

after "any Registrar" insert "Ad-
tional, Joint, Deputy, or".

The motion was adopted.

Mr. Chairman: The question is: —

"That the Bill, as amended, be
passed."

The motion was adopted. —

CHARTERED ACCOUNTANTS (AMENDMENT) BILL

**The Minister of Revenue and Civil
Expenditure (Shri M. C. Shah):** I beg
to move:

"That the Bill further to amend
the Chartered Accountants Act,
1949, be taken into consideration."

This is a simple Bill designed to empower the Central Government to recognise foreign qualifications as equivalent to the qualifications prescribed by the Institute of Chartered Accountants of India for purposes of entry on the register of Chartered Accountants maintained by the Institute. Under sub-section (1) (v) of section 4 of the Chartered Accountants Act, as it stands at present, it is for the Council of the Institute to accord recognition to any examination and training completed outside India as equivalent to the Indian qualifications. If hon. Members refer to section 29 of the Chartered Accountants Act, they will find that the Central Government has been vested with power to withhold membership of Indian Institute from nationals of countries which prevent persons of Indian domicile from becoming members of any institution similar to the Institute of Chartered Accountants of India or from practising the profession of accountancy or subject them to unfair discrimination in their territories. Recognition of foreign accountancy qualifications is subject to this condition and is, therefore, generally to be granted only on a reciprocal basis. This may well involve, in many cases, negotiations between Governments

concerned on a governmental level. In order to facilitate the implementation of the results of such negotiations, we consider it necessary that the power to recognise foreign qualifications should also be concurrently vested in the Central Government as a matter of public policy. As hon. Members will notice, the Bill does not propose to take away the power in this regard now exercised by the Institute. I need hardly add that Government will not, of course, use this power regardless of the nature of the qualifications sought to be recognised; they will, as person with qualifications obtained a matter of practice, consult the Institute, wherever necessary, before granting recognition to any foreign qualifications under this provision.

In this connection, I would draw the attention of the House to sub-clause (1) (b) of Clause 225 of the Companies Bill as reported on by the Joint Committee which was based on a similar provision in clause 161 of the English Companies Act, 1948. As was explained by the Finance Minister in the course of his speech on the Companies Bill, this clause contained a provision intended to enable the Central Government to authorise any outside India, similar to those prescribed under the Chartered Accountants Act, to be appointed as an auditor of a company and this provision was the subject of protracted discussion between the Ministry of Finance and the Institute of Chartered Accountants. Eventually the Institute agreed that the discretionary authority proposed to be vested in the Central Government, albeit for the limited purpose mentioned in the present Companies Bill, should be obtained not through the Companies Bill, but by a suitable amendment of the Chartered Accountants Act. The Institute pointed out that this procedure would not merely have the advantage of concentrating all provisions relating to the qualifications, training, etc. in one statute, but would also facilitate the exercise of disciplinary control over the members of the profession. Government accepted this advice of the Institute

[Shri M. C. Shah]

and decided to introduce the present Bill. Accordingly sub-clause (1)(b) of clause 225 of the Companies Bill has already been deleted by the House when that clause was under consideration.

Mr. Chairman: Motion moved:

"That the Bill further to amend the Chartered Accountants Act, 1949, be taken into consideration."

There is an amendment to the motion for consideration by Shri Gurupadaswamy. Has the hon. Member submitted the names of the Members of the Select Committee?

Shri M. S. Gurupadaswamy (Mysore) The list is ready and I will now pass it on. I have also consulted all the Members of the Select Committee and they have agreed.

I beg to move:

"That the Bill be referred to a Select Committee consisting of fifteen Members, namely; Sardar Hukam Singh, Shri Hari Vishnu Kamath, Shri T. R. Vittal Rao, Shri B. Ramachandra Reddi, Shri Asoka Mehta, Shri Nemi Chandra Kasliwal, Shri C. R. Basappa, Shri A. M. Thomas, Shri Nettur P. Damodaran, Shri N. M. Lingam, Shrimati Renu Chakravartty, Shri Shankar Shantaram More, Shri U. M. Trivedi, Shri Chimanlal Chakubhai Shah, and the Mover, with instruction to report on or before the 16th November, 1955."

An Hon. Member: Is it a Joint Select Committee?

Shri M. S. Gurupadaswamy: No, it is a Select Committee of this House. It is not a Joint Select Committee.

The purpose of the Bill is commendable; but unfortunately, I think the objects of the Bill will not be realised if we do not take other steps in amending this measure. It is in the fitness of things that we should discuss this measure in the wake of the Companies Bill which was passed just

now. At the time of the discussion on the Companies Bill, some Members suggested that there would be no use in amending the company law and the objectives of the Companies Bill might not be fulfilled if we did not take adequate steps to amend the Chartered Accountants Act.

We have been given to understand that in the year 1953 there were about 29,312 companies working and these companies had a total paid-up capital of Rs. 897 crores. The number of auditors for auditing the affairs of these companies, according to my figure, would come to about 2,700. You will see that for nearly 30,000 companies, there are only 2,700 auditors or chartered accountants. According to the next Five Year Plan which envisages an investment of another Rs. 750 crores in the private sector, it would mean that we would be having about 50,000 companies by the end of 1960. If there is no parallel substantial increase in the number of chartered accountants and auditors in the near future, it would be very difficult to cope with the audit work of the companies. In the existing circumstances, I find that there are so many anomalies, so many drawbacks in the audit system. Government have given recognition to only one Institute of Chartered Accountants. It has been given the sole monopoly of holding examinations and giving certificates to the examinees. This Bill seeks to give to the Government power of giving recognition to chartered accountants who have got foreign qualifications equivalent to the qualifications prescribed by the Council of Chartered Accountants. As I said, it is a welcome measure; but the Bill does not go far enough.

Shri M. C. Shah: This Bill has been brought as was decided upon by the Joint Committee. The Joint Committee desired that this clause 225 (1) (b) should not be in the Companies Bill, but it should be rather in the Chartered Accountants Act. This gives only concurrent powers to the

Government, along with the institute. That is the only thing that is being done in this Bill.

Shri K. K. Basu (Diamond Harbour): The Joint Committee was supposed to be expert in discussing the Companies Bill. There are other implications in amending the Chartered Accountants Act. Perhaps that is what my hon. friend wants to emphasise.

Shri M. C. Shah: My hon. friend Shri K. K. Basu will remember that when we discussed clause 225(1)(b), there also this same thing was present. It was then discussed whether this clause should be in the Companies Bill or it should be in the Chartered Accountants Act. That was the point. It was discussed and the Joint Committee asked the Government to discuss the matter with the Council of Chartered Accountants: whether this clause should remain in the Companies Bill or it should go into the Chartered Accountants Act. Therefore, it has been brought here as an amendment of the Chartered Accountants Act.

Mr. Chairman: Does it mean that the Joint Committee on the Companies Bill went through the subject matter of this Bill and came to some conclusion?

Shri M. C. Shah: If you just refer to clause 225(1)(b), the same thing was there. Powers were given to the Central Government.

Mr. Chairman: I want to know, as a matter of fact, whether the Joint Committee on the Companies Bill went into this point which is the subject-matter of this Bill and came to any conclusion.

Shri M. C. Shah: The Joint Committee discussed whether this clause, as it stood in the Companies Bill, that with regard to recognition of equivalent qualification the power should be given to the Central Government, should remain in the Companies Bill or whether these powers should be taken under the Chartered Account-

ants Act. We have not changed anything. The wording is, the powers are to be exercised by the Council of the Chartered Accountants' Institute. We have only added the Central Government: that is concurrent powers. That was discussed there. On that very understanding we moved an amendment to delete that clause and at that time, I made this point clear also.

Shri U. M. Trivedi (Chittor): On a point of order, it appears that the hon. Member Shri M. S. Gurupadaswamy and the hon. Minister were both in the Joint committee and they are discussing in this House things which both of them know to which we are not parties. They are trying to discuss things of which we have no knowledge. I do not know whether there is any propriety in discussing what happened in the Joint Committee. What is recorded here is only this. I refer to para. 85 of the report of the Joint Committee which says:

"The original clause contained a provision to the effect that a company may appoint a person as auditor, with the approval of the Central Government, although he is not a Chartered Accountant or is not possessed of similar qualifications, if he has adequate knowledge and experience in the matter. This provision has been omitted."

Nothing further that there may be an amendment of the Chartered Accountants Act or anything of the kind is found there. The two gentlemen know something about it. It is not fair to the House. No facts are placed before the House.

