



ETHICAL STANDARDS: A ROADMAP FOR TRANSPARENCY

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The word **ethics** is derived from an Ancient Greek word **ēthikós**, which means “**relating to one’s character**”

“A set of concepts and principles that guide us in determining what behavior helps or harms sentient creatures”

- Richard William Paul and Linda Elder

Ethics or moral is a branch of philosophy that involves systematizing, defending, and recommending concepts of right and wrong conduct.

Ethics investigates the questions

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graph TD; A[Ethics investigates the questions] --> B[What is the best way for people to live?]; A --> C[What actions are right or wrong in particular circumstances?];
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The diagram illustrates the scope of ethics. At the top, a white box with a blue border contains the text 'Ethics investigates the questions'. Two large, curved blue arrows originate from the bottom corners of this box. The left arrow points down to a light blue rounded rectangle containing the question 'What is the best way for people to live?'. The right arrow points down to another light blue rounded rectangle containing the question 'What actions are right or wrong in particular circumstances?'.

What is the best way
for people to live?

What actions are right
or wrong in particular
circumstances?

Applied Ethics

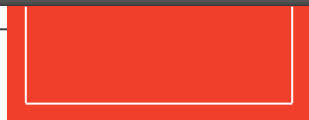
Applied ethics is a discipline of philosophy that attempts to apply ethical theory to real-life situations.

The discipline has many specialized fields out of which ethics for accountancy profession is one.

Professional Accountant

IESBA Code of Ethics uses the term ***Professional Accountant***

- Same term was adopted in 2009 edition, also continued in 2019 (Volume-I) of the Code of Ethics
- Defined in the Code of Ethics as “*An individual who is a member of the Institute of Chartered Accountants of India.*”
- IESBA Code of Ethics uses the term “professional accountants in business” implying members who are employees. Modified to “professional accountant in service” in Code in line with usage in CA Act, 1949



VOLUME I

Overview of the structure of 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

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

Overview of the structure of Code of Ethics, 2019
(Volume-I)

Part 1
(Applicable to all Professional Accountants)

Part 2
Professional Accountants in Business

Part 3
Professional Accountants in Public Practice

(Parts 4A & 4B)
International Independence Standards

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

Compliance

- Both Part A of ICAI Code of Ethics, 2009 (based on 2005 IESBA Code) and Code of Ethics, 2019 (Volume I) have been issued as Guidelines of the Council.
- Further, there is change in from “should” to “shall”, and requirements are clearly demarcated
- Non compliance of provisions of the Code will be deemed as violation of Clause (1) of Part II of Second Schedule of the CA Act, 1949.

Compliance

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

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

Clause (1) of Part II of Second Schedule of the CA Act, 1949

PATTERN OF NEW CODE

As against 2009 code, the revised code has been appropriately structured to demonstrate its assertion such as

Introduction

Sets out the subject matter addressed and introduces the requirements and application material in the context of the conceptual framework.

Requirements

Designated by the Letter “R”; Includes the word “shall” which imposes an obligation on PA to comply. The requirements contain general and specific obligations with respect to the subject matter addressed.

Application material

Designated by the letter “A”; Provides context, explanations, suggestions for actions, or matters to consider, illustrations and other guidance to assist in complying with the requirements.

GENERAL APPLICATION OF CODE

FUNDAMENTAL PRINCIPLES

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

- Integrity
- Objectivity
- Professional Competence and Due Care
- Confidentiality
- Professional Behavior

THREATS IN COMPLIANCE OF FUNDAMENTAL PRINCIPLES

Self-interest
threats

Self-review
threats

Advocacy
threats

Familiarity
threats

Intimidation
threats

MITIGATION OF THREAT

By the profession, legislation and regulation

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

MITIGATION OF THREAT

In the work environment

- Compliance with the fundamental principles.
- Act in the public interest.
- Documented Policies and procedures :

MITIGATION OF THREAT

- Organization Specific
- Engagement-specific
- Client specific
- External consultations
- Independence of partners and professional staff
- Disciplinary mechanism inter-se

