NYCA's

The ReCap

A news to clear your doubts

A Monthly E-Newsletter

January, 2024 / Vol 09

For use by clients and firm personnel only

What's Inside

KEY METRICS

Indices

BSE SENSEX	72,240	07.05%
NSE NIFTY50	21,731	07.21%
NASDAQ Composite	15,011	04.93%

Currency

USD/INR	83.19	0.08%
EURO/INR	91.80	1.32%
GBP/INR	105.89	0.64%

Note: The month-on-month movement as on December 31, 2023 is represented in percentages Source: Yahoo Finance, Investing.com

COMPLIANCE ALERT

January, 2024

7th January - Income Tax

Due date for deposit of TDS for the period October 2023 to December 2023 when Assessing Officer has permitted quarterly deposit of TDS under section 192, section 194A, section 194D or section 194H

10th January - GST

GSTR-7 : Summary of Tax Deducted at Source (TDS) and deposited under GST laws for the month of December, 2023

11th January - GST

GSTR-1 : Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of Oct - Dec 2023

13th January - GST

GSTR- 5 : Summary of outward taxable supplies and tax payable by a non-resident taxable person

14th January - Income Tax

Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M, 194S in the month of November, 2023

15th January - ESIC & PF

PF deducted from the Employees salary in the month of December, 2023, needs to be paid on or before 15th of January, 2024 The payment of ESIC is made by every employer to the ESIC department on a monthly basis. The due date for ESIC is 15th January, 2024

15th January - Income Tax

Due date for furnishing of Form 15G/15H declarations received during the quarter ending December, 2023

15th January- Income Tax

Quarterly statement in respect of foreign remittances (to be furnished by authorized dealers) in Form No. 15CC for quarter ending December, 2023

18th January - GST

CMP-08 : Quarterly Challan-cum-statement to be furnished by composition dealers

20th January - GST

GSTR- 3B : Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with turnover more than Rs.5 crore in the last FY or have not chosen the QRMP scheme for the quarter of Oct - Dec 23

30th January - Income Tax

Quarterly TCS certificate in respect of quarter ending December 31, 2023

30th January - Income Tax

Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M in the month of December, 2023

31st January- Income Tax

Quarterly return of non-deduction of tax at source by a banking company from interest on time deposit in respect of the quarter ending December 31, 2023

31st January- Income Tax

Intimation in Form 10BBB by a pension fund in respect of each investment made in India for quarter ending December, 2023

Direct Tax

Notifications/Circulars

CBDT notified Income Tax Return Form ITR-1 and ITR-4 for AY 2024-25

The Central Board of Direct Taxes (CBDT) has introduced two new return forms, namely ITR-1 (SAHAJ) and ITR-4 (SUGAM), applicable for the Assessment Year 2024-25. These forms will be effective starting April 1, 2024.

ITR-1 (SAHAJ) is designated for individuals whose total income does not exceed Rs 50 lakh. This includes income from salaries, one house property, other sources such as interest, and agricultural income up to Rs 5,000.

On the contrary, ITR-4 (SUGAM) is meant for individuals, Hindu Undivided Families (HUFs), and firms (excluding LLPs) with a total income of up to Rs 50 lakh. It encompasses income from business and profession computed under Sections 44AD, 44ADA, or 44AE.

Notification No. 105/2023 dated December 22, 2023

CBDT revises definition of 'intra-group loan' and outlines its 'Safe Harbour' conditions under Rule 10TD

The Central Board of Direct Taxes (CBDT) has introduced amendments to the Income Tax Rules, 1962, specifically Rules 10TA and 10TD, through the Income-tax (Twenty-Ninth Amendment) Rules, 2023. The revisions primarily focus on Safe Harbour Rules related to intra-group loans. The amended definition of intra-group loans now includes loans to "Associate Enterprise," not limited to wholly owned subsidiaries, and removes the requirement for loans to be in Indian Rupees. Additionally, Rule 10TD has been updated to eliminate the reference to "CRISIL" credit rating, allowing the use of credit ratings from other entities for determining Safe Harbour conditions.

Notification G.S.R. 900(E) [NO. 104/2023/F.NO. 370142/26/2023-TPL]

Net Direct Tax collections for FY 2023-24 increased by more than 20.66%: CBDT

As of December 17, 2023, the provisional figures for Direct Tax collections in the Financial Year 2023-24 reveal that net collections amount to Rs. 13,70,388 crore. This is a 20.66% increase compared to the corresponding FY 2022-23 period, where collections were Rs. 11,35,754 crore.

Press Release

CBDT releases guidelines for deduction of tax under Section 194-O

Section 194-O of the Income-tax Act, 1961 ('the Act') provides that an e-commerce operator shall deduct income tax at the rate of one percent of the gross amount of sale of goods or provision of service, or both, facilitated through its digital or electronic facility or platform.