Shri V. P. Nayar (Chirayinkil): I think all references to the Joint Committee should be expunged.

Mr. Chairman: There is no point of order in this. The only fact that is mentioned is that this point was discussed in the Joint Committee. It is not any disclosure of what happened in that Committee. This is not objectionable at all. But, one matter

[Mr. Chairman]

which is worthy of consideration is, if this matter was discussed in the Joint Committee and ultimately they came to the conclusion that it should take the form of the Bill which has been brought here, there was no question of any other amendment involved there. The matter to be discussed was only whether the Central Government should be given power or not. That is the only point before the House.

Shri U. M. Trivedi: My submission is only this much. While discussing this Bill, they are trying to discuss their own knowledge about what happened in the Joint Committee. We are not in the know of things. That is why I say that it is not proper to discuss here what happened in the Joint Committee.

Mr. Chairman: It is not disclosing something which happened confidentially in the Joint Committee. They say that this matter was discussed.

Shri V. P. Nayar: Even supposing that reference was made in the Joint Committee, how does that reference curtail our right to discuss this?

Mr. Chairman: There is no question of curtailment. The hon. Minister has not said that there should not be any discussion. At the same time, when notice of an amendment is given, the only point before the House is whether the Central Government should be given powers or not. That is the matter to be thought of by the House. Whether this Bill should be sent to a Select Committee, it is for the House to consider.

Shri M. C. Shah: There was one amendment here on this very point with reference to the Companies Bill. When we moved the amendment for the deletion of clause 225(1)(b), I had made it clear.

Mr. Chairman: I know that.

Shri M. C. Shah: That is the only matter that I want to bring to your notice.

Shri A. M. Thomas (Ernakulam): The Joint Committee has given that power to the Government in the Bill as reported by them.

Shri V. P. Nayar: Then, why this Bill?

Shri A. M. Thomas: Because that clause was deleted.

Mr. Chairman: After all, the power was given and they were directed to bring a Bill. They must have brought the Bill in consequence.

Shri V. P. Nayar: That is exactly my position also.

Shri M. S. Gurupadaswamy: We are in the same position as we were. There is no secret agreement between the Finance Minister and me.

Shri K. K. Basu: Thank God, you did not have that.

Shri M. S. Gurupadaswamy: The deliberations of the Joint Committee are being referred to.

Shri U. M. Trivedi: You have not given a minute of dissent on that clause.

Shri M. S. Gurupadaswamy: About this measure, my simple point is, when you are discussing an amendment of the Chartered Accountants Act, 1949, should we not take this opportunity of amending certain other sections, if they are necessary? In the Joint Committee, let me point out, we said that the proper time to move an amendment would be when the Chartered Accountants Act comes before the House. That was the only understanding which we had.

I was making a point that the Council of Chartered Accountants has been enjoying the sole and exclusive monopoly of conducting examinations. I want to know whether the examinations conducted by this Council are properly done. I have got certain figures to show that the Council of Chartered Accountants has been exercising its powers of monopoly given

by the Government through this Act to keep out as many as or as a large number of competent men as possible, and to preserve this monopoly to a handful of people who are not competent, who are not fully qualified, is positively harmful. The minimum qualification required for an examination, I understand, was matriculation before. I was told it has been raised to intermediate now. In the case of another organisation, that is, the Society of Incorporated Accountants and Auditors of India, you will find that 90 per cent. of the people who have passed, who have appeared for the examination under that Society, are graduates, or post-graduates, and nearly 50 per cent. are double graduates possessing law degree. And now, according to this Act, they cannot work as chartered accountants, whereas only the persons who have taken the certificate from the Council of Chartered Accountants are competent to work as chartered accountants. The result is, as I said, there has been a growing monopoly. And power has been given to this Council which is not exercising that power in the interests of the country, in the interests of the auditors and accountants in general. They are preserving this power, they are exercising this power, with a view to promote their own cliques, with a view to benefit their own group, and it has caused a lot of heart-burning to more competent and more qualified people.

I say that the present number of 2,700 chartered accountants is not enough. Even today, these chartered accountants cannot go to branch offices. They are all clustered together in principal cities, and they are not in a position to audit the branch offices which are in small towns and in rural areas. The result is there has been too much laxity in the methods and practice of auditing.

Shri C. R. Narasimhan (Krishnagiri): On a point of order, Sir. The hon. Member's motion is for reference to Select Committee and he wants to go into the whole Act. Is it permissible normally under the rules of our

procedure to go into the entire Act and suggest new clauses, altering the very basis of the original Act? Is it possible now to do like that? He suggests that the whole basis should be altered, and that is his attempt. I want to know whether under the rules, when we are considering a Bill altering only one clause of the Act, the whole Act can be gone into.

Mr. Chairman: Objection has been taken on the basis that this discussion which has been initiated by Shri Gurupadaswamy is outside the scope of this Bill. So far as this Bill is concerned, it only consists of one clause, and the Statement of Objects and Reasons says that the Central Government may be authorised to do particular things which were only open before to the Institute of Chartered Accountants.

Shri C. R. Narasimhan: In this particular matter.

Mr. Chairman: In this particular matter, of course. But there is a great difference between amendments sought to be moved to the clauses and general discussion on the Bill. When we are on any amending Bill, in regard to the main Act the usual procedure is that even the operation and working of all the circumstances relevant to that Act are taken into consideration. At present we are on the general discussion. In the general discussion it may be allowed, but when we are considering clause by clause, the scope becomes limited. In the general discussion it is not usual not to allow this kind of discussion. The hon. Member is only discussing that if the Central Government is authorised to recognise these foreign qualifications, there is no occasion why the Central Government should not be given powers to recognise these very qualifications if these qualifications are to be found in the country itself. That is the basis of the argument.

Shri C. R. Narasimhan: My fear is.....

Shri V. P. Nayar: Don't have any fear.

Shri C. R. Narasimhan: What he intends to carry out can be carried out only if other clauses of the original Act are amended. Is that permissible?

Mr. Chairman: In the general discussion, it is to a certain degree permissible even to go into the whole Bill which is to be amended, whereas when we come to the particular provisions, then it will be seen whether the amendment is relevant to the clauses of the Bill, and the scope of the Bill becomes a little more extended in general discussion than it is when we are considering clause by clause.

Shri K. K. Basu: May I make a submission? The amendment is very relevant since the chartered accountants have certain special rights, but by this amendment another class of new chartered accountants whom Government will recognise is created. So, the whole basis is going to be changed.

Mr. Chairman: Order, order. I have not held all these amendments which are given notice of relevant. That will be seen when we come to the amendments. Here we are only concerned with the general discussion and the general form of the original Bill also so that we may see whether this Bill is necessary. For instance, a person can argue even that this Bill is not necessary because there are enough accountants. Another may argue that they are not enough, that this Bill is rather narrow and should be extended. All these things are permissible so far as the general discussion is concerned.

Dr. Suresh Chandra (Aurangabad): May I know how much time is allotted for this Bill?

Mr. Chairman: So far as this Bill is concerned, I hope it might not take more than an hour including the clause by clause consideration. We started at about 1 P.M. and we have already taken 25 minutes.

Dr. Suresh Chandra: Then, his time is finished.

Mr. Chairman: There is no question of his time being finished. The hon. Member will take the hint now and he will finish now. I suppose the hon. Member may also wish to speak.

Shri K. K. Basu: Yesterday the Minister of Parliamentary Affairs said the issue should be taken up in the non-quorum hours. That is, the suggestion made by the Minister yesterday was that up to 2.30 we could discuss this Bill and after that the Displaced Persons rules will come. In view of the fact that 25 minutes are over.

Mr. Chairman: Let us see how the discussion proceeds. At the same time, there is no need to be very prolix on a small Bill like this. I therefore request Shri Gurupadaswamy to be kindly brief so that others also may get a chance.

Shri M. S. Gurupadaswamy: They have taken up so much of my time.

