

# Info Capsule

## **STRONG FOUNDATION IN ETHICAL VALUES SHOULD BE THE BASIS FOR EXEMPLARY CORPORATE GOVERNANCE: VICE PRESIDENT INAUGURATES ICSI CENTRE OF EXCELLENCE<sup>1</sup>**

The Vice President of India, Shri M. Venkaiah Naidu has said that strong foundation in ethical values should be the basis for exemplary corporate governance. He was addressing the gathering after inaugurating the Institute of Company Secretaries of India (ICSI) Centre of Excellence, in Hyderabad today. The Deputy Chief Minister of Telangana, Shri Mohammad Mahmood Ali and other dignitaries were present on the occasion.

The Vice President said that it has become imperative for professionals like company secretaries to acquire cutting-edge knowledge and skills that are not only in tune with the best practices but also facilitate and promote good corporate governance. He further said that India with its inherent spiritual strength, rich traditions and strong value systems - which form the core of many family-run businesses - can emerge as a role model for other countries in corporate governance. The practitioners of corporate governance should play a leading role in making India a global leader in their field, he added.

The Vice President said that money laundering through shell companies is one of the menaces that affect the economy of a country. He commended the decision of ICSI to sensitize all its members and other stakeholders on the deleterious impact not only of the shell companies but also of shell NGOs. He also commended the decision of making ICSI employees to wear khadi one day a week and to have a corporate anti-bribery code in a voluntary manner.

The Vice President said that a company secretary is not only the conscience-keeper of an enterprise, but he/she also has a larger social responsibility. He further said that they have to constantly update themselves with the changes in the laws for proper guidance of the management and other stakeholders. With the implementation of GST, they should be well equipped to deal with the challenges arising from its implementation, he added.

Following is the text of Vice President's address:

"I am extremely delighted to be amidst you and inaugurate ICSI's Centre of Excellence in this historic city of Hyderabad.

With this Centre of Excellence catering to the entire South India and similar CoEs coming up at Ajmer for Northern region and at Kolkata for the Eastern region, the Institute will be meeting the requirements for the whole country. Its Centre for Corporate Governance, Research and Training is already functioning at Mumbai and serving the Western region.

In the wake of globalization and the increasing role of corporate in driving the economies, it has become imperative for professionals like company secretaries to acquire cutting-edge knowledge and skills that are not only in tune with the best practices but also facilitate and promote good corporate governance.

<sup>1</sup> Available at: <http://pib.gov.in/newsite/erelease.aspx?relid=0>

Apart from setting the benchmark for high standards in corporate governance, such centres should accord high priority to research and innovative practices.

I am told that its mandate, among others, is to undertake transformational research that aims to achieve international standing in corporate governance, build collaborative networks to address challenging research problems and achieve global competitiveness and gain recognition for Indian research.

It should be remembered that a strong foundation in ethical values should be the basis for exemplary corporate governance. But before looking elsewhere for lessons in corporate governance, one should look inwards and what better than Kautilya's Artha Shastra. The principles and practices on economic management written by Kautilya in 4<sup>th</sup> century BC are relevant even now.

I commend the Institute of Company Secretaries of India for coming out with a vision "to be a global leader in promoting good corporate governance" and a mission "to develop high caliber professionals facilitating good corporate governance". ICSI should ensure that these objectives do not remain as mere slogans and are achieved in the fullest measure.

India with its inherent spiritual strength, rich traditions and strong value systems-- which form the core of many family-run businesses—can emerge as a role model for other countries in corporate governance. The practitioners of corporate governance should play a leading role in making India a global leader in their field.

Money laundering through shell companies is one of the menaces that affect the economy of a country. I commend the decision of ICSI to sensitize all its members and other stakeholders on the deleterious impact not only of the shell companies but also of shell NGOs.

I also appreciate the efforts of ICSI in bringing secretarial standards on to statute books and paving the way for good corporate practices. Such standards are needed in the wake of corporate disputes.

A company secretary is not only the conscience-keeper of an enterprise, but he/ she also has a larger social responsibility. No doubt, company secretaries are key managerial personnel, but they also represent internal and external stakeholders and as such play a pivotal role in ensuring compliances and implementing principles of good governance. They have to constantly update themselves with the changes in the laws for proper guidance of the management and other stakeholders. With the implementation of GST, they should be well equipped to deal with the challenges arising from its implementation.

