

**Code of Ethics
And
Disciplinary Mechanism of ICAI
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**WIRC of ICAI
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Code of Ethics

- ICAI being member of International Federation of Accountants (IFAC) has considered the Ethics standards issued by International Ethics Standards Board for Accountants (IESBA) while framing Code of Ethics for CAs.
- The existing (2009) edition of ICAI Code of Ethics is based on 2005 edition of IESBA Code of Ethics.
- ICAI Code of Ethics has been revised in January, 2019 based on 2018 edition of IESBA Code of Ethics. It is applicable from 1st April, 2020.

Existing Code of Ethics contains Two Parts

Part-A - [Based on IFAC/IESBA Code of Ethics, 2005 edition]

Chapter 1 – General application of the Code

Chapter 2 - Professional Accountants in public practice

Chapter 3 – Professional Accountants in service

Part –B - [Based on domestic Indian provisions]

Chapter 4 – Accounting and Auditing standards

Chapter 5 – The Chartered Accountants Act, 1949

Chapter 6 – Council Guidelines

Chapter 7 – Self Regulatory Measures Recommended by the Council

Appendices A – F

General Application of Code – Fundamental Principles

A professional accountant is required to comply with the following fundamental principles:

- (a) Integrity** – Being straightforward and honest in all professional relationships.
- (b) Objectivity** – Not allow bias, conflict of interest or undue influence of others to override professional judgments.
- (c) Professional Competence and Due Care** – Maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques
- (d) Confidentiality** – The confidentiality of information acquired - should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and employment relationships should not be used for the personal advantage of the professional accountant or third parties.
- (e) Professional Behaviour** – Should comply with relevant laws and regulations and should avoid any action that discredits the profession.

Threats in Compliance of Fundamental Principles

- (a) Self-interest threats**, which may occur as a result of the financial or other interests of a professional accountant or of a relative
- (b) Self-review threats**, which may occur when a previous judgment needs to be re- evaluated by the professional accountant responsible for that judgment
- (c) Advocacy threats**, which may occur when a professional accountant promotes a position or opinion to the point that subsequent objectivity may be compromised
- (d) Familiarity threats**, which may occur when, because of a relationship, a professional accountant becomes too sympathetic to the interests of others
- (e) Intimidation threats**, which may occur when a professional accountant may be deterred from acting objectively by threats, actual or perceived.

Safeguards for the Threats

(A) Safeguards created by the profession, legislation or regulation include, but are not restricted to:

- (a) Educational, training and experience requirements for entry into the profession.
- (b) Continuing professional development requirements.
- (c) Corporate governance regulations.
- (d) Professional standards.
- (e) Professional or regulatory monitoring and disciplinary procedures.
- (f) External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant.

Safeguards for the Threats

(B) Safeguards in the work environment – Firm wide safeguards :

- Compliance with the fundamental principles.
- Act in the public interest.
- Documented Policies and procedures :
 - To implement and monitor quality control of engagements.
 - Regarding the identification of threats.
 - Identification and the application of safeguards.
 - For assurance engagements - documented independence policies.
 - Requiring compliance with the fundamental principles.
 - To enable the identification of interests or relationships between the firm or members of engagement teams and clients.
 - To monitor and manage the reliance on revenue received from a single client.
 - For Using different partners and engagement teams with separate reporting lines
 - To prohibit individuals who are not members of an engagement team from inappropriately influencing the outcome of the engagement.

Safeguards for the Threats

- Timely communication of a firm's policies and procedures, including any changes to them, to all partners and professional staff, and appropriate training and education on such policies and procedures.
- Designating a member of senior management to be responsible for overseeing the adequate functioning of the firm's quality control system.
- Advising partners and professional staff of those assurance clients and related entities from which they must be independent.
- A disciplinary mechanism to promote compliance with policies and procedures.
- Published policies and procedures to encourage and empower staff to communicate to senior levels within the firm any issue relating to compliance with the fundamental principles that concerns them.

Safeguards for the Threats

Engagement-specific safeguards in the work environment may include:

- Involving an **additional professional** accountant to review the work done or otherwise advise as necessary.
- **Consulting an independent third party**, such as a committee of independent directors, a professional regulatory body or another professional accountant.
- **Discussing ethical issues** with those charged with governance of the **client**.
- Disclosing to those charged with governance of the client the nature of services provided and extent of fees charged.
- Rotating senior assurance team personnel.

