

Report

Session on 'Rebooting Corporate Governance-Criminal Liabilities of Auditors and Independent Directors'

On Aug 29, 2019, a session was organised on the theme, 'Rebooting Corporate Governance- Criminal Liabilities of Auditors and Independent Directors'. The session witnessed participation from reputed professionals' pan-industries, with the introductory remarks and brief introduction to Bombay Chamber by Ms. Usha Maheshwari, Additional Director, Bombay Chamber.

Ms. Savithri Parekh, Senior Legal and Compliance, Reliance Industries, mentioned the need for changes in the governance structure of corporates and the inevitability of exposure and awareness of compliance for everyone. She also iterated the fact that the field of compliance is dynamic and thus there is the dire need for everyone to be abreast with the changes and advocate the correct practices, after the knowledge of the overall implications of a step being taken.

Mr. Suhas Tuljapurkar, Founder-Director, Legasis Services Pvt. Ltd. begin the session by taking a note of the objectives of the session, from the attendees themselves and thus address the theme. He start the session with good examples to establish the fact that today, corporates have become perishable commodities and thus the need of the hour is to establish good governance practices in the corporates to enable them to reinstate their nature of perpetuity. It was also mentioned that the need of rebooting corporate governance has been witnessed by the corporates, as well as the regulators, and that "all the elements of Corporate Governance have to be looked at afresh, de-novo." One of the reasons why revamping the governance practices is considered the need of the hour, is to enable the corporates regain stakeholder's trust, which is one of the most important objectives of corporate governance. The criminal liabilities attached with the auditors in terms of their reporting, filing and compliance duties, was discussed, in consonance with the common-sense principle of corporate governance. The amendment to Rule 9, of the Companies (Audit and Auditors) Rules, 2018, was discussed and shift in the liabilities of partners of a firm, from collective to individual, with the exception of exercising due-diligence and conduct attempts to prevent infringement of governance structure of the organization being served in the capacity of an auditor. Failure of corporate governance leads to loss of reputation and the instances wherein internal auditors fall prey to the pressure of the investigating agencies with regard to the misdoings of the statutory auditors and thus the requirement of revamping the corporate governance practices, so as to be able to define the compliance ambit of different professionals. The biggest challenge, as mentioned are the non-auditing services and the need to draw the line of distinction in the scope of services being rendered so as to be able to avoid culpability due to combination of services. As for the criminal liabilities of Independent Directors, their limited exposure to the affairs of the company is the major concern. The amendments to the Companies Act and the Rules and Regulations thereunder, have proved that despite the limited exposure Independent Directors have been alleged in the events of governance failures and penalties have been charged due to their continuing association with the company. Thus, the Independent Directors should increase their exposure to the affairs of the company from quarterly to daily, so as to actively take part in preventing breach of the governance structure of the organization and to uphold the goodwill of the brand, stakeholder's confidence and reiterate the importance of governance in the corporates. Independent Directors should also sought legal opinion before rendering advice on issues related to corporate governance.

The end of the session was marked by addressing insightful questions from the attendees of the session, majorly with regards to the role of a compliance officer in encouraging better governance practices in an organization. It was mentioned that along with the roles with which high priority and liability has been attached, with regards to maintaining corporate governance practices, like auditors

and Independent Directors, the role of Compliance Officers are of equal importance. The discussion was driven towards realising the dynamism of every role in the corporate and how they could contribute towards the development of the Organization by actively taking initiatives to stretch their roles and be a value-addition, the example to the same was capacity building at CS-Level, for promoting business of the organization, as they could now stretch their roles and take in advisory activities too. The need of the hour thus seems to be rebooting the governance practices in Organizations, for better accountability, transparency, fairness and independence in the functioning of different corporate professionals.

Session ended with vote of thanks delivered by Ms. Usha Maheshwari.

Feedback: We received encouraging response the delegates and average rating of very good session ie 4 on scale of 1-5.