I was stating how the examinations have been held by the Council of the Institute of Chartered Accountants, how they have made use of this to make it a close preserve of a small group of men who are unqualified. The result of these examinations shows that 95 per cent. of the candidates have failed so far. Regulation No. 28 of this Council lays down that a failed candidate has to pay Rs. 250 for each paper if he wants his papers to be revalued. No university dares to charge even one-tenth of this amount. They have got this particular monopoly and have restricted the number of qualified persons entering the field merely because they want to get very large revenues. It is estimated that a sum of Rs. 6,000 is taken from each entrant who has also to serve as an articulated clerk for also to serve as an articulated clerk for to nine years under Regulation No. 31 without any remuneration before he is given a certificate to practise. This prohibitive cost and unnecessarily

long period of training has made social and economic justice impossible: The total remuneration earned by these 2,700 auditors runs into nine figures which is more than twice the income of a director of the East India Company and puts to shame the monopolies granted by Queen Elizabeth I of England.

Dr. Suresh Chandra: What is the document you are reading from?

Shri M. S. Gurupadaswamy: My own. I have prepared a note myself. I have not taken from anywhere else.

There are interesting cases wherein you find that the quality of these chartered accountants is not so high. I would draw your attention to the observation made by Shri Viswanatha Reddy and Shri Varadachariar, both of whom were chairmen of the Income-tax tribunal. They have criticised the work of these chartered accountants in scathing terms. They have said that the work of these chartered accountants is very unsatisfactory, that there has been too much of corruption in their work, and that there has been too much of temptation offered to them by the industrialists with a view to get audit certificates. There are judicial pronouncements of the Madras and Calcutta High Courts in respect of two cases, namely *M. S. Krishnaswamy, ex-Vice-President of the Institute of Chartered Accountants of India vs. the Institute of Chartered Accountants of India*, and *G. K. Ghosh vs. the Institute of Chartered Accountants of India*. They have held in these cases that:

"The auditors have passed balance-sheets which did not exhibit a true and correct view of the state of affairs of the company."

Further, they have pointed out:

"The balance-sheet was defective and misleading and the auditor was grossly negligent in the discharge of his duties."

These are very serious and grave charges against chartered accountants.

The point I am making here is that these malpractices have cropped up because this particular Institute of Chartered Accountants is enjoying the sole monopoly since 1949. After all, it is a private institution. But it is functioning as though it is a semi-Government body.

The Chartered Accountants Act was passed in the year 1949, before we adopted the Constitution. According to the existing practice, an auditor in a Part B State cannot audit in a Part A State. Suppose there is a business concern situated in a Part B State, then the auditor in a Part B State can audit the affairs of that company. But suppose the company shifts its business or its headquarters to some place outside that State and goes to a Part A State, then that auditor cannot come into the Part A State and audit the accounts of that company. This is really discriminatory. It is against the Constitution. Equal opportunities are not given to equally qualified people to audit the affairs of the company. To say that an auditor in a Part B State cannot come to a Part A State and audit the accounts of a company is really contrary to the spirit of the Constitution, if not the letter.

I submit that these are all the various anomalies which are prevalent. I want the hon. Minister and also the Members of this House to consider whether it would not be advisable to break this monopoly given to these small group of men, in view of the fact that they have taken advantage of the power given to them and exploited it for their own selfish needs to make money. Should we not break this monopoly now? If we want to break that monopoly, then would it not be advisable and desirable to give recognition to the Society of Incorporated Accountants and Auditors, which commands more quality, better stuff and better competence.

Shri C. R. Narasimhan: Question.

Shri M. S. Gurupadaswamy: It is not a question. Unfortunately the hon. Member does not know anything about these things and I only feel sorry for him. I have only said in all seriousness that there are so many competent people who have taken certificates issued by the Society of Incorporated Accountants and Auditors. They are double graduates, and they are more competent than others. When that is so, why should not you take power to recognise this Society of Incorporated Accountants and Auditors? If you do not want to do so, then I would suggest that you yourself hold the examination under Government auspices. Let the Auditor-General of India hold the examinations without the media or without the help of these private institutions. And let the certificates be issued by the Auditor-General or under Government auspices. If that is done, then there will be fairplay and justice.

At present, you are favouring a set of people who are unscrupulous, who are corrupt and who are unfit to be chartered accountants. The result is that the public treasury is not getting the money that is due to it. It is losing a lot of money because there is always an undesirable and unholy alliance between these chartered accountants and the big business. There are instances where these chartered accountants charge Rs. 100 for one hour. How is it possible for the small-scale and medium-scale industries to pay them Rs. 100 for one hour? Is it ever possible for these small and medium size industries to take their help by paying them Rs. 100 for one hour?

I am sorry Government's policy in this respect is shabby and nasty. I therefore urge that it requires radical revision.

Mr. Chairman: Amendment moved:

"That the Bill be referred to a Select Committee consisting of fifteen Members, namely, Sardar

Hukam Singh, Shri Hari Vishnu Kamath, Shri T. B. Vittal Rao, Shri B. Ramachandra Reddi, Shri Asoka Mehta, Shri Nemi Chandra Kasliwal, Shri C. R. Basappa, Shri A. M. Thomas, Shri Nettur P. Damodaran, Shri N. M. Lingam, Shrimati Renu Chakravartty, Shri Shankar Shantaram More, Shri U. M. Trivedi, Shri Chimanlal Chakubhai Shah, and the Mover, with instructions to report on or before the 16th November, 1955."

Shri K. K. Basu: There is no Minister in this Select Committee.

Dr. Suresh Chandra: Who is the Chairman?

Mr. Chairman: The chairman is not appointed by the Mover, as the hon. Member knows. It is the business of the Chair to appoint the Chairman.

Dr. Suresh Chandra: Shri A. M. Thomas does not want to be a Member on the Select Committee. He is refusing to be a Member.

Mr. Chairman: Shri A. M. Thomas is here, and if he does not want to serve on the Select Committee, he can say so.

Shri Kamath (Hoshangabad): No proxies are allowed.

Shri V. P. Nayar: I must say at the outset that I yield to none, not even to Shri M. C. Shah, in my ignorance of matters relating to accounting.

I have been making an attempt this morning to find out what was the actual motive behind the Finance Ministry in bringing forward this seemingly innocuous little piece of legislation. As I was reading the Statement of Objects and Reasons, I found that Government's case is that in certain other countries there is what is called the reciprocal arrangement, and naturally therefore when they recognise the qualifications of our accountants, we ought to extend or show that kind of recognition to those

people who have qualified, as the clause puts it, from without India.

Before coming to the point, I want the hon. Mover of this Bill and the House to consider whether in this present context, there is any urgent need for an amendment of the law relating to chartered accountants. Is the hon. Minister listening to me? I find that he is reading something, very attentively.

Shri U. M. Trivedi: Are you addressing the Chair or the hon. Minister?

Shri V. P. Nayar: He must hear what I am saying.

Mr. Chairman: The hon. Minister is there, and that is quite sufficient. Who can say whether he is hearing or not? No Member can say that.

Shri V. P. Nayar: The very fact that he does not yet turn round and look at you shows that he is not hearing, Sir.

Mr. Chairman: For instance, Shri A. M. Thomas is not looking at me. Does it mean that he is not hearing me?

Shri M. C. Shah: Yes, I am hearing.

Shri V. P. Nayar: As I was trying to find out what was the real need for an amendment of the law relating to chartered accountants, I thought that this amendment which seeks to give certain powers to Government is not the primary need which we have. The laws for accountants, as provided now, do not give the accountants that much of safety in bringing to the notice of the public *goltmals*.....

Shri Kamath: You have coined a new word.

Shri U. M. Trivedi: It is a nice Indian word.

Shri V. P. Nayar: It is well-knownwhich are very common in the use of corporate funds in almost every case. It is well known that the auditors who function for checking up the accounts of the various bodies do not have the right—at least in practice

they do not exercise such right—to bring to the attention of the people concerned how the public funds have been swindled by the management.

I am driven to the necessity of quoting from an article by no other a person than Mr. J. J. Kapadia, in which there is an instance in point. This has already been quoted in this House. This is from an article published in the *Statesman*. In this article, Mr. J. J. Kapadia has pointed out a case and says:

“We have examined the reports of the auditors Messrs. A. F. Ferguson & Co., on the accounts of the two mutual companies for the year ending 31st March 1947, which contain startling disclosures with regard to many of the objectionable methods and practices followed by the management. The auditors have drawn attention to several transactions of loans and advances as between the two mill companies, and the companies are in the Dalmia-Jain group.”

