



CODE OF ETHICS

***- OVERVIEW &
SIGNIFICANT CHANGES***

- CA. Rahul Parikh

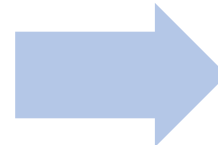
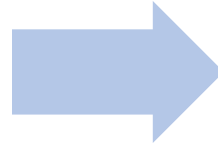
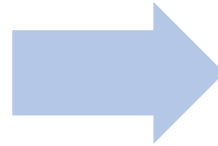
Code of Ethics – Overview

Effective till 30th June 2020

Code of Ethics, 2009 – Part A

Code of Ethics, 2009 – Part B

No such part



Effective from 1st July 2020

Code of Ethics, 2019 – Volume I

Code of Ethics, 2019 – Volume II

Code of Ethics, 2019 – Volume III
(Updated relevant Disciplinary
Case laws)

Detailed overview of the old and the revised edition is elucidated in subsequent slides

Overview of the structure of Code of Ethics, 2009

Code of Ethics, 2009 – 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

Code of Ethics, 2009 – 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

Overview of the structure of Code of Ethics, 2019

Code of Ethics, 2019 – Volume I

- ❑ Part 1 (Applicable to all Professional Accountants) - Complying with the Code, Fundamental Principles and Conceptual Framework
- ❑ Part 2 - Professional Accountants in Service
- ❑ 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)

Code of Ethics, 2019 – Volume II

- ❑ Chapter – 1 – Accounting and Auditing Standards
- ❑ Chapter – 2 – The Chartered Accountants Act, 1949 (Few selected sections along with Schedules)
- ❑ Chapter – 3 – Council Guidelines for advertisement
- ❑ Chapter – 4 – Council Guidelines, 2020
- ❑ Chapter – 5 – Self-Regulatory Measures Recommended by the Council

Overview of the structure of Code of Ethics, 2019

Code of Ethics, 2019 – Volume III –

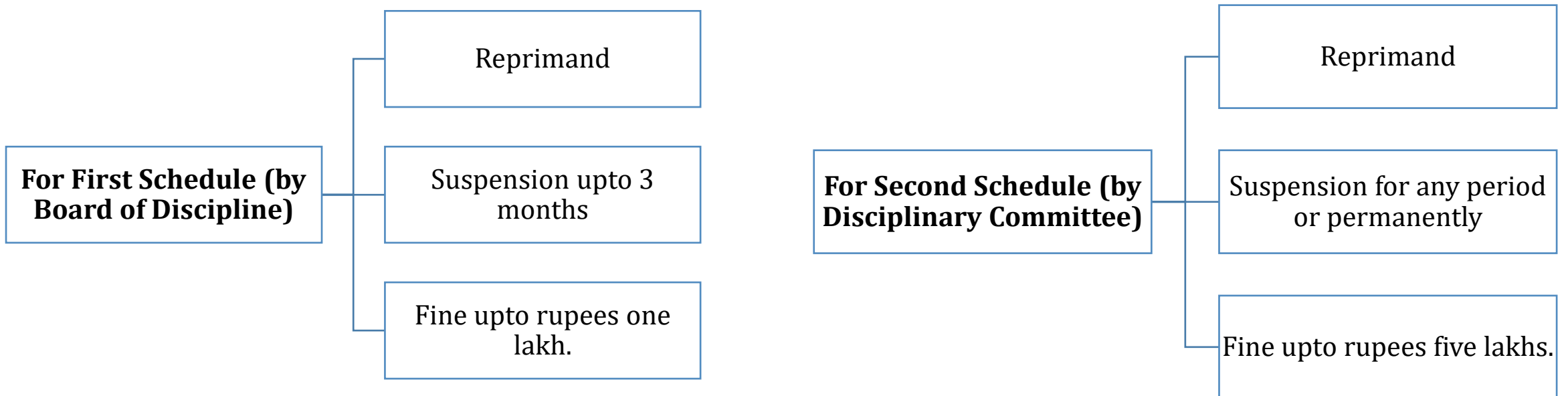
All case laws appearing hitherto under commentary under Code of Ethics, 2009 shifted to “Case Laws Referencer”

- ❑ The Chartered Accountants Act, 1949 (Section 22, 24 and 27)
- ❑ The First Schedule
 - Part I - Professional Misconduct in relation to Chartered Accountants in practice
 - Part II - Professional Misconduct in Relation to Members of the Institute in Service
 - Part III - Professional Misconduct in Relation to Members of the Institute generally
 - Part IV - Other Misconduct of Members in General
- ❑ The Second Schedule
 - Part I - Professional Misconduct in relation to Chartered Accountants in practice
 - Part II - Professional Misconduct in Relation to Members of the Institute generally
 - Part III - Other Misconduct in relation to Members of the Institute generally

Why First and Second Schedule?

The two schedules are distinguished on the basis of gravity of misconduct described therein.

The misconduct listed in the Second Schedule is understood to be grave and serious prescribing higher punishment.



The First Schedule

Part I Professional misconduct in relation to Chartered Accountants in practice

(1) allows any person to **practice in his name as a CA** unless such person is also a CA in practice and is in partnership with or employed by him

(2) 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

Case Law - D.S. Sadri vs. B.M Pithawala – A Chartered Accountant gave 50% of the Audit Fees received by him to the complainant, who was not a Chartered Accountant, under the nomenclature of office allowance and such an arrangement continued for a number of years – held guilty

(3) 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

The First Schedule

Part I Professional misconduct in relation to Chartered Accountants in practice

(4) enters into **partnership**, in or outside India, **with any person other than a CA in practice**

Case Law - Harish Kumar – Where a Chartered Accountant had engaged himself as a partner in two business firms and Managing Director in two Companies and was also holding Certificate of Practice without obtaining permission of the Institute – held guilty

(5) **secures work**, either through the services of a person who is not an employee of such CA or who is not his partner or **by means which are not open to a CA**

Case Law - Jethanand Sharda vs. Deepak Mehta - A Chartered Accountant wrote various letters to officers of different Army Canteens giving details about him and his experience, his partner & office and the norms for charging audit fees – held guilty

(6) **solicits** clients or professional work either directly or indirectly by **circular, advertisement, personal communication or interview** or by any other means

Case Law - D.C. Pal – A Chartered Accountant wrote several letters to the Assistant Registrar of Co-operative Societies, Government of West Bengal stating that though his firm was on the panel of auditors, no audit work was allotted to the firm and requested them to look into the matter – held guilty