ENHANCED SAFEGUARDS UNDER NEW CODE

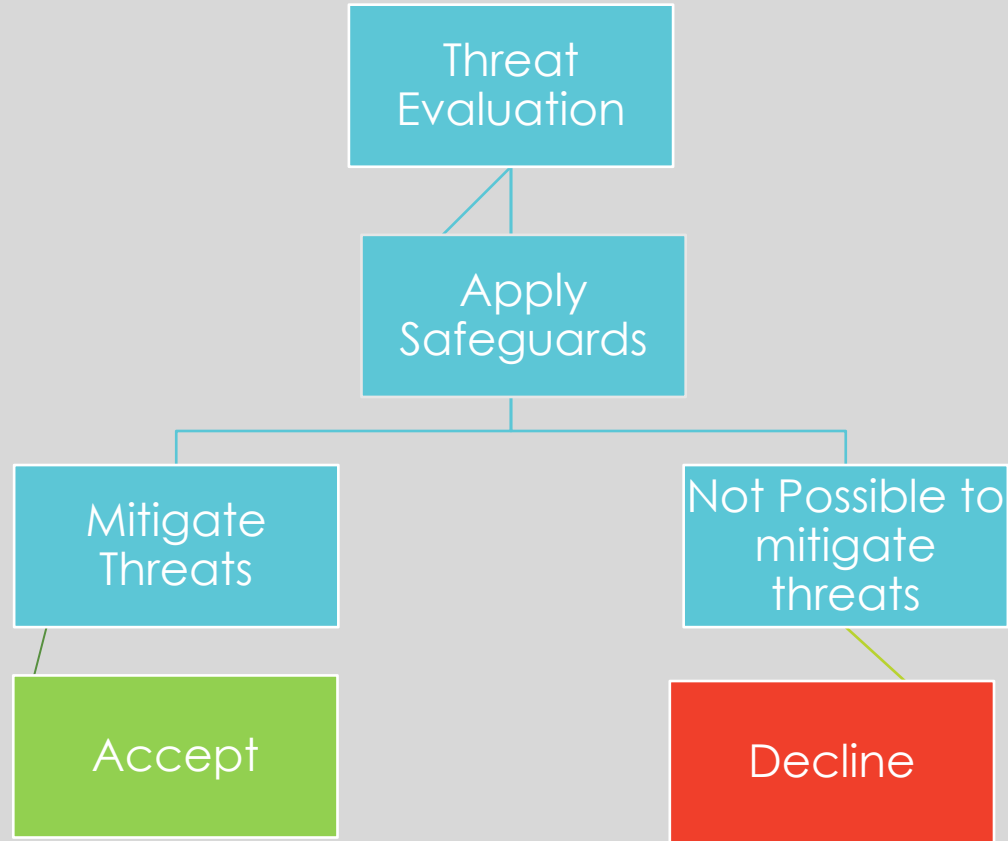
In the Code of Ethics, 2009, safeguards to be considered for threats other than “clearly insignificant” (defined as ‘trivial or inconsequential’)

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

“**Acceptable level**” defined as a level as **the reasonable and informed third party** knowing facts would likely conclude that the accountant complies with the fundamental principles.

Informed Third Party

The reasonable and **informed third party** test is a consideration by the professional accountant about whether the same conclusions would likely be reached by **another party**.



IMPORTANT CHANGES IN REVISED 2019 CODE

SUBSTANTIVE CHANGES

- Responding to Non-Compliance of Laws and Regulations (NOCLAR)
- Restrictions on Taxation services to Audit clients
- Prohibition on Management Responsibilities to the audit clients
- Restrictions on Fees from single client – only if its is consecutively for 2 years – and duty only to ~~communicate TCWG~~ institute
- Duty of Accountant in case of unintentional breach of Independence Standards

STRUCTURAL CHANGES

- Independence requirements for Audit and Review Engagements and other Assurance engagements differentiated
- Independence sections re-characterized 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

**NON COMPLIANCE WITH LAWS AND
REGULATIONS (NOCLAR)**

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

Recognizing that such a situation can often be a difficult and stressful one for the PA, and accepting that he has a prima facie ethical responsibility not to turn a blind eye to the matter,

NOCLAR was introduced to help guide the PA in dealing with the situation and in deciding how to best serve the public interest in these circumstances

APPLICABILITY

NOCLAR is currently* applicable to

- listed entities.
- audit assignments.
- employees of listed entities

* Deferred till further notification

SCOPE

Laws and regulations having direct effect on the determination of material amounts and disclosures in the financial statements

Companies Act, 2013

Direct Tax Laws

GST

Customs

Accounting Standards

Standards on Auditing

Guidance Notes

Notifications & Circulars

SCOPE

Other laws and regulations, compliance with which may be fundamental to the entity's business and operations or to avoid material penalties

Fraud, Corruption and bribery,

Money Laundering Terrorist financing and proceeds of crime

Securities Market and Trading

Data Protection

Banking and other Financial products & Services

Tax & Pension liabilities & Payments

Environmental Protection

Public Health and Safety

EXCLUSIONS

- 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

REPORTING

PA 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.