I am submitting that when an auditor passes such remarks in his audit-report, very often what we find is that in the next general body meeting, the board of management or the managing agency, whoever is in overall control, gets through with a resolution appointing some other person in the place of such an auditor. You know that it is very irksome for those who manage corporate funds to allow the auditors to know several details, and when an auditor makes a demand that such and such papers should be placed before him, what we generally find is that for the next year in the same company that auditor does not continue. What are our laws which prevent such abuses? Here I would make a suggestion. I would very earnestly request the Minister of Civil and Revenue Expenditure to consider whether in the present context, our urgent necessity in regard to reform of the law of accountancy is not to set up an Institute of cost accountants. I submit that while on the one hand, it will help the Government of India in finding out the

[Shri V. P. Nayar]

real cost, especially of manufactured articles, on the other, it would also help the auditors who are functioning under the present Act, to do their duties more conscientiously. As you know, year after year, the work of the Tariff Commission is on the increase. They have got such a large volume of work to tackle and very little help from cost accountants. But the point which I want to stress is that in the case of audit of a public company by a chartered accountant, it is not open to him to ask for any details he wants; if he does so, he is sure to get a kick from the managing agencies. He is very much interested in securing practice. As Shri M. S. Gurupadaswamy said, each of these chartered accountants earns figures to the extent of 9 digits.

Shri Kamath: Not each.

Shri V. P. Nayar: The entire lot.

Shri U. M. Trivedi: What will it be?

Shri V. P. Nayar: I am unable to calculate just now. When such an audit is taking place, what is the position? Suppose it is a manufacturing enterprise. If there is a certificate by the cost accountant that he has verified the accounts in regard to the costing of material, then the position of the auditor is also made easy, because the cost accountant's certificate may be taken as authentic and acted upon. I do not say that even if you have a system of cost accounting, there will be no abuses; under the present circumstances, there is bound to be abuses. But we can safely say that by having a system by which the cost accountants will also operate in this country, they will have the necessary powers to go into the accounts in so far as any manufacturing process is concerned.

Then, Sir, I feel it will give the auditors a better chance to exercise their rights. I presume Government have not so far even thought of forming any such body of cost accountants. If the Government had brought for-

ward a piece of legislation for setting up such a body, something on the lines of the Chartered Accountants Act, with a Council and all that, we could have understood the attitude of Shri M. C. Shah or his Government or their anxiety to make the law up-to-date and fill up existing lacunae. But so long as Government do not have any such thing under contemplation and so long as we do not have the very prominent, desirable and necessary place for cost accountants in the financial side, I fail to see what priority this amendment has in making matters up-to-date.

The point about this particular Bill is this—and it gives rise to some confusion—that Government say that they also should have similar powers for recognising foreign qualifications equivalents of Indian ones. I would like to pose this question. The Bill was passed in 1949, and from 1949 till to-date I find there has been no amending Bill. Now, Government say that we have to extend certain reciprocity. Has this question of extending reciprocity in so far as foreign qualifications are concerned, been posed before us by any foreign countries? I want Shri M. C. Shah to let me know when he replies whether this omission from the parent Act has been pointed out by any other foreign country, and our Government have been asked to fill up this lacuna. If it were so, there is a case. Merely saying that for the last five or six years we have not had a reciprocal arrangement and therefore, we should come to a reciprocal arrangement does not take us far; the matter does not seem to me to be so simple as all that.

Then there is also another question. I find from the original Act that five representatives of Government have been functioning in the Council of the Institution. Under section 9 of the Act relating to the constitution of the Council, you find that the Council shall be composed of the following persons, namely, persons elected by the members of the Institute from

amongst the Fellows of the Institute chosen in such manner and from such regional constituencies as may be specified in this behalf by the Central Government by notification, and five persons nominated by the Central Government. So Government already have in this Council five persons. I would also like to know whether, in case no foreign power has drawn the pointed attention of Government to the fact that there is no reciprocity, as you find in other countries, our Government representatives in that body have told Government about this. That is a very pertinent point, because, I presume that these five people, who are there, have not been able to get things done in their own way. It may either be to the detriment of their personal interests or—I am prepared to concede—if their views were not accepted or acted upon by the Council as such, there is also the possibility or the risk of Government's interests being put in jeopardy. I want also to know whether this was the reason. Otherwise, I do not find a third reason which could be attributable. After all, we know that there are so many lacunae in so many pieces of legislation; this is not as innocuous as it appears to be. So that when we consider this, I am sure the hon. Minister will tell us something about it. In principle, I am not against conferring such powers on Government. But it is a very highly technical matter. What is the machinery which Government now have on the basis of which they can override the decisions of a very technical, highly specialised body as the Council? I am certainly not against giving such a wide power to Government, provided Government can convince me that such power, as is given under such legislation, will be exercised with proper judgment, with proper caution and with proper thought. I also want to know from the hon. Minister how Government propose to work it. Taking it for granted that we give this power to Government, through which authority are they to give such recognition? Because in matters of accountancy, the test of qualifications

becomes so very technical. That was why I said that I do not yield to anyone, even to Shri M. C. Shah, in my ignorance of matters relating to accountancy.

I was wondering when I heard Shri M. S. Gurupadaswamy, who seems to know quite a good lot of facts and figures about accounting, why he did not press for the reference being to a Joint Committee instead of to a Select Committee.

Shri M. S. Gurupadaswamy: Table an amendment.

Shri V. P. Nayar: I submit that the desire of Shri M. S. Gurupadaswamy to send this "two word" Bill to a Select Committee at this stage seems show a misplaced enthusiasm, and I request him to withdraw his motion. If at all we have to consider this, the whole Bill has to be considered in a different perspective. Then I can understand the Bill being sent to a Select Committee, but here we are committed to changing only one or two words, for it is only the extension of certain powers to Government.

Shri M. S. Gurupadaswamy: There is a world of difference.

Shri V. P. Nayar: He probably lives in another world; in this world of ours there is not much difference.

So I would beg of the hon. Minister of Civil and Revenue Expenditure, to take us into confidence and tell us, what really is behind Government in bringing forward this legislation.

Mr. Chairman: I expect that hon. Members will be short. Now, it is already ten minutes to 2. I propose to close the general discussion, say, at five minutes past 2. After all, we must have some time for the clause by clause consideration also. We propose to take up the Displaced Persons Rehabilitation Rules at 2-30. Therefore, the time at our disposal is very short. I would just request the hon. Members who take part in this Bill to finish within 3 to 5 minutes. After all, the simple point

[Mr. Chairman]

is, as Shri Narasimhan put it, here we are not concerned with the provisions of the Act. We are only concerned with this particular Bill and the only principle involved is whether the Central Government should also be authorised. The Council is authorised. The question is whether the Central Government should also be authorised in the matter of recognition of qualifications etc.

Shri C. R. Narasimhan: Will we have sufficient time? Only one clause has to be considered.

Mr. Chairman: But there are 5 or 6 amendments.

Shri Kamath: What will happen to the amendments standing in the name of Pandit Thakur Das Bhargava?

Mr. Chairman: When we have finished this motion so far as consideration is concerned, then that point will arise whether any person is allowed to move them on his behalf or he himself moves them, whether he is able to move or he does not move them at all.

Shri U. M. Trivedi: Other speakers have taken 30 and 25 minutes. We would therefore request at least 5 minutes.

Mr. Chairman: I propose to finish this stage at ten minutes after two.

Shri A. M. Thomas: Sir, as you have correctly pointed out, the short question before us is whether the Central Government should be authorised, apart from the existing provisions in the Chartered Accountants Act, 1949, to admit persons with foreign qualifications to be authorised to conduct the audit under the Companies Act.

While I spoke on the general discussion when the Companies Bill as reported by the Select Committee was taken into consideration, I posed the question and asked whether there was after all any necessity to amend this Bill. I did not get any answer. I also raised the fears that have been

entertained by the Chartered Accountants in our country that if this power is vested in the Government, the Government might use that power in a way which will facilitate entry of persons with foreign qualifications who will flood the field of Chartered Accountants, and the indigenous elements might gradually be ousted. There were also Press reports to that effect and my doubts were to a certain extent, based on those reporters. But the Accountants themselves—some of them—came forward and said that they need not have any fear on that account. At the same time, even those people expressed fears that by investing the Central Government with this power, whether there would not be two authorities competent to deal with the subject. That doubt has also been raised when the Joint Committee on the Companies Bill took evidence. You will find this in the evidence tendered before the Joint Committee by Shri Vaish on behalf of the Institute of Chartered Accountants of India. He answered:

"Having done that, I think it will be dangerous to create two or three different categories of accountants. They should all come under the same body. If anyone is considered fit enough by the competent authorities, whoever they may be, to practise the profession of accountancy, he should be a member of the Institute of Chartered Accountants of India."