The First Schedule

Part I Professional misconduct in relation to Chartered Accountants in practice

(7) **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

Case Law – Sirdar P.S. Sodhbans – A Chartered Accountant wrote several letters to Government Department, inter alia, pointing out seniority of his firm, sending his life sketch and stating that he had a glorious record of service to the country as well as to the organisation of accountancy profession with a view to get the audit work. These letters were clearly in the nature of advertising professional attainments – held guilty

(8) **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**

Case Law – S.N. Johri vs. N.K. Jain – A Chartered Accountant commenced the work of audit on the very day he sent letter to the previous Auditor – held guilty with a reference that the appointment could be accepted only when the outgoing auditor does not respond within a reasonable time – held guilty

The First Schedule

(9) **accepts an appointment as auditor of a company without first ascertaining from it** whether the provisions of Companies Act, 2013 has been complied with

Case Law - M.K. Biswas – A Chartered Accountant accepted the appointment as Statutory Auditor of the Company on the basis of resolution of Board of Directors. There was no compliance with the requirement of Section 224 of the Companies Act, 1956 which in the present case required the appointment by the Central Government as the Company did not make appointment in the general meeting – held guilty

(10) **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;

Case Law – R.B. Basu vs. P.K. Mukherji – Where a Chartered Accountant had charged fees at certain percentage of the expected relief.

The First Schedule

Part I

Professional misconduct in relation to Chartered Accountants in practice

(11) **engages in any business or occupation other than the profession** of chartered accountant unless permitted by the Council

Case Law – D.S. Sadri vs. B.M. Pithawalla – A Chartered Accountant engaged himself in carrying on a business known as Shivaji Engineering Works – held guilty

(12) **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

The First Schedule

Part II

Professional misconduct in relation to Chartered Accountants in Service

(1) **pays or allows** or agrees to pay directly or indirectly to any person **any share in the emoluments of the employment undertaken** by him

(2) **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

The First Schedule

Part III

Professional misconduct in relation to members of the Institute generally

(1) not being a fellow of the Institute, acts as a fellow of the Institute

(2) does not supply the information called for, or does not comply with the requirements asked for, by the ICAI , Quality Review Board or the Appellate Authority

Case Law - S.M. Vohra - Where a Chartered Accountant had continued to train an articled clerk even though his name was removed from the Membership of the Institute and he had failed to send any reply to the Institute asking him to send his explanation as to how he was training as his articled clerk when he was not a Member of the Institute.

(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

The First Schedule

Part IV

Other misconduct in relation to members of the Institute generally

(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**

(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

Case Law - Rajiv Sharma - Where a Chartered Accountant had not acted merely as an Auditor of a Company, but it seemed that he was acting in nexus with the Chairman of the company and thus aiding and abetting in the rigging and creation of artificial market in the shares of the Company.

Case Law - K. Ravichandran, Deputy General Manager, Indian Bank, New Delhi vs. Raj K. Aggarwal, M/s Raj K. Aggarwal & Associates - Where a Chartered Accountant was demanding and taking bribe from the borrower customers of the Bank in return of maintaining the 'Standard Category' of the borrower accounts

The Second Schedule

Part I Professional misconduct in relation to Chartered Accountants in practice

(1) **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

Case Law - Jamnadas Harakchand and Others vs. P.C. Parekh - Disclosure of information where a Chartered Accountant disclosed to the Income-Tax Officer information acquired in the course of his professional engagement without the consent of his clients

(2) **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

Case Law - P.N. Vittal Dass, Addl. Collector of Customs, Mumbai vs. P.U. Patil - Where a Chartered Accountant issued false certificates to several parties for past exports for monetary consideration without verifying any supporting records or documents

The Second Schedule

Part I Professional misconduct in relation to Chartered Accountants in practice

(3) **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

Case Law - The DGM (Inspection), Tamilnad Mercantile Bank Ltd. vs. R. B. K. Samuel - A Chartered Accountant issued 97 Projection Statements for certain Individuals without verifying the basic documents and on the basis of which the Bank had extended the loan amount. Afterwards, the Bank revealed that persons for whom the Respondent had issued Financial Statements did not have any business/source for repayment of loan. **Failed to comply with SAE 3400.**

(4) **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**

Case Law - H.R. Shetty - Where a Chartered Accountant conducted the Audit of Accounts of an evening college in Mangalore besides working in the same college as Lecturer/Vice-Principal.

The Second Schedule

Part I Professional misconduct in relation to Chartered Accountants in practice

(5) **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

Case Law - V.C. Agarwal - Where a Chartered Accountant failed to bring attention to the heavy cash transaction entered into by the assessee in his audit report submitted in Form 3CD in terms of section 44AB of the Income Tax Act, 1961

(6) **fails to report a material misstatement** known to him to appear in a financial statement with which he is concerned in a professional capacity

Case Law - Ms. Vandita R. Agarwal, Company Secretary, M/s Wall Street Finance Ltd, Mumbai vs. M.S. Parikh, M/s MSP & Co., Mumbai - The Respondent had shown an amount of Rs. 19,20,690/- as deposit received under the head, Current Liabilities & Provision in the Financial Statements of M/s Patel Holdings Limited for the Financial Year 2008-2009 and as nil in its Financial Statements for the next F.Y i.e. 2009-2010

The Second Schedule

Part I Professional misconduct in relation to Chartered Accountants in practice

(7) does not exercise due diligence, or is **grossly negligent** in the conduct of his professional duties

Case Law - Ajit Singh Ahuja vs. Dinesh Kumar Goyal - Where a Chartered Accountant wrongly certified the increase in Paid-up Share Capital of a Private Limited Company in the Balance Sheet without proper evidence.

Case Law - Tamilnad Mercantile Bank Ltd. vs. V.U. Gangolli - Where a Chartered Accountant being the Concurrent Auditor of a Bank did not comment on the fraudulent transactions in his Audit Report where the Bank allowed huge amount of loan without any actual deposit.

(8) **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

Case Law - Chiranjive Lall Khanna - Where the Respondent had Audited the Financial Statements of the Company for financial year 2007-2008. However, the Respondent had given unqualified opinion in his Audit Report despite the fact that there was a non-compliance with the requirements of certain Accounting Standards notified viz, AS 1, AS 2, AS 5, AS 9, AS 15, AS 17, AS 18 and AS 20.

