# Gurugram Branch of NIRC

The Institute of Chartered Accountants of India

(Setup by an Act of Parliament)

# e-Newsletter

## Chartered Accountants

## April 2022 Edition

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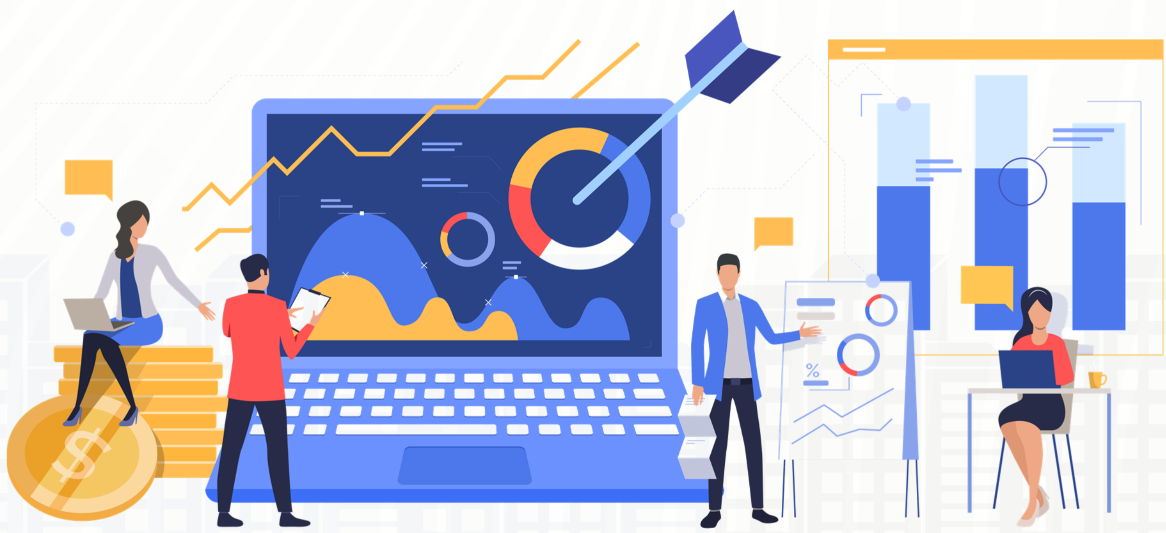

Gurugram Branch of NIRC of ICAI

# Gurugram Branch of NIRC

**The Institute of Chartered Accountants of India**
(Setup by an Act of Parliament)

Office: 2A, Pavilion Building, 339/2, Sector-14, Gurugram-122001
Phone: 0124-4268867 | Email: gurgaon@icai.org | Website: www.icaigurugram.org

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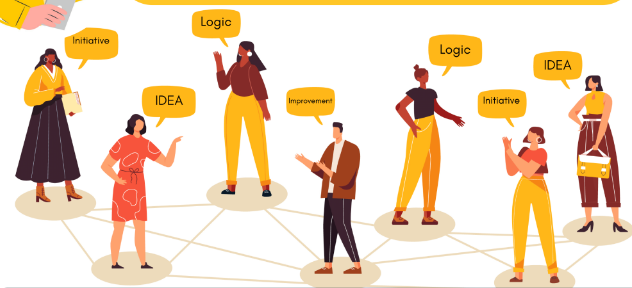
## Connect to BRANCH




A platform for Members and Students to Connect & Interact with the Chairman of Gurugram Branch of ICAI

LIVE STREAMING

Connect by Facebook Live on
1st **Sunday** of Every Month at **11 AM**
**https://bit.ly/icaiggnpage**

## Connect and Share to ME

- **IDEAS** of yours for our Fraternity
- Redressal of your **GRIEVANCE**
- Willingness to be a **VOLUNTEER**
- Share your valuable **SUGGESSTIONS**

**"Always available to the Profession"**
**CA. Mohit Singhal**
Chairman, Gurugram Branch

Members & Students of Gurugram Branch can take Benefit of the Initiative

# ICAI MOTTO

य एष सुप्तेषु जागर्ति कामं कामं पुरुषो निर्मिमाणः ।
तदेव शुक्रं तद् ब्रह्म तदेवामृतमुच्यते ।
तस्मिंल्लोकाः श्रिताः सर्वे तदु नात्येति कश्चन । एतद् वै तत् ॥

Ya eṣa supteṣu jāgarti kāmam kāmam purūṣo nirmimāṇah I
Tadeva śukram tad brahma tadevāmṛtamucyate I
Tasminlokāh ṣritāh sarve tadu nātyeti kaścan I Etad vai tat II

That person who is awake in those that sleep, shaping desire after desire, that, indeed, is the pure. That is Brahman that, indeed is called the immortal. In it all the worlds rest and no one ever goes beyond it. This, verily, is that, kamam kamam: desire after desire, really objects of desire. Even dream objects like objects of waking consciousness are due to the Supreme Person. Even dream consciousness is a proof of the existence of the self.

No one ever goes beyond it: of Eckhart: 'On reaching God all progress ends'.