Vide CBDT Circular No. 20/2023 dated December 28, 2023 guidelines have been issued for the removal of difficulties and clarity has been provided on various issues pertaining to the applicability of section 194-O of the Act in a multiple e-commerce operator model framework, such as the Open Network for Digital Commerce (ONDC). The Circular details several types of situations with examples & provides clarity on multiple issues. Having received representations from various quarters, the CBDT Circular incorporates FAQs on varied issues.

CIRCULAR NO. 20 OF 2023 [F. NO. 370142/43/2023-TPL]

CBDT extends time limit to process refund claimed ITRs for AYs 2018-19 to 2020-21 to January 31, 2024

In view of pending taxpayer grievances related to the issue of refund, the CBDT directed that all validly filed returns for Assessment Years 2018-19, 2019-20 and 2020-21 bearing refund claims can be processed until 31-01-2024.

ORDER F. NO.225/132/2023/ITA-II

Judicial Rulings

No infirmity in ITAT's order thoroughly analyzing & discussing supporting documents for sum deposited in bank a/c: HC

Where assessee, a non-resident Indian, had given specific explanation of split up of money deposited in his bank account in India and Tribunal had meticulously examined and elaborately discussed documentary record in support of said explanation of money ingress in bank account of assessee, no addition under section 69A was warranted.

[2023] 157 taxmann.com 418 (Delhi)[12-12-2023]

HC directs revenue to condone delay in filing ITR as assessee didn't know about tax deduction on interest income

In a land acquisition case, the Irrigation Department deposited 50 percent of the additional compensation awarded to the assessee in court. The department deducted TDS on the interest portion of the deposited amount. However, the assessee missed the deadline to file the income tax return to claim a refund of the TDS.

[2023] 157 taxmann.com 706 (Gujarat) [21-12-2023]

No Sec. 14A disallowance as assessee wasn't using borrowed funds to make investment in mutual funds: HIgh Court

Where assessee made investments in mutual funds wherein dividend was automatically reinvested and there were no borrowed funds in books of accounts of assessee, thus, there was no question of using borrowed funds for investments in mutual funds and consequently impugned disallowance under Section 14A was unwarranted.

[2023] 157 taxmann.com 87 (Delhi)[04-12-2023]

HC allowed Sec. 80-IB deduction despite ITR being filed after the due date on account of delay in audit

The High Court of Himachal Pradesh has allowed Sec. 80-IB deduction despite ITR being filed after the due date on account of delay in audit.

As per the HC order on 22.12.2023, when assessee filed return claiming deduction under section 80IB(10) beyond the period of limitation as per section 139(1) due to audit delay, assessee should not be burdened with taxes it was otherwise not obligated to pay under the law.

[2023] 157 taxmann.com 598 (Himachal Pradesh)[22-12-2023]

Assessee entitled to get 6 percent interest on refund of excess amount of equalisation levy

The assessee had filed a statement of specified income disclosing total consideration for specified services and equalisation levy. After declaring the total levy paid, assessee claimed refund of a certain amount of levy. The AO paid the refund amount. However, the AO refused to grant interest on the amount refunded, contending that no provision provided for interest on refunding excess deduction or erroneous deduction of equalisation

[2023] 157 taxmann.com 487 (Bombay) [18-12-2023]

SC dismissed SLP as withdrawn against HC's order quashing rectification application as it was barred by limitation

SLP dismissed as withdrawn against impugned order of High Court that where assessee filed an application seeking rectification of assessment and refund of TDS after about 12 years from assessment year, same was barred by limitation and hence not maintainable, with liberty to make a representation to CBDT under section 119 so as to seek adjustment in view of rectification made by Department with regard to PAN number of assessee.

[2023] 157 taxmann.com 530 (SC)[13-12-2023]

SLP dismissed against HC order where demand of ITC reversal was set aside holding that investigation against supplier is a pre-requisite

SLP dismissed due to demand being on lower side against High Court ruling that where revenue reversed input tax credit alleging non-reflection of supplier's invoices in GSTR 2A, since assessee had complied with section 16(2) and payment was made via valid tax invoice and show cause notice found fault with assessee's GSTR 1 only and not with possession or receipt of tax invoice,

[2023] 157 taxmann.com 352 (SC)[14-12-2023]

Indirect Tax

Notifications/Circulars

CBIC Mandates BIS Registration and Random Sampling for Imported Electronic and IT Goods, Including LED Products and Control Gear

CBIC's Instruction No. 28/2023-Customs, issued on December 12, 2023, stresses the necessity of Bureau of Indian Standards (BIS) registration for imported goods categorized under the "Electronic and Information Technology Goods (Requirement of Compulsory Registration) Order, 2012." Customs officers are directed to verify BIS registration for all shipments, with the Risk Management System selecting random samples for testing at BIS-recognized labs. Only compliant items, as per the safety standards outlined in the test report, will be granted Out of Charge (OOC), while non-compliant products may face return or destruction at the importer's expense, aiming to enhance compliance with compulsory registration mandates.