Changes in NOCLAR from 1st October 2022

S.No.	Existing provision	Revised provision
1.	Applicable to all employees of listed entities	Applicable to Senior Professional Accountants in service, being employees of listed entities.
2.	Senior professional accountants in service (“senior professional accountants”) are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization’s human, financial, technological, physical and intangible resources.	No Change. It is further explained that the senior professional accountants refer to key managerial personnel.

S.No.	Existing provision	Revised provision
3.	Applicable to Audit engagement of all listed entities	Applicable to Audit engagements of entities the shares of which are listed on recognized stock exchange(s) in India and have net worth of 250 crores of rupees or more. The applicability of Section 360 will subsequently be extended to all listed entities, at the date to be notified later.
4.	. Measures to be taken in case of imminent breach.	Repealed

S.No.	Existing provision	Revised provision
5.	<p>The term “Audit Engagement” defined in Glossary as applicable to entire Code: - “A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation”</p>	<p>No change in definition with respect to rest of the Volume-I of Code of Ethics.</p> <p>“For the purpose of Section-360 “Audit” or “Audit engagement” shall mean a reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements give a true and fair view in accordance with an applicable financial reporting framework”.</p>

INDEPENDENCE STANDARDS

2009 Code has Section 290 i.e. "Independence – Assurance Engagements"

2019 Code (Volume – I) based on 2018 IESBA Code has divided the Independence Standards into two parts:

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

UNINTENTIONAL BREACH OF CODE

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. A 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 such as:

- End, suspend or eliminate the interest that created breach
- Consider applicable legal or regulatory requirements and apply them

KEY AUDIT PARTNER

No mention in ICAI Code of Ethics, 2009

As per ICAI Code- 2019 (Volume-I), Key Audit partner has been defined as under

*“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. Depending upon the circumstances and the role of the individuals on the audit, “**other audit partners**” might include, for example, audit partners responsible for significant subsidiaries or divisions.”*

FIRM ROTATION

2009 edition of Code of Ethics contains requirements relating to partner rotation. (No Firm rotation requirements exist in this edition)

- Companies Act, 2013 has stipulated Firm rotation
- Under the revised code, partner rotation will co-exist along with Audit Firm rotation (wherever prescribed by a statute)
- 2019 Code incorporates Firm rotation requirements vide a separate section (550) to make the guidance comprehensive for members

PARTNER ROTATION

- New incorporations in 2019 Code
- Under Companies Act, 2013, partner rotation is done on behest of Company only.
- In case of Companies, where members of Company prescribe a shorter time on period , such shorter period shall prevail
- Similarly, partner rotation requirements prescribed by certain regulators such as RBI, certain NBFCs, etc. shall prevail 33 Changes in partner rotation (Section R 540.5 – R 540.23) 2009 Code Revised - 2019 Code

RESTRICTIONS ON ACTIVITIES DURING COOLING-OFF OF PARTNER

New Introductions in the 2019 Code

- 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.

MANAGEMENT RESPONSIBILITIES

- No reference in Code of Ethics, 2009.
- New reference in 2019 edition (Volume-I) dealing with 'Management Responsibilities'. *As per the same, the firm shall not assume a management responsibility for an audit client.*
- However, providing advice and recommendations to assist the management of an audit client in discharging its responsibilities is not assuming a management responsibility.
- Providing administrative services to an audit client does not usually create a threat.
e.g.
 - Word processing services.
 - Preparing administrative or statutory forms for client approval.
 - Submitting such forms as instructed by the client.
 - Monitoring statutory filing dates, and advising an audit client of those dates

NON - ASSURANCE SERVICES

- Existing prohibitions (in 2009 Code) on provision of certain types of Non assurance services to Audit clients to continue in 2019 Code (e.g. Internal audit, Accounting and Book keeping services, partial prohibitions in valuation services, IT Systems Services , etc.)
- New prohibitions of recruiting services in 2019 Code:
 - ☐ Enhanced general description of recruiting services
 - ☐ Clearer guidance on types of recruiting services prohibited
 - ☐ New provisions to help avoid assuming management responsibilities when providing recruiting services – Similar to IT and internal audit
 - ☐ Prohibition on providing certain recruiting services now applies to all entities –Searching for or seeking out candidates
 - ☐ Undertaking reference checks of prospective candidates

TAXATION SERVICES TO THE AUDIT CLIENTS

- **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

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

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.