Source: Kathopanishad

# Study Group Membership for Gurugram Branch is open for FY 2022-23

| Particulars | Fee Per member | GST @ 18% | Total Amount |
|---|---|---|---|
| For Individual Member | Rs. 5500/- | Rs. 990/- | Rs. 6490/- |
| For five or more declared members from any organization | Rs. 5000/- | Rs. 900- | Rs. 5900/- |

**Fee Structure:-**

**A.** For Individual Member:- Rs 5500 plus Rs. 990(18% GST)= Rs. 6490/-

**B.** For five or more declared members from any organization i.e. names of the Members to be declared at the time of payment of fee- Rs.5000 plus Rs.900 (18% GST)= Rs. 5900/- per member

**Payment Option:**

**1. Offline Mode -** Please fill up the form **(Click Here)** and send the cheque to branch along duly filled form.

**2. NEFT/RTGS Mode :** RTGS/NEFT at below bank and share the details of payment along duly filled form at gurgaonicai1@gmail.com

**Bank Account Details:-**

**A/C Name :** *Gurgaon Branch of NIRC of ICAI*

**A/C Number :** *910010026661826* | **IFSC Code :** *UTIB0000056*

(Kindly mention your name and Membership Number in the remarks while making the payment)

**3. Payumoney - Please follow the link and make the payment.**

**For Individual Member :** https://pmny.in/LIsJxjb5Qz4P

**For Five Member :** https://pmny.in/EIPOkfzu4vCH

*Note:- GST details (in membership form) need to be shared at the time of making the payment. An invoice once issued will not be altered.*

**Disclaimer:**

Request you to please send a mail at gurgaonicai1@gmail.com along with invoice/GST details (in membership form) within 3 days of making the payment to receive a copy of GST Invoice with your details.

## CA Mohit Singhal
**Gurugram Branch of NIRC of ICAI**



**Dear Professional Colleagues,**

With the wishes of health and prosperity for the new financial year 2022-23, which is coming with era full of opportunities. The month of April would be a challenging and demanding schedule for our members when we are fully occupied with the professional assignment of Bank Audit. Besides every member of the Institute, whether in practice or in industry would be required to concentrate on the finalization of annual accounts of corporate and other business entities. Members and students are backbone of the profession. Their support, involvement and feedback are must for successful implementation of any professional and/or academic activities of Branch. This month is also all set with festivals like Navratri, Gudi parva, Ram Nawmi , Baisakhi , Mahavir Jayanti, Jmbedkar Jayanti etc. Here's wishing the respective communities a fruitful year ahead.

CA Sanjeev Kumar Singhal and CA Hans Raj Chugh have been re-elected as Chairman and Co-Chairman of newly constituted Infrastructure Development committee of Gurugram. I am sure under abled leadership of two stalwarts, the pace of development in Branch Building at Manesar (a Dream of CAs in Gurgaon) will come live quickly.

**In the month of March, your branch successfully hosted a number of programs in the month including**

- Seminar on Budget 2022
- Seminar on Women Achievers on International Women's Day
- Holi Mahotsav
- Seminar on Insolvency and Bankruptcy Code 2016 & IFC
- 4 Day's Virtual series on Bank Branch Audit
- S. Vaidyanath Aiyer Memorial Lecture on Key year end compliance for statutory audit & GST
- Seminar on Goods & Services Tax

**For CA Students, your branch successfully hosted a number of programs in the month including**

- CA Student seminar on Bank Audit and New Avenues in Profession along with felicitation of Gurugram City topper for CA exam held on July 2021 & December 2021.
- Virtual Seminar for CA Students on Refund under GST Laws

The month ahead, April, is going to be a hectic one with Bank Branch Audit getting due in the first two weeks of April. Your branch is also geared up for a power packed program list for both members as well students including marathon, seminar, webinars, career counselling program etc.

Opinion matters, and hence your committee intends to run a number of surveys to understand your opinion on the selection of topics and feedbacks on the working. As a part of that, a small survey was carried out successfully to understand the Certificate Courses which the members would want the branch to host in the coming year. A strong response from your side guided us to schedule a number of certificate course in the months of come. Amongst others, Certificate course on Ind-AS are being planned in April month and certificate course on Ind-AS and ISA Course is on the cards in the month of May and June.

Also we request all the member to please connect with your branch via various social media platform as available. To establish better reach with the members, your branch has started **"Stay Connected-Get Updated"** campaign for both members and students for updating their details for sharing all information from the branch. I request all the members to please update their details using link https://bit.ly/StayConnectedGGN.

Students can use the link for updating their details on https://bit.ly/ggnStayConnnected

I am sure that I will receive the support of all the respected members and my dear students during the year as we aspire to achieve the best.

CA Mohit Singhal
Chairman, Gurugram Branch of ICAI

# Overview on Sustainability Development & Reporting Aspects

CA. Rohitt Kapur



## NEED FOR SUSTAINABILITY REPORTING

The International Union for the Conservation of Nature (IUCN) published a World Conservation Strategy in 1980 that introduced the term "Sustainable Development" and referred to it as a global priority. Subsequently, the report "Our Common Future" (commonly known as Brundtland Report) was released by the United Nations World Commission on Environment and Development in 1987 that gave the popular definition of Sustainable Development.

### Sustainable Development

Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- The concept of 'needs', in particular, the essential needs of the world's poor, to which overriding priority should be given; and
- The idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.

### Sustainability

The concept is related to meeting the human development goals while conserving and protecting the nature, environment, and social ecosystem on which the economy and society depend. The extraction or usage of the resources to meet the present human needs should simultaneously ensure that the availability of these resources for future generations to meet their own needs is not compromised.

### Sustainability Reporting

As per the definition of the Global Reporting Initiative (GRI), "Sustainability Reporting is an overview of a company's economic, environmental, and social impacts, caused by its everyday activities". This is not merely presenting the data collected, but an approach to drive an organization's commitment to sustainability and demonstrate it to the interested parties in a transparent manner. It is intended to assist the organizations to assess, measure, analyze and present their performance in economic, social, environmental, and governance parameters, with an objective of setting challenging targets and goals. In the current scenario, the major investing institutions across the world review the non- financial data in order to take decisions on investment in any new venture.

### Purpose and Objective

The specific purpose and objectives for sustainability reporting varies across organizations, but in a broad sense, it intends to provide trust to the interested parties to a business, such as financial and capital providers, customers, regulatory bodies, vendors and subcontractors, employees, population affected by the operation of the organization, civil societies, and the general public.