Safeguards within the **client's systems and procedures** may include:

- When a client appoints a firm in public practice to perform an engagement, persons other than management ratify or approve the appointment.
- Competence of Client's employees with experience & seniority to make managerial decisions.
- The client has implemented internal procedures that ensure objective choices in commissioning non assurance engagements.
- The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services.

Application of Conceptual Framework by Professional Accountants in Public Practice in Important Circumstances

- Professional Appointment
 - Client Acceptance - Council Guidelines on KYC for Clients.
 - Engagement Acceptance – Whether engagement can be accepted ?
 - Changes in a Professional Appointment – Communication with previous Auditors.
- Conflicts of Interest – Undertaking engagements in competing Clients or having interest in competing entity.
- Second Opinions – Overdependence leading to compromising objectivity and professional competence.
- Fees and Other Types of Remuneration – Excessive Fees from single client or their Group.
- Marketing Professional Services
- Gifts and Hospitality
- Custody of Client Assets

Application of Conceptual Framework by Professional Accountants in Service in Important Circumstances

Potential Conflicts

Preparation and Reporting of Information

Acting with Sufficient Expertise

Financial Interests

Inducements

Major Changes in Code of Ethics 2019

Five most important structural changes in new Code

- Independence requirements for Audit and Review Engagements and other Assurance engagements differentiated
- Independence sections recharacterized as “*International Independence Standards*”
- Change in the drafting conventions e.g. “should” to “shall”
- New pattern of structuring of sections – Requirements distinguished
- Increased clarity of responsibility for compliance - Firms, network firms, individuals within firms

Changes from IESBA Code

Changes made fall under following broad heads:-

- Where domestic provision stricter than corresponding IESBA provision e.g. total bar on Accounting by the Statutory Auditor
- Where domestic legal requirement governs the issue e.g. “Network” would only refer to Network registered with ICAI
- Where a domestic requirement has no corresponding provisions in IESBA Code e.g. Firm Rotation
- Language changes – for example, “professional accountant in business” mentioned as “professional accountant in service” as per Chartered Accountants Act, 1949

Overview of the structure of new Code of Ethics i.e 2019

**Part 1 (Applicable to all Professional Accountants)
Complying with the Code, Fundamental Principles and Conceptual Framework**

**Part 2
Professional Accountants in Business**

**Part 3
Professional Accountants in Public Practice**

International Independence Standards (Parts 4A & 4B)
Part 4A—Independence for Audits & Reviews (Sections 400 to 899)
Part 4B—Independence for Other Assurance Engagements (Sections 900 to 999)

Glossary (All Professional Accountants)

Major Changes in Code of Ethics 2019

Non-Compliance with Laws and Regulations (NOCLAR)

- While providing a professional service to a client or for an employer, a Professional Accountant may come across an instance of non-compliance with laws and regulations (NOCLAR) or suspected NOCLAR committed or about to be committed **by the client or the employer**, or by those charged with governance, management or employees of the client or employer.
- Accepting that Professional Accountant has a prima facie ethical responsibility to not turn a blind eye to the matter, NOCLAR was introduced to guide him to deal with the situation considering how best to serve the public interest in these circumstances.
- Laws and regulations having nexus to PAs' professional training and expertise, i.e.:
 - Having direct effect on the determination of material amounts and disclosures in the financial statements
 - Compliance of which fundamental to the entity's business
 - Compliance necessary to avoid material penalties.
- As per IESBA, following examples would be covered in NOCLAR:-
 - Fraud, corruption and bribery, Money laundering, terrorist financing and proceeds of crime
 - Securities markets and trading, Banking and other financial products and services
 - Data protection, Environmental protection, Public health and safety
 - Tax and pension liabilities and payments

Major Changes in Code of Ethics 2019

Non-Compliance with Laws and Regulations (NOCLAR) contd..

- Following matters not in scope of NOCLAR:-
 - Clearly inconsequential
 - Personal misconduct unrelated to the business activities
 - Non-compliance other than by the client or employer
- PA to address NOCLAR only when, and if, he encounters the same **in the course of providing a professional service to a client**
- In 2019 Code, it has been initially made applicable to Auditors/Employees of Listed entities in India.