TAXATION SERVICES TO THE AUDIT CLIENTS

- *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*

Changes as per Council guidelines from 1st October 2022

S.No.	Existing provision	Revised provision
1.	<p>In case of Assistance in the resolution of Tax disputes, the term “Court” is explained as under: -</p> <p>“What constitutes a “Court” depends on how tax proceedings are heard in India”</p>	<p>In case of Assistance in the resolution of Tax disputes, the term “Court” is explained as under: -</p> <p>“For the purpose of this subsection, “Court” does not include a Tribunal”.</p>

RELATIVE

- *In Part-A of 2009 Code, “close family” and “immediate family” were replaced with “relative” (as defined in Section 6 of Companies Act, 1956.)*
- *In the 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 - A parent, child or sibling who is not an immediate family member.*
- *Immediate family - A spouse (or equivalent) or dependent.*

PUBLIC INTEREST ENTITY

To enhance independent requirements, the new Code defined PIE as :

- A listed entity; or
- An entity: Defined by regulation or legislation as a public interest entity; or
- For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation might be promulgated by any relevant regulator, including an audit regulator.
- For purpose of this definition, it may be noted that Banks and Insurance Companies are to be considered as Public Interest Entities.
- Other entities might also be considered by the Firms to be public interest entities, as set out in paragraph 400.8.

INDUCEMENTS, INCLUDING GIFTS AND HOSPITALITY

2009 Code	2019 Code
Offer of gifts/hospitality ordinarily gives rise to threats to fundamental principles	Inducements elaborated
Significance of such threats depend on the nature, value and intent behind the offer.	To first see whether prohibited by Laws and Regulations
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	Offering also prohibited
If threats other than significant, must take safeguards	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.
Total prohibition in case of Assurance clients (except if inconsequential)	Clarifications about appropriate boundaries for offering and accepting of inducements

DOCUMENTATION

Firms to document conclusions on compliance with independence requirements as per 2009 Code

PA advised to document the following as per 2019 Code:

- Facts
- Accounting principles or other relevant professional standards involved.
- Communications and parties with whom matters were discussed.
- Courses of action considered.
- How the accountant attempted to address the matter(s).
- Requirements for NOCLAR – has to be sufficient to enable an understanding of significant matters arising during the audit, the conclusions reached, and significant professional judgments made in reaching those conclusions. Thus, documentation is of critical importance in manifesting compliance with NOCLAR.

CRITERIA OF INDEBTEDNESS

- No materiality criteria for Loans and Guarantee in 2009 Code.
- 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, adopted in 2019 code.

CHANGES IN PROFESSIONAL APPOINTMENT

- Code of Ethics, 2019 (Volume-I) contains detailed guidance on client and engagement acceptance / changes in professional appointment
- ICAI “Know Your Client” (KYC) Guidelines incorporated – which are mandatory for all attest functions with effect from 1.1.2017
- In case of change of appointment, if unable to communicate with the predecessor accountant, the proposed accountant shall take other reasonable steps to obtain information about any possible threats.
- Communication requirements in case of Audit and Non-Audit Assignments differentiated
- Duty of predecessor accountant to respond to communication (against the existing Code which is silent on this issue). He shall:
 - ✓ Comply with relevant laws governing the request; and
 - ✓ Provide any information honestly and unambiguously.

CONTINGENT FEES

- 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, 2009.
- Code of Ethics, 2019 (Volume – I) mentions general description of Contingent fees and the general prohibition
- Regulation 192 – 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 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

Regulation 192. Restriction on fees

No chartered accountant in practice shall charge or offer to charge, accept or offer to accept, in respect of any professional work, fees which are based on a percentage of profits, or which are contingent upon the findings, or results of such work: PROVIDED that:—

- in the case of a receiver or a liquidator, the fees may be based on a percentage of the realisation or disbursement of the assets; * Please see Appendix No. (9). 196
- in the case of an auditor of a co-operative society, the fees may be based on a percentage of the paid up capital or the working capital or the gross or net income or profits; 4A[]
- in the case of a valuer for the purposes of direct taxes and duties, the fees may be based on a percentage of the value of the property valued. 4B[

Regulation 192. Restriction on fees

- in the case of certain management consultancy services as may be decided by the resolution of the Council from time to time, the fees may be based on percentage basis which may be contingent upon the findings, or results of such work;
- in the case of certain fund raising services, the fees may be based on a percentage of the fund raised;
- in the case of debt recovery services, the fees may be based on a percentage of the debt recovered;
- in the case of services related to cost optimization, the fees may be based on a percentage of the benefit derived; and (h) any other service

APPLICABILITY OF PROVISIONS FOR MEMBERS IN SERVICE TO MEMBERS IN PRACTICE

- No corresponding provisions in Code of Ethics, 2009
- Revised 2019 Code contains clear guidance for PAs in practice that relevant provisions with regard to PAs in service in Part 2 are applicable to them when they perform professional activities pursuant to their relationship with the firm whether as contractors, employees or owners of the firm
- Illustrations of situations in which provisions in Part 2 apply to PAs in practice would apply, for example, to an employee of a firm, who is holding certificate of practice