Instruction No. 28/2023-Customs dated December 12, 2023

DGFT clarifies the Applicability of Minimum Value Addition as Stipulated in Paragraph 4.09(v) of FTP, 2023 for Spices

The DGFT vide Policy Circular No. 07/2023 dated December 21, 2023 clarified the applicability of minimum Value Addition as provided under para 4.09 (v) of FTP 2023, in case of spices.

Attention is drawn towards Para 4.09 (v) of Foreign Trade Policy 2023 which mandates 25% minimum value addition in the case of spices. It is clarified that the condition of minimum value addition of 25% in the case of spices is applicable only where both export as well as import items pertain to Chapter 9 of ITC HS Code. This particular guidance promotes transparency and simplifies the adherence to trade policies, providing advantages to exporters, trade members, and customs authorities. Stakeholders are encouraged to examine and apply this clarification to ensure smooth and compliant trading

Policy Circular No. 07/2023 dated December 21, 2023

CBIC issues instructions on applicability of Supreme Court decision in case of Northern Operating Systems under GST

The CBIC has issued instruction to clarify that there may be multiple types of arrangements in relation to secondment of employees of overseas group company in the Indian entity. Therefore, the decision of the Hon'ble Supreme Court in the NOS judgment should not be applied mechanically in all the cases.

INSTRUCTION NO. 5/2023-GST [F.NO. CBIC-20004/3/2023-GST]

CBIC extends time limit for passing order u/s 73 for FY 2018-19 & 2019-20

The Government has extended the time limit for passing order under Section 73 for FY 2018-19 and FY 2019-20 till 30-04-2024 and 31-08-2024 respectively. Earlier, the said time limits were extended till 31-03-2024 and 30-06-2024 respectively vide Notification No. 09/2023-Central Tax, dated 31-03-2023. Notably, the said time limit has not been extended for FY 2017-18 and will remain 31-12-2023.

It should further be noted that the above time limit is applicable for the issuance of order in case of tax not paid, short paid, or ITC wrongly availed or utilised and is not applicable in the cases of erroneous refunds.

NOTIF. NO. 56/2023-CENTRAL TAX [S.O. 5483(E)/F. NO. CBIC-20013/7/2021-GST]

CBIC Exempts Imports of Yellow Peas [HS Code 0713 10 10] from Applicable BCD and AIDC up to March 31, 2024

The CBIC, through Notification No. 64/2023-Customs dated December 7, 2023, has granted exemption from customs duty and Agriculture Infrastructure and Development Cess for the import of Yellow Peas (0713 10 10) into India. This exemption, effective from December 8, 2023, to March 31, 2024, is deemed necessary in the public interest under the powers conferred by the Customs Act, 1962, and the Finance Act, 2021.

Notif. No. 64/2023-Customs dated December 7, 2023

Corporate & Allied Laws

Notifications / Circulars

SEBI notifies the revised framework for computation of Net Distributable Cash Flow by REITs and INVITs

In order to promote ease of doing business, the SEBI has decided to standardize the framework for calculation of available Net Distributable Cash Flows (NDCF). Accordingly, the revised framework for computation of NDCF by REITs, INVITs, and its Holdcos/SPVs shall be as per the computation formula provided in the circulars. Further, any restricted cash should not be considered for NDCF computation by the SPV, REITs or InvITs. The revised framework shall be applicable from 01.04.2024.

CIRCULAR NO. SEBI/HO/DDHS/DDHS-POD/P/CIR/2023/185

SEBI extends the deadline for implementation of new SCORES norms to Apr, 2024

Earlier, the SEBI vide. circular dated 20th Sep 2023 notified norms w.r.t to the redressal of investor grievances through the SEBI Complaint Redressal (SCORES) Platform and linking it to Online Dispute Resolution platform. As per the said circular the new norms will be implemented from 4th Dec, 2023. However, the SEBI has now extended the date of implementation to 1st April 2024.

CIRCULAR NO. SEBI/HO/OIAE/IGRD/CIR/P/2023/183

SEBI tweaks the framework for Social Stock Exchanges

SEBI has made modifications to the framework of the Social Stock Exchange (SSE) based on feedback from public consultation and amendments to existing regulations. Key Changes have been made in 'Not for Profit (NPO) Registration Requirements', Enhanced details regarding past social impact for NPOs seeking funds on SSE, focusing on key metrics, beneficiaries, cost per beneficiary, and administrative overheads, prescribed New Procedures for Zero Coupon Zero Principal Instruments.

CIRCULAR NO. SEBI/HO/CFD/POD-1/P/CIR/2023/196

SEBI revises framework requiring Stock Brokers/Clearing Members to upstream clients' funds to Clearing Corporations

Earlier, the SEBI has issued framework requiring Stock Brokers (SBs) / Clearing Members (CMs) to upstream (i.e. placed with) clients' funds to Clearing Corporations (CCs). Later, representations have been received citing difficulties in implementation. Now, SEBI has issued revised framework for the same. The bank instruments provided by clients as collateral cannot be upstreamed to CCs, and they shall be ineligible to be accepted as collateral in any segment of securities market.

