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Introduction: The Boardroom in an Era of Radical Accountability

Corporate governance across the globe is navigating an unprecedented test of credibility. High-profile corporate collapses, financial irregularities, and the swift destruction of shareholder wealth have dismantled the illusion that tick-box regulatory compliance guarantees corporate probity. In India, the era where a corporate directorship was viewed as a benign accolade or an ornamental post-retirement sinecure has decisively closed. Stepping onto a corporate board today is an onerous public commitment carrying statutory exposure, personal fiduciary accountability, and moral responsibility to diverse stakeholders.

For members of the Institute of Chartered Accountants of India (ICAI), directorships, particularly as Non-Executive and independent directors, represent a natural intersection of professional competence and public stewardship. Our training, financial literacy, auditing discipline, and foundational adherence to integrity make Chartered Accountants (CAs) indispensable leaders in modern boardrooms. We are naturally summoned to chair Audit Committees, anchor Risk Management Committees, and interpret intricate balance-sheet nuances for colleagues from non-financial disciplines.

Yet, technical competence divorced from an active ethical compass is a hazardous

Chartered Accountants and Directorships: Important Ethical and Professional Aspects

corporate vulnerability. When financial acumen is used to skirt regulations, obscure leverage, or validate aggressive accounting treatments, the damage to the corporate ecosystem is devastating. As the ICAI commemorates Global Ethics Day on 21st October 2026 under the banner “Re-centring Ethics”, our profession must engage in unsparing introspection. Re-centring ethics within directorships demands looking past mechanical adherence to law and reaffirming our foundational covenant: a Chartered Accountant in the boardroom is, above all, a trustee of the public interest.

The Fiduciary Dimension: Moving from Compliance to Conscience

Section 166 of the Companies Act, 2013, codified directors’ duties in India, mandating that a director act in good faith to promote the objects of the company for the benefit of its members as a whole, while factoring in the interests of employees, suppliers, creditors, the community, and the environment. While these statutory provisions apply uniformly across the board, the benchmark of accountability applied to a Chartered Accountant is qualitatively distinct.

Under common law doctrine, the standard of “reasonable care, skill, and diligence” is evaluated against both an objective test (what a reasonably prudent director would do) and a subjective test (the specialised knowledge, skill, and experience that the director actually possesses). Because a CA brings advanced expertise in financial systems, tax regulations, auditing standards, and corporate law, regulatory bodies such as the Ministry of Corporate Affairs (MCA), the National Financial Reporting Authority (NFRA), and

SEBI rightfully hold CA directors to an elevated standard of scrutiny:

- **The Fallacy of Passive Reliance:** While a non-financial director might plead reasonable reliance on management certificates during complex accounting crises, a CA director cannot legitimately take refuge behind such claims. We are trained to read between ledger lines, decipher off-balance-sheet structures, and interrogate valuation models. Turning a blind eye to red flags because management provided a polished presentation constitutes an ethical abdication.
- **Transcending Promoter Primacy:** India’s corporate landscape remains predominantly promoter-driven. In many boardrooms, subtle psychological pressures foster an environment where management expects deference. A CA director must possess the moral courage to resist this deference. When the short-term interests of a promoter conflict with the enterprise’s long-term sustainability, our fiduciary loyalty belongs unconditionally to the company and its non-promoter stakeholders.

Independence of Mind versus Independence in Appearance

The framework governing independent directors under Section 149(6) and Schedule IV of the Companies Act, 2013, alongside Regulation 16(1)(b) of the SEBI (LODR) Regulations, 2015, outlines exhaustive negative criteria to establish independence—precluding pecuniary relationships, familial affiliations, and cross-directorships. However, statutory rules address only the

outward architecture of independence. Genuine independence is an internal posture, not a statutory checklist.