Again, he has repeated:

"My initial objection is that nobody who is not a member of the Institute should be allowed to practise the profession of accountancy in India..... In other words, persons so recognised should be members of the Institute. If the provision as it stands today is allowed to become law, it will mean that there will be one category of accountants governed by the Chartered Accountants

Act of 1949 and another category of accountants which will have nothing to do with the Institute, which will have nothing to do with the Chartered Accountants Act."

These feelings have also repeated in a petition which Shri Narasimhan has placed on the Table of the House this morning with the Speaker's permission. I will also read one or two paragraphs from that petition because hon. Members would not have had time to go through it. The petition says:

"Your petitioners further feel that, when certain persons possessing foreign qualifications are enrolled in the Register of Chartered Accountants, a period should be fixed during which such persons shall be members of the Institute of Chartered Accountants of India, as a concession granted to certain specified persons for a specific purpose should not be extended indefinitely.

Your petitioners are also anxious that the disciplinary control of the Institute over all those who practise this profession in India should continue to vest indisputably with the Institute."

We have now created a statutory Institute by the Act of 1949. I feel that we should not do anything which will even remotely detract from the authority and importance of that body.

I am sorry I have to differ from some of the sweeping allegations which were made by Shri Gurupadaswamy. We have to realise that it is a key position that is occupied by the auditors in the scheme of the Act, and in their efficiency and integrity and the high morale in which the profession is kept depend the successful implementation of the Companies Act itself. We have to be very careful in the admission of persons as accountants. There is a complaint that it was much easier to pass the Indian Civil Service Examination than be qualified for being a Character Accountant under

this Act. We also hear that although several persons have appeared only a few persons got in.

Shri Kamath: Who said it is much easier.

Shri A. M. Thomas: I am glad that Shri Kamath has passed that examination.

Shri Kamath: Not the Accountants' but the other one.

Mr. Chairman: He referred to the I.C.S. examination which aroused Shri Kamath.

Shri A. M. Thomas: Yes, Sir, the I.C.S., I feel that there should be no conflict at all. We have, as far as possible, to see that the purpose of the Chartered Accountants Act of 1949 is not defeated in any way. I wish that when the hon. Minister replies he should allay the fears that have been expressed by the Chartered Accountants who are already working in the country and he will also give an assurance that whenever the Central Government recognises any person with a foreign qualification, the body which has been constituted under the Chartered Accountants Act will at least be consulted. It should also be made a condition that those persons who are admitted should also become members of the Institute. If only these two precautions are taken, we will have a homogenous body and a single body which would be dealing with this branch of the administration of company law.

The hon. Minister stated that it will be only on a reciprocal basis that permission will be given to foreigners to practise in this country. I have to submit that I do not think that there are very many Indians who are going to foreign countries to practise accountancy. Because of the fact that there are so many foreign companies in India, there will always be the tendency for those companies to bring in as many foreign auditors as possible.

Shri C. B. Narasimhan: If I may interrupt, it will be one-way traffic.

2 P.M.

Shri A. M. Thomas: My hon. friend has put it very correctly. It is likely to be one-way traffic and, as I have submitted already, it is likely that indigenous talent may be gradually eliminated. Having regard to the hold that foreigners have in several of our companies, I feel that even if Government takes up these powers, it should be very guarded and careful in allowing persons with foreign qualifications to take up the work. I believe that Government will bear these facts in mind and that the necessary assurance on the part of Government will also be forthcoming with regard to the points I have raised.

Shri U. M. Trivedi: I will be very brief.

Shri V. B. Gandhi: (Bombay City—North) rose—

Mr. Chairman: Any Hon. Member who has tabled amendments will speak later, on the amendments.

Shri U. M. Trivedi: What surprises me is that the Statement of Objects and Reasons that has been given is not what has been disclosed to us in the House. The Statement as attached to this Bill says: "with a view to recognise examinations and training conducted outside India as equivalent to those prescribed for members of the Institute for purposes of enrolment on its register. Since such recognition is generally to be granted only on a reciprocal basis, it is considered necessary on grounds of public policy, that the Central Government should also have similar power for recognising foreign qualifications as equivalent to Indian ones."

Clause 225 in the Companies Bill, as we have passed today, says—I am not concerned with sub-clause (a) but only with (b) which is:

"He is for the time being authorised by the Central Government to be so appointed as having obtained similar qualifications outside India."

In other words, the whole mischief is the creation of the Government itself. There was no need, and nobody approached the Government saying that a need had arisen, that there was dearth of accountants and that therefore we must recognise the accountants of other countries. When the need was not there, we have by our own creation brought about a provision in the company law whereby we must make some similar provision. My submission, therefore, would be this. Let this remain a dead letter; it is not necessary that the Chartered Accountants Act must be amended for this purpose.

Mr. Chairman: Section 29 of the old Act should be looked into.

Shri U. M. Trivedi: It deals with the entry of names in the register.

Mr. Chairman: The reciprocity, clause is there in section 29.

Shri U. M. Trivedi: Yes, but that requires only a notification; that does not require any change in the law. It simply says:

"Where any country specified by the Central Government in this behalf by notification in the official Gazette, prevents persons of Indian domicile from becoming members of any institution similar to the Institute of Chartered Accountants of India or from practising the profession of accountancy of subjects them to unfair, discrimination in that country no subject of any such country shall be entitled to become a member of the Institute or practise the profession of accountancy in India."

Mr. Chairman: This is rather in the negative, but the second part is positive.

Shri U. M. Trivedi: "Subject to the provisions of sub-section (1), the Council may prescribe the conditions, if any, subject to which foreign qualifications relating to accountancy shall be recognised for the purposes of entry in the Register."

Then my submission would be that the language of the proviso ought to have been embodied. But what is being done is this. We are having the same law. Then a further provision is made that instead of the Council stepping into it, the Central Government is stepping into the picture. In other words, a statutory examining body, created by the provisions of the Chartered Accountants Act is not trusted to discharge this duty.

Mr. Chairman: Both are mentioned in this clause—the Council as well as the Central Government.

Shri U. M. Trivedi: The Council or the Central Government.

Mr. Chairman: Now the Central Government is added.

Shri U. M. Trivedi: That is why I say that some sort of dual Control over it is sought here. In other words, Government thought that this body could independently also act and may act very justly and may not give recognition to such persons to whom the Government may want to give recognition. We have got an incorporated society in England conducting the law examinations—it is the Incorporated Law Society. It recognises certain degrees and confers certain degrees and it is not interfered with in its administration or in the question of recognition by the Government of the U.K. In this respect here, the necessity has arisen for putting the words "The Central Government" when the words "The Council" are already there. That is why my original submission was that in giving the objects and reasons, it had not been made clear

why the words "The Central Government" were added. Reciprocity is all right. We have recognised it, but it does not signify why the words "The Central Government" are added. If the hon. Minister could give the reasons for this addition, it will be fair to us; otherwise, he should withdraw his Bill.

Shri M. C. Shah: This is a very simple matter. I have already explained while introducing the Bill that when we discussed the Companies Bill, as a matter of fact, the Central Government were taking powers to allow outsiders or those who have passed examinations outside with similar qualifications. As pointed out, the matter was discussed with the Council of the Institute of Chartered Accountants and they said that it was better to have this power in clause (v) of sub-section (1) of section 4. We accepted their advice and yet my hon. friend, the last speaker, accused the Government of taking these powers themselves. As a matter of fact, the Chartered Accountants Institute wanted that this also should be in the Chartered Accountants Act so that those who are accepted by Government in consultation with Council.....

Shri A. M. Thomas: The evidence only states that if the Government is anxious to have that power, then the Chartered Accountants Act may be amended.

Shri C. R. Narasimhan: On a point of explanation, the hon. Minister himself said at the beginning of his speech that the Chartered Accountants Institute agreed only after protracted negotiations, and that itself shows that the Institute was not very eager about this.

Shri M. C. Shah: I never said that they were eager about it. We wanted to have the powers as specified in section 225(i)B. The Government considered this and thought that it is absolutely necessary. When they discussed this with us, they stated that it would be better to have it in

[Shri M. C. Shah]

the Chartered Accountants Act. As a matter of fact, what are we doing? Today the Council has the power to accept similar qualifications obtaining outside India. We only insert the words "Central Government" so that there may be concurrent powers. Shri Thomas states that there must be some assurance from Government. When I introduced the Bill, I stated that I need hardly add that Government would not of course use this power regardless of the nature of the qualifications or the suitability of recognition. They will, as a matter of fact, practice, consult the Institute before granting recognition to any foreign qualifications under this provision. Therefore, I do not think there can be any objection to this provision.