### The objectives of sustainability reporting are:

- Customers Satisfaction and Retention
- Gain a Competitive Advantage
- Provides Accountability
- Employee Satisfaction and Retention
- Provide specific information instead of Greenwashing
- Demonstrate Progress

### Reporting

The state of corporate reporting has become a source of increasing debate in recent years since the world is undergoing major changes in values and priorities. Increasing transparency and accountability is a business value that fosters greater stakeholder engagement. Disclosures vis a vis how Environmental, Social and Governance (ESG) aspects are impacted by companies' activities are at the forefront. In other words, there is significant focus on non-financial information to assess company performance and value creation.

Investors all around the globe demand a clear picture of how organizations create value and what the company board is doing to preserve it. It is important that we adapt and respond quickly to these new demands and drive change towards a society that is more environmentally and socially responsible. Recent years have witnessed a spread of voluntary frameworks & growing governmental mandates prescribing varied and differential rules for ESG disclosure.

As a market-driven approach, sustainability reporting has gained momentum over the past few decades. The most widely used framework in the world is the Global Reporting Initiative (GRI) Sustainability Reporting Standards followed by Integrated Reporting Framework of International Integrated Reporting Council (IIRC)

### U.N. Sustainable Development Goals & Reporting

The 17 sustainable goals set by the United Nations for 2030 cover all issues relating to poverty, environment, society, culture, human rights, and economic growth. Each of these 17 goals has specific targets (total 169) to be achieved in 15 years' time. Most of the nations have made regulatory framework and guidelines to meet these goals of sustainability and has resulted in the organisations having elements of them in their annual corporate reporting. In addition to the above, the Reporting matters – Maintaining ambition amidst disruption, WBCSD 2020 Report reveals that vast majority (93%) of members reference specific SDG's in their report. Nearly half (43%) of members prioritize SDG 5 and SDG 8, with a relatively small number (16%) referencing SDG 12 or more Goals. The most referenced Goals were:

- 13: Climate Action (88%),
- 12: Sustainable Cities and Communities (79%) and
- 8: Decent Work and Economic Growth (73%).

SDG 1: No Poverty (24%), SDG 14: Life Under Water (24%) and SDG 6: Peace and Justice – Strong Institutions (29%) were the least likely to be prioritized.

## NATIONAL GUIDELINES ON RESPONSIBLE BUSINESS CONDUCT, 2018 (NGRBC)

*SDGs and NGRBC Linkage*

Launched in March 2019, India's National Guidelines on Responsible Business Conduct, 2018 (NGRBC) illustrates alignment with the SDGs. The next version of the Securities and Exchange Board of India (SEBI)'s BRSR, is align with NGRBC.

The move is bound to change the way businesses publish their BRSR in the coming times. Understanding the SDGs, prioritizing them and identifying and devising business actions – both core operations and CSR initiatives – will require more inclusive interactions among stakeholders concerning corporate responsibility with increased frequency, and synchronised and unified efforts.

The NGRBC are designed to be used by all businesses, irrespective of their ownership, size, sector, structure or location. It is expected that all businesses investing or operating in India, including foreign multinational corporations (MNCs) will follow these guidelines.

The NGRBC reiterate the need to encourage businesses to ensure that not only do they follow these guidelines in business contexts directly within their control or influence, but that they also encourage and support their suppliers, vendors, distributors, partners and other collaborators to follow them.

## CONTENT OF NGRBC- 9 PRINCIPLES & CORE ELEMENTS

The nine principles in NGRBC are categorized into the ESG components of Environment, Society and Governance with four of the nine in Governance, two in Environment and three in society. Even though they are separate, they are interlinked to each other in some way.

Governance

1. Ethics, Transparency & Accountability
2. Stakeholder Engagement
3. Policy Advocacy
4. Customer Value

Society

1. Employees' well-being
2. Human Rights
3. Inclusive Growth

Environment

1. Products Life Cycle Sustainability
2. Environment

1st principle - Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent, and accountable.

2nd Principle - Businesses should provide goods and services in a manner that is sustainable and safe.

3rd Principle - Businesses should respect and promote the well-being of all employees, including those in their value chains.

4th Principle - Businesses should respect the interests of and be responsive to all its stakeholders.

5th Principle - Businesses should respect and promote human rights.

6th principle - Businesses should respect and make efforts to protect and restore the environment.

7th Principle - Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

8th Principle - Businesses should promote inclusive growth and equitable development.

9th Principle - Businesses should engage with and provide value to their consumers in a responsible manner.

## CONTENT OF NGRBC – ANNEXURES

Annexure 1- Guidance on Adoption of NGRBC

Annexure 2 - Guidance for Micro, Small and Medium Enterprises

Annexure 3 - Business Responsibility Reporting Framework (BRRF)

Annexure 4 - SDGs mapped against the NGRBC principles

Annexure 5 - Business Case Matrix

Annexure 6 - Guidance for Businesses on Using the BRRF as a Self-Assessment Tool

Annexure 7- Indian Laws and Principles (Indicative)

Annexure 8 – Resources

***Format of Business Responsibility & Sustainability Reporting***

Both the Comprehensive format and the Lite version of BRSR has three sections namely: Section

A: General Disclosures Section - Section A provides basic information about the company – size, location, products, number of employees, CSR activities, etc along with certain additional disclosures on proximity of a company's operations to environmentally sensitive sites such as protected areas, water-stressed zones, etc.

B: Management and Process Section - Section B comprehends policies and processes, called building blocks, which are foundational in nature to enable and ensure responsible business conduct. The building blocks relate to the NGRBC Principles concerning leadership, governance, and stakeholder engagement

C: Principle-wise performance Section - Section C requires companies to demonstrate their intent and commitment to responsible business conduct as per each of the nine undermentioned Principles and Core Element of the NGRBCs. The information required in the section can be provided as two categories depending on the extent of the organisation's ambition towards sustainability as essential and leadership.