I am happy to note that ICSI is in the process of framing an international corporate governance code by bringing forth the teachings of the ancient Indian texts which hold relevance in the modern day corporate scenario.

I also commend the Institute for submitting a draft note on model code for meetings of Panchayats, which aims to promote good governance at the grass-roots levels. The other initiatives such as making ICSI employees to wear khadi one day a week and to have a corporate anti-bribery code in a voluntary manner are also laudable.

I wish the institute, all its members and students a wonderful journey ahead.

Jai Hind!"

## NOTE ON MGNREGA<sup>2</sup>

Implementation of MGNREGA Scheme has seen major changes in the last two years. Use of ICT tools, space technology, focus on improving livelihood resource base of people, provision of diversified livelihood opportunities through convergent programme implementation are some of the major features of changes brought in programme management. High budget allocation to meet the objectives of the Act and strengthening of monitoring system have been ensured. Measure like electronic fund management system (eFMS), Aadhaar seeding, Geo tagging of assets and strengthening of Social Audit System are some steps towards bringing in more transparency and accountability in the programme implementation. Emphasis on proper work file maintenance, setting up of Citizen Information Boards as part of Janta Information Systems are some of the other measures.

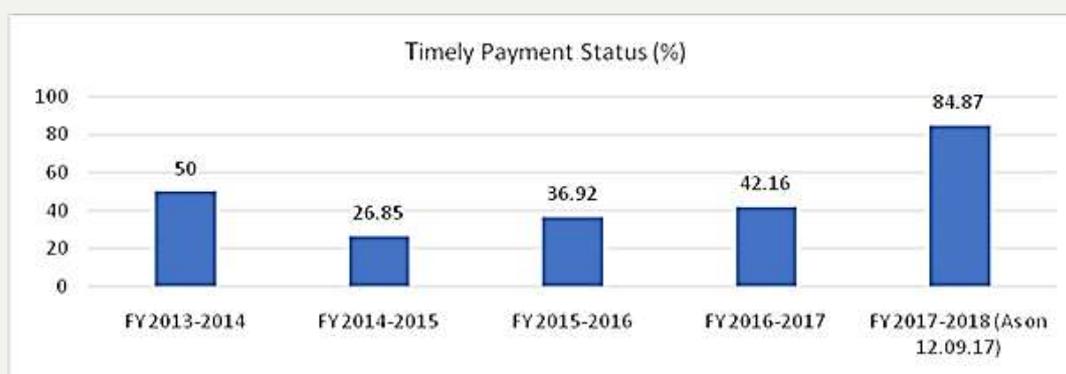
The current Financial Year is marked by the highest ever budget allocation of Rs. 48000 Cr. The table below gives a glimpse of the revised estimate at the Centre's level and the expenditure in the States/UTs over the last 7 years.

Year	Revised (Cr)	Expenditure (Cr)
2011-12	31,000.00	37,072.82
2012-13	30,287.00	39,778.29
2013-14	33,000.00	38,511.10
2014-15	33,000.00	36,025.04
2015-16	37,345.95	44,006.56
2016-17	48,220.26	57,946.72
2017-18*	48,000.00	35,436.92

\* Figures as on 12.09.2017

Availability of funds is not a constraint for the implementation of the program. The Government is committed to provide funds for implementation of MGNREGA.