My friend, Shri Gurupadaswamy, has tried to speak on behalf of some society—the Incorporated Society of Chartered Accountants. They are not recognised, and as a matter of fact, according to our information, they give these diplomas to anybody and everybody regardless of the merits and irrespective of the professional qualifications of the individuals concerned, and at the same time they charge a certain fee. They do not look to the fact whether the individuals are competent to act as accountants. There is nothing to prevent any set of persons constituting themselves into a body of accountants but they should not do any accounting work which is statutorily required to be done by a Chartered Accountant. The Act of 1949 was passed with a view to regularise the profession of Chartered Accountants. When we discussed the Companies Bill we heard so much about independent auditors so often. The Chartered Accountants Act was passed in order to regulate all these auditors so that they may be highly qualified auditors who could do independent audit work. That is why we have provided for disciplinary action to be taken by the Council of Chartered Accountants under section

21. We want to have a very healthy and independent profession of auditors. Now they are coming forward and saying that everybody should be allowed to become a Chartered Accountant. That is what my hon. friend Shri Gurupadaswamy says. I do not think that we can accept this.

My hon. friend, Shri Nayar, spoke something about the Institute of Cost Accountants. I may inform the House that we are considering whether the Act should be amended. We have received many representations. We are considering many other points urged by many hon. Members as well as outsiders and we propose to bring a comprehensive amendment. All the other suggestions may then have to be discussed.

This amendment has got a limited purpose. Government is given concurrent powers with the Council to accept the auditors who have got similar qualifications, after examination and training outside India.

Shri V. P. Nayar: I want to ask one question. We understand the argument of the hon. Minister. But what are the facts? Could the hon. Minister tell us in what other countries there are provisions empowering Government to control in such a way and also the number of Indian auditors who are working in foreign companies so that this reciprocity may be extended.

Shri M. C. Shah: I have not got these figures as to how many Indians are practising outside India. There were negotiations by the Institute of Chartered Accountants with the United Kingdom about this reciprocity business. There are some Indians practising in certain other countries. I cannot give him the figures just now. I will supply him the figures R KUMAR A's 306 LS 8x10 14 ems 5-2 if he wants. In section 29, I have already said, there was reciprocity provision. All those negotiations are to be considered at governmental level.

The U. K. Government have already got powers under the English Companies Act similar to those we are asking for now. I do not therefore think that there is any scope for discussion about other matters.

Shri Gurupadaswamy spoke about monopoly. Really speaking, there is no monopoly. These are only regulatory powers. When there is a profession, there must be this kind of provision whenever there is misconduct. These regulatory powers are vested with the Council. There is no monopoly and it is only to have a very strong and healthy organisation of the Chartered Accountants that it was found necessary to have this Chartered Accountants Act.

Shri A. M. Thomas: In that case will the Government insist when foreigners are appointed to this profession that they should also become Members of this Institute?

Shri M. C. Shah: There are certain qualifications. All those who want to become Members can become so after following the prescribed procedure.

Shri A. M. Thomas: That is not my question. When you admit foreigners to this profession in India, will you also simultaneously see that they are also entered in the register.

Shri M. C. Shah: Certainly that is there. They will be on the register and they will also be amenable to the disciplinary jurisdiction of the Council.

I do not think that much has to be said against Shri Gurupadaswamy's amendment to refer the matter to a Select Committee. There is nothing to be referred to them. The only question is the Government having concurrent powers with the Institute. They have already got the powers and last year, they had already admitted three persons having similar qualifications obtained from outside India. I am sure that the Council and the Government will be very care-

ful to see that there is no flooding of outsiders. They will do so only when it is absolutely necessary, when they possess similar qualifications and when they have passed a similar examination and have had similar training. Then and then only their cases will be taken into consideration and they will be admitted to the membership of the Institute of Chartered Accountants. I hope that the House will reject that motion and take up the motion for consideration.

Shri M. S. Gurupadaswamy: I want to ask a question. . .

Mr. Chairman: Hon. Members should have put all the questions in the 25 minutes he devoted to his speech.

Shri M. S. Gurupadaswamy: He did not answer.

Mr. Chairman: There is no question of answering; he has not got the figures. Is not the hon. Member satisfied?

Shri K. K. Basu: That is not the question. I would ask you. . .

Mr. Chairman: Hon. Member wants to address this question to me when I have already disallowed it.

Shri Kamath: It is a question to the Minister through you.

Mr. Chairman: Let me put the amendment first.

The question is:

"That the Bill be referred to a Select Committee consisting of fifteen Members, namely, Sardar Hukam Singh, Shri Hari Vishnu Kamath, Shri T. B. Vittal Rao, Shri B. Ramachandra Reddi, Shri Asoka Mehta, Shri Nemi Chandra Kasliwal, Shri C. R. Basappa, Shri A. M. Thomas, Shri Nettur P. Damodaram, Shri N. M. Lingam, Shrimati Renu Chakravartty, Shri Shankar Shantaram Mre, Shri U. M. Trivedi, Shri Chimanlal Chakubhai Shah, and the

[Mr. Chairman]

Mover, with instructions to report on or before the 16th November, 1955."

The motion was negatived.

Mr. Chairman: The question is:

"That the Bill further to amend the Chartered Accountants Act, 1949, be taken into consideration."

The motion was adopted.

Clause 2.—(Amendment of Section 4 etc.)

Mr. Chairman: There are some amendments to clause 2. Shri Jhulan Sinha and Shri S. V. Ramaswamy are not in the House. I think Shri Gandhi and Shri Narasimhan are moving their amendments.

Shri V. B. Gandhi: I beg to move:

Page 1—

for lines 8 to 12, substitute:

"(v) any person who has passed such other examination conducted by an authority in any place without India and completed such other training as is recognised by the Central Government or the Council as being equivalent to the examination and training prescribed for Members of the Institute."

Shri C. R. Narasimhan: I beg to move:

Page 1—

after line 16 add:

"provided further that in cases where the Central Government recognises any examinations and training without India, the Central Government shall have power to direct the Council to enter in its Register as members such persons only, possessing such recognised qualification, and for such limited periods, as may be specified by the Central Government:

Provided further that such further conditions as may be imposed by the Central Government shall not oust the jurisdiction of the Council over such specified persons in disciplinary matters."

Mr. Chairman: Amendments moved:

Page 1—

for lines 8 to 12, substitute:

"(v) any person who has passed such other examination conducted by an authority in any place without India and completed such other training as is recognised by the Central Government or the Council as being equivalent to the examination and training prescribed for Members of the Institute."

Page 1—

after line 16, add:

"provided further that in cases where the Central Government recognises any examinations and training without India, the Central Government shall have power to direct the Council to enter in its Register as members such persons only, possessing such recognised qualification, and for such limited periods, as may be specified by the Central Government:

Provided further that such further conditions as may be imposed by the Central Government shall not oust the jurisdiction of the Council over such specified persons in disciplinary matters."

As regards amendment No. 5, my view is that it is outside the scope of the Bill. Of course, the hon. Member may explain his view.

Shri Kamath: What about the point of order I raised regarding my hon. friend Pandit Thakur Das Bhargava's amendment?

Mr. Chairman: The amendment has not yet come up. It is the same as that of Sardar Hukam Singh.

Shri M. S. Gurupadaswamy: I consider, Sir, that my amendment which is supported by Shri S. V. Ramaswamy and Sardar Hukam Singh is not out of order. Now, under this Bill power is given to the Central Government to give recognition to foreign qualifications. When we are amending this particular provision, I say that the Government may also consider the question of giving recognition to those persons who are members of the Society of Incorporated Accountants and Auditors of India. When we are giving power to the Central Government to confer recognition to foreigners, why not we say that the same power may be given....

Mr. Chairman: It is not as if the amendment is not relevant. Anything connected with this is relevant. But, the question is whether this amendment will be within the scope of this Bill. That is the point at issue, and that was the point of order raised by the hon. Member.

Shri C. R. Narasimhan: Is the hon. Member making a speech?

Shri K. K. Basu: It is not for you to say that. It is for the Chair to point out that.

Shri M. S. Gurupadaswamy: This Bill seems to amend section 4 of the Chartered Accountants Act, 1949. When this section is being amended, are we not in order to suggest any other amendment to that section.