CIRCULAR NO. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/187

SEBI amends norms relating to social audit in ICDR & LODR Regulations

The SEBI has notified amendment in LODR & ICDR Regulations. Amendment has been notified in Regulation 91E i.e., Disclosures by a Social Enterprise in respect of social impact. Now, the annual impact report shall be assessed by a Social Impact Assessment Firm employing Social Impact Assessor. Further, in Regulation 292G of ICDR Regulations, a Not for Profit Organization may raise funds on a SSEs through issuance of ZCP Instruments to Eligible Investors instead of Institutional Investors.

NOTIF. NO. SEBI/LAD-NRO/GN/2023/161

SEBI unveils framework for segregation and monitoring of collateral at client level

In light of the public comments and discussions with the stakeholders, the SEBI has decided to adopt the framework for segregation and monitoring of collateral at the client level. In the new framework, A web portal facility shall be provided by the Clearing Corporations/ Stock Exchanges to allow clients to view aforesaid disaggregated collateral reporting by TM/CM.

CIRCULAR NO. SEBI/HO/MRD2_DCAP/CIR/2021/0598

Policies & Schemes

Credit Guarantee Scheme for Startups (CGSS)

The Credit Guarantee Scheme for Startups (CGSS) has been sanctioned with the primary objective of offering credit guarantees to loans extended by Member Institutions (MIs) for the financing of eligible startup entities. Member Institutions, encompassing financial intermediaries such as banks, financial institutions, and Non-Banking Financial Companies (NBFCs), are required to adhere to the specified eligibility criteria endorsed under the scheme.

This initiative serves as a vital means to furnish startups with much-needed collateral-free debt funding. The credit guarantee cover within the framework of CGSS is designed to be both transaction-based and umbrella-based. In individual cases, the exposure is capped at Rs. 10 crore per case or the actual outstanding credit amount, depending on which is less.

The transaction-based guarantee cover operates on a single eligible borrower basis, empowering Member Institutions to obtain guarantee cover for eligible startups. This mechanism is anticipated to stimulate lending activities by Banks and NBFCs, facilitating improved access to financial resources for startups.

Moreover, the umbrella-based guarantee cover extends its support to Venture Debt Funds (VDF) registered under the Alternative Investment Funds (AIF) regulations of the Securities and Exchange Board of India (SEBI).

This holistic approach aims to fortify the startup ecosystem by fostering financial inclusivity and easing the credit journey for emerging businesses under the ambit of the CGSS.

Key Highlights:

- The guarantee will be offered by lending institutions, that are members in this scheme, to eligible startups that must be Department of Industrial Policy and Promotion (DIPP) recognised.
- CGSS will offer guarantees based on portfolios wherein every included portfolio will consist of 10 or more startup loans for a financial year.
- Credit guarantees of up to Rs.5 crore will be offered to every eligible case, including assistance, such as working capital, venture capital, optionally convertible debt, debentures, term loan, etc.
- This scheme will be offered to provide credit of up to 75% credit, subject to a limit of Rs.150 lakh.
- Micro enterprises seeking loans of below Rs.5 lakh will be offered up to 85% of the requested credit amount.
- Up to 80% credit will be extended to MSME's operated or owned by women and NER (including Sikkim).
- A guarantee cover of up to 50% of the amount, subject to a limit of Rs.50 lakh, will be offered for MSME retail trade.

Eligible Lending Institutions under CGSS

- Scheduled commercial banks - Public sector banks, private sector banks, foreign banks.
- Certain Regional Rural Banks categorized as 'Sustainable Viable' by NABARD

Certain other financial institutions deemed as chosen by the Govt. of India as per set criteria. These include:

- Small Industries Development Bank of India (SIDBI)
- Delhi Financial Corporation
- North Eastern Development Finance Corporation (NEDFI)
- Kerala Financial Corporation
- National Small Industries Corporation (NSIC)
- Jammu & Kashmir Development Finance Corporation Ltd
- Tamil Nadu Industrial Investment Corporation Ltd.
- Export Import Bank of India
- Andhra Pradesh State Financial Corporation

Guarantee Fee under CGSS

- Composite Annual Guarantee Fee, of 1.0 % p.a. of credit amount provided, will be charged .
- Under this, a Guarantee Fee of 0.75% will be charged for credit amounts of up to Rs.5 lakh, and 0.85% for credit amounts over Rs.5 lakh and below Rs.100 lakh, will be charged from women-owned enterprises, micro enterprises and NER units (including Sikkim).

Guarantee Period under CGSS

Under CGSS, the guarantee cover will be provided for the period agreed upon for the credit facility. For working capital, guarantee cover is provided for a block of 5 years.