Independence Standards

- 2009 Code contains Section 290 (*“Independence – Assurance Engagements”*)
- 2019 edn. based on 2018 IESBA Code introduces Parts 4A /4B :-
 - Part 4A : Independence for Audit and Review Engagements*
 - Part 4B : Independence for Assurance Engagements other than Audit and Review*
- 4A and 4B christened as “Independence Standards”, as against “Section” earlier.

Major Changes in Code of Ethics 2019

Taxation services to the Audit clients

- **ICAI Code Ethics, 2009** : Taxation to Audit client include compliance, planning, provision of formal taxation opinions and assistance in the resolution of tax disputes. Such assignments are generally not seen to create threats to independence
- **ICAI Code of Ethics, 2019 (604)** : Further guidance on Taxation matters provided. Generally, it states that providing tax services to an audit client might create a self review or advocacy threat –
 - **Tax Return preparation** – Usually no threat
 - **Tax Calculations for the Purpose of Preparing Accounting Entries (that will subsequently be audited by the Firm)** - Creates a self-review threat
 - **Tax Planning /Other Tax Advisory Services** - Might create self-review/advocacy threat- appropriate safeguards to be adopted, E.g. Using professionals who are not audit team members to perform the service; having an appropriate reviewer, not involved in providing the service, review the audit work etc.
 - **Tax Services Involving Valuations-** Might perform only where the result of the valuation will not have a direct effect on the financial statements
 - **Assistance in the Resolution of Tax Disputes** - Might create a self- review or advocacy threat – appropriate safeguards to be adopted – Not to provide if involves acting as advocate for the audit client OR amounts involved are material to the financial statements on which the firm will express an opinion

Major Changes in Code of Ethics 2019

Documentation

- 2009 Code requires Firms to document their conclusions regarding compliance with independence requirements
- In the 2019 Code, the requirements of Documentation given in greater detail
- NOCLAR requires all steps in responding with NOCLAR to be documented

Fees – Relative Size

- In the revised Code, where for two consecutive years, total gross annual professional fees from the audit client and its related entities represent more than 15% of total fees, the firm shall disclose to Those charged with Governance (TCWG)
- No such ceiling on total fees of the Firm would be applicable where such fees does not exceed Rs. 5 Lakhs
- No such ceiling on the total fees would be applicable in the case of audit of government Companies, public undertakings, nationalized banks, public financial institutions or Government appointments.

Criteria of Indebtedness

- IESBA Code of Ethics, 2018 brought concept of materiality of Loans and Guarantees. Whether a loan or guarantee is material would depend on combined net worth of the individual and his immediate family members
- Concept adopted in ICAI Code of Ethics, 2019

(The Chapter X of Council General Guidelines , 2008 proposed to be repealed with revision of Part-B of Code of Ethics)

Major Changes in Code of Ethics 2019

- In the revised Code, the application of safeguards is required, when necessary, to eliminate threats or to reduce them to **‘an acceptable level’ (level which a reasonable and informed third party would conclude, is acceptable)**. Previously safeguards had to be considered if a threat was other than **“clearly insignificant”**

Public Interest Entity

- 2019 edition contains a new term “Public Interest Entity” (PIE)
- Enhanced independence requirements for PIE in the new Code
- Definition of PIE , as given in IESBA Code of Ethics extended by inclusion of banks and insurance companies in the 2019 Code
- Firms encouraged to determine whether to treat an additional entities as PIE because of large number of stakeholders.

Inducements - Gifts and Hospitality

- Inducements elaborated
- To first see whether prohibited by Laws and Regulations
- Offering also prohibited
- Reasonable and Informed Third Party test – To see whether it is with the intent to improperly influence the behavior of the recipient or of another individual.
- Clarifications about appropriate boundaries for offering and accepting of inducements
- Extended to PAs in service also
- Total prohibition in case of Audit/Assurance clients to continue

Part B

➤ Accounting and Auditing Standards

- Statements , Standards and Guidance Notes.