- Essential - The bare minimum the organisation must do in terms of responsible business conduct.
- Leadership - The voluntary things taken up by the organisation that are beyond the basic essential things.

### The BRSR Lite

Since the organisations outside the top listed companies have no experience of non-financial reporting, expecting them to come out with a report that covers the elements listed in the comprehensive BRSR format will not be pragmatic and hence the committee has proposed the idea of a second format called the BRSR Lite. This version also has the differential category of Essential and Leadership; but much fewer in comparison to the comprehensive version and seeks information that smaller companies should be able to provide. The Lite version was made with the intention of having the MSME organisations to also be a part of the BRSR reporting.

## OVERVIEW OF GRI AND IR FRAMEWORKS (GLOBAL)

*GRI – GLOBAL REPORTING INITIATIVE*

Global Reporting Initiative (GRI) is an independent international organization that has been working on corporate sustainability reporting since 1997. GRI's mission is to empower decision-makers and network of stakeholders through its standards for sustainability reporting.

(https://www.globalreporting.org).

GRI in collaboration with the United Nations Environmental Protection Agency and the United Nations Global Compact aids the production, on-going review and assessment of the GRI Standards.

The GRI Sustainability Reporting Standards (GRI Standards) comprises a group of modular reporting standards which are available for adoption by any organization to report about its activities, initiatives and impacts on aspects related to sustainability. The GRI Standards are developed through a transparent, multi-stakeholder process and are issued by the Global Sustainability Standards Board (GSSB), an independent standard-setting body created by GRI.

GRI reporting enables disclosure of information in a systematic and standard manner which is easily quantifiable and compared. The benefits of using a structured and standardized approach can lead to improvements in sustainability performance, risk management, stakeholder relations, employee engagement, benchmarking sustainability performance and building credibility for an organization. The full set of GRI Standards can be downloaded at: www.globalreporting.org/standards

**Structure of GRI Standards**

GRI Standards is one of the popular frameworks used by corporates globally and in India, for reporting their sustainability performance.

**The GRI Standards comprises of include:**

- 3 universal Standards, applicable to all organizations
- 34 topic-specific Standards organized into Economic, Environmental, and Social series. TO Level of reporting:-
  ⇒ Core Criteria
  ⇒ Comprehensive Criteria.

**GRI Universal standards are as follows:**

- GRI Standards 101: Foundation 2016
- GRI Standards 102: General Disclosures 2016
- GRI Standards 103: Management Approach 2016

**Topic-specific Standards are as follows:**

GRI 200: Economic

- GRI 201: Economic Performance 2016
- GRI 202: Market Presence 2016
- GRI 203: Indirect Economic Impacts 2016
- GRI 204: Procurement Practices 2016
- GRI 205: Anti-corruption 2016
- GRI 206: Anti-competitive Behaviour 2016
- GRI 207: Tax 2019

**GRI 300: Environmental**

- GRI 301: Materials 2016
- GRI 302: Energy 2016
- GRI 303: Water and Effluents 2018
- GRI 304: Biodiversity 2016
- GRI 305: Emissions 2016
- GRI 306: Waste 2020
- GRI 307: Environnemental Compliance 2016
- GRI 308: Supplier Environnemental Assessment 2016

**GRI 400: Social**

- GRI 401: Employment 2016
- GRI 402: Labor/Management Relations 2016
- GRI 403: Occupational Health and Safety 2018
- GRI 404: Training and Education 2016
- GRI 405: Diversity and Equal Opportunity 2016
- GRI 406: Non-discrimination 2016
- GRI 407: Freedom of Association and Collective Bargaining 2016
- GRI 408: Child Labor 2016
- GRI 409: Forced or Compulsory Labor 2016

- GRI 410: Security Practices 2016
- GRI 411: Rights of Indigenous Peoples 2016
- GRI 412: Human Rights Assessment 2016
- GRI 413: Local Communities 2016
- GRI 414: Supplier Social Assessment 2016
- GRI 415: Public Policy 2016
- GRI 416: Customer Health and Safety 2016
- GRI 417: Marketing and Labelling 2016
- GRI 418: Customer Privacy 2016
- GRI 419: Socio economic Compliance 2016


## OVERVIEW OF IR FRAMEWORK

The Integrated Reporting Framework was released in 2013 by the International Integrated Reporting Council (IIRC) after extensive consultation and testing by businesses and investors throughout the world. The purpose of the Framework is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them. This Framework is primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations.

**Structure of the Integrated Reporting Framework**

The Integrated Reporting Framework takes a principles-based approach and provides the Guiding Principles and Content Elements for preparation of the integrated report.

## A. GUIDING PRINCIPLES

1. Strategic focus and future orientation: An integrated report should provide insight into strategic objectives, & how those objectives relate to (i) the organization's ability to create and sustain value over time and (ii) the resources and relationships on which the organization depends.
2. Connectivity of information: An integrated report shows the connections between the different components of the organization's business model, external factors that affect the organization, and the various resources and relationships on which the organization and its overall performance depend.
3. Stakeholder relationships: An integrated report provides insight into the organization's relationships with its key stakeholders and how and to what extent the organization understands, takes into account

and responds to their needs.

4. Materiality: An integrated report should disclose information about all matters that affect the organisations ability to create value over the short, medium and long term.

5. Conciseness: An integrated report should be concise.

6. Reliability and completeness: An integrated report should provide reliable and complete information that is material without error.

7. Consistency and comparability: An integrated report should provide information that is consistent over time and enables comparison with other organisations.

## B. CONTENT ELEMENTS

1. Organizational overview and external environment: What does the organization do and what are the circumstances under which it operates?

2. Governance: How does the organisations governance structure support its ability to create value in the short, medium and long term?

3. Business Model: What is the organization's business model?

4. Risks and opportunities: What are the key risks and opportunities that affects organisation's ability to create value in the short, medium and long term and how is the organisation dealing with them?