Transaction-based Guarantee cover –

Under transaction-based guarantee cover, Mortgage Insurers (MIs) offer coverage on a per-borrower basis for eligible startups, aiming to bolster lending by Banks/NBFCs. The coverage provided is contingent upon the original loan amount sanctioned. Specifically, it encompasses 80% of the default amount for loans up to Rs. 3 crore, 75% for loans exceeding Rs. 3 crore but up to Rs. 5 crore, and 65% for loans surpassing Rs. 5 crore (capped at Rs. 10 crore per borrower).

Umbrella-Based Guarantee Cover:

The umbrella-based guarantee cover targets Venture Debt Funds (VDFs) regulated under SEBI's Alternative Investment Fund (AIF) guidelines, recognizing their significance in the startup funding landscape. This coverage extends to actual losses or a maximum of 5% of the Pooled Investment within eligible startups, whichever is lower. The coverage limit stands at Rs. 10 crore per borrower.

Pre-requisites of CGSS

- For KYC, Aadhaar will be compulsory for all resident partners or directors, while the passport number will be mandatory for non-resident partners or directors.
- The lending institutions that are members under this scheme may be Alternate Investment Funds (AIFs), or scheduled commercial banks/financial institutions or NDFCs registered with the RBI.
- CGSS will function as per the terms of the trusteeship management of the National Credit Guarantee Trust Company (NCGTC).
- Member lending institutions will offer guarantee amounts of up to Rs.500 lakh to eligible startups, without requiring a third party guarantee or security.
- This Credit Guarantee Scheme for MSME will be monitored and supervised by a Management Committee (MS).
- Conflicts of interest will be addressed and taken up by the Risk Evaluation Committee (REC) to be formed for this purpose.

Eligible criteria of Borrower under CGSS

The startups willing to borrow under CGSS need to satisfy the following mandatory eligibility criteria –

- The startup should be recognized by the Department for Promotion of Industry and Internal Trade (i.e., DPIIT);
- The startup should have reached the stage of a stable revenue stream amenable to debt financing;
- The startup should not be in default to any lending/ investing institution;
- The startup should not be classified as Non-Performing Asset (NPA) as per RBI guidelines;
- The startup's eligibility criteria should be certified by the member institution for guarantee cover.

The trust will provide guaranteed coverage in the following manner –

Particulars	Details
To the extent of 80% of the amount in default	If the original loan sanction amount is up to INR 3 Crores
To the extent of 75% of the amount in default	If the original loan sanction amount is above INR 3 Crores and up to INR 5 Crores
To the extent of 65% of the amount in default	If the original loan sanction amount is above INR 5 Crores

Notably, the above limit is subject to a maximum of INR 10 Crore per borrower.

Professionals Desk

Fundamental Overview of Social Auditing and Professionals in Social Audit

Evolution:

Corporate social responsibility (CSR) has seen significant evolution, with an emphasis on societal impact and environmental responsibility. In India, influenced by the Gandhian principle of trusteeship, CSR is deeply ingrained in traditional business culture. Globally, Responsible Business Conduct promotes the idea of businesses thriving through societal contribution. The National Guidelines on Responsible Business Conduct (NGRBC) in India encourage businesses to align with development goals while remaining economically viable. Sustainability reporting standards like GRI, ISO 26000, PRI, and SASB have improved understanding of social responsibility, with India actively addressing global social development issues through initiatives like SDGs. Social auditing, mandated under NGRBC, is crucial, with Business Responsibility & Sustainability Reporting required for the top 1000 companies in India. Monitoring and evaluation of social development activities are active in India, exemplified by initiatives like MNREGA, while the forthcoming launch of a social stock exchange and the development of Social Audit Standards (SAS) by ICAI demonstrate a structured approach to comprehensive evaluation in social development.

Definition:

Social Auditing is a process that enables an organization to assess and demonstrate its social, economic and environmental benefits and limitations. It measures the extent to which an organization lives up to the shared values and objectives it has committed. Social auditing assesses the impact of an organization's non-financial objectives through systematically and regularly monitoring its performance and the views of its stakeholders.

Social Audit is an independent evaluation of the performance of an organisation as it relates to the attainment of its social goals. It is an instrument of social accountability of an organisation. In other words, Social Audit may be defined as an in-depth scrutiny and analysis of the working of any public utility vis-à-vis its social relevance.

Code of Conduct for Social Auditors:

The Institute of Chartered Accountants of India (ICAI) has formulated a Code of Conduct for Social Auditors (SAs), drawing inspiration from both international and Indian practices. The primary aim of this code is to provide guidance to SAs in fulfilling their responsibilities with diligence and responsibility.

Key Principles of Social Auditing:

Integrity: This fundamental value dictates that the SA must uphold truthfulness, fairness, and honesty. SAs should avoid association with any information or reports they believe contain materially false or misleading statements, adhering to high ethical standards.