➤ The Chartered Accountants Act, 1949 – Relevant Provisions

- Members who are deemed to be in practice
- Significance of the certificate of Practice
- A Member in practice is prohibited from using a designation other than Chartered Accountant.
- Disabilities for purpose of Membership
- Removal from the Register
- Procedure in Inquiries for Disciplinary Matters relating to misconduct of the members of the Institute
- Conduct of the members in any other Circumstances
- Penalty for falsely claiming to be a Member etc.
- Companies not to engage in accountancy
- Unqualified persons not to sign documents
- Maintenance of Branch Offices
- Procedure with regard to noting by the Institute of retirement of Partner(s) of a firm

Quality Assurance Mechanism in ICAI

➤ **Quality Review Board (QRB)**

- Set up by Section 28A of CA Act.
- Consists of 11 Members. Chairperson and 5 members nominated by Govt.
- 5 Members nominated by Council.
- To Review quality of services by members, recommendations to ICAI, Guidance to members.
- QRB Team can visit Firms.

➤ **Financial Reporting and Review Board (FRRB)**

- Non Standing Committee of ICAI.
- Only Council Members. No co-opted members.
- Review of Financial Reporting by Members, recommendations to ICAI, Guidance to members
- Review on the basis of published accounts and additional documents, if required.

➤ **Peer Review Board (PRB)**

- Non Standing Committee of ICAI.
- To ensure that in carrying out the assurance service assignments, the members
 - (a) comply with Technical, Professional and Ethical Standards including other regulatory requirements
 - (b) have in place proper systems including documentation thereof.
- Members appointed by Board as Reviewers- visit practice units and carry out Review.
- Certificate issued after satisfactory completion of Review.

➤ **Taxation Audits Quality Review Board -**

- New Non standing Committee formed to perform Review of Taxation Audit reports in line with FRRB.

Disciplinary Authorities in ICAI

➤ **Disciplinary Directorate (Section 21)**

- Headed by an officer of the Institute designated as Director (Discipline)
- Employees for making investigations in respect of any information or complaint received by it.

➤ **Board of Discipline (Section 21A)**

- President or the Vice-President of the Council as the Presiding Officer
- One Elected Council Member
- Person of eminence having experience in the field of law, economics, business, finance or accountancy nominated by Govt.

➤ **Disciplinary Committee (Section 21B)**

- Presiding Officer appointed by Council - person with experience in law and having knowledge of disciplinary matters and the profession (President, Vice President or Senior Council Member)
- Two Elected Council Members
- Two members to be nominated by the Central Government from amongst the persons of eminence having experience in the field of law, economics, business, finance or accountancy
- The Council may constitute more Disciplinary Committees

➤ **Appellate Authority (Section 22A)**

- Central Government shall, by notification, constitute an Appellate Authority.
- A person who is or has been a judge of a High Court, to be its Chairperson
- Two members to be appointed from amongst the persons who have been members of the Council for at least one full term and who is not a sitting member of the Council.
- Two members to be nominated by the Central Government from amongst persons having knowledge and practical experience in the field of law, economics, business, finance or accountancy

Part B

➤ Part – I of The First Schedule :

Professional Misconduct in relation to Chartered Accountants in practice

A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he:-

Clause (1): Allowing Non CA to practice in his name :-

allows any person to practice in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by him;

- To safeguard the public against unqualified accountants.
- Duty of Members not to allow such persons to practice, if in their knowledge.

Part B

➤ Part – I of The First Schedule :

Clause (2): Sharing Fees or Profits with Non CAs:-

pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than -

- a member of the Institute or a partner or a retired partner or
- the legal representative of a deceased partner, or
- a member of any other professional body or
- with such other persons having such qualifications as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

Explanation: In this item “partner” includes a person residing outside India with whom a chartered accountant in practice has entered into partnership which is not in contravention of item (4) of this part

- Regulation 53(A) – Other Professional Bodies- ICSI, ICWAI, Bar Council, Indian Institute of Architects, Indian Institute of Actuaries. Persons Qualified- BE, B.Tech, LL.B., M.B.A. from recognised University..
- Goodwill of the Proprietary Concern can be sold/transferred to another eligible member after the death of the Proprietor.