VOLUME II

SUBSTANTIVE CHANGES

- Changes due to CA (Amendment) Act, 2011, amendment in CA Regulations, 1988, changes in Council Guidelines, changes in Auditing and Accounting Standards , Companies Act, 2013 & changes due to Code of Ethics, 2019
- Council Decisions and Clarifications given by ESB and other Committees (having ethical repercussions) since 2009
- Changes in Advertisement Guidelines & Council General Guidelines
- Changes in commentary under Clauses (6) and (7) of Part- I of First Schedule pertaining to Solicitation and Advertisement
- Changes in commentary under Clause (8) of Part- I of First Schedule pertaining to communication

Structural Changes

- All paragraphs numbered
- Titles of all provisions
- New Appendices
- All disciplinary cases removed and shifted to Volume-III
- Alignment with Code of Ethics, 2019

Professional & Other Misconduct under CA Act, 1949

Schedules

First Schedule (Internal to the profession)

Part	Particulars	No. of Clauses
I	Professional misconduct in relation to CAs in practice.	12
II	Misconduct in relation to members	2
III	Misconduct in relation to members in general	3
IV	Other Misconduct' in relation to all members generally	2

Second Schedule (Outsiders affected)

Part	Particulars	No. of Clauses
I	CAs in practice	10
II	Clauses relating to members generally	4
III	Residuary cases of 'Other Misconduct	1

Chapter V – Provisions relating to Misconduct

Section No	Scope
21	Disciplinary Directorate ('DD')
21A	Board of Discipline ('BOD') – First Schedule offences
21B	Disciplinary Committee ('DC') – Second Schedule offences
21C	Authority of BOD, DC and Director Discipline
22A	Appellate Authority ('AA') - to deal with offences under both the Schedules
22	Professional and other misconduct. Since it covers 'other misconduct' also, the scope is very wide

Clauses of both the Schedules

First Schedule

Clause no. A member in practice would be guilty of misconduct if he:

- (1) Allows any person to practice in his name except his partner and employee who is also a chartered accountant
- (2) Pays any share , commission or brokerage to person other than member of Institute or his partner or retired partner
- (3) Accepts profits from a person who is not a member of Institute
- (4) Enters into partnership with person who is not member of Institute
- (5) Secures work from person who is not his employee or partner.
- (6) Solicits work by circular, advertisement, personal interview etc. (except to the extent allowed)
- (7) Advertises his professional services (except to the extent allowed)
- (8) Accepts audit work without first communicating with the previous auditor in writing

First Schedule

Part I (Contd.)

Clause No.	A member in practice would be guilty of misconduct if he:
(9)	Accepts audit work without first ascertaining that requirements of section 225 of the Companies Act, 1956 (now section 140 of the Companies Act, 2013) are complied with.
(10)	Accepts professional assignment where fees are based on percentage of profits or are contingent upon the findings or results.
(11)	Engages in any other business or occupation (barring few exceptions)
(12)	Allows a person who is not his partner or any other person who is not a member of the Institute to sign on his behalf any balance sheet, profit and loss account, report or financial statements

Part II – Members in service

Clause No.	A member (other than member in practice) would be guilty of misconduct if he:
(1)	Undertakes to share his emoluments of employment
(2)	Accepts any part of fees, profits or gains from any lawyer, CA, broker engaged by the Company, customer as commission or gratification

First Schedule

Part III – Members generally

Clause No.	A member (whether in practice or not) would be guilty of misconduct if he:
(1)	Not being a fellow, acts as a fellow
(2)	Does not supply information called for by the Institute, Council, its Committees, Director (Discipline), BOD, DC etc.
(3)	Gives information knowing it to be safe while inviting professional work, responding to tenders, enquiries or publishing write up.

Part IV – Other misconduct

Clause No.	A member(whether in practice or not)would be guilty of misconduct if he:
(1)	Is held guilty by any civil or criminal court in which is punishable with imprisonment not exceeding 6 months.
(2)	Bring disrepute to the profession

Second Schedule

Part I

Clause No.	A member in practice would be guilty of misconduct if he:
(1)	Discloses information acquired in the course of professional engagement to any person other than his client.
(2)	Certifies any report of financial statements unless the examination has been done by him or his partner or employee or by any other CA in practice
(3)	Gives an impression that he vouches for the accuracy of the forecast.
(4)	Expresses his opinion on financial statements of any business in which he, his firm or partner has a substantial interest.
(5)	Fails to disclose a material fact which is not disclosed in the financial statement but the disclosure of which is necessary.
(6)	Fails to report a material misstatement
(7)	Does not exercise due diligence or is grossly negligent.
(8)	Fails to obtain sufficient information which is necessary for expression of opinion.
(9)	Fails to invite attention to any material departure from generally accepted audit procedures.
(10)	Fails to keep moneys of client other than money meant to be expended in a separate banking account.