Objectivity: SAs are obligated to maintain objectivity, avoiding compromises in judgment due to bias, conflicts of interest, or external influences. Preserving objectivity is crucial for the credibility of social audits.

Confidentiality: The principle of confidentiality dictates that information gathered during or after a professional relationship must not be disclosed to third parties.

Professional Behavior: SAs are expected to demonstrate lawful conduct, ensuring they do not discredit the profession.

Professional Competence and Due Care: SAs must continuously acquire, maintain, and update professional competence in relevant technical, professional, and business domains to ensure the highest standards of service.

Independence: Independence is emphasized both in mind (maintaining professional judgment without external influence) and appearance (avoiding any significant facts or circumstances that could compromise the Auditor's integrity, objectivity, or professional skepticism, as perceived by a reasonable third party).

Certification Requirements for Social Auditors:

Individuals aspiring to become social auditors through the National Institute of Securities Markets (NISM) must successfully complete a course and obtain a certificate of completion. For those not taking the NISM course, eligibility criteria include:

1. Post-graduates from UGC-recognized universities with a minimum of 3 years' experience in the development sector.
2. Graduates from UGC-recognized universities with a minimum of 6 years' experience in the development sector.
3. Cost and management accountants, or individuals with suitable accreditations, requiring a minimum of 6 years' experience in the development sector.

All aspiring social auditors, including NISM course graduates, must be empanelled under the Institute of Social Auditors of India (SRO), established as a separate Sustainability Directorate under the ICAI.

Information and Documents Required by Social Auditor

During the audit process, the auditor must access relevant documentary evidence related to the project or activity under review, including:

Secondary Data:

This includes information readily available within the organization's repository, such as records maintained during routine project activities. Publicly available data is also considered secondary data, and social auditors can acquire it from public authorities under RTI. Pertinent secondary data crucial to the audited project, like records on out-of-school children in a specific area or the value of loans provided in a microfinance program.

Monthly, quarterly, and six-monthly reports, as well as case study reports and intake sheets of beneficiaries, must be provided to the auditor upon request.

Photo documentation and film clippings of events or activities are essential pieces of evidence and should be made accessible to the auditor.

Primary Data:

Consultation with key stakeholders and beneficiaries through techniques like interviews, questionnaires, and focus group discussions. Sources of primary data should be well-documented for the auditor.

Sampling Methods:

To ensure the reliability, accuracy, and validity of the collected information, the auditor must use appropriate techniques and sample sizes.

Depending on the nature of the social project, a combination of probabilistic sampling methods or non-probabilistic methods can be employed for evidence collection.

Evaluation of Misstatements:

Assessment of any identified misstatements during the audit, accompanied by evidence.

Challenges Related to Social Auditing:

Capturing "Softer Data": Gathering intangible data like confidence and self-esteem poses a challenge. Social Auditors must ensure appropriate methods, such as proxy indicators or narrative numeracy, are employed to capture these outcomes.

Social and Economic Impact Analysis: Documenting social and economic impacts necessitates refined documentation tools and data analysis methods, with a need for hiring qualified professionals to address the lack of traceable indicators during project design.

Traceability of Stakeholder Groups: Difficulty in tracing certain groups, like adult learners or nomads, poses challenges in providing primary evidence or audit trails.

Data Accessibility: Accessing appropriate data in a user-friendly manner is crucial, yet organizations may withhold counterintuitive information.

Overclaiming Impact: Mitigating overclaiming involves assigning roles to intervening variables, capturing quality of life indicators, and using dead weights.

Convergence in Multi-dimensional Projects: Projects involving multiple sectors may converge, leading to a lengthy and cumbersome social audit process. For instance, a rural health intervention may involve sanitation, nutrition, behavior change communication, and primary health services.

Lack of Accredited Social Auditors: The shortage of auditors aligned with Social Audit Standards, especially those related to SDGs, is a challenge across various thematic sectors.

CFO's Eye

SEBI proposes optional T+0 and Instant Settlement of Trades alongside T+1 in Indian Securities Market

SEBI has released the Consultation Papers on Introduction of optional T+0 and optional Instant Settlement of Trades in addition to T+1 Settlement Cycle in Indian Securities Markets. An instant settlement mechanism will enable instant receipt of funds and securities, vis-a-vis existing pay-out on T+1 day. Also, it will eliminate the risk of settlement shortages, since both funds and securities will be required to be available before placing the order. SEBI solicits public comments by 12.01.2024.

Sebi introduces SaaS model for clearing corps to boost business continuity

Securities and Exchange Board of India (SEBI) has mandated clearing corporations to fortify their business continuity framework against major software malfunctions by adopting a Software-as-a-Service (SaaS) model for their critical Risk Management Systems (RMS). The RMS is crucial for the smooth operation of securities markets, providing real-time risk management for trades on stock exchanges. SEBI's circular outlines the implementation of SaaS-RMS as an additional contingency measure in the event of RMS issues, focusing initially on interoperable segments such as the cash market, equity derivatives, and currency derivatives. Clearing corporations are required to design systems for RMS-related operations using components from another clearing corporation, activating SaaS-RMS within 30 minutes of an inability to perform real-time risk management. Mock sessions will be conducted periodically to familiarize and train members on SaaS-RMS.