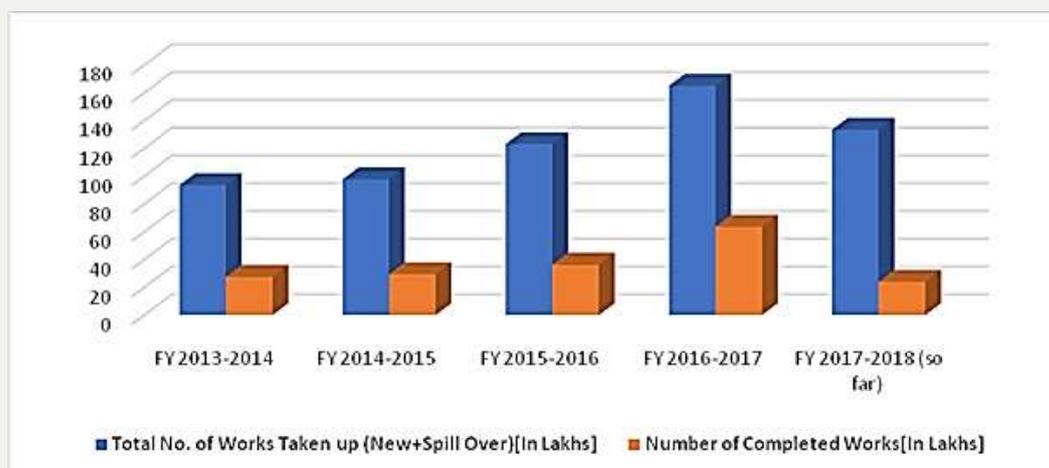
To ensure that MGNREGA workers receive their wages on time, National Electronic Fund Management System (NeFMS) has been put in place. Almost 96% of wages are being paid directly to the beneficiaries' bank accounts. Additionally, intense monitoring and fixing accountability for delays in payments has shown significant result in the current financial year. Around 85% of the wages are being paid to the workers in time. This is almost double the percentage in comparison with last FY as can be seen in the graph below:



All efforts are being taken by the Ministry to further improve the situation. FTOs for Andhra Pradesh and West Bengal are pending for payment for specific reasons. Internal Audits conducted by the Ministry in the recent past in both the States have detected irregularities in implementation for which the States have been asked to take appropriate steps to rectify the situation. Funds will be released to them once complete and sufficient response is received. The Ministry reviews the financial status of all States/UTs on daily basis and the issue of release of further funds to the States/UTs wherever FTOs are shown as pending is under examination. It is pertinent to mention that around Rs. 36500 Cr (76% of total allocation) have already been released in this financial year, leading to timely payment of wages in 85% cases.

Through a bottom-up participatory approach, every year the GPs prepare the shelf of works to be executed in the next financial year. These works are taken up considering the 155 permissible activities under the Scheme, which are revised periodically depending upon State requests. The Centre safeguards the decisions of the local bodies through its emphasis on creation of shelf of projects in the GPs and in no way attempts to undermine their authority. However, in accordance with the NREGA Act, Central Employment Guarantee Council (CEGC) under the aegis of the Ministry is expected to guide, regularly evaluate and monitor the implementation of the program on the ground.

Strengthening the livelihood resource base of the poor is one of the main objectives of MGNREGS. Apart from meeting the demand for wage employment on the ground, the government is laying stress on strengthening the livelihood resource base of the poor and the vulnerable. Close to 1.5 Cr works are taken up every year under MGNREGA. In the last FY, strong push towards work completion led to the highest work completion of 62 Lakhs.



These completed works have been geo tagged and made available in public domain improving and enhancing transparency in programme management. More than 2 Cr assets have been geo tagged so far. Now, the Ministry has made it mandatory to geo tag three stages of an asset creation.

In order to optimize public investments, adequate focus is also being laid on convergence of MGNREGS with other schemes. A good example of convergence is houses being constructed under Pradhan Mantri Awas Yojana (PMAY). While 33 Lakhs houses were constructed in FY 2016-17 with Rs. 18000 from MGNREGS as unskilled wage labour contribution to every house, the current financial year's target is 51 lakh PMAY houses. Besides, MGNREGA provides Rs. 12000 for construction of household latrines in every PMAY house. Through such examples of convergence, the Ministry is trying to ensure gainful and proper utilization of funds along with provision of wage employment seeking work.

Independent Social Audit Units have been set up in 24 States and 3100 State Resource Persons have been trained to conduct social audit as per auditing standards. Large scale training of Self-Help Group women as Village Resource Persons for social audit is being undertaken.

All initiatives under MGNREGS have been taken in consultation with the States and UTs. The government is committed to make the implementation of the program as effective as possible so that the objectives of the Act can be met.