The Second Schedule

(9) **fails to invite attention to any material departure** from the generally accepted procedure of audit applicable to the circumstances

Case Law - M.S. Ramanathan vs. A. Umanath Rao - Where a Chartered Accountant did not conduct sample checking of the bank accounts in relation to the accounts of the Company and did not carry out vouching with respect to the transactions reflected in the accounts of the Company and depended upon his assistant who was a Chartered Accountant and experienced clerk who were entrusted with the auditing work

(10) **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

Case Law - S. Seshadri vs. R. Srinivasan - A Chartered Accountant had received large sums of money from his client for making investments and depositing Income Tax on behalf of the client. He neither made investments nor deposited the Income Tax or deposited the money in a separate Bank Account.

The Second Schedule

Part II

Professional misconduct in relation to members of the Institute generally

(1) **contravenes any of the provisions of this Act** or the regulations made thereunder or any guidelines issued by the Council

Case Law - Lawrence Tellis vs. Dr. S.G. Mandre - Where a Chartered Accountant entered into an improper arrangement to permit his articled clerk to serve his articles under another Chartered Accountant in another place without disclosing those facts to the Institute and got the Articles registered knowing that the declaration and the Deed are false

(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

The Second Schedule

Part II

Professional misconduct in relation to members of the Institute generally

(3) includes in any information, statement, return or form to be submitted to the ICAI, Quality Review Board or the Appellate Authority any particulars **knowing them to be false**

Case Law - J.R. Chatrath - Where a Chartered Accountant who was employed as a manager of a firm of Registered Accountants, applied for admission as Fellow of the Institute stating that he was a partner, while he was not.

(4) **defalcates or embezzles** moneys received in his professional capacity

Case Law - Tara Pada Banerjee, Dy. General Manager, Bank of Baroda vs. B.K. Sarker - A Member while working as a financial advisor misappropriated the funds of his client by way of converting a Savings Bank account in his individual name to that of joint account with the client without his consent and fraudulently discharged 3 FDRs in the client's name.

Part III

Other misconduct in relation to members of the Institute generally

(1) is held guilty by any civil or criminal court for an offence which is punishable with imprisonment **for a term exceeding six months**

Important Substantive Changes

Code of Ethics, 2009

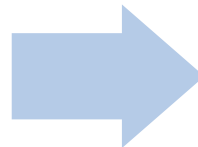
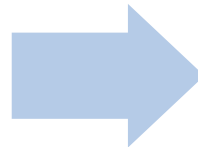
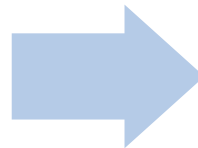
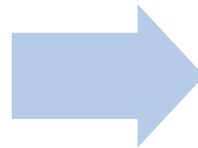
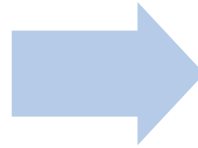
No provision for NOCLAR

No prohibition on Taxation services to Audit clients

No provision for Management responsibilities

Recommendatory 40% restriction on Fees from an audit client

No provision for unintentional breach of independence standards



Code of Ethics, 2019

Responding to Non-Compliance of Laws and Regulations (NOCLAR)

Restrictions on Taxation services to Audit clients

Prohibition on Management Responsibilities to the audit clients

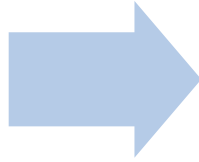
15 % restriction on Fees from single client – only if its is consecutively for 2 years – and duty only to communicate to the Client

Duty of Accountant in case of unintentional breach of Independence Standards

Important Structural Changes

Code of Ethics, 2009

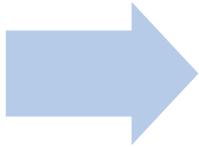
Independence for Assurance Engagements



Code of Ethics, 2019

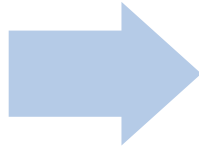
Independence requirements for Audit and Review engagements and other Assurance engagements differentiated

No characterization as Standards



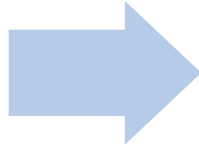
Independence sections re-characterized as "International Independence Standards"

Use of "Should"



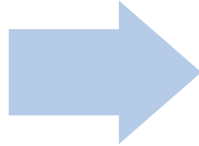
Change in the drafting conventions e.g. "should" to "shall"

No such restructuring of Sections



New pattern of structuring of sections – Requirements and Applications distinguished

Lack of clarity for each entity



Increased clarity of responsibility for compliance - Firms, network firms, individuals within firms

Professional Accountant (hereinafter referred to as “PA” in the presentation)

The term “Professional Accountant” is used in IESBA Code of Ethics. The same word has been adopted in Code of Ethics edition 2009 and also continued in edition 2019 (Volume – I).

As defined in Code of Ethics, “Professional Accountant” is an individual who is a member of the Institute of Chartered Accountants of India.

As stated in IESBA Code of Ethics *professional accountants in business* imply members who are employees; where as such term is modified to *professional accountants in service* in Code of Ethics in line with usage in Chartered Accountants Act, 1949.



The Conceptual Framework - Threats & Safeguards

The conceptual framework specifies an approach for a professional accountant to:

Identify threats to compliance with the fundamental principles;

Evaluate the threats identified; and

Address the threats by eliminating or reducing them to an acceptable level.

When applying the conceptual framework, the professional accountant shall:

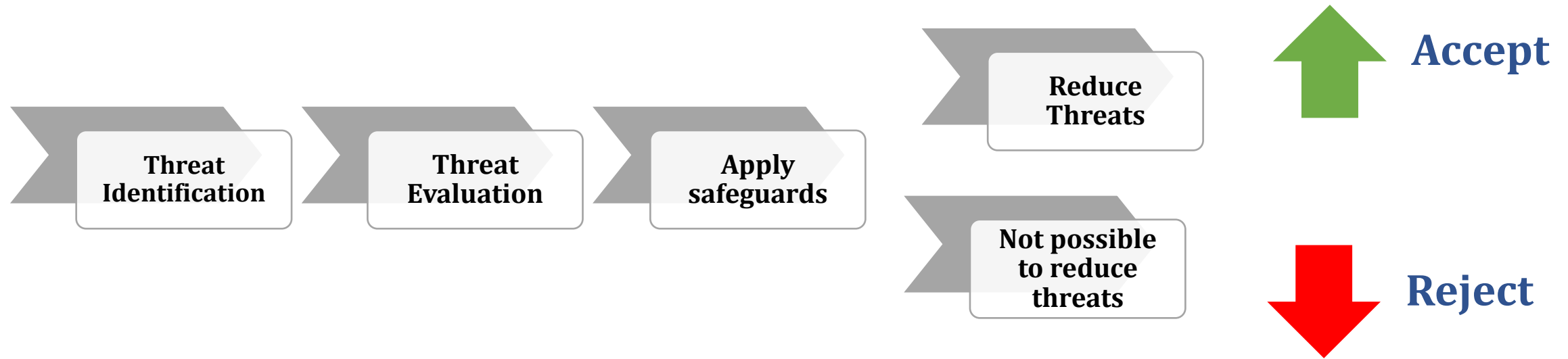
- Exercise professional judgment;
- Remain alert for new information and to changes in facts and circumstances; and
- Use the reasonable and informed third party test