Part B

➤ Part – I of The First Schedule

Clause (3): Receiving Share in Profits from Non CA

accepts or agrees to accept any part of the profits of the professional work of a person who is not a member of the Institute; Provided that nothing herein contained shall be construed as prohibiting a member from entering into profit sharing or other similar arrangements, including receiving any share commission or brokerage in the fees, with a member of such professional body or other person having qualifications, as is referred to in item (2) of this Part;

Clause (4): Entering in Partnership with Persons other than CAs in practice :-

enters into partnership, in or outside India, with any person other than a chartered accountant in practice or such other person who is a member of any other professional body having such qualifications as may be prescribed, including a resident who but for his residence abroad would be entitled to be registered as a member under Clause (v) of sub-Section (1) of Section 4 or whose qualifications are recognised by the Central Government or the Council for the purpose of permitting such partnerships

Persons Qualified- CS, CWA, Actuary, Architect, Advocate, BE, B.Tech, M.B.A. from respective recognised Institutions / University. However, Multi Disciplinary Partnerships not approved by Institute.

Part B

➤ Part – I of The First Schedule

Clause (5): Securing Professional Business by non permitted means :-

secures, either through the services of a person who is not an employee of such chartered accountant or who is not his partner or by means which are not open to a chartered accountant, any professional business:

Provided that nothing herein contained shall be construed as prohibiting any arrangement permitted in terms of items (2), (3) and (4) of this Part;

Clause (6): Solicitation of Professional Work :-

solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means; Provided that nothing herein contained shall be construed as preventing or prohibiting—

- (i) any chartered accountant from applying or requesting for or inviting or securing professional work from another chartered accountant in practice;
- (ii) a member from responding to tenders or enquiries issued by various users of professional services or organisations from time to time and securing professional work as a consequence;

Part B

➤ Part – I of The First Schedule

Clause (6): Solicitation of Professional Work :-

Important Guidelines/ Announcements

- Advertisement Guidelines published in November, 2009 Journal.
- Website Guidelines issued by Council.
- Restriction on manner of entries in Directories.
- Council Guidelines for responding to Tenders issued on 7th April, 2016

Issues:

- Press Advertisement for changes in partnership, address etc., giving actual facts- Allowed.
- Giving Public interviews; may be mentioning details about him/ his firm, not leading to Advertisement - Allowed. (should not highlight professional attainments).
- Publication of Books or Articles – Allowed – Association with CA firm can not be disclosed.
- Greeting Cards, Invitations- Generally allowed.

Part B

➤ Part – I of The First Schedule

Clause (7): Advertisement of Professional and Other Achievements :-

advertises his professional attainments or services, or uses any designation or expressions other than chartered accountant on professional documents, visiting cards, letter heads or sign boards, unless it be a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of the Institute of Chartered Accountants of India or of any other institution that has been recognised by the Central Government or may be recognised by the Council;

Provided that a member in practice may advertise through a write up, setting out the services provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council;

- ICAI Diploma can be mentioned on card; not certificate course.
- Eg. Descriptions like ' President of Rotary Club' etc. should not be used on Professional stationery.
- Guidelines on Advertisement by Write ups 14th May, 2008. Write ups should not be claiming superiority , not be indecent, sensational, should not contain testimonials or endorsements, should not include the names of the clients, font size not more than 14, should not contain any information about achievements/award or any other position held.

Part B

➤ Part – I of The First Schedule

Clause (8): Non Communication with Previous Auditor :-

accepts a position as auditor previously held by another chartered accountant or a certified auditor who has been issued certificate under the Restricted Certificate Rules, 1932 without first communicating with him in writing;

- Applicable to all types of audits.
- Communication by hand Delivery with Acknowledgement or Registered AD Post only allowed.
- Position previously held by CA (and not previous year's CA) for same or similar assignment comprising same/similar scope.

Council General Guidelines, 2008

A member of the Institute in practice shall not accept the appointment as auditor of an entity in case the undisputed audit fee of another Chartered Accountant for carrying out the statutory audit under the Companies Act, 1956 or various other statutes has not been paid: Provided that in the case of sick unit, the above prohibition of acceptance shall not apply.

Explanation 1: For this purpose, the provision for audit fee in accounts signed by both - the auditee and the auditor shall be considered as "undisputed" audit fee.

Explanation 2: For this purpose, "sick unit" shall mean where the net worth is negative.

It will be Mis-conduct as per Clause 1, Part-II of Second Schedule.