Multiple assets to a household for augmentation of livelihood potential is a major thrust under MGNREGS. Besides this, skilling the MGNREGS workers through Barefoot Technician program is another initiative. So far, 5380 Bare Foot Technicians (BFT) have been trained so far in 19 States to provide technical support at field level.

The Ministry had set up a Committee under the Chairmanship of Additional Secretary with representatives of relevant Central Ministries and five State Governments to examine the issue of Alignment of MGNREGA Wages with Minimum Agricultural Wages. The MGNREGA Wages were notified under Section 6.1 of the MGNREGA Act on 1st December, 2009. For the States where minimum wages were higher than Rs.100/-, those wages were taken as MGNREGA wages. For States where minimum agricultural wages were less than Rs.100/- MGNREGA wages were notified as Rs.100/-. On 1st December, 2009 only for 4 States, viz. Goa, Haryana, Mizoram and Kerala had minimum wages for agricultural labour was higher than Rs.100/- and these were protected by December, 2009 Notification. Since then, MGNREGA wages have been indexed to Consumer Price Index for Agricultural Labour. The present divergence between MGNREGA wages and minimum wages for agricultural labour is on account of the fact that the States do not follow a scientific and uniform system of indexation of wage rates while MGNREGA wages are increased based on changes in Consumer Price Index for Agricultural Labours.

The Government has provided much higher allocations to the Ministry of Rural Development in the last three years. As is evident from the table below, the allocation to Rural Development programmes for creation of infrastructure, rural housing and employment has gone up from 0.50% of the GDP in 2012-13 to 0.63% of the GDP in 2016-17:

### **MGNREGA & MoRD EXPENDITURE**

**Rs. Crores**

Year	GDP at Current Prices (2011-12 Series)	MGNREGS Exp.	% of GDP	Releases by MoRD for all Programmes	Releases as % of GDP
1	2	3	4	5	6
2012-2013	9944013	39,778.82	0.40	50,161.86	0.50
2013-2014	11233522	38,552.62	0.34	58,623.08	0.52
2014-2015	12445128	36,025.04	0.29	67,263.31	0.54
2015-2016	13682035	44,002.59	0.32	77,321.35	0.57
2016-2017	15183709	58,354.21	0.38	95,096.04	0.63

## **MOU BETWEEN THE MINISTRY OF CORPORATE AFFAIRS AND CENTRAL BOARD OF DIRECT TAXES (CBDT) FOR AUTOMATIC AND REGULAR EXCHANGE OF INFORMATION<sup>3</sup>**

Taking forward the initiative launched by the Government of India to curb the menace of shell companies, money laundering and black money in the country and prevent misuse of corporate structure by shell companies for various illegal purposes, the Ministry of Corporate Affairs and Central Board of Direct Taxes (CBDT) have now concluded a formal Memorandum of Understanding (MoU) for data exchange, on 6th September, 2017.

The MoU will facilitate the sharing of data and information between CBDT and MCA on an automatic and regular basis. It will enable sharing of specific information such as Permanent Account Number (PAN) data in respect of corporates, Income Tax returns (ITRs) of corporates, financial statements filed with the Registrar by corporates, returns of allotment of shares, audit reports and statements of financial transactions (SFT) received from banks relating to corporates. The MoU will ensure that both MCA and CBDT have seamless PAN-CIN (Corporate Identity Number) and PAN-DIN (Director Identity Number) linkage for regulatory purposes. The information shared will pertain to both Indian corporates as well as foreign corporates operating in India. In addition to regular exchange of data, CBDT and MCA will also exchange with each other, on request, any information available in their respective databases, for the purpose of carrying out scrutiny, inspection, investigation and prosecution.

The MoU comes into force from the date it was signed and is an ongoing initiative of MCA and CBDT, which are already collaborating for near real time allotment of PAN and TAN also at the time of Incorporation of companies itself. A Data Exchange Steering Group also has been constituted for the initiative, which will meet periodically to review the data exchange status and take steps to further improve the effectiveness of the two agencies.

### ***Team ICSI***

*Disclaimer : The information in the Info Capsules is developed according to the information available in public domain and for academic purposes only. Any person wishing to act on the basis of this document should do so only after cross checking with the original source.*

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<sup>3</sup> Available at: <http://pib.gov.in/newsite/erelease.aspx>