The Conceptual Framework - Threats & Safeguards



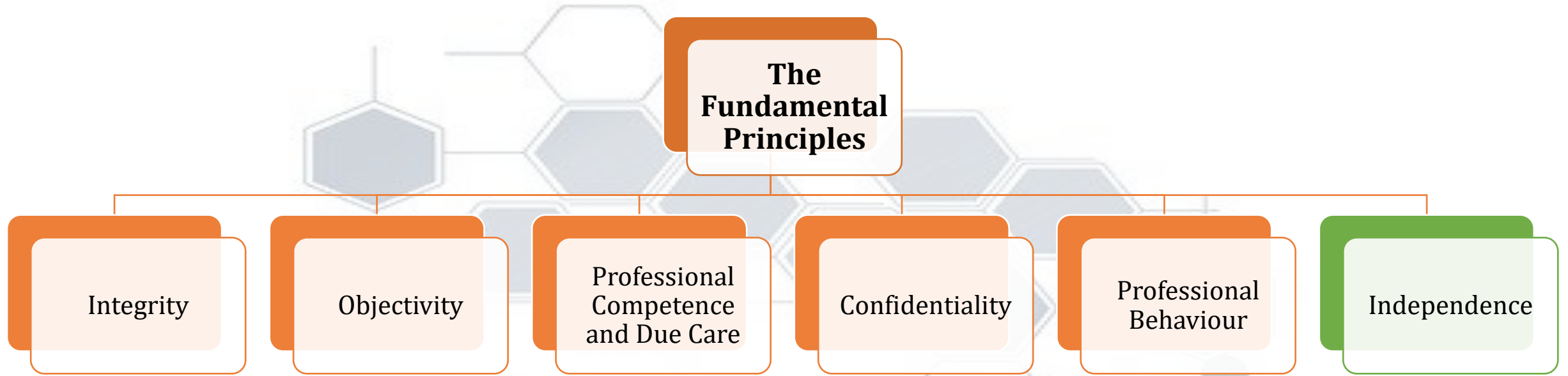
The Conceptual Framework - Threats & Safeguards



In the Code of Ethics, 2009, safeguards to be considered for threats other than “clearly insignificant”

In the Code of Ethics, 2019, the application of safeguards required to eliminate threats or to reduce them to ‘an acceptable level’

The Fundamental Principles and Independence



The Fundamental Principles

Integrity

- Integrity implies fair dealing and truthfulness
- This requires an accountant to be straightforward and honest in all professional and business relationships

Objectivity

- Objectivity implies independence from subjectivity caused by perception or bias
- This requires an accountant to not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others

Professional Competence and Due Care

- Professional Competence and Due Care implies capability to perform skillfully and acting diligently
- This requires an accountant to attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service and act diligently and in accordance with applicable technical and professional standards

The Fundamental Principles



Confidentiality

- Confidentiality implies the state of being respectful and responsible for the confidential information acquired as a result of professional and employment relationships
- This requires an accountant to be alert to the possibility of inadvertent disclosure of the confidential information and maintain confidentiality of the information unless there is a legal or professional duty or right to disclose.



Professional Behaviour

- Professional Behaviour implies fair conduct according to the relevant laws and regulations
- This requires an accountant to not to engage in any employment, occupation or activity that impairs or might impair the integrity, objectivity or good reputation of the profession, and as a result would be incompatible with the fundamental principles.

Independence

Independence Standards set out requirements and application material on how to apply the conceptual framework to maintain independence when performing audits, reviews or other assurance engagements.

Professional accountants in public practice are required by Independence Standards to be independent when performing audits, reviews or other assurance engagements.

Independence is linked to the fundamental principles of objectivity and integrity.

Independence of mind –

- the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

Independence in appearance –

- the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's or an audit or assurance team member's integrity, objectivity or professional skepticism has been compromised.

Non-Compliance with Laws and Regulations (NOCLAR)

What is NOCLAR?

Refers to any act of omission or commission, committed by a client or employer contrary to prevailing laws or regulations.

Why NOCLAR?

PA may face difficulties in recognizing such situation and since he has a prima facie ethical responsibility to not to turn a blind eye to the matter, provisions regarding NOCLAR was introduced to help the PA in dealing with the situation and in deciding how best to serve the public interest in these circumstances.

Applicable to whom?

Applicable only to listed entities.

Applicable to only audit assignments.

In case of PAs in service, applicable to employees of listed entities



NOCLAR – Scope of Laws and Regulations

Part of Code of Ethics, 2019 –

- Section 260 (Members in Service)
- Section 360 (Members in Practice)

Laws and regulations that have a nexus to PA's professional training and expertise, i.e.:-

- Laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements
- Other laws and regulations, compliance with which may be fundamental to the entity's business and operations or to avoid material penalties.

Examples of laws and regulations required to be addressed are :-

- Fraud, Corruption and bribery,
- Money Laundering, Terrorist financing and proceeds of crime
- Securities Market and Trading
- Banking and other Financial products & Services
- Data Protection
- Tax & Pension liabilities & Payments
- Environmental Protection
- Public Health and Safety

NOCLAR – Other salient points

Following matters are not in scope of NOCLAR:-

- Matters clearly inconsequential
- Personal misconduct unrelated to the business activities of the client or employer
- Non-compliance other than by the client or employer, or those charged with governance, management or other individuals working for or under the direction of the client or employer

When PA is required to address NOCLAR?