RBI increases capital buffer for systemically important SBI and HDFC Bank

The Reserve Bank of India (RBI) has elevated the capital requirements for State Bank of India (SBI) and HDFC Bank, designating them as higher buckets within the classification of Domestic Systemically Important Banks (D-SIBs). SBI moves from bucket 3 to bucket 4, while HDFC Bank shifts from bucket 1 to bucket 2. Effective from April 1, 2025, the increased D-SIB buffer requirements will impose additional Common Equity Tier-1 (CET-1) standards for both banks, in addition to the capital conservation buffers they are mandated to maintain. The surcharge applicable until March 31, 2025, will be 0.60% for SBI and 0.20% for HDFC Bank. For SBI in bucket 4, the additional CET-1 requirement is 0.80% of risk-weighted assets, while for HDFC Bank in bucket 2, it stands at 0.40%.

RBI tweaks D-SIB designation methodology, inserts digital payments aspect

The Reserve Bank of India (RBI) has modified the methodology for identifying Domestic Systemically Important Banks (D-SIBs) by incorporating digital payments, both in terms of value and volume, as a crucial indicator. The revised approach replaces the previous measure of 'Payments made in INR using RTGS and NEFT systems' with the total value (weighted at 75%) and volume (weighted at 25%) of Digital Payments made in Rupees. Digital payments encompass all non-paper-based transactions. The computation of systemic importance scores will occur annually in August-October, using end-March data, with the names of designated D-SIBs revealed in November. Banks must be prepared to submit requisite data to the RBI by August 15 each year. Additionally, the market value will be considered for reporting the 'Total Marketable Securities issued by bank.'

Systems & forensics

An Evolutionary Strategy for Leveraging Data Risk-Based Software Development for Data Integrity

The evolution of software development strategies is marked by a growing recognition of the importance of data risk-based systems development. This approach involves selecting, analyzing, cleansing, and integrating data elements to significantly reduce risk in the development process. Traditional methodologies, focused primarily on functionality and performance, may not adequately address the critical role of data elements, leading to additional costs for addressing data quality issues later in the development cycle.

Industries such as healthcare, finance, and clinical research emphasize the need for a hybrid model that integrates data risk-based development into the traditional software development life cycle (SDLC). The value of information systems is increasingly seen as dependent on the size and type of data they process, shifting the focus towards effective data risk management. To meet the rising demand for data element risk-based development, a new service known as Data Quality as a Service (DQaaS) has emerged. This service involves hiring third-party consultants specializing in data profiling tailored to industry compliance needs. It aids organizations in determining the necessity for developing new information systems, especially those requiring a data element-based approach. Regulatory expectations for data integrity are stringent, enforced through regulations such as CFR 21, HIPAA, SOX, and guidelines from WHO and European agencies. Noncompliance can result in severe consequences, necessitating the incorporation of data risk-based development to maintain compliance and reduce data integrity risk. Implementation of data risk-based development involves controls at various stages, including coding standards, code reviews, system functionalities, database integrity, input data validations, and workforce education.

A case study in clinical trials highlights the significance of data risk-based development, particularly in industries where critical data elements play a vital role.

In conclusion, the evolution towards data risk-based software development is crucial for organizations seeking to enhance data integrity, comply with regulations, and avoid costly post-development activities. The approach not only addresses the importance of critical data elements but also aligns them with the overall objectives of system functionality and performance.

ISACA Journal

The rise of employment scams in the digital age

The prevalence of employment scams has surged in the digital age, with fraudsters exploiting online platforms and social media to target job seekers. These scams often involve fake job ads posted on trusted sites like Facebook, LinkedIn, and Indeed.com, with scammers using sophisticated tactics such as spoofing to create a facade of legitimacy. The COVID-19 pandemic further fueled the resurgence of these scams, as individuals sought employment through online resources while working from home.

Fraudulent recruiters engage victims in swift and seemingly legitimate hiring processes, requesting personal information like bank details and payment preferences. Victims are then offered positions, but upon closer inspection, the companies involved are often revealed as scams. The scams persist, with Experian listing fake job postings among the top five fraud threats in 2023.

The sophistication of these scams is evident in cases where scammers impersonate legitimate companies, using information from official sources to create an illusion of authenticity. The scams often involve various techniques, such as check fraud and the use of cryptocurrencies, making it challenging for victims to detect the deceit.

The impact of employment scams extends beyond monetary losses, as fraudsters meticulously extract personally identifiable information (PII) from victims. Instances of identity theft become a significant concern, with scammers using job applications as a means to collect sensitive data, including passport and Social Security numbers.