Second Schedule

Part II

Clause No.	A member (whether in practice or not) would be guilty of misconduct if he:
(1)	Contravenes any provisions of this Act or regulations etc.
(2)	Being an employee of company, firm or any other person discloses confidential information
(3)	Includes in any document to be submitted to the Institute, Council, its Committees etc. any information knowing it to be false.
(4)	Defalcates or embezzles moneys

Part III

A member whether in practice or not would be guilty of misconduct if he is held guilty by any civil or criminal court for an offence which is punishable with imprisonment exceeding six months

Important Pronouncements Of ICAI:

- While performing our duties as a professional, the knowledge of laws and other Rules and regulations affecting a particular assignment is fundamental. However, apart from the domain knowledge, one also needs to constantly bear in mind the provisions of CA Act, Regulations, technical pronouncements of ICAI and also a few notifications of ICAI. Violation of these pronouncements, doubtless, is a professional misconduct.

Statements

- The deviation from the statement should be adequately disclosed.

Guidance Notes

- These are recommendatory in nature. A member should ordinarily follow them except where he is satisfied that in the circumstances of the case, it may not be necessary to do so. He may also consider a suitable disclosure in this regard.

- Accounting Standards and Auditing Standards (AAS) which are now known as Standards on Auditing('SA') become mandatory from the dates notified by the Institute from time to time.
- Once an AS/SA becomes mandatory, the concerned statement or its relevant part stands withdrawn. Till then, the 'statements' remain in force.

- Implementation Guide on Reporting Standards (Revised SA 700, Revised SA 705 and Revised SA 706)
- E-Booklet on Sample Checklist on SAs-Ready Reference for the Practitioner & CA Firms
- Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)
- Standards on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information
- SAE 3400 “The Examination of Prospective Financial Information Standards on Related Services (SRSs)
- SRS 4410 (Revised), Compilation Engagements

MANAGEMENT CONSULTANCY & OTHER SERVICES (MCS)

ADMINISTRATIVE SERVICES

- Section 602 of Code of Ethics, 2019 is a new provision.
- It refers to routine or mechanical works like compliance /submitting Forms
- Differentiated from “Management Responsibilities” - while Management Responsibilities cannot be undertaken by the Auditor, Administrative Services can be undertaken by him
- Incorporated in Management Consultancy & other services

INSURANCE FINANCIAL ADVISORY SERVICES

- Earlier Insurance Financial Advisory Services were under the Insurance Regulatory & Development Authority Act, 1999 , including Insurance Brokerage.
- Now Insurance Financial Advisory Services are under the Insurance Regulatory & Development Authority Act, 1999 including Insurance Brokerage **(not including Insurance Agency)**

VALUATION

2009 Code

- Valuation of shares and business and advice regarding amalgamation, merger and acquisition.

2019 Code

- 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.**

Modes of Communication

2009 Code

- Members should therefore communicate with a retiring auditor in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee. In the opinion of the Council, communication by a letter sent “Registered Acknowledgement due” or by hand against a written acknowledgement would in the normal course provide such evidence.

2019 Code

- Members should therefore communicate with a retiring auditor in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee. In the opinion of the Council, (a) communication by a letter sent “Registered Acknowledgement due”, (b) by hand against a written acknowledgement, (c) acknowledgement of the communication from retiring auditor's via email address registered with the Institute or the last known official email address; and (d) through Unique Identification Number (UDIN) generated on UDIN portal (subject to separate guidelines to be issued by the Council in this regard) would in the normal course provide such evidence.

DUTY ON PREVIOUS AUDITOR IN CASE OF CHANGE OF AUDITORSHIP

2009 Code

- No duty cast on Previous Auditor. The duty is cast only on Incoming auditor

2019 Code

- On the request of the Incoming Auditor, the retiring auditor shall provide any such information diligently which, in the retiring auditor's opinion, the Incoming auditor needs to be aware before deciding whether to accept the engagement.