Shri V. P. Nayar: No, no.

Mr. Chairman: Does the hon. Member want to say anything else?

Sardar Hukam Singh (Kapurthala—Bhatinda): Sir, I may also add a word to what has been said by Shri M. S. Gurupadaswamy. We are now amending section 4 of the Act wherein only the Institute has got the power to enrol as members those persons who qualify in the test that they hold. Now, the power is being

extended and the Government is taking that power. By the amendment now proposed the Government can also include in the same register persons who are qualified if their qualifications come up to the standard and equivalent to what is held by the Institute itself. Our amendment only says that when we are widening the scope of this section 4,—the amendment that has been brought forward by the Government widens the scope of section 4 of the Act—why not enlarge the scope of the same section. It is not a different section which we are seeking to amend; it is the same section. We say that not only should the Government have the power to allow certain other persons to become members if they have got the requisite qualifications, but also that some other persons who may be found qualified and have equivalent qualifications should also be allowed to be entered on the same register. Therefore, this Bill contemplates enlargement of the scope of the amending Bill. The ment also says that the scope must be further extended so that other cases also may be covered. In that respect this amendment should not be held as *ultra vires* or beyond the scope of the amending Bill. The clause is the same and amendment we are discussing is of the same type as the amendment that has been brought forward by the Government. Therefore, in all respects, I should submit that this amendment is within the scope of the Bill that is before the House because it seeks to amend the same section.

Shri M. C. Shah: We are only just amending clause (v) of sub-section (1) of section 4 of the Chartered Accountants Act, 1949. Here, in this amendment they want to add another sub-clause (a) and that amounts to widening the scope of the Bill.

An Hon. Member: How?

Sardar Hukam Singh: But, we seek to amend the same section.

Mr. Chairman: Let him first of all finish and then you can ask him "how?"

Shri M. C. Shah: We are only amending clause (v) and we are not amending the whole section 4, whereas you want to insert another sub-clause (a).

Mr. Chairman: The addition is not of such a nature as the addition cannot be made to clause (v) itself. They really want to add it to clause (v).

Shri M. C. Shah: They want to add—it is like this:

Page 1, line 5—

after "Chartered Accountants Act, 1949" insert:

"(a) in clause (ii) of sub-section (1) after the word "Institute" the following shall be added, namely:—

"or any person who is an Incorporated Accountant being a member of the Society of Incorporated Accountants and Auditors of India; and (b)".

Therefore, they want to add another set of persons to be entitled to come under the Chartered Accountants Act and that is not the intention of the Bill.

Shri C. R. Narasimhan: Unless several other consequential amendments are brought forward this may become incomplete.

Mr. Chairman: Once the substantial amendment is passed, consequential amendments are bound to follow.

Shri C. R. Narasimhan: That will have to be done in the original Act.

Mr. Chairman: I have considered the question and I think this amendment is out of order.

Shri K. K. Basu: The amendment on this clause?

Mr. Chairman: What does the hon. Member mean?

Shri K. K. Basu: Are you giving your decision on this amendment of this clause? I have got a submission to make.

Mr. Chairman: The hon. Member ought to have risen before if he had something to say. Now, it is too late.

Shri K. K. Basu: I have no objection to raise nor have any submission to make about the admissibility of the amendment. I wanted to speak on clause 2 of the Bill regarding the amendment of section 4.

Mr. Chairman: It seems the hon. Member is not attending to what is going on. We are only considering now whether the amendment of Sardar Hukam Singh is in order. After that point is decided, then the question of clauses etc. will arise.

Shri V. P. Nayar: We are racing against time.

Mr. Chairman: Of course, the hon. Member is racing against time and also trying to see that there is some delay in the proceedings by interfering.

With regard to the question whether this amendment is in order, after going through the Statement of Objects and Reasons, I am convinced that the real point of amendment by the Government is whether the Central Government should be allowed the power along with the Council to recognise certain examinations, trainings etc., and they want it on the basis of reciprocity. It is not that they want to extend the entire scope of the Bill or the section concerned for recognising certain examinations in India. The amendments by Sardar Hukam Singh are: one to add the words "within or" and the other, amendment is that members of a certain society as such may be allowed to practise as Chartered Accountants. I think this is clear.

beyond the scope of the Bill and therefore I disallow him.

Shri M. S. Gurupadaswamy: Are you disallowing both?

Mr. Chairman: I have dealt with both.

Shri V. B. Gandhi: I would have preferred to have a few minutes on this Bill during the course of the general debate. In that case I would, perhaps, not have pressed this amendment of mine. However, I shall now read my amendment:

Page 1—

for lines 8 to 12, substitute:

"(v) any person who has passed such other examination conducted by an authority in any place without India and completed such other training as is recognised by the Central Government or the Council as being equivalent to the examination and training prescribed for Members of the Institute."

The reason or the occasion for this amendment is that many of us entertained a fear that on the passing of this Bill as it is worded, a number of persons in India today who are qualified and who are actually practising the profession of auditors will be disqualified. That was the fear many of us had in mind and we are particularly referring to those persons who have passed an examination conducted by the Association of Certified and Incorporated Accountants, London. This Association used to conduct examinations simultaneously in India and in England. Now, those persons who passed this examination in India and who had acquired the requisite training to qualify to practise as auditors have been practising as auditors and have been recognised as qualified persons.

But, now, we feel that if this Bill is passed as it is worded, it would have the effect that Englishmen who appeared for this examination in London and acquired their training in London would be eligible to be re-

cognised as qualified persons to practise in India, whereas Indians who have passed the same examination and who have acquired training and other requisite qualifications in India, who have been practising, would perhaps be debarred from continuing to practise. That would be a kind of hardship and an injustice on a small number of people. As it happens there are only about seventy such qualified persons today in this country out of whom perhaps thirty are actually practising. It is with the object of avoiding any hardship or any injustice to these men—of course unintentionally this injustice and hardship would come to them—that this amendment has been moved.

However, I have since been informed from sources which I am prepared to consider authoritative, that such a hardship would not be involved to these people and that the Bill, if it is passed as it is, would still make it possible for these men to make representations to Government and to get their qualifications recognised as equivalent to those necessary to get them enrolled in the membership of the Institute. In fact, if I had sufficient time to give notice, I would have worded my amendment a little more clearly, somewhat like this:

"Any person who has passed such other examination conducted by an authority in any place without India and completed such other training as is recognised by the Central Government as being equivalent to the examination and training prescribed for members of the Institute."

In short, my plea is that whatever we do to recognize foreigners and their qualifications in India should not lead even indirectly or unintentionally to a position where Indians who are holding qualifications which are recognised both in India and England should become disqualified.

Shri C. R. Narasimhan: When the Finance Minister wound up the

[Shri C. R. Narasimhan]

debate on the Companies Bill, he used two expressions which I wish to use now, with his permission—they are not copyright, I think. His first expression was "cut and dried views" and the other was "open mind". In this particular case, I am afraid the former is very much in existence and the latter is somewhat missing and as for Mr. Shah, I am sorry I have to mention his name and not his designation, he said that Government would see that when foreigners are admitted, it will be only limited to the requirements of the case. But they are taking unlimited power, though the purpose is limited. He said that this section was only for a limited purpose, but the power they are taking is unlimited. Under that power, Government can say that such and such a qualification will be suitable. In that way several persons in several countries may get eligible to be included in the register without the same thing happening for our boys, or our men in that country.

Mr. Chairman: There is a proviso under which they can certainly impose certain conditions.

Shri C. R. Narasimhan: That is the objective, not the law, I think.

Mr. Chairman: In the clause itself there is a proviso.

Shri M. C. Shah: We have only added the "Central Government". Today these powers are exercised by council alone; hereafter these powers will be exercised by the Government as well as the council.

Shri C. R. Narasimhan: I am not disputing the need of the provision. All that I am saying is that where a pen-knife will do, they are utilising a sword.

Shri M. C. Shah: We are using only the pen-knife.

Shri C. R. Narasimhan: Though that is not a nice way of putting things in this august House.

The Minister of Finance (Shri C. D. Deshmukh): We are only having a double-bladed pen-knife.

Shri C. R. Narasimhan: What I submit is that the provision should be such that specified persons are given the power, specified qualifications are also added as additional requirements. The extent of this concession should be limited to a specific period. While we have an independent Chartered Accountants' Institute, we should not create another parallel body. That will not be conducive to its good working, especially after that body has done its work fairly well, and even the Report of the Committee on Company Law has given due recognition to its work, and hope is entertained of its functioning equally well in the future.

