



**TRAINING PROGRAMME FOR PEER REVIEWERS BY WIRC OF ICAI.
13-01-2023**

Compliance with Ethical Standards

**ETHICAL STANDARDS
FUNDAMENTAL PRINCIPLES**

By CA C.N.VAZE

Source of Code Of Ethics....

- Ethics are as old as human civilization
- Taittreeya Upanishad
 - Satyam Vada – Speak the truth
 - Dharmam Chara – Follow the rules of the religion(perform duty);
and
 - Swadhyayan-Ma-Pramadah – Do not commit default in self-study (This is our CPE).

COE is nothing but elaboration of these principles

Fundamental Principles

1. Integrity : Straightforwardness and Honesty.
2. Objectivity : Professional judgment not affected by bias, conflict of interest or undue influence.
3. Professional competence and due care:
 - Knowledge and skill
 - Correct Technical and Professional Standards
 - Act diligently in accordance with professional and technical standards
4. Confidentiality
5. Professional Behaviour - Laws and Regulations.

Threats to compliance

- Identify the threats
- Evaluate the threats
- Addressing the threats
- Actions to eliminate threats
- Safeguards against threats

Threats

- a. Self Interest threats
- b. Self –review threat
- c. Advocacy Threats:
 - Promoting the interests of or shares in or client
 - Advocate on behalf of client
 - Lobbying in favour of a legislation on behalf of a client
- d. Familiarity Threats – Close immediate relationship
- e. Intimidation threats

Examples of safeguards

1. Assigning additional a time and qualified personnel – might address self-interest threat
2. Having an appropriate reviewer – who is not a member of the team review the work or advise – might address self-review threat
3. Using different partners and engagement teams with separate reporting lines for provisions of non-assurance service to an assurance client – might address safe review advocacy and familiarity threat.
4. Involving another firm to perform or re-perform part of the engagement – might address all five threats
5. Separating teams – for confidential work – might address a self interest threat.

Considerations for audit and other engagements

1. Independence:

- Independence of mind
- Independence of appearance (Independence Standards newly inserted)

2. Professional skepticism

3. KYC for all types of entities (Individual, Corporate entity – Non Corporate entity)

4. For corporate entities – also obtain Regulatory information apart from a Business description.

Other Standards

- Sec. 321 - Second opinion
- Sec. 330 - Fees and other types of remuneration.
- Sec. 340 - Inducements, including gifts and hospitality.
- Sec. 350 - Custody of client assets
- Sec. 360 - NOCLAR

INDEPENDENCE STANDARDS

- Sec.400 - Conceptual Frame Work – To Independence for Audit and Review Engagement
- Sec. 410 - Fees
- Sec. 411 - Compensation and Evaluation policies
- Sec. 420 - Gifts and Hospitality
- Sec. 430 - Actual and Threatened Litigation
- Sec. 510 - Financial Interests
- Sec. 511 - Loans and Guarantees
- Sec. 520 - Business Relationships

INDEPENDENCE STANDARDS (Contd.)

- Sec. 521 - Family and Personal Relationship
- Sec. 522 - Recent service with an Audit Client
- Sec. 523 - Servicing as a Director or Officer of an audit client.
- Sec. 524 - Employment with an Audit Client.
- Sec. 525 - Temporary Personnel Assignments
- Sec. 540 - Long Association of Personnel (Including Partner Rotation) with an audit client
- Sec 550 Auditor Rotation

Provision of Non assurance services to an audit client

- Sub Sec. 601 Accounting and Book Keeping services
- Sub Sec. 602 Administrative Services
- Sub Sec. 603 Valuation Services
- Sub Sec. 604 Tax Services
- Sub Sec. 605 Internal Audit Services
- Sub Sec. 606 Information Technology Systems services
- Sub Sec. 607 Litigation Support Services
- Sub Sec. 608 Legal Services
- Sub Sec. 609 Recruiting Services
- Sub Sec. 610 Corporate Finance Services.

PART 4B

- INDEPENDENCE FOR ASSURANCE ENGAGEMENTS (other than Audit and Review Engagements)



Thank You