5. Strategy and resource allocation: Where does the organization want to go and how does it intend to get there?

6. Performance: How has the organization performed against its strategic objectives and related strategies? What are the outcomes in terms of effects on the capitals?

7. Outlook: What challenges and uncertainties is the organization likely to encounter in achieving its strategic objectives and what are the resulting implications for its strategies and future performance?

8. Basis of preparation and presentation: How does an organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?

## TYPES OF CAPITAL AND VALUE CREATION

All organizations depend on various forms of capital for their activities and performance. The capitals are stocks of value that increase, decrease or get transformed through the activities and outputs of the organization. For example, an organization's financial capital is increased when it makes a profit, and the intellectual capital increases when the organization obtains a patent or copyright.

The Integrated Reporting Framework has categorized the capitals under six types:

1. Financial Capital
2. Manufactured Capital
3. Intellectual Capital
4. Human Capital
5. Social and Relationship Capital
6. Natural Capital

**IR Framework: Summary**

⇒ New and evolving concept; Intended for investors
⇒ Used typically for integrated annual report (combined financial & nonfinancial
⇒ performance reporting)
⇒ Focus on value creation using six forms of capitals
⇒ Designed to be forward looking, related to business strategy
⇒ Principles-based approach; No performance indicators defined – is typically
⇒ supplemented by GRI indicators / internal KPIs
⇒ No industry sector specifications

| Particulars | BRSR | GRI Standards | IR Framework |
|---|---|---|---|
| Developed by | Government | Non Governmental Organization | Non-Governmental organization |
| Geographical specificity | Specifically made for use for Indian companies | Not specific to any Country | Not specific to any country |
| Industry sector Specificity | Currently sector-agnostic; Provision for future | Sector program underway | Not industry sector Specificity |
| Underlying Principles | NGRBC (9 principles of responsible business conduct) | Triple bottom-lines (Economic, Environment, Social) | Value creation model |
| Structure of disclosures | Principle-wise indicators | Topic-wise indicators | No indicators |
| Commonly used | Standalone disclosure | Standalone report | Integrated with Annual |
| Degree of Integration with financial disclosures | None | Economic disclosures without integration | Integration of Financial Capital with other forms of Capitals |
| Regulatory mandate | Mandated by SEBI | Voluntary | Voluntary (adoption by Top 1000 companies encouraged by SEBI) |

ASSURANCE OF CORPORATE SUSTAINABILITY REPORT

Assurance is an evaluation method that uses a specified set of principles and standards to assess the quality of an organisation's subject matter and the underlying systems, processes and competencies that underpin its performance.

Assurance includes the communication of the results of this evaluation to give the subject matter credibility for its users. Auditing, verification and validation are some of the tools and processes by which assurance is obtained.

## ASSURANCE ASPECTS

Assurance often is assumed to apply only to a company's published reports, but it applies equally to the assurance of the company's underlying systems and processes, as well as its products, services and governance. Four dimensions and eight key questions have been used to map the current diverse approaches to assurance and to signpost possible future directions for development.

Four dimensions have been used to map the current diverse approaches to assurance. They are:-

| 1. Assurance Audience | 2.Assurance Methodology | 3. Assurance Scope and Boundary | 4.AssuranceProviders |
|---|---|---|---|
| What is assurance for? | What standards and principles Govern the assurance process? What level of assurance is offered? | What issues are covered? What level of organisation is covered? | Who providesassurance? |
| Sustainability assurance thatis conducive tothe fulfilmentof different Stakeholder needs will be more effectivein enablingaccountability to Drive performance improvement. | A range of principles and standards can be used to govern the assurance process and provide benchmarks and guidance for carrying out the assurance engagement. | Assurance can cover specific areas of performance: social environmental economic Boundary of Assurance is critical and needs to be identified before start of assurance | Assurance is carried External: • Auditprofessional • CSR specialistconsultancy • civil society organisation opinion leaders/advisory panel. Internal: • functional areas •risk assessment/internalaudit • board level |

## ASSURANCE ENGAGEMENT PROCESS

Assurance Engagement is an "Engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria)."

## TYPES OF ASSURANCE

Two different levels of assurance could be provided by assurance providers for aspects or elements of the sustainability information, underlying systems or processes as explained below:

## REASONABLE ASSURANCE

This is in the nature of an Examination engagement. In an examination engagement, the assurance provider obtains reasonable assurance in order to express his opinion on whether the subject matter of assurance reviewed in terms of the relevant criteria is free from material misstatement.

This type of assurance is achieved when the risk of a material misstatement of the subject matter has been reduced to a low level. To achieve this, the assurance provider must conduct extensive procedures. The assurance provider obtains sufficient evidence to confirm whether the subject conforms to the criteria.

Reasonable assurance conclusions are framed in a positive manner. For example, 'Based on the procedures performed, in our opinion, the management assertion on subject matter is properly prepared'.

Practitioner will understand the internal controls in place for preparation of subject matter including evaluation of both its design and actual implementation. This will include assessing the SOPs for data measurement, collation across the company, internal reviews and their outcomes/ corrective actions, IT tools used for data compilations etc. This assurance involves analysing the existing systems and preparedness of personnel involved to collect and collate data related to KPIs. It involves exhaustive evidence gathering procedures.

## LIMITED ASSURANCE

This is in the nature of a Review engagement. In a review engagement, the assurer obtains limited assurance and provides a conclusion about whether any material modifications are required in the subject matter in order for it to be in accordance with the relevant criteria. Review engagements are narrow in scope, involve limited procedures, and the outcome is more specific but lower level of assurance than examination engagements.

The level of assurance is based upon the following:

- Specific objectives of the engagement

- Degree of assurance required by the organization
- Importance of the sustainability information to the decision-makers
- Expectations of internal and external users of the sustainability information
- Alignment with financial reporting and disclosure
- Factors relating to the prevailing legal and regulatory requirements
- Cost and benefit analysis of the different levels of assurance.