Part B

➤ Part – I of The First Schedule

Clause (9): Accepting Audit Appointment without ascertaining Company Law compliance :- accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956 (1 of 1956), in respect of such appointment have been duly complied with;

Council Guidelines:

- Ensure that the notice was properly served on the members & outgoing auditors.
- Obtaining copy minutes duly verified & signed by Chairman.

Clause (10): Charging Fees on the basis of Percentage or Contingencies :-

charges or offers to charge, accepts or offers to accept in respect of any professional employment, fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulation made under this Act; - Ref. Regulation 192:

- Receiver, Liquidator- Realisation of Assets, Valuer-Value of Asset, Debt Recovery Services- Amount of Debts recovered, Cost optimisation Services- Benefits derived.
- Auditor of Co-op. Societies- Working Capital , Gross/Net Profit.
- Any other Service or Audit as may be decided by the Council.

Part B

➤ Part – I of The First Schedule

Clause (11): Engaging business/occupation other than CA :-

engages in any business or occupation other than the profession of chartered accountants unless permitted by the Council so to engage: Provided that nothing contained herein shall disentitle a chartered accountant from being a director of a Company, (not being a managing director or a whole time director), unless he or any of his partners is interested in such company as an auditor;

Regulation 190 A & Appendix 9 to CA Regulations, 1988. (Illustrative list)

General Permission-

- Employment with CA Firm, Private Tutorship, Author of Books & Articles, Holding Public Offices like MLA/MP etc., Honorary Office bearer in Charitable, Educational or Other Non Profit Organisation, Notary, SEM, Valuation of Papers, Paper setters, Examiners etc., part time tutor in coaching organisation of Institute, Editorship of Professional Journals.
- Acting as Loss Surveyor under Insurance Act, Recovery consultant in Banks.
- Owning Agricultural land and carrying agricultural activity.

Special Permission :

- Lecturer in University/Colleges- Total direct teaching hours should not exceed 25 hours.
- Editorship other than Prof Journals, Mg. Director, Whole time Director of Company with no interest.

Part B

➤ Part – I of The First Schedule

Clause (12): Allowing Persons other than practicing CA to sign on his behalf:-

allows a person not being a member of the Institute in practice, or a member not being his partner to sign on his behalf or on behalf of his firm, any balance- sheet, profit and loss account, report or financial statements.

Council Clarification: Delegation allowed where professional opinion/authentication not required – Issue of Audit Queries, Forwarding Observations , Asking information etc. during Audit.

Part – II of The First Schedule :

Professional Misconduct in relation to Chartered Accountants in Service

A member of the Institute (other than a member in practice) shall be deemed to be guilty of professional misconduct, if he being an employee of any company, firm or person —

Clause (1): Sharing Emoluments :-

pays or allows or agrees to pay directly or indirectly to any person any share in the emoluments of the employment undertaken by him;

Clause (2): Accepting part of Fees etc from Professional engaged by employer company :- accepts or agrees to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such Company, firm or person or agent or customer of such Company, firm or person by way of commission or gratification;

Part B

➤ Part – III of The First Schedule :

Professional Misconduct in Relation to Members of the Institute Generally

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he:-

- Clause (1): not being a fellow of the Institute, acts as a fellow of the Institute.
- Clause (2): does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority;
- Clause (3): While inviting professional work from another chartered accountant or while responding to tenders or enquiries or while advertising through a write up, or anything as provided for in items (6) and (7) of Part I of this Schedule, gives information knowing it to be false.

Part B

➤ Part – IV of The First Schedule :

Other misconduct in relation to members of the Institute generally

A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he—

Clause (1): is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term not exceeding six months;

The members who are held guilty by a Court of law for an offence punishable upto six months in person are also liable for misconduct.

Clause (2): in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work.

The Council has been empowered to opine on any action of a member which brings the Institute or profession in disrepute as misconduct.

Part B

➤ Part – I of The Second Schedule :

Professional misconduct in relation to chartered accountants in practice:

A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he-

Clause (1): Disclosure of information without consent of Client :-

discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client or otherwise than as required by any law for the time being in force;

Clause (2): Submitting Report without verification of Financial Statements :-

certifies or submits in his name, or in the name of his firm, a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice;

Clause (3): Certifying Estimated Earnings :-

permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast;

Ref : SAE 3400 on The Examination of Prospective Financial Information.