The ICAI Code of Ethics draws an essential philosophical distinction:

- **Independence of Mind:** The state of mind that permits the expression of a conclusion without being influenced by pressures that compromise professional judgement, thereby allowing an individual to act with integrity, objectivity, and professional scepticism.
- **Independence in Appearance:** The avoidance of facts and circumstances so significant that a reasonable, informed third party would conclude that an individual's integrity or objectivity had been compromised.

In boardroom environments, independence rarely erodes in a single dramatic capitulation; it deteriorates incrementally. Over extended tenures, directors naturally build cordial ties with executive management. When a CA director begins to prioritise boardroom harmony over rigorous inquiry, independence of mind has been compromised. Re-centring ethics requires constant self-scrutiny: are we probing related-party transactions with detached scepticism, or are we deferring to management to avoid conflict?

Professional Conflicts, Capacity, and the ICAI Regulatory Framework

A Chartered Accountant assuming a directorship must navigate the conflict-of-interest rules outlined in the Chartered Accountants Act, 1949, the Chartered Accountants Regulations, 1988, and the ICAI Code of Ethics.

- **Segregation of Audit and Directorship:** The integrity of the statutory audit function is inviolable. A CA cannot serve as statutory auditor of a company while holding a directorship in the company, its holding entity, or any of its subsidiaries. Constructing advisory arrangements or shell

structures to circumvent this bar violates core professional ethics.

- **Executive versus Non-Executive Roles:** Under Regulation 190A of the Chartered Accountants Regulations, 1988, a member holding a Certificate of Practice (CoP) cannot engage in any business or occupation other than accountancy without Council permission. While serving as an Independent Director or Non-Executive Director (NED) falls within general Council permission, accepting an executive position, such as Managing Director (MD) or Whole-Time Director (WTD), involves commercial responsibilities that conflict with independent practice. Such roles require specific Council approval and usually entail surrendering active audit attest privileges.
- **The Ethical Hazard of “Overboarding”:** Accepting more board seats than one can diligently serve is a serious ethical compromise. Diligent directorship demands thorough review of board packs, examination of internal audit reports, and active participation in committees. A CA who collects board positions for prestige or

sitting fees, arriving unprepared and rubber-stamping proposals, weakens corporate governance. Diligence is an ethical obligation.

The Audit Committee: Anchoring the Corporate Conscience

The Audit Committee serves as the principal institutional shield for external investors, creditors, and the public. In practice, Chartered Accountants are routinely chosen to chair or anchor this vital committee. Here, the CA director must translate ethical theory into forensic boardroom vigilance as mentioned in the table below.

Regulatory Scrutiny and Lessons from Judicial Precedents

Regulatory authorities and Indian courts have repeatedly affirmed the accountability of independent directors. In major enforcement actions following corporate collapses and financial misstatements, regulators have rejected the argument that independent directors are passive participants immune from sanction.

Key principles established across SEBI orders, MCA actions, and appellate rulings include:

Oversight Domain	Key Governance Imperatives for the CA Director
Financial Reporting Integrity	Look past EBITDA and headline earnings. Scrutinise aggressive revenue recognition, discretionary valuation models for intangibles, changes in depreciation methods, and off-balance-sheet vehicles.
Related-Party Transactions (RPTs)	Move beyond formal certificates. Probe the commercial substance of transactions, verify arm's-length pricing through independent valuations, and ensure corporate value is not syphoned to promoter affiliates.
Empowerment of Statutory Auditors	Protect external auditor objectivity. Conduct closed executive sessions with statutory and internal auditors without executive management present, asking directly: “What adjustments did management resist?”
Internal Financial Controls (ICoFR)	Demand proof that internal financial controls operate effectively. Challenge boilerplate management representation letters and ensure identified control deficiencies are remediated swiftly.
Whistleblower Mechanisms	Oversee the vigil mechanism directly. Ensure complaints regarding accounting irregularities, fraud, or executive misconduct are investigated independently without intimidation of informants.