Fraud examiners have reported an increase in direct experiences with job scams, highlighting the need for vigilance. Companies impersonated in these scams face challenges in taking legal action against fraudsters, emphasizing the importance of reporting incidents to authorities like the Federal Trade Commission (FTC) and the FBI.

In response to the rising threat, companies are implementing security protocols, educating employees about potential scams, and posting fraud alerts on career pages. The public is advised to exercise caution, conduct thorough research on job opportunities, and report any suspicious activities to authorities to curb the growing trend of employment scams in the digital era.

ACFE FRAUD MAGAZINE

Glossary

AY
Assessment Year

ACES
Automation of Central Excise and Service Tax

BIS
Bureau of Indian Standards

CBDT
Central Board of Direct Taxes

CBIC
Central Board of Indirect Taxes

LODR
Listing Obligations and Disclosure Requirements

VDF
Venture Debt Funds

DIPP
Department of Industrial Policy and Promotion

SAS
Social Audit Standards

FY
Financial year

GTA
Goods Transport Agency

ICAI
Institute of Chartered Accountants of India

ISAI
Institute of Social Auditors of India

Ind AS
Indian Accounting Standard

INR
Indian National Rupee

InvITs
Infrastructure Investment Fund

IPO
Initial Public Offering

ISSB
International Sustainability Standard Board

ITAT
Income Tax Appellate Tribunal

ITC
Input Tax Credit

ITD
Income Tax Department

ITR
Income Tax Return

KMP
Key Managerial Personnel

LLP
Limited Liability Partnership

MCA
Ministry of Corporate Affairs

PAN
Personal Account Number

QRMP
Quarterly Returns with Monthly Payments

OOC
Out of Charge

REITs
Real Estate Investment Trust

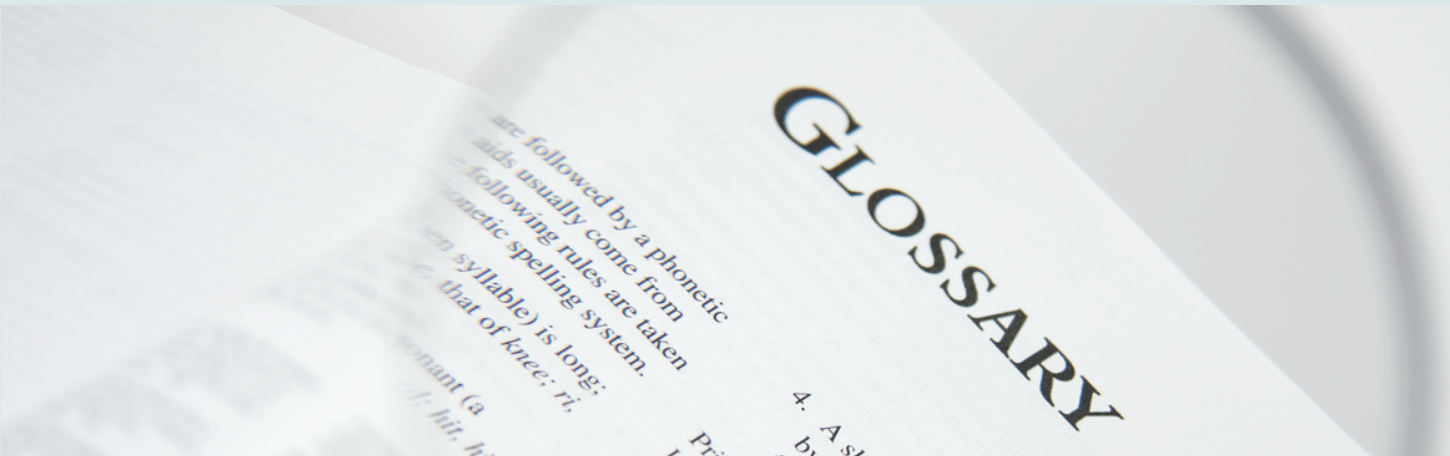
CGSS
Credit Guarantee Scheme for Startups

SEBI
Securities and Exchange board of India

SGST
State Goods and Service Tax

TCS
Tax Collected at Source

USD
United State Dollar



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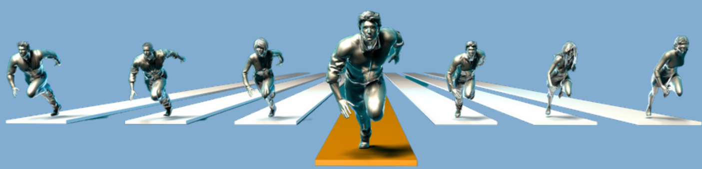

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Locations	Clients	Foreign Desk

Corporate Office

E-709, Nakul Path,
Lalkothi Scheme, Tonk Road,
Jaipur, Rajasthan, India
302015

Contact Us

info@nyca.in
+91-141-4080999, +91-88759-99988
www.nyca.in

Jaipur | Delhi | Mumbai | Bikaner