direction. Mr. Vidya Sagar Pandya considers that the auditors to whom certificates are granted by the Government of India should have the same status ^{and position} as the members of the Chartered Institutions ^{the point at that} and the classification into 1st, 2nd and 3rd classes ^{as at present} was never contemplated by the Indian Companies Act. All ^{agree with the Govt of India} are of the opinion that the certificates granted by the proposed All-India Board should entitle the holder thereof to practise throughout India without any further approval by the Local Governments.

Office Note.

This Government may accept the proposal of of the Government of India. Unrestricted certificate holders entitled them to practise throughout British India. They have one to take the permission of the local govt. to institute a place of business within their jurisdiction.

Ca
571

V.TK
7. 1

CPD
9-1-26

71 62
57
Proposal of the Government of India.

Constitution of the Board.

p 4 c b
The Government of India hope that it may prove possible to bring together in some form an Institute or Association of Auditors possessing high professional qualifications. Such an Institute or Association will be able and competent to take over the duty of maintaining standards of qualifications and training in the profession.

Summary of the Opinions received.

p 9 c b
p 13-14 c b
The D.P.I. considers that the Madras ^{Prasidemy} should be represented on the All-India Board. The Registrar of Joint Stock Companies considers this an attractive proposal and thinks that the constitution of the All-India Board will, by bringing together professional men of recognised status and capacity, serve as a nucleus for the formation of an Association of Holders of the All-India Diploma which in course of time will be recognised by the grant of a charter. This ~~also~~ seems to be the ultimate aim of the Govt. of India also.

and Q. Narasimham
Messrs Ian Fraser would make the present Bombay Diploma Board the nucleus of the All-India Board and ^{former} ~~the~~ suggests that ^{at} ~~least~~ fifty per cent of the members of the Board ^{should be} ~~are~~ practising accountants and if possible members of one of the ^{six} ~~five~~ Institutes mentioned in paragraph 2 of the letter of the Govt. of India.

Mr. Vidya Sagar Pandya thinks that members of foreign chartered institutions are not likely to take a sympathetic view of an Indian Association. He would therefore insist on more than half the number of members being Indians.

Mr. Gopala Menon would locate the Board at ^{allay} ~~all~~ Delhi in order to ^{allay} ~~all~~ provincial jealousies. He suggests that it should be neither official nor controlled by Government, either Central or Provincial.

p 55 CF
Mr. Narasimham proposes that not only members of the ~~best~~ ^{best} ~~principles~~ ^{principles} but certified auditors possessing at least 10 years' experience and character should be admitted to the Board

12
Provincial and that the gap produced by the gradual withdrawal of ~~the~~ Government control should be filled up by the recognised commercial bodies.

Mr. Ian Fraser presumes that the work on the Board will be honorary and anticipates difficulty in getting the right class of practising auditors to sit on the Board as few firms of Chartered Accountants can spare the time of Partners or Senior Assistants for such work, entirely apart from the fact that they could ill afford to lose the earning time of such seniors.

Mr. Ross considers that as the representatives of the Associations in the United Kingdom referred to in the Govt of India's letter to be appointed to the Board would probably be practising accountants they would have to be remunerated for attending Board meetings, funds for the purpose being obtained from charges made for certificates issued by the Board.

Mr. Nicholson suggests that the proposed All-India Accountancy Board or Institute should be constituted by Charter or Act of the Legislature as a Corporation to consist of all the members of the six Institutes and Societies from time to time practising in India with power for a limited time to them to co-opt other practising accountants who are not members of the above institutes and societies. The Nagarathar

Association propose that the members of the Board to be constituted should be selected from "sympathetic and forceful members of the profession who have an interest in the advancement of the profession" and that ^{as} standard of examination depend very much on the personnel of the Board from time to time ~~in order to~~ ~~maintain the continuity of policy~~, a few members who were members of the previous Board may have to be continued as members of the new Board at every periodical re-selection, in order to maintain continuity of policy

73
63-58
Office Note

66 c. b.
The Govt of India have only asked for a preliminary expression of the views of this Govt on the proposals generally. It seems hardly necessary to say anything at present on the constitution of the Board except that Madras should be adequately represented and that the claims of well-established ^{Indian} auditors for a place on the Board should not be overlooked. There does not seem to be much force in Mr. Fraser's apprehensions about the formation of the Board, nor does it seem necessary to remunerate the members as proposed by Mr. Ross. The members of the Board will practically be on the same footing as members of the Legve. Council & the Assembly and the Council of State and it may not be difficult to find Accountants willing to sit on the Board.