1. **Constructive Knowledge:** Where board papers disclose evident anomalies, or financial statements show sudden surges in unsecured advances, asset revaluations, or related-party loans, an independent director cannot plead ignorance. The law imputes knowledge where ordinary professional prudence would have revealed the issue.
2. **Duty of Affirmative Inquiry:** When confronted with adverse internal audit observations or qualified auditor opinions, a CA director must take affirmative steps to ensure corrective action. Simply asking a question and passively accepting management's reassurance does not satisfy the duty of care.
3. **Joint Fiduciary Liability:** When corporate fraud occurs with the acquiescence or gross negligence of the board, independent directors who failed to record timely objections face statutory liability, including disqualification under Section 164 of the Companies Act, monetary penalties, and reputational harm.

These precedents underscore that professional expertise elevates our stature but correspondingly magnifies our responsibility when governance breaks down.

The Anatomy of Boardroom Dissent and Resignation

One of the sharpest ethical tests for a CA director arises when management pursues transactions that breach statutory mandates, ethical norms, or stakeholder welfare.

- **The Danger of Silent Acquiescence:** In corporate law, silence constitutes consent. An uneasy silence during a contentious vote renders the director legally and morally complicit. When an issue compromises integrity, a CA director must voice clear, reasoned dissent.
- **The Discipline of the Written Record:** Dissent must be formally

recorded. The director must ensure that objections, reservations, and negative votes are minuted verbatim under Section 118 of the Companies Act. A documented dissent is both an ethical act of truth-telling and an essential legal safeguard.

- **The Moral Responsibility of Resignation:** When corporate governance suffers systemic breakdown and management repeatedly dismisses professional counsel, remaining on the board merely confers unearned credibility upon an errant management. In such cases, resignation becomes an ethical necessity.
- **Transparent Departure:** A resigning independent director must never hide governance breakdowns behind diplomatic excuses like "personal reasons" or "pre-occupation". SEBI (LODR) regulations mandate transparent disclosure of the actual reasons to stock exchanges. Concealing the truth upon exit to avoid discomfort is a final, damaging breach of public duty.

Re-Centring Ethics: A Practical Guide for CA Directors

To translate the theme of Global Ethics Day into concrete practice, every Chartered Accountant serving on a corporate board should adhere to five guiding tenets:

1. **Conduct Pre-Appointment Due Diligence:** Prior to accepting a directorship, examine the promoter's track record, governance culture, pending litigation, and past auditor turnover. Never join a board where the ethical climate is compromised.
2. **Maintain Professional Scepticism:** Exercise scepticism as a permanent habit of mind. Approach management representations with constructive inquiry, requiring empirical verification rather than eloquent slide presentations.
3. **Commit to Continuous Technical Renewal:** Modern

boardroom governance encompasses cybersecurity risks, climate disclosures, ESG frameworks (such as BRSR Core), and AI accounting systems. A CA director must continuously upgrade technical skills to provide meaningful oversight.

4. **Prioritise Substance over Form:** Do not be comforted by elaborate governance manuals, checklist compliance, and slick presentations. Scrutinise the underlying economic substance of every corporate transaction.
5. **Anchor Actions in Public Trust:** In every board deliberation, remember the unseen stakeholders: retail investors, pensioners holding debt instruments, and employees relying on the enterprise's survival. Our ultimate allegiance belongs to them.

Conclusion: Guardians of the Economic Republic

The Chartered Accountant designation is not merely a professional credential; it is an enduring covenant of trust entered into with society. When a corporate board invites a Chartered Accountant to join its ranks, it is not merely acquiring technical acumen. It is seeking the public confidence, moral authority, and professional integrity built by generations of practitioners.

As we commemorate Global Ethics Day 2026, let us resolve that in every boardroom across India, Chartered Accountants will serve as the steadfast conscience of the enterprise. By re-centring ethics in our board stewardship—choosing moral courage over comfortable conformity, transparency over expediency, and enduring principles over transient gains—we safeguard corporate resilience, preserve public capital, and uphold the highest traditions of our noble profession.

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