Part B

➤ Part – I of The Second Schedule :

Clause (4): Audit of Concern in which having substantial interest :-

expresses his opinion on financial statements of any business or enterprise in which he, his firm or a partner in his firm has a substantial interest;

Appendix 9 to CA Regulations, 1988 - Substantial Interest

a member shall be deemed to have a “substantial interest” in a concern –

- (i) in a case where the concern is a Company, if its shares (not being shares entitled to a fixed rate of dividend whether with or without a further right to participate in profits) carrying not less than twenty per cent of voting power at any time, during the relevant years are owned beneficially by such member or by any one or more of the following persons or partly by such member and partly by one or more of the following persons: (a) One or more relatives of the member; (b) Any concerns in which any of the persons referred to above has a substantial interest;
- (ii) in the case of any other concern, if such member is entitled or the other persons referred to above or such member and one or more of the other persons referred to above are entitled in the aggregate, at any time during the relevant years to not less than twenty percent of the profits of such concern.

Part B

➤ Part – I of The Second Schedule :

Clause (5): Failure to disclose material facts :-

fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity;

Clause (6): Failure to report material misstatement :-

fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity;

Clause (7): Grossly Negligent :-

does not exercise due diligence, or is grossly negligent in the conduct of his professional duties;

Part B

➤ Part – I of The Second Schedule :

Clause (8): Failure to obtain sufficient information :-

fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion;

Clause (9): Failure to report material departures in accounts :-

fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances;

Clause (10): Failure to keep client's money in separate A/c or using the same for its purpose:-

fails to keep moneys of his client other than fees or remuneration or money meant to be expended in a separate banking account or to use such moneys for purposes for which they are intended within a reasonable time.

Part B

➤ Part – II of The Second Schedule :

Professional Misconduct in relation to Members of the Institute generally.

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he:-

- Clause (1): contravenes any of the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council
- Clause (2): being an employee of any company, firm or person, discloses confidential information acquired in the course of his employment except as and when required by any law for the time being in force or except as permitted by the employer;
- Clause (3): includes in any information, statement, return or form to be submitted to the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false;
- Clause (4): defalcates or embezzles moneys received in his professional capacity.

Part B

The Regulations under which cases of contravention have generally come to the notice of the Council are the following:

Regulation 43 Engagement of Articled Assistant

Regulation 46 Registration of Articled Assistant

Regulation 47 Premium from Articled Assistant

Regulation 48 Stipend to Articled Assistant

Regulation 56 Termination or assignment of Articles

Regulation 65 Articled Assistant not to engage in any other occupation

Regulation 67 Complaint against the employer (From Articled Assistant)

Regulation 68 to 80 Audit Assistant

Regulation 190 Register of offices and firms

Regulation 190A Chartered Accountants not to engage in any other business or occupation

Regulation 191 Part time employments a Chartered Accountant may accept

Regulation 192 Restriction on fees

Part B

➤ Part – III of The Second Schedule :

Other Misconduct in relation to members of the Institute generally

A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct,

if he is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term exceeding six months.

If a member of the Institute, whether in practice or not, is held guilty by any Court for any offence which is punishable with imprisonment for more than six months, he shall be held guilty of 'misconduct' under this Clause.

Part B

➤ Council Guidelines

▪ Council General Guidelines

- Conduct of a Member being an employee
- Appointment of a Member as Cost auditor
- Opinion on financial statements when there is substantial interest
- Maintenance of books of account
- Tax Audit assignments under Section 44 AB of the Income-tax Act, 1961
- Appointment of an Auditor in case of non-payment of undisputed fees
- Specified number of audit assignments
- Appointment as Statutory auditor
- Appointment of an auditor when he is indebted to a concern
- Directions in case of unjustified removal of auditors
- Minimum Audit Fee in respect of Audit

Part B

➤ **Council Guidelines**

- Guidelines for Advertisement
- Corporate Form of Practice Guidelines
- Council Guidelines for conversion of CA Firms in LLP
- CA/ CA Firm Website Guidelines
- Council Guidelines in respect of use of designation and printing of Letter heads & Visiting cards.
- CA Logo Guidelines.