- Only when, and if, he encounters the same in the course of providing a professional service

Appropriate authority for the purpose of disclosure will depend on the nature of the matter.

- For example, the appropriate authority would be SEBI in the case of fraudulent financial reporting

Independence Standards - Overview

Code of Ethics 2009

Code of Ethics 2019
(Volume – I)

Part 4A : Independence
for Audit and Review
Engagements

Section 290 i.e.
“Independence –
Assurance
Engagements”

Part 4B : Independence
for Assurance
Engagements other
than Audit and Review

Most bulky change as a number of similar provisions/compliances are common to both Parts 4A and 4B but given separately in the Code under both parts

Independence Standards – Part 4A and 4B

Major areas where Independence has to be considered are as under:

Fees

Compensation
and
Evaluation
policies

Gifts and
Hospitality

Actual or
threatened
Litigation

Recent
service with
an audit
client

Serving as a
director or
officer of an
audit client

Employment
with an audit
client

Temporary
personnel
assignments

Financial
Interest

Loans and
Guarantees

Business
relationships

Family and
personal
relationships

Long
association of
personnel with
an audit client

Auditor
rotation

Provision of
non assurance
services to an
audit client

Reports that
include a
restriction on
use and
distribution

Breaches of the Code (Section 400.80 - 400.89) – New Provision

- Mechanism of self-correction prescribed in the Code in case the PA on his own discovers an unintentional violation
- Mentions steps to be taken in case of breach of *Independence Standards i.e.* Parts 4A and 4B.
- PA who identifies a breach shall evaluate significance of breach and its impact on PA's ability to comply with the fundamental principles.
- If a firm concludes that a breach of a requirement in this Part has occurred, it shall take prescribed steps therein e.g.:-
 - End, suspend or eliminate the interest that created breach
 - Consider applicable legal or regulatory requirements and apply them

Major Changes

Particulars	Code of Ethics, 2009	Code of Ethics, 2019
Key audit partner	Not mentioned	The Engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion.
Firm Rotation	Contains requirements relating to partner rotation only (No Firm rotation requirements exist in this edition).	Partner rotation will co-exist along with Audit Firm rotation (wherever prescribed by a statute) Firm rotation requirements vide the section 550 (Volume 1) in respect of Public Interest Entities

Major Changes

Particulars	Code of Ethics, 2009	Code of Ethics, 2019
Changes in partner rotation	7 years time on 2-years cooling-off	7 years time on 5-years cooling-off: EP 3-years cooling-off: EQCR 2-years cooling-off: other key audit partners

Restrictions on Activities During Cooling-off

(w.r.t partner rotation – Section 540)

- **Prohibition on consulting with engagement team regarding technical or industry-specific issues, transactions or events**
- **Prohibition on leading or coordinating the professional services provided by the firm to the audit client, or overseeing the relationship of the firm with the audit client**
- **Prohibition on undertaking any other role or activity that would result in the individual: (i) Having significant or frequent interaction with senior management or those charged with governance; or (ii) Exerting direct influence on the outcome of the audit engagement.**



Major Changes

Particulars	Code of Ethics, 2009	Code of Ethics, 2019
Management Responsibilities Section 607 – 608)	Not mentioned	New section dealing with 'Management Responsibilities'. As per the same, the firm shall not assume a management responsibility for an audit client.
Non Assurance Services Section 600 & 950	Prohibitions on provision of certain types of Non assurance services to Audit clients such as Internal audit, Accounting and Book keeping services, partial prohibitions in valuation services, IT Systems Services , etc.)	Existing prohibitions to continue. Addition - Prohibition on providing certain recruiting services now applies to all entities –Searching for or seeking out candidates and undertaking reference checks of prospective candidates

Major Changes

Particulars	Code of Ethics, 2009	Code of Ethics, 2019
Taxation services to the Audit clients	Taxation assignments are generally not seen to create threats to independence	Guidance on Taxation matters states that providing tax services to an audit client might create a self review or advocacy threat

Taxation service to Audit clients – Section 604

- **Tax return preparation – usually no threat**
- **Tax Calculations for the Purpose of Preparing Accounting Entries – Self Review threat since to be audited by the firm**
- **Tax Planning / Other Tax Advisory Services - Might create self-review / advocacy threat – Appropriate safe guards to be applied.**
(Eg. - 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**



Close and Immediate Family

2009 Code (Part-A)

“close family” and “immediate family” were replaced with “relative” (as defined in Section 6 of Companies Act, 1956.)

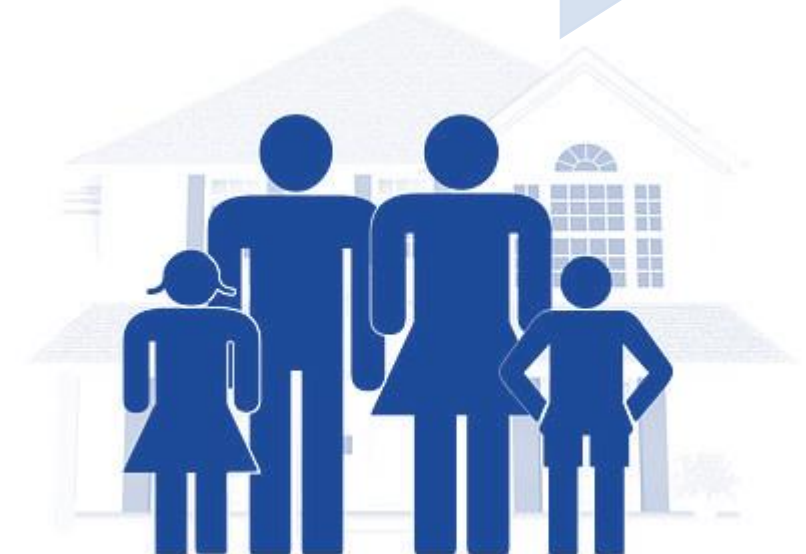
2019 edition (Volume –I)

For companies, “relative” of partner refers to definition given under Section 2(77) of the Companies Act, 2013.