This type of assurance is achieved when the risk of a material misstatement of the subject matter has been reduced through the collection of evidence, but not to the low level required by reasonable assurance.

To achieve this, the assurance provider performs different or fewer tests than those required for reasonable assurance or uses smaller sample sizes for the tests performed.

The assurance provider's conclusion provides comfort over whether the subject is plausible against the criteria. Evidence gathering procedure limited to inspection, recalculations establishing audit trail on sample basis, probing, trend analysis etc.

Limited assurance conclusions are framed in a negative manner. For example, 'Based on the testing performed; nothing has come to our attention to indicate that the management assertion on [subject matter] was not properly prepared.

## ASSURANCE ENGAGEMENT

"Engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria)."

## CONCLUSION

BRSR reporting will help Reporting entities to disclose more of holistic approach towards Environmental, Social and Governance story of their organization which ultimately help all stakeholders likes, Banks, Credit Rating Agencies, Investors, Vendors and all other financial institution to access credibility of the Company / Business.

# Role of IFC in managing a business – some thoughts

**CA. Chetan Mathur**

Implementing a robust IFC framework is a great process to manage one's business. I want to share the benefits of quality implementation of the IFC framework with examples from my professional life. IFC stands for Internal Financial Controls.

Let me define IFC so that we are all on the same page. IFC, to me, covers

- All processes in a business,
- The processes identify all key risks (top 20 max) across the operation, compliance, and financial reporting
- Names the control owners who are managing the risk and other critical personnel responsible for processes
- All control owners check every quarter by a self-review that they have performed the control without any failure
- Annually rate the maturity level of the organization across five key parameters (Identification of risks, execution, information and communication, monitoring and control environment)

The law, however, is a bit more verbose "Policies and procedures adopted by the Company for ensuring orderly and efficient conduct of its business including adherence to company's policies, the safeguarding of assets, the prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information."

IFC should, in my view, cover at least five under mentioned processes, namely -

- Financial Reporting
- Purchase to pay
- Sales to Collection
- Operations/manufacture to inventory
- People related

As a company matures, one can expand the coverage to other cycles like logistics and marketing.

In my work experience, I have found that IFC helped my organization **reduce costs and increase efficiency.** Let me first describe our IFC review process at a high level.

In my company, every control owner certified on an IFC portal that they have either tested or reviewed the control, and **the control had either passed or failed in the quarter under review.** This information was available in a dashboard so Plant Head could view his plant performance and other functional leaders could do the same for their function. The CEO reviewed this report by the

15th of the ensuing month and before publishing the quarter results. Since knowledge is power, we in the management knew if we have any significant concerns in the operations, compliance, or financial risks. Of course, we had control failures every month, and we made sustainable remediation plans.

IFC helped us shift the ownership of control review from finance and internal audit functions to business owners. Therefore, most significant savings came from the **reduced intensity of internal audit and reduction in hours of statutory audit.** IFC helped us to reduce audit fatigue. With the introduction of the IFC framework, we harmonized controls over locations. We found improved quality of inventory count, timely reconciliations, better scrap management, timely reporting of KPM (key performance measures), and most importantly, pride in our work.

Internal audit reviews became lighter shorter and saved up to 30% in terms of Rupees annually. Since I have worked in many countries in Asia, I found we have similar experiences everywhere.

Another significant savings came from **improved efficiency and timely remediation of failed controls.** We all know that failed key controls mean leaky buckets and inefficient operations. For example, if the Sales Executive does not verify the claims from a distributor, the company may pay higher claims, and errors will not get detected. Let me share learning when we were implementing IFC in a beverage business. The GM insisted that we review the issues raised by the Internal Audit team and evaluate if our key control will help address the issue comprehensively. This turned out to be a fantastic exercise, and we built a robust control environment and implemented this as a best practice in other businesses.

The IFC framework helps **strengthen the processes and process-based decision-making.** IFC is a living document, and it should record the actual process and identify risks within the process. In my experience, we often set up processes based on ideal conditions rather than existing conditions. This sometimes sets us for failure.

IFC forces us to look at our process, identify weaknesses and fix them. In the dynamic world that we live in, processes need a detailed review annually at a minimum. This review helps the management team to be vigilant and updated. In 2014 when e-commerce was growing a critical way to access the consumer. Most FMCG companies did not have a process for e-commerce business. They were neither Kirana stores nor were they modern trade stores. So early in the evaluation of this channel, we created a multi-function team led by a Sales Leader to lay down the process in consultation with the e-commerce party (Big Basket). The process evolved, and we did not face significant issues like when modern trade expanded in India. The single most significant loss I have seen in sales made to modern trade has been due to poor record management at our warehouses. Unlike distributors, modern trade customers insist on good documentation. We have had quite a few losses because we had lost receipts and orders. We called a key control to solve this issue, which ensured that all receipts and orders were linked and uploaded on a web portal. Within the next three months, we were seeing 99% success.

Traditionally control testing is seen as finance responsibility or internal audit. IFC, in my view, transfers the **responsibility of performing the control and testing it to the control owner.** This makes employees accountable for decisions and increases pride in their work. Here is another story. A plant manager wanted to score a 99% pass on all controls in his factory (on average over a year). The plant team used posters on notice boards to display the process in a flow chart for all processes and called out key controls in red. The pictorial depiction helped all employees to understand and own the process.

It helped the plant to reach a 100% score in many quarters. This goes to prove that knowledge is power!

I have found that regular risk assessments and sharing the **dashboard of pass/fail scores** every quarter to evaluate the quality of internal controls help to improve control consciousness. IFC also reduces **the intensity and frequency of internal audits and finally reduces transaction checking for statutory audits.**

IFC is not a one-time implementation process. It is a journey and requires engagement at all times, just like any other activity in the business, like sales and collection. I hope some of the stories and learning shared in this article will help you make your success story. If you have any questions, please feel free to reach out to me at email@chetanmathur.com.