➤ **Self Regulatory Measures recommended by the Council**

- Branch Audits
- Joint Audit
- Ratio Between Qualified and Unqualified Staff
- Disclosure of Interest by Auditors in other Firms
- Ceiling on the Fees
- Recommended scale of fees chargeable for the work done by the members of the Institute.

➤ **Announcements by ESB**

➤ **Clarifications by ESB**

Recent Decisions/Announcements of Ethical Standards Board

- A CA Firm may register itself on Udyog Aadhar, a web portal of Ministry Micro, Small and Medium Enterprises.
- There is no prohibition for internal auditor of a company to acquire/purchase shares of the said Company.
- It is not permissible for a member to use WhatsApp to send messages to make people aware about his practice, and mention the services provided therein.
- A Chartered Accountant in practice being Director Simplificitor in a Company cannot sign ROC Forms of the Company as it is a direct conflict of role.
- A Chartered Accountant in practice can act as Authorized Representative of a Foreign Company, provided he is not the auditor of the said Company.
- It is permissible for two or more Chartered Accountants in practice collectively to have joint training session for their clients on GST, and share the fees collected from the clients thereof.
- A chartered accountant in practice can provide services through kiosk only if the services provided are professional activities of a practicing chartered accountant, permitted under the Act.
- In case where Chartered Accountant in practice is a non-executive director in a company, he or a Firm in which he is a partner, should not accept the appointment as a statutory auditor of a Company which is a joint venture of the original Company, as it would impact independence.

Recent Decisions/Announcements of Ethical Standards Board

- A Chartered Accountant in practice may be an equity research adviser, but he cannot publish retail report, as it would amount to other business or occupation.
- A Chartered Accountant, who is a member of a Trust, cannot be the auditor of the said trust.
- A Chartered Accountant in practice may engage himself as Registration Authority (RA) for obtaining digital signatures for clients.
- A Chartered accountant can hold the credit card of a bank when he is also the auditor of the bank, provided the outstanding balance on the said card does not exceed Rs 10000 beyond the prescribed credit period limit on credit card given to him.
- A Chartered Accountant in practice is not permitted to accept audit assignment of a bank in case he has taken loan against a Fixed Deposit held by him in that bank.
- A chartered accountant cannot exercise lien over the client documents/records for non-payment of his fees.
- It is not permissible for CA Firm to print its vision and values behind the visiting cards, as it would result in solicitation and therefore would be violative of the provisions of Clause (6) of Part-I of First Schedule to the Chartered Accountants Act, 1949.
- It is not permissible for chartered accountants in practice to take agencies of UTI, GIC or NSDL.
- It is permissible for a member in practice to be a settlor of a trust.

Recent Decisions/Announcements of Ethical Standards Board

- Members in practice engaged in Coaching/Teaching activities are advised to abstain from advertising their association with Coaching /teaching activities through hoardings, posters, banners and by any other means, failing which they may be liable for disciplinary action, as per the provisions of Chartered Accountants Act, 1949 and Rules /Regulations framed thereunder .
- The Council of ICAI approved the KYC Norms which are mandatory in nature and shall apply in all assignments pertaining to attest functions.
- Certain decisions on GST Practice (Ref. FAQs on ethical issues relating to GST dt. 15.11.2017)
 - The member /Firm can conduct training through seminars etc. on GST but only invite its existing clients to such training programmes.
 - He can send presentation on GST /write-up on GST only to existing clients, and to a proposed client if an enquiry was received from the proposed client with regard to the same.
 - In terms of provisions of Clause (7) of Part-I of First Schedule to The Chartered Accountants Act, 1949, it is not permissible for a member to mention himself as GST Consultant.
 - A member can share GST updates, mentioning himself as “CA” with individual name, provided the communication is limited to providing updates. Mention of Firm name is not allowed.
 - member can publish testimonials /appreciation letters received by him with regard to GST Training assignments on CA Firm website, but not on social media like Facebook, LinkedIn etc.
 - GST training can be provided to the existing clients. In case of non-clients, training can be provided only if the member is invited to provide such training.

Tell me and I forget.

Teach me and I remember.

Involve me and I learn.

- Benjamin Franklin

THANK YOU !!

.....for helping me Learn