ADDRESSING PECULIAR CIRCUMSTANCES WHILE COMMUNICATING

PREMISES ARE LOCKED

2009 Code

- No mention

2019 Code

- Communication received back by the Incoming Auditor with “Office found Locked” written on the AD shall be deemed as delivered

ADDRESSING PECULIAR CIRCUMSTANCES WHILE COMMUNICATING

***FIRM NOT FOUND AT THE
GIVEN REGISTERED ADDRESS***

2009 Code

- No mention

2019 Code

- If Communication sent by with remarks "No such office exists at this address", and address is registered with Institute - deemed to be delivered, unless the retiring auditor proves that it was not really served and that he was not responsible for such non-service.

DIRECTOR SIMPLICITOR

2009 Code

- “Ordinary/simple Director”

2019 Code

- “Director Simplicitor” means an ordinary/simple Director, who is not a Managing Director or Whole time Director and is required only in the Board Meetings of the company and not paid any remuneration except for attending such meetings.

CONFLICT OF INTEREST

- *Modification in the situations of Conflict of Interest in accordance with companies Act 2013*
- *Other situations of conflict based on Council decisions incorporated e.g. Internal auditor not to be the Tax auditor simultaneously*
- *Cooling off period after completion of tenure as Director - A member not to be the auditor of a Company for a period of two years from the date of completion of his tenure as Director*

Generally Accepted Audit Procedure

- *Requirement of Peer Review in case of Audit of Listed Companies*
- *Mandatory FRN/ Membership No.*
- *Requirement of UDIN w.e.f 1st July, 2019 on all Corporate/ Non- Corporate Audit, Attest and Assurance Functions.*

Retirement of Partners

2009 Code

Procedure with regard to noting by the Institute of retirement of Partner(s) of a firm

- *On receipt of a notice of retirement from partner(s) of a firm, a communication would be sent to the other partner(s) of the firm to confirm within a specified period about the retirement of the partner(s) who had sent the notice to the Institute.*
- *In case the other partner(s) do not confirm the retirement within the specified date or do not send the confirmation before the said date, the retirement of the partner(s) having sent the notice of the retirement from the firm would be noted in the records of the Institute.*
- *In case of intimation of existence of dispute between/among partners received from the firm/other partners a suitable note would be kept in the records of the Institute and retirement will not be noted and the fact shall be mentioned in the entry on record of firms and firm constitution certificate, etc.*
- *The fact that there was dispute among the partners of a firm would also be intimated to the C&AG/RBI while furnishing the particulars of the firm for empanelment of bank/C&AG audit.*

2019 Code

- *The complete paragraph has been removed from Code of Ethics*

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.*

Use of “CPA” on visiting cards

2009 Code

- *The members are not permitted to use the initials ‘CPA’ (standing for Certified Public Accountant) on their visiting cards.*

2019 Code

- *Mentioning qualifications of Accounting Institutes which have MRA/MOU with ICAI permitted.*

Changes in Council General Guideline

Chapter III Appointment of a Member as Cost auditor

- Repealed as Section 148 of Companies Act, 2013 requires cost Accountants.

Chapter VI Tax Audit assignments under Section 44 AB of the Income-tax Act, 1961

- Exempted Audits :- 44AD, 44ADA and 44AE and 44AF (368th Council meeting in 2017)
- Tax audit Limits increased from 45 to 60 (331st meeting held in Feb, 2014)
- “Financial year” changed to “assessment years” (Announcement dt. 2.7.2014)

Chapter XII – Minimum fees in respect of Audit

- Repealed by 306th Meeting held from 7th to 8th June, 2011

Ceiling of Fees

- 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: (A) less than two lakhs annual fees ; (B) Audit of government companies; (C) public undertakings (D) Nationalized banks (E) public financial institutions ; or (F) where appointments are made by Government
- R410.4 of ICAI 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 TCWG. Exceptions same as in Self Regulatory measures. Further, Annual Fees exempted is Rs. 5 lakhs

Changes as per Council guidelines from 1st October 2022

S.No.	Existing provision	Revised provision
1.	Disclosure is required where for two consecutive years, the gross annual professional fees from audit client represent more than 15% of the total fees of the firm.	<p>Differentiated disclosure requirements:-</p> <p>For non Public Interest Entities (PIE)- Disclosure is required where for two consecutive years, the gross annual professional fees from an audit client represent more than 40% of the total fees of the firm.</p> <p>For public interest entities: Disclosure is required where for two consecutive years, the gross annual professional fees from an audit client represent more than 20% of the total fees of the firm.</p>

S.No.	Existing provision	Revised provision
2.	Exemption from applicability of the provision where total Fees received by Firm does not exceed 5 lacs of rupees	Exemption from applicability of the provision where total Fees received by Firm does not exceed 20 lacs of rupees.
3.	Exemption from the applicability of the provision in the case of audit of government Companies, public undertakings, nationalised banks, public financial institutions or where appointments of auditors are made by the Government.	In addition to these categories, 'Regulators' has been added.
4.	Disclosure to Those Charged with Governance of audit client	Disclosure to the Institute
5.	Pre-Issuance review or Post issuance Review: Action to be taken to address the threat created due to fees dependency as aforesaid.	Repealed

Sponsoring Activities

2009 Code

- Silent

2019 Code

- 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 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.