# "Compounding of Offences under FEMA"

**CS. Lalit Rajput**

**Foreign Exchange Management Act ("FEMA")**

The Foreign Exchange Management Act, 1999 (FEMA) was passed by parliament in the year 1999, **came into act on 01st day of June, 2000**, introduced as a **replacement for the Foreign Exchange Regulation Act (FERA)** which was introduced in the year 1973 "to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India".

**In short:**

FEMA is a regulatory mechanism that enables the RBI to pass regulations, amendments, notifications & Circulars and the Central Government to pass rules relating to foreign exchange in tune with the Foreign Trade policy of India and also enabled a new foreign exchange management regime consistent with the emerging framework.

**UNDERSTANDING OF COMPOUNDING AND OFFENCES**

**OFFENCES:**

**Contravention** of provisions related to FEMA, considered as civil offence. The Terms **Contravention** refers to breach of the provisions of the FEMA, 1999 and rules/ regulations/ notification/ orders/ directions/ circulars issued there under, involving money laundering, national and security concerns involving serious infringement of the regulatory framework.

**COMPOUNDING:**

The term 'compounding' has not been defined under the provisions of FEMA, 1999. It is a process of voluntarily admitting the contravention, pleading guilty and seeking redressal. It can be defined as settlement mechanism to settle contravention matter by monetary payment, in lieu of other liability/ prosecution.

**COMPOUNDABLE VS NON - COMPOUNDABLE**

| Compoundable Offence | Non - Compoundable Offence |
|---|---|
| Contraventions / offences which do not attract imprisonment as a mandatory penalty are **compoundable** | Contraventions / offences which are specifically punishable with imprisonment only or imprisonment and fine are **not compoundable**<br><br>if the amount involved in the contravention is not quantifiable, then the contravention **shall not be compounded** |

**Provisions / Laws Related to Compounding under FEMA, 1999**

| Section (s) / Rules | Provision (s) |
|---|---|
| Section 13 | Penalties for contraventions which are compounded |
| Section 15 | powers to compound contraventions and empowers the Compounding Authority to compound the contraventions. |
| Master Direction | Reporting under Foreign Exchange Management Act,1999 (Updated as on April 04, 2019) |
| Master Direction | Master Direction- Compounding of Contraventions under FEMA, 1999 (Updated as on April 04, 2019) |
| Foreign Exchange (Compounding Proceedings) Rules, 2000 | Basic framework for the compounding process |

**Powers to Compound contravention under FEMA**

| Delegation of powers to Regional Offices: | Delegation of powers to FED |
|---|---|
| • Issue of shares without approval of RBI/FIPB or Government, wherever required.<br>• Delay in submission of form FC-TRS<br>• Taking on record transfer of shares by investee company.<br>• Delay in reporting the downstream investment to Secretariat for Industrial Assistance, DPIIT.<br>• Delay in reporting inward remittance received for issue of shares.<br>• Delay in filing form FC(GPR) after issue of shares.<br>• Delay in filing the Annual Return on Foreign Liabilities and Assets (FLA).<br>• Delay in issue of shares/refund of share application money beyond 60/180 days, mode of receipt of funds, etc.<br>• Delay in reporting receipt of amount of consideration for capital contribution and acquisition of profit shares by Limited Liability Partnerships (LLPs)/ delay in reporting disinvestment/transfer of capital contribution or profit share between a resident and a non-resident (or vice-versa) in case of LLPs.<br>• Gift of capital instruments by a person resident in India to a person resident outside India without seeking prior approval of the Reserve Bank of India.<br>• Violation of pricing guidelines for issue/transfer of shares.<br>• Issue of ineligible instruments. | • Contraventions relating to acquisition and transfer of immovable property in India;<br>• Contraventions relating to establishment in India of Branch office, Liaison Office or project office;<br>• Contraventions relating to acquisition and transfer of immovable property outside India;<br>• Contraventions falling under Foreign Exchange Management (Deposit) Regulations, 2000 |

**Kindly note that:**

- Kochi and Panaji Regional offices can compound the contraventions for an amount of below INR 1,00,00,000/-.
- The contraventions for amounts of INR 1,00,00,000/- or more under the jurisdiction of Panaji and Kochi Regional Offices shall be compounded at Mumbai RO and Thiruvananthapuram RO respectively.

***(Stated in ICSI FEMA Master Classes)***

**PRE-REQUISITE FOR COMPOUNDING PROCESS:**

Following are the key parameters needs to be considered before applying for Compounding of Contraventions with RBI:

**a). Time Limit:**

- No compounding for similar contravention before expiry of 3 years;
- Any subsequent contravention committed after the expiry of 3 (three) years from the date on which the contravention was previously compounded **shall be deemed to be a first contravention** and Compounding application can be filed.

**b) Prior Approval Requirements:**

Prior approval is mandatory required from concerned Government / statutory authority to make a application for Compounding of Contraventions where any contravention made in a transaction where prior approval/ permission from the Government/ statutory authority is required and have not been obtained.

**c) Investigation by Directorate of Enforcement (DOE):**

Contraventions which are sensitive and serious in nature involving:

- Suspected Money Laundering,
- Terror financing, affecting sovereignty and integrity of the nation; and
- non-payment of compounding sum within time limit.

**Kindly note that:** Cases where adjudication has been done by the Directorate of Enforcement and an appeal has been filed before the Special Director or Appellate Tribunal.

**PROCESS OF COMPOUNDING OF OFFENCES UNDER FEMA:**

**Step 1: Filing of Compounding Application**

An application in the prescribed format and along with other required documents for compounding shall be submitted, Post Identification of contravention suo-moto by the defaulter or by AD Bank / RBI.