As pointed out in the ~~the~~ above note, a discussion of details is not necessary now. We may accept the idea of a Board which would be representative of the interests in all Provinces and would be composed mainly of the leading members of the profession. The difficulties pointed out are not wholly imaginary: but they are inherent in every scheme of this kind and will have to be faced.

Yes
COB
The Board be a Central Board & who would be appointed from each province
COB
9-1-26

VTK
7-1

Functions of the Board.

The Government of India would entrust the following functions to the Board:-

Mp 4.5.6

- (1) Subject to the approval of the Govt. of India, to frame and issue rules prescribing the qualifications and governing both the theoretical and practical training of auditors and the grant of diplomas in accountancy;
- (2) to appoint examiners and to arrange for the conduct of examinations in accountancy;
- (3) to recognise institutions in which the arrangements made for instruction in accountancy are satisfactory and the students of which will be allowed to sit for examination;
- (4) to maintain lists of approved firms in which candidates for the final diploma can obtain practical training;
- (5) to prescribe the period of such practical training;
- (6) to grant an All-India Diploma in Accountancy;
- (7) to institute enquiries into alleged misconduct by holders of All-India Diplomas;
- (8) to recommend to the Government of India the cancellation of All-India diplomas where the holder has been found guilty of professional misconduct; and
- (9) generally to keep in touch with the holders of the All-India Diploma and with other members in India of the six Societies referred to in paragraph 2 of the letter of the Govt. of India and gradually to build up an Association of Accountants and Auditors in India.

Summary of the Opinions received.

The Registrar of Joint Stock Companies suggests that the following may be added to the functions of the Board:-

- " Subject to the approval of the Govt. of India, to lay down rules respecting the rules of conduct of the holders of the All-India Diploma, e.g.
- (a) An Accountant who holds a Diploma should not allow any person who is not himself the holder of a Diploma to practise in his name or in the name of his firm as a partner; and
 - (b) A Public Accountant should not be allowed to follow any business or occupation other than that of a Public Accountant or some other business which in the opinion of the All-India Board, is incident thereto or consistent therewith.

He considers also that function (8) referred to above so as to provide for suspension in cases which are too

plus

same
27
21/10/6

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serious. In regard to item viii Mr. Ross suggests that if the Govt of India are not prepared to delegate to the Board the duty of dealing with misconduct it would be advisable to delegate it to a Presidency High Court rather than to a department of the Govt. of India.

Office Note

The suggestions may be put to the Government of

India.

22/12
la
4.1.26
71

I agree with the suggestions made by Mr. Ross and the Reg. of joint stock companies. these may be brought to India's notice

VTK

7.1

yes con
9-1-26

Hans

76
Proposal of the Government of India.

Establishment of Local Boards.

The Government of India suggest that local boards may be constituted to relieve the All-India Board of a portion of certain current but local work.

Summary of the opinions received.

The Registrar of Joint Stock Companies considers this essential as it is the local Boards that will have every facility to conduct the necessary local enquiries regarding any auditors or to examine questions affecting local areas.

Mr. Gopala Menon also agrees with the need for local boards on all of which according to him the Chambers of Commerce should have effective representation and control. // Commercial interests will certainly be represented and it seems therefore unnecessary to make any special mention of it.

Office note.

This Government may agree with the Government of India as to the establishment of local boards to relieve the All-India Board of certain current but local work.

22/12
la
4.1.26

71

VTK

7.1

yes con
9-1-26

This is very important in order to make the work of the All-India Board really useful & practical

Informal conference at Delhi in January 1926.

The Government of India propose to assemble a small informal conference at Delhi during the forthcoming session of the Legislature. At the/the whole subject will be explored and preliminary conclusions arrived at and the best means of giving effect to these conclusions will be decided. The Government of India hopes that the Madras Government will be able to either to nominate one of its representatives on the Legislature to attend this conference or to send up ^{some} one specially for the purpose.

offer note

The Public Department has not yet nominated the Government representative to the Assembly. The D.P.I. suggests that Mr. Dandekar, Principal of the Govt. Institute of Commerce, may be deputed to attend the informal conference proposed to be held by the Govt. of India. ~~For orders as to whether this suggestion will be accepted.~~

28/12
la
W.K.
The Public Dept. have since nominated ~~Durgin Bahadur~~ J. Vyjayantiharachariar as a member of the Legislative Assembly and the C. S. considers that he will make a satisfactory representative of this Govt. at the conference - please see *linked file*.
For orders

la
u.l.r.b.
A
571

This is for orders. *2 think*

VTK
7-1

We should send a representative who is acquainted with the actual conditions of the profession in this presidency.

write note at p. 2a.
same info 2 snr's
suggestion - p. 6. 4. 1926
Letter 29/12

The Law Secretary who has been in touch with the work for some time may be ^{sent to represent} ~~suggested~~

VTK
7-1

p 10 c.f.
The Govt of India require a representative. *I doubt if M. who is Dandekar is in touch with the actual working of our system - in practice.*

VTK
7-1

Removed by Public

9-1-26

Incidental suggestions.