For clients other than Companies, “Immediate family” / “close family”, as appearing in IESBA Code is applicable

Close family	<i>A parent, child or sibling who is not an immediate family member.</i>
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Immediate family	<i>A spouse (or equivalent) or dependent.</i>
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Guidance on other matters (Communication with Previous Auditor)

Particulars	Code of Ethics, 2009	Code of Ethics, 2019
Premises are locked	Silent	Communication received back by the Incoming Auditor with “Office found Locked” written on the Acknowledgment Due column shall be deemed as delivered
Firm not found at the given Registered address	Silent	<p>If Communication sent by with remarks “No such office exists at this address”, and address is registered with Institute - deemed to be delivered,</p> <p>unless the retiring auditor proves that it was not really served and that he was not responsible for such non-service.</p>



Inducements, Including Gifts and Hospitality (Sections 250 & 340)

Code of Ethics, 2009

- Offer of gifts/hospitality ordinarily gives rise to threats to fundamental principles
- Significance of such threats depend on the nature, value and intent behind the offer.
- Reasonable and Informed Third Party Test – If its within normal course of business without the specific intent to influence decision
- making or to obtain information, may conclude that it is acceptable
- If threats other than insignificant, must take safeguards
- Total prohibition in case of Assurance clients (except if inconsequential)

Code of Ethics, 2019 (Volume -I)

- 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 behaviour 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



Criteria of Indebtedness (Section 511.3 A1)



No concept of materiality of Loans and Guarantee in the IESBA Code of Ethics, 2005 and in Code of Ethics, 2009



The IESBA Code of Ethics, 2018 introduces the concept of materiality of Loans and Guarantees. In determining whether such a loan or guarantee is material to an individual, the combined net worth of the individual and the individual's immediate family members may be taken into account.



Concept adopted in Code of Ethics, 2019 (Volume – I)



Contingent Fees (Sections 330, 410.9, 905.6)

Code of Ethics, 2009 (Paragraph 290.197) mentions:

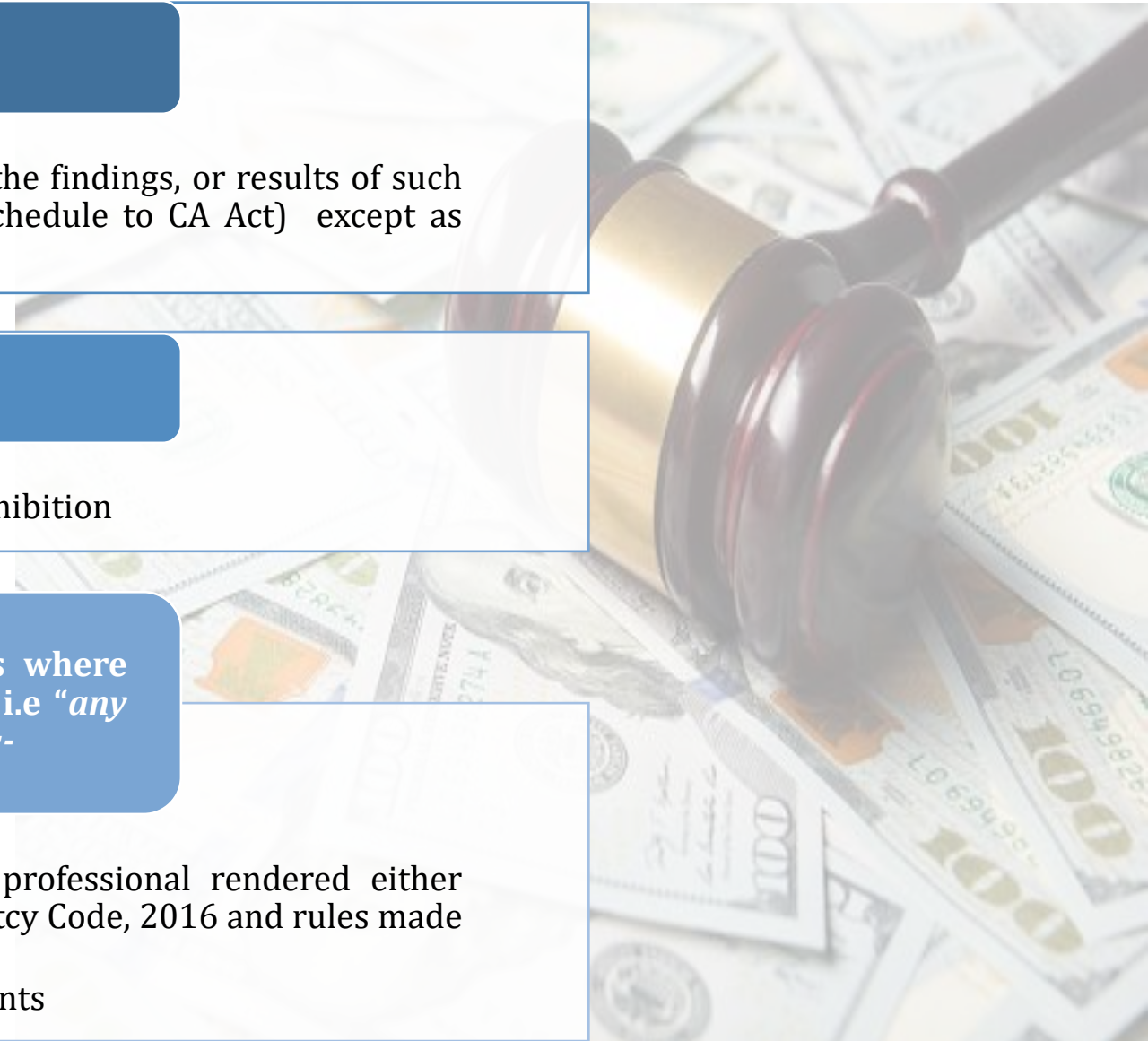
- fees based on percentage of profits or contingent upon the findings, or results of such work not allowed (as per Clause 10 of Part-I of First Schedule to CA Act) except as permitted under Regulation 192

Code of Ethics, 2019 (Volume - I) mentions:

- general description of Contingent fees and the general prohibition

Regulation 192 reproduced – further , the activities where Council has permitted Contingent fees under 192 (h) i.e “*any other service or audit as may be decided by the Council*” :-

- Charging of Fees by Members enrolled as Insolvency professional rendered either individually or as an entity under Insolvency and Bankruptcy Code, 2016 and rules made thereunder
- Fee for rendering Non-assurance services to non-audit clients



Management Consulting Services (Expansion of scope)

Administrative services

- Section 602 of Code of Ethics, 2019
- Refers to Routine or mechanical works like compliance / Submitting Forms
- Differentiated from “Management Responsibilities” (Management Responsibilities cannot be undertaken by the Auditor, Administrative Services can be undertaken by him)
- No enabling provisions in the 2009 Code from the point of view of a member in practice.