**Payment details:** Demand draft of Rs. 5000/- drawn in favor of "Reserve Bank of India" and payable at the concerned office.

**Required attachments:**

| | | | |
|---|---|---|---|
| Memorandum of Association | Latest audited B/S; Undertaking as per prescribed format confirming no pending enquiry/ investigation/ adjudication before DOE/CBI etc.; | ECS mandate | Other details as per Annex II of Master Directions. https://m.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10190 <br><br> https://rbidocs.rbi.org.in/rdocs/content/pdfs/13MDR020616_A2.pdf |

**Step 2: Examination and Scrutiny of application by RBI**

Post receipt of Application RBI shall examine the application and assess whether contravention is quantifiable and, if so, the amount of contravention. In case of any doubt or clarification, RBI may call for additional information, record or any other documents.

**Step 3: Replying to the queries / information required by RBI**

Applicant must submit additional information, record or any other documents / clarification required from RBI. If reply is not satisfactory, the application for compounding will be liable for rejection.

**Step 4: Compounding order and payment of fee:**

Compounding order shall be passed within 180 days from the date of application. If there is ant sufficient cause for further investigation, the RBI may refer the matter to Directorate of Enforcement.

**Key Notes:**

- Amount Imposed under Compounding of Offences, as per section 13 of FEMA, can be up to 3 (three) times the amount involved in the contravention.

- Compounding fee to be paid by way of DD in favor of the "Reserve Bank of India" within 15 days of compounding order.

- In case of non-payment of the amount indicated in the compounding order within 15 days of the order, it will be treated as if the applicant has not made any compounding application to RBI. Such cases will be referred to the Directorate of Enforcement for necessary action.

- To ensure more transparency and greater disclosure, it has been decided to host the compounding orders passed on or after June 1, 2016 on the Bank's website (www.rbi.org.in). The data on the website will be updated at monthly intervals in the following format:

| Sr. No. | Name of Applicant | Amount imposed under the compounding order | Whether the amount imposed has been paid | Download order |
|---|---|---|---|---|
| | | | | |

POWER TO COMPOUND BY RESERVE BANK

If any person contravenes any provisions of FEMA, 1999 except Section 3 (a) of that Act which deals with willful, malafide and fraudulent transactions, the same will be compounded in the following manner:

| SNO | Amount involved in Contravention | RBI Officer having Power |
|---|---|---|
| 1 | Less than or equal to Rs. 10 lacs | Assistant General Manager |
| 2 | More than Rs. 10 lacs but less than Rs. 40 lacs | Deputy General Manager |
| 3 | More than or equal to Rs. 40 lacs but less than Rs. 100 lacs | General Manager |
| 4 | Rupees 100 lakhs or more, | Chief General Manager |

***As per rule 4 (1) of the Reserve Bank of India (Compounding Authority)***

*Every officer specified under the above rule shall exercise the powers to compound any contravention subject to the direction, control and supervision of the Governor of the Reserve Bank of India.*

**CONCLUSION:**

Compounding is process "to settle a matter by a money payment, in lieu of other liability." Under FEMA Provisions, the power to compound the offence is vested with Reserve Bank of India (RBI). Only those Contraventions / offences are compoundable which do not attract imprisonment as a mandatory penalty. The content of this article is intended to provide a overview of provisions related to Compounding of Offences under FEMA Act, 1999.

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# Glimpses

Day & Date : Saturday, 5th March 2022
Venue : Hotel Crowne Plaza Gurgaon, Sector 29, Gurugram
Guest Speakers : CA. Pramod Jain & CA. Puneet Agrawal

# Glimpses

Day & Date : Tuesday, 8th March 2022
Venue : Hotel Radisson Sohna Road, Sector-49, Gurugram
Chief Guest : Smt. Madhu Azad, Mayor, Gurugram
Guest of Honour : Dr. Sushila Kataria, Senior Director, Medanta & Smt. Deepika Chaudhary, DETC Commissioner, SGST

# Glimpses




GURUGRAM BRANCH OF NIRC OF ICAI
होली का रंग
गुरुग्राम शाखा के संग
WEDNESDAY, 16TH MARCH 2022
MADHAVGARH ARAVALI FARMS, TIKLI VILLAGE, GURUGRAM

# Glimpses

Day & Date : Saturday, 19th March 2022.
Venue : The Westin Gurgaon,Sector-29, Gurugram
Guest Speakers : CA Ashish Makhija & CA Nitin Arora



# Glimpses

The International Day of Forests on Monday, 21st March 2022
Venue : IMT Manesar Building, Sector-5, Haryana

















# Glimpses

Day & Date : Sunday, 20th March 2022
Venue : PVR Star Mall Gurgaon, Sector 30, Gurugram










# Glimpses

Day & Date : Friday, 25th March 2022.
Venue : The Westin Gurgaon, Sector-29, Gurugram
Guest Speakers : CA Rahul Aggarwal & CA Ashish Chaudhary



# Glimpses

Day & Date : Saturday, 26th March 2022
Venue : Hotel Radisson Gurugram, Sohna Road, Sec-49, Gurugram
Guest Speakers : CA. Ashok Chhabra & CA. Varun Gupta

# Glimpses

Day & Date : Wednesday, 30th March 2022.
Venue : The Westin Gurgaon, Sector-29, Gurugram
Guest Speakers : CA Bimal Jain & CA Atul Kumar Gupta













## Gurugram Branch Managing Committee for the Session 2022-23

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|---|---|---|---|---|
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**Feedback & Suggestions:** Gurugram Branch will be happy to receive the feedback from you regarding the seminars/workshops and other activities organized by branch. You may please send feedback at Gurugram Branch of NIRC of ICAI requests the members & students to come forward & share the articles (Professional & other) to be published in the upcoming newsletter. The submissions may be sent to **fcasmc@gmail.com** with the subject line (Article Newsletter).

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