Qualifications & Training

Mr. Vidya Sagar Pandya suggests that the qualification governing the training candidates in the proposed association should not be harder than those required to gain admission into the approved Chartered Institutions.

Mr. Gopala Menon suggests that the Theory Course and Practical Training should go pari passu with an Intermediate and final examination at the end of the second and fifth year course. He is also for prescribing 5 years course for Matriculates and S.S.L.C. Holders, the course for Graduates being reduced to 4 years.

Mr. Ross thinks that it is essential that all candidates appearing before the Board should be graduates of a recognised Indian University that any system of training should include from 3 to 5 years of practical work and that in view of the ultimate object to be attained it would be advisable to consult at each stage the governing bodies of the 6 associations in the United Kingdom.

Mr. Nicholson points out that unless the examinations in India are such that no candidates except a natural genius can hope to be successful without a previous lengthy period of practical service with practising accountants, the diplomas which will entitle the recipients will not command the confidence of business men.

The Nagarathars Association suggests that a high standard of general education and special education in special subjects such as

p 31 c. f.

p 35 c. f.

p 42 c. f.

p 44 c. f.

p 46 c. f.

1929
Book-keeping, Accountancy Company Bankruptcy,
Arbitration, Commercial Law, Law of Income-tax
and customs of business together with a practical
training should be set up in order to assure
the public of the proficiency of persons to
exercise the profession.

Mr. Narasimham wants to insist on the submission of a
detailed report covering the period of apprenticeship instead of the present
formal report referring merely to the date of commencement
and completion of the apprenticeship. Other suggestions

Mr. Vinya Sagar Pandya suggests that no
difference should be made between a Chartered
accountant and a holder of the Diploma granted by the
All India Board and that some of the Institutes in
the United Kingdom which do not come up to high
standard of proficiency may be deleted from the approved
list.

The Nagarathars' Association points out
that vested rights created in the existing members
of the 3rd class of auditors referred to in para 2 of the
letter of the Govt of India might have to be respected
as far as possible.

Mr. Narasimham suggests that the duties and responsibilities
of auditors should be more clearly defined and provision made in the Act
to see that a high standard of discipline and professional conduct is maintained.

These are matters of detail and need not be
commented on in our reply to the Govt of India.

But we may forward the opinions to
India for consideration if necessary.

These details about qualifica-
tions do not concern us for the
present.

These details about qualifica-
tions do not concern us for the
present.

This is
9-1-26

Law (Education) Deptt.

D. O. No. 3814 e/25-5 dated 23.1.26

My dear Vijayaraghavacharya,

I am desired to inform you that
you have been nominated to represent
this Government at the informal con-
ference proposed to be held by the
Government of India at Delhi
during the session
of the Legislative Assembly to discuss
the question of the training and
certification of auditors. I am to
enclose a copy of the letter of the
Government of India on the subject
together with a copy of the opinions
received from the persons consulted
by the Government.

Yours sincerely

Diwan Bahadur T. Vijayaraghava-
charya, B. E.,
Member, Legislative Assembly,
Delhi.

with enclosures.

DESPATCHED

23 JAN 1926

DESPATCHED

22 JAN 1926

Subject

Accountants
Siplama - Establishment

for All India -
Board - Local

C.D.B. Act's views -
Furnished with
Act India.

Please take the copies each
of the letter to India
the opinion received (page 9-56)

(except
p 36)

For only
copies
22/1/26
22/1/26

DESPATCHED
22 JAN 1926

pages 6 & 6 a of no 6.

Letter
Refce.
M.R.

From

M.R.Ry. Rao Bahadur

V.T. Krishnama Achariyar Avl.,
C.I.E.,
Secretary to the Govt. of Madras

To

The Secretary to the Govt. of India,
Department of Commerce.

Sir,

Subject.- Training and certification
of Auditors in India - Letter No.
131 T (2) dated 16-11-1925.

I am directed to reply to the above
letter inviting the preliminary express-
ion of the views of this Government on
the proposals framed by the Government
of India in regard to the training and
certification of auditors. Copies of the
opinions received from the gentlemen who
were confidentially consulted on the
subject are enclosed.