ADVERTISEMENT

Teaching/Coaching activities

2009 Code

- Teaching is other “occupation/business” in terms of Appendix (9) of CA Regulations, 1988.
- However, Code of Ethics is silent on advertisement of teaching/coaching activity
- Code of Ethics silent on sharing of educational videos

2019 Code

- Provisions of ICAI Announcement dt. 18.5.2017 of bar on Advertisement of Coaching /teaching activities incorporated
- Educational videos may be uploaded by members; however, no reference should be made to the CA Firm wherein he may be a partner/proprietor.

Movie /TV Credits

2009 Code

- No Mention

2019 Code

- Member's / firm's name allowed in TV/Movie Credits, provided not mentioned differently from other persons

Sharing Firm details in an Interview

2009 Code

- Sharing of Firm details during interview not to result in publicity (Page 139, COE, 2009)

2019 Code

- Any detail to be given only on a specific question , and of factual nature only

Authorship of Books

2009 Code

- Firm name not permitted while authoring a book

2019 Code

- Articles and presentations also included in commentary.....professional attainments prohibited. However use of prefix of “CA” or name of Firm permitted

Advertisement on celebrations

2009 Code

- No Mention

2019 Code

- 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

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.

2019 Code

- Addition:
“while keeping in mind the appropriate visibility and illumination of the sign Board”

Internet

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”

Advertisement Guidelines

- Advertisement Guidelines have consolidated related provisions appearing at different places in Code of Ethics.
- “Write-up” to include Social Networking Websites as well.
- Changes in permissible details in a write-up:
 - ✓ “Web” replaced with “Website”
 - ✓ “Name..... Chartered Accountant” to be replaced with “CA.....Name”
 - ✓ “Passport size” replaced with “Passport style” (photograph)
 - ✓ In case of individual members, allowing mentioning “Position held as Director or Managing Director in a Management Consultancy Company registered with the Institute”
 - ✓ In case of Firms, to also allow mentioning “Affiliation with a Network registered with the institute.”

Write Up

- It shall **be honest and truthful**.
- There shall **be no exaggerated claims** for the services offered by the member or the Firm, or the qualifications or experience of the member or any of the partners or any other person associated with the Firm.
- The write-up should not be of a nature that may bring **the profession into disrepute**
- The write-up **should not contain testimonials or endorsements concerning Member(s) or names of clients (both the past and present) or the fees charged.**
- It **must not be violative of any provisions of Chartered Accountants Act, 1949, Chartered Accountants Regulations, 1988, or Code of Ethics.**⁸

Write Up

- The write-up should not be of font size exceeding 14.
- The write-up should not contain any information about achievements /awards (except the awards given by the Central or State Governments or Regulatory bodies) or any other position held , or any accreditations granted by any organisation.
- Monogram of any kind or use of any kind of catch words is not permissible.
- The membership no./FRN (as may be applicable) is mandatory to be mentioned in the write-up.
- The Institute of Chartered Accountants of India may issue directive for removal or withdrawal of the whole write-up or of any part(s) thereof.

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VOLUME III

Salient Features

- All case laws appearing hitherto under commentary under Code of Ethics, 2009 shifted to “Case Laws Referencer”
- This appears as separate Volume of Code of Ethics (Volume –III)
- Incorporates relevant decided/published case laws of both the Schedules till 1st April, 2019.
- Cases segregated issue wise in the Index.
- All Case Laws have been numbered for easy reference

Important Decisions

- 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.
- 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.

Important Decisions

- 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 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 Rs10000 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.

Important Decisions

- 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.

Important Decisions

- 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.
- GST training can be provided to the existing clients. In case of non-clients, training
- 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.

ESB Decisions

Clarification on prohibition of simultaneously undertaking Concurrent Audit and Quarterly Review of the same Bank

Concurrent audit and the assignment of quarterly review of the same Bank cannot be undertaken simultaneously as the concurrent audit being a kind of internal audit and the quarterly review being a kind of statutory audit undertaken simultaneously are prohibited under the provisions of 'Guidance Note on Independence of Auditors'.

जो खत्म हुआ है आज का सफर ।
तो होगी सुहानी कल की सहर ॥



Thank you

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