Insurance Financial Advisory services

- 2009 Code –

(xxvi) Insurance Financial Advisory Services under the Insurance Regulatory & Development Authority Act, 1999 , including Insurance Brokerage.
- 2019 Code –

(xxvi) Insurance Financial Advisory Services under the Insurance Regulatory & Development Authority Act, 1999 including Insurance Brokerage (not including Insurance Agency)

Valuation

- 2009 Code –

(xv) Valuation of shares and business and advice regarding amalgamation, merger and acquisition.
- 2019 Code –

(xv) Valuation of shares and business and advice regarding amalgamation, merger and acquisition.
Acting as Registered valuer under the Companies Act, 2013 read with The Companies (Registered Valuers and Valuation) Rules, 2017.

Guidance on Tenders

2009 Code

It is **not prohibited** to respond to tenders of professional Assignments

2019 Code

Guidance in view of 7.4.2016 Guideline on Tenders No. no 1-A(7)/03/2016 -

a member of the Institute in practice shall not respond to any tender issued by an organization or user of professional services in areas of services which are exclusively reserved for chartered accountants, such as audit and attestation services.

However, such restriction shall not be applicable where minimum fee of the assignment is prescribed in the tender document itself or where the areas are open to other professionals along with the Chartered Accountants.



Guidance on other matters

Particulars	Code of Ethics, 2009	Code of Ethics, 2019
Use of “CPA” on visiting cards	Under commentary in clause (7) of Part-I of First Schedule to The Chartered Accountants Act, 1949 - not permitted to use the initials ‘CPA’	Mentioning qualifications of Accounting Institutes which have MRA/MOU with ICAI permitted.
Sponsoring activities	Silent	<ul style="list-style-type: none">• Member or Firm not permitted to sponsor an event. However, may sponsor an event conducted by a Programme Organizing Unit (PoU) of ICAI , provided it has a prior approval of CPE• Members sponsoring activities relating to CSR may mention their individual name with the prefix “CA”. However, the mention of Firm name or CA Logo is not permitted.

Guidance on other matters

Particulars	Code of Ethics, 2009	Code of Ethics, 2019
Advertisement of Teaching and Coaching Activities	<p>Teaching is other “occupation / business” in terms of Appendix (9) of CA Regulations, 1988.</p> <p>However, Code of Ethics is silent on advertisement of teaching / coaching activity</p>	Provisions of ICAI Announcement dated 18.5.2017 of bar on Advertisement of Coaching / teaching activities incorporated
Sharing of educational videos	Silent	<p>Educational videos may be uploaded by members;</p> <p>However, no reference should be made to the CA Firm wherein he may be a partner / proprietor.</p>
Advertisement in movie / TV	Silent	Member’s / firm’s name allowed in TV/Movie Credits, provided not mentioned differently from other persons

Guidance on other matters

Particulars	Code of Ethics, 2009	Code of Ethics, 2019
Authorship of Books	Firm name not permitted while authoring a book	<ul style="list-style-type: none">Articles and presentations also included in along with booksProfessional attainments prohibitedHowever use of prefix of “CA” or name of Firm permitted
Advertisement of celebration	Silent	Considering the need of interpersonal socialization / relationship of members through such get together occasions, advertisement for Silver, Golden, Diamond, Platinum or Centenary celebrations of CA Firms may be published in newspaper
Sharing firm details in an interview	Sharing of Firm details during interview not to result in publicity	<ul style="list-style-type: none">Sharing of Firm details during interview not to result in publicityAny detail to be given only on a specific question, and of factual nature only

Guidance on other matters

Size / Illumination of Sign board

- **2009 Code:**
- With regard to the size of sign board for his office that a member can put up, it is a matter in which the members should exercise their own discretion and good taste. Use of glow signs or neon lights on large-sized boards as is used by traders or shop-keepers would not be proper.
- **Added in 2019 Code:**
-while keeping in mind the appropriate visibility and illumination of the sign Board

Internet added to TV / Films

Under commentary to Clause (7)

- Members may appear on television, films and **Internet** and agree to broadcast in the Radio or give lectures at forums and may give their names and describe themselves as Chartered Accountants.
- Special qualifications or specialised knowledge directly relevant to the subject matter of the programme may also be given.
- Firm name may also be mentioned, however, any exaggerated claim or any kind of comparison is not permissible.
- What he may say or write must not be promotional of him or his firm but must be an objective professional view of the topic under consideration.

HUF vis-à-vis member in practice

Guidance on a member in practice being member / Karta in a HUF doing business incorporated

Must result from inheritance/ succession/ partition of the family business

Only after specific and prior approval of the Council

Karta cannot have active role

Business should not have been created by Member in practice



Clarification incorporated that a member engaged as Karta of a HUF doing family business, will be within the limit prescribed by Council if he makes investments from the funds pertaining to HUF only, provided, he is not actively engaged in the management of the said business.

Generally Accepted Audit Procedure

Commentary in Clause 9 of Part - I of Second Schedule - Changes in the Revised Code

Requirement of Peer Review in case of Audit of Listed Companies

Requirement of UDIN with effect from 1st July, 2019 on all Corporate / Non- Corporate Audit, Attest and Assurance Functions.

Mandatory Firm registration Number / Membership No.



Ceiling of Fees – Self regulatory measures 2009

Code of Ethics, 2009

- Existing chapter in Self Regulatory Measures recommended by Council has 40% limit on Fees from one or more clients under the same management.
- Exemptions from this chapter to :-
 - less than two lakhs annual fees ;
 - Audit of government companies;
 - public undertakings
 - Nationalized banks
 - public financial institutions ;
 - where appointments are made by Government

Code of Ethics, 2019 (modified version of IESBA Code)

- prescribes that more than 15% Fees from a client consecutively for two years, would require disclosure to those charged with governance.
- Exceptions same as in Self Regulatory measures. Except for Annual Fees which is exempted upto Rs. 5 lakhs

Recent Decisions/Announcements of Ethical Standards Board (1/5)



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 Simplicitor 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.



Recent Decisions/Announcements of Ethical Standards Board (2/5)



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.



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 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 service is **allowed to take e-return registration** if it does not conflict with employment obligation. However, he **cannot certify the return**.



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 (3/5)



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 in practice **can act as mediator in Court**, since acting as a “mediator” would be deemed to be covered within the meaning of “arbitrator”



A chartered accountant in practice **cannot become Financial Advisors and receive fees / commission from Financial Institutions** such as Mutual Funds, Insurance Companies, NBFCs etc.



