

## **Sebi seeks regulator to monitor Auditors**

Market regulator Sebi has called for the creation of an independent regulator to oversee auditors, a move that is being opposed by the Institute of Chartered Accountants of India (ICAI), the industry body that self-regulates the auditing profession at present.

"We have taken up the issue with the finance ministry and asked for an independent regulator for the profession," a senior Sebi official told ET. The market regulator has told the finance ministry that lack of a strong regulatory framework for auditors compromises the efficient functioning of stock markets. Another Sebi official said there was a conflict of interest in the multiple roles being performed by ICAI, from being an industry body for the country's 1.6 lakh practising chartered accountants to being a regulator for the entire profession.

The institute has faced charges of not taking timely action against those guilty of misconduct, particularly in the Global Trust Bank and Satyam scams. Auditors vet the financial statements of their clients and play a vital role in ensuring that companies do not fudge their books or provide incorrect financial information to their investors. The International Organization of Securities Commissions, or IOSCO, an association of bodies that regulate the world's securities and futures markets, had formulated eight new principles in June 2010 to ensure that systemic risks were reduced and markets functioned fairly, efficiently and transparently.

One of the key principles was that 'auditors should be subject to adequate levels of oversight by an authority that is independent of the audit profession'. "We want to ensure that we do not fall short on meeting any IOSCO requirement," said the Sebi official quoted above. India's market regulator is a member of IOSCO, and its independent assessment found ICAI falling short on the oversight front. But ICAI President G Ramaswami dismissed the need for an independent regulator.

### **Sebi wants oversight mechanism quickly**

"Independent regulator is not required at all... The institute is doing a commendable job and everything is transparent. Just because of a few scams, one shouldn't question the credibility of the institute," he said. The head of one of the country's leading accounting firms, who did not wish to be named, was guarded in his reaction to Sebi's proposal. "We need to see this proposal in the backdrop of the performance and role of other regulators. The records of some other regulators has been rather indifferent," he said.

The finance ministry says a provision for some sort of regulatory oversight is already proposed in the Companies Bill. A ministry official said the new Companies Bill to be tabled in Parliament soon could provide for an oversight mechanism for auditors and address the concerns of the market regulator. But Sebi wants an oversight mechanism created quickly in line with the requirements posed by the new global rules, and wants an independent regulator for the accounting profession. Experts back its demand.

"While India has better accounting standards than many countries, there is a need to improve the reporting and enforcements of auditing norms," said Shriram Subramanian, managing director, InGovern Research Services, a proxy advisory firm that tells institutional shareholders how they should vote on specific resolutions.

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