2. Mr. D.N. Strathie, Commissioner
of Income-tax, is of the opinion that
the control now exercised by the Govern-
ment over the certification of auditors
should be removed altogether. I am to
say that the local Government do not,
~~however~~, agree in the above view. They
consider that the removal of ~~the~~ control
will lead to the multiplication of unde-
sirable agencies and that the fact that
the Government have some control, ~~though~~
though slight and residual, has produced public
confidence. ~~Though~~ as pointed out by

though

It is true

42 22
that
Mr. Strathie/a Government certificate

is neither a guarantee nor an indemnity; but the system
it ensures the elimination of the obviously
unfit.

3. The Government of India desire
to have the views of this Government on
the following points:-

Point (1). Establishment of an
All India Accountancy Board.

Following the views of the majority
of the gentlemen consulted, the Madras
Government accept the proposal that an
All India Accountancy Board may be
established for the award of diplomas
which would connote high professional
attainments and would entitle the holders
thereto to practice anywhere throughout
British India without further permission.

(2) Constitution of the
Board. I am to express the hope that the
proposed All India Board should be repre-
sentative of the interests in all Pro-
vinces and would be composed mainly of
the leading members of the profession.

(3) Functions of the Board.

While agreeing to the functions
proposed by the Govt. of India in para-

graph 6 of their letter, the Government of
Madras would bring to the notice of that
Government the additions suggested by the
Registrar of Joint Stock Companies.

I am under this head and
also to invite attention to the suggest-
ion made by Mr. Ross that if the Govern-
ment of India are not prepared to delegate
to the All India Board the duty of deal-
ing with mis-conduct it would be advisable
to delegate it to the Presidency High

The Govt agree generally
with the proposals of the

They invite reference to
the suggestions made by the

page 15 n.f

page 9 & 10 n.f

page 13 n.f

page 16 n.f

page 26 n.f

1570
Court rather than to a Department of
the Government of India.

(4) Establishment of local boards.

The Madras Government consider
that the establishment of local boards
is necessary in order to make the work
of the All India Board really useful
and practical.

(5) The Local Government propose
to nominate M.R.Ry. Dewan Bahadur T.
Vijayaragava Achariar M.B.E.,
M.L.A., as a member of the informal
Conference.

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V.T.K
22.1

No. 131-T(2).
GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

Delhi. The 4th March, 1926.

From

N. J. Roughton, Esqr., I. C. S.,
Deputy Secretary to the Govt. of India,
Commerce Department,
DELHI.

To

The Secretary to the Government of Madras,
Law (Education) Department,
MADRAS.

Sir,

With reference to your letter No. 98-Mis.
dated the 22nd January, 1926, I am directed to say
that the Government of India have selected the 20th of
March as the date on which the informal conference for the
consideration of the training and certification of auditors
in India will be held. An invitation to attend is being
sent direct to your representative together with a copy of
the relevant correspondence.

done (Edw) sep 22

Submitted.

I have the honour to be,
Sir,

Your most obedient servant,

N. J. Roughton

Deputy Secretary to the Govt. of India.

Enclosure
Correspondence.



2057C
24.3.26
Delhi
20th March 1926

L. No 990C
25/3/26

My dear Krishnamachari,
The informal Conference on the proposed establishment in India of a Central Accountancy Board was held today and was attended by representatives of the Local Governments and professional experts, Sir Charles James Whiting. The Conference arrived at substantially the same decision as those commended in your official letter No 9891 of the 22nd January. A

Law (Educ) Dept.

Submitted. Further communication from

the Govt. of India may be awaited

Sd/-

25/3/26

20/3
25/3

20/3

Subcommittee consisting of four professional
men has been appointed to prepare a
detailed scheme which will induce
courage be circulated to local Govern-
ments by the Government of India.

Yours sincerely

T. Vijayaraghavacharya

Rao Bahadur V. T. Krishnamachari C.I.E.

Law (Educ) Dept.

Submitted. Further communication from

the Govt. of India may be awaited

Sd/-

25/12/77

20/3
25/3

20/3

1876
1873
Law and Econ. Dept

The file about the
circuit establishment of an All-
India Accountancy syllabus
Board has been pending
since March 1926 ^{No further communication from the Govt of India has been received} for order
whether the file may be
closed, the papers being
stitched with C. O. No. 98

Lt. Col. 22. 1. 26.

18/12
12/12
15/12

M. S. D. S.
15/12

close
15/12