Recent Decisions/Announcements of Ethical Standards Board (4/5)



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.



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**.



A Chartered accountant in service **may appear as tax representative** before tax authorities **on behalf of his employer**, but not on behalf of other employees of the employer.



Recent Decisions/Announcements of Ethical Standards Board (5/5)



A chartered accountant who is the **statutory auditor** of a bank **cannot** for the same financial year **accept stock audit of the same branch of the bank** or any of the branches of the same bank or sister concern of the bank, for the same financial year.



A CA Firm which has been appointed as the **internal auditor of a PF Trust** by a Government Company **cannot be** appointed as its **Statutory Auditor**.



A **concurrent auditor of a bank 'X'** **cannot** be appointed as **statutory auditor of bank 'Y'**, which is **sponsored by 'X'**



A CA/CA Firm can act as **the internal auditor** of a **company** and **statutory auditor** of its **employees PF Fund** under the Companies Act, 2013.



A chartered accountant in practice is **not permissible to hold Customs Broker License** under section 146 of the Customs Act, 1962.



Recent Decisions of Ethical Standards Board (related to GST)



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.



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**.



A member 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.



Its 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**.



Frequently Asked Questions

Can an Auditor write the books of accounts of the auditee?

- No, clause 4 of Part I of the Second Schedule to the CA Act, 1949. Further section 144 of the Companies Act, 2013 bars the auditor of the company to directly or indirectly render accounting and book keeping services of the said company, its holding or subsidiary company

Whether a member in Practice can be a Director Simplicitor of a Company?

- Yes, a member in practice is permitted generally to be a Director Simplicitor provided he is not MD or WTD and is required only in the Board Meetings of the Company and not paid any remuneration except for attending such meetings

Whether a member in Practice can be a partner or designated partner in a LLP which is not doing professional work but is in the commercial activities

- No, a member can not be a partner or designated partner in a LLP which is not doing professional work



Frequently Asked Questions

Can a member in Practice provide Portfolio Management Services?

- No, the definition of Management Consultancy and other Services expressly bars the activities of broking, underwriting and Portfolio Management. Hence, not permissible.

Whether the Internal Auditor of an entity/Bank can undertake consultancy work of the same bank?

- There is no restriction for the consultancy work if it is undertaken by a member along with the assignment of Internal Audit.

Whether a member in Practice can print QR (Quick Response) code on his visiting cards, facilitating easy access to information?

- Yes, printing of QR code is permissible provided that it does not contain information that it is not otherwise permissible to be printed on a visiting card.



Frequently Asked Questions

Whether a member in practice can print their photograph on the visiting card?

- No, it is not permissible to print the photo on visiting cards

Whether members of the Institute can use common CA logo?

- Yes, the common CA logo which seeks to enhance the identity of the members can be used by the members in practice or not

Can a member in practice list themselves and their services with online application based service provider aggregators?

- No, not permitted to be on the online application based service provider aggregators



Ethical Standards Board - Publications *(Follow the given link)*

- [Code of Ethics, 2019 - Volume I](#)
- [Code of Ethics, 2020 - Volume II](#)
- [Code of Ethics, 2020 - Volume III](#)
- [Code of Ethics, 2009 \(Existing\)](#)
- [FAQ on Ethical Issues, 2021](#)



Ethical Standards Board - Announcements *(Follow the given link)*

- [Clarification on fees from a single client](#)
- [Communication with the Retiring Auditor through Email](#)
- [Advisory on mentioning fees in advertisement issued by members](#)
- [FAQs on professional ethics of members pertaining to Bank assignments](#)
- [Announcement on Internal Auditor not to undertake GST Audit simultaneously](#)
- [FAQs on ethical issues relating to GST](#)
- [Announcement on advertising by members in practice engaged in teaching institute](#)
- [Announcement on KYC Norms](#)
- [ICAI Code of conduct for elected, nominated or co-opted representatives](#)
- [Amendment in ICAI website guidelines](#)
- [Use of designation other than the designation CA](#)
- [Prohibition to undertake the auditing and accounting work together](#)
- [Ranking of CA firms](#)
- [Amendment in Council General Guidelines, 2008](#)
- [Definition of Relative in Chapter IV of CGG, 2008](#)



Ethical Standards Board – Clarifications *(Follow the given link)*

- [Member in practice being a Karta of HUF](#)
- [Queries on elected representatives of ICAI and general members of ICAI](#)
- [Prohibition on undertaking concurrent audit and quarterly review of the same bank simultaneously](#)
- [Tax Audit assignments](#)
- [Acting as recovery consultant in banking sector](#)
- [Insurance financial advisory services](#)
- [Sharing of fees with Government](#)
- [Independent Directors and E-Intermediary](#)
- [Direct Selling Agent](#)
- [Transfer of Goodwill of CA firm](#)
- [Whether Auditor of subsidiary company can be a director of holding company?](#)



Ethical Standards Board – Guidelines *(Follow the given link)*

- [Corporate form for practice guidelines](#)
- [Conversion of CA firms into LLP](#)
- [CA / CA Firm website](#)
- [Council General Guidelines, 2008](#)
- [Advertisement Guidelines](#)
- [Use of designation, manner of printing letter heads and visiting cards](#)
- [Resolution under Regulation 190A](#)
- [Know your Ethics](#)
- [CA Logo Guidelines](#)



THANK



YOU

A word cloud featuring various terms related to ethics and morality. The words are arranged in a dense, overlapping cluster. The most prominent words, shown in larger fonts, include: ETHICS, MORALS, TRUTH, PHILOSOPHY, HONOR, RESPECT, and VALUES. Other visible words include: SENSE, PRINCIPLES, WORTHINESS, FAITH, RESPONSIBILITY, INTEGRITY, HONESTY, MOTIVATION, EQUALITY, SOCIAL, RESPECTABILITY, TREATMENT, CONVENTIONALITIES, ETIQUETTE, PERFORMANCE, TRUST, RULES, CHARACTER, AUTHENTICITY, HYPOCRISY, THEORY, DECENCY, VIRTUE, STANDARDS, PURPOSE, ATTITUDE, FAIRNESS, CRITERIA, ACCEPTANCE, INNOCENCE, and CONDUCT. The words are colored in a variety of shades including blue, green, orange, red, and purple.