Another thing is that there is no safeguard in the provision. Supposing a large number of Americans, Germans and others become eligible—how are we to know the limit? It is better to specify everything. As for the Institute having agreed at one stage, it is common knowledge that that institute is now defunct: a new body has come. Apart from that several auditors have written letters in various newspapers protesting against the proposed Bill and as the House knows, I was asked to present a petition here. So the auditors' world does not approve of this. They think that the power should be limited and used guardedly, and that Government are unnecessarily taking more power, when an independent body is exercising those powers. In fact, Government are unnecessarily interfering, which is not good. My amendment will not in any way come in the way of Government. All that I say is that Government can authorise specific persons, with specific qualifications for specific periods. Such persons can be nominated by Government. In my humble opinion that would be preferable to the unlimited power that Government are

wishing to take over this small matter. Finally when Government gets the powers to include men in the register, it might be possible for its being interpreted that they can also withdraw it.

Then again if foreigners function here as auditors, they may have one set of conventions; the conventions prescribed by the Institute may be very different. For this purpose the undisputed power of the statutory institute to control and maintain discipline should be there. I am afraid it will not be there if Government take the power to include men in the list, because those whom they can include, they can as well remove. That would give them the power which they do not have now. I commend my amendment for the acceptance of the House.

Shri K. K. Basu: I did not want to participate in this discussion earlier, but after hearing the hon. Minister I felt that he had not made out a case for the amendment proposed in the Bill. We have been told of the principle of reciprocity. Theoretically the position is very good. But we have not been supplied full facts to convince us of the necessity of our having these foreign qualified persons.

In the original Act there is a provision that Indian nationals who might have been undergoing training in England or any other country should be qualified here. We suggest that in the case of any Indian national qualified outside, if the Government so think that that qualification is similar to that of ours, he might be allowed to practise under our register. The amendment suggested by Government creates a lot of apprehension in our mind. The Government have sought to take powers in this respect. But no facts have yet been given to us. In reply to a question put by my friend Shri V. P. Nayar, the hon. Minister said he did not have facts. May I draw the attention of the hon. Minister to the existence of many British auditor

firms in Calcutta? Now, many of them are not bringing young Englishmen as auditors in recent times. Now, after this Bill is passed, they will bring a lot of junior auditors from their own country. Our Finance Minister says that he wants foreign capital to help our industries. But I do not know whether he wants foreign personnel to do the auditing work also in this country. Therefore, I want to know what justification have the Government got to bring forward this measure, especially when no facts were furnished to the House so that the House can study them and then decide whether it should agree to this Bill or not. I oppose this provision, and say that the House should not allow it to be included in the statute unless the Government fully justifies its intention by giving us proper facts. The danger is that the Indian nationals will be thrown out and we will be flooded with foreign nationals, especially in those areas where we have the foreign industries and foreign auditor firms. In the last few years the foreign auditor firms were not bringing in their own nationals, but after this amendment is passed, they will bring in their own personnel to the detriment of our own nationals who are working in many areas.

Shri M. C. Shah: I think the fears expressed by my friend Shri Basu are unfounded. As I said earlier, the Council has got powers to recognise similar qualifications and to have those people possessing qualifications and passing examinations conducted elsewhere enrolled as members of the Institute of Chartered Accountants of India. Last year, the Council enrolled three such people, and as a matter of fact, in the United Kingdom there is such a provision. As I have said, in certain countries like Africa, Indians are practising as chartered accountants and auditors. There is also the reciprocity clause—section 29—in the Chartered Accountants Act, 1949. Shri C. R. Narasimhan said that when those accountants come here, they will not conform to the rules of

[Shri M. C. Shah]

the Council of the Institute of Chartered Accountants or to the rules of the Chartered Accountants Association. When they come here and are enrolled as members on the registers maintained by the Institute of Chartered Accountants, they will come under the disciplinary restrictions of the Council of the Institute. If the hon. Member looks to sections 15 and 21, he will find that members on the rolls of the Institute of Chartered Accountants are amenable to all disciplinary actions that can be taken under the Act if there is any misbehaviour or misconduct or anything of that sort.

My friend Shri Basu said that there will be so many foreign nationals coming in or that the Government will be allowing so many foreigners to come here as auditors. That is only the usual propaganda. As a matter of fact, when we passed the existing Chartered Accountants Act, we had in mind the idea of promoting a healthy and independent growth of chartered accountants. We wanted to have a central institute. The Institute is almost an autonomous body and it wants to have more and more qualified and good chartered accountants. The attitude of the Government of India has been always to encourage the healthy growth of the chartered accountants and to have as many qualified chartered accountants as possible, in India. Therefore, Shri Basu should not raise the question that the intention of the Government is to bring in foreigners. As a matter of fact, we have always encouraged the Institute. The Institute is practically an autonomous body and we always encourage the union of chartered accountants. We wish that in the near future, all the auditors and accountants should be Indians and Indians alone, but during the transitional period, when there is necessity and when there are circumstances where some foreigners with similar qualifications, who have passed similar examinations

and who have undergone the same training in another country, we propose to allow them to come here on a reciprocity basis. That also will be done only in consultation with the Council of the Institute of Chartered Accountants. Therefore, there is no charge whatsoever of bringing in foreigners. There is no fear, either, of there being an infiltration of auditors into India from foreign countries. That is far from the truth.

Shri K. K. Basu: But the hon. Minister said.

Mr. Chairman: The hon. Member has already had his say. He should not interrupt now. Then there will be no end.

Shri K. K. Basu: I wanted to know.....

Mr. Chairman: Order, order. The rules of debate must be observed. The hon. Member had his own time for the speech. Now, the Minister has been replying. There is no point in interrupting now. I do not propose to allow you to speak now. Now, I think the hon. Minister has finished his reply.

Shri M. C. Shah: Yes.

Mr. Chairman: I shall now put the amendments to vote.

The question is:

Page 1,—

for lines 8 to 12, substitute:

“(v) any person who has passed such other examination conducted by an authority in any place without India and completed such other training as is recognised by the Central Government or the Council as being equivalent to the examination and training prescribed for Members of the Institute”.

The motion was negated.

Mr. Chairman: The question is:

Page 1,—

after line 16, add:

"Provided further that in cases where the Central Government recognises any examinations and training without India, the Central Government shall have power to direct the Council to enter in its Register as members such persons only, possessing such recognised qualifications, and for such limited periods, as may be specified by the Central Government:

Provided further that such further conditions as may be imposed by the Central Government shall not oust the jurisdiction of the Council over such specified persons in disciplinary matters".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

Shri M. C. Shah: I beg to move:

"That the Bill be passed."

Mr. Chairman: The question is:

"That the Bill be passed."

The motion was adopted.

MOTIONS RE: DISPLACED PERSONS COMPENSATION AND REHABILITATION RULES

Mr. Chairman: Before the motions regarding the Displaced Persons Compensation and Rehabilitation Rules are moved, I am just to invite the attention of the Members to the

fact that five hours have been fixed for general discussion. Hon. Members who wish to move any motions will kindly hand over the numbers of their motions to the Secretary at the Table within 15 minutes. The fifteen minutes will count from now.

Shrimati Sucheta Kripalani (New Delhi): We do not know which of the motions are to be moved while the Minister delivers his speech.

Mr. Chairman: The Minister has also to move his motion in the same way as the Members. There is no difference here.

Sardar Hukam Singh (Kapurthala—Bhatinda): As we have general discussion for five hours, the discussion may extend to tomorrow. Therefore, would it not be permissible to hand over our amendments by tomorrow or, say, by this evening?

Mr. Chairman: The practice is this. Even if the amendments are given today, they will come tomorrow in due course. If the amendments are valid today, they will be in order tomorrow also. Many hon. Members have already given notices of their amendments. Others who have not done so will have only to find out what amendments they would like to table, so that they also can send in their amendments now. Of course, those amendments for which notice is given today shall not be out of order if they are not taken up today, because there will be time tomorrow also.

Lala Achint Ram (Hissar): What is the harm if those amendments which are going to be discussed the day after tomorrow are discussed tomorrow?

Mr. Chairman: That is a hypothetical question. Some amendments come in earlier and the discussion goes on. Some amendments come in later, but then the discussion will go on till the time allotted for it is over.

Lala Achint Ram: How many amendments can be taken up the day after?