

Lecture No. 7 of Professional Ethics

(9) Council General Guidelines, 2008 :

✓ Chapter - I : Applicability

✓ Chapter - II : Conduct of a member in Service

Chapter - III : Omitted

Chapter - IV : "

✓ Chapter - V : Maintenance of Books of A/c

✓ Chapter - VI : Specified no. of tax audit assignments

✓ Chapter - VII : Non payment of undisputed audit fees

Chapter - VIII : Specified no. of audit assignments in case of a Company :



Note: While computing 30 audit assignments, audit of private companies shall be included with exception of OPC and dormant companies

Note: As per Sec. 141(3)(g), specified no. is 20 that does not include audit of OPC, dormant companies, small companies and Pvt. Companies having PUC < 100 Cr.

Example: ABC and Associates having 3 partners (A, B and C) is doing statutory audit of following companies:

Public Companies = 45	Small Cos = 20
Pvt. Ltd. Co. (PUC < 100 cr) = 20	OPC = 25
Pvt. Ltd. Co. (PUC ≥ 100 cr) = 10	Dormant Co. = 20

Specified no. as per Co. law : $45 + 10 = 55$

" " as per C.G. G. : $45 + 20 + 10 + 20 = 95$

Note: A CA in practice or a firm of CAs, shall maintain a record of audit assignments of company, including the following:

1. S. No.
2. Name of Company
3. Regn. no.
4. Date of appointment
5. Date of acceptance

✓ Chapter IX: Acceptance of audit in case of certain Entities:

A member in practice shall not accept statutory audit, in case of PSU, Govt. Companies, Listed Companies and Other public Companies having T/O ≥ 50 crores in a year



if he is rendering 'Other Work' or 'Service'^{*} to that entity at a remuneration which is higher than the fees payable for the audit.

* Management consultancy and other services prescribed u/s 2(a)(iv).

Chapter - X: Acceptance of audit in case of Indebtedness:

A practicing CA shall not accept audit of an entity in which he is indebted or provide any guarantee or security, for amount as prescribed by law under which audit is to be conducted or ₹ 1,00,000 (if no such provision exist in the law).

Chapter - XI: Directions in case of unjustified removal of auditor:

Incoming auditor shall comply with the directions given by the Council of ICAI.

✓ Chapter - XII: Omitted.

(Minimum fees condition - not applicable)

Note: Committee of ICAI prescribed a scale of minimum fees for members in practice, which is recommendatory in nature.

Chapter - VIII : Guidelines on Jendu: - Already Covered -

Chapter - XIV : UDIN:

A member in practice shall generate UDIN for all kinds of the Certification, GST and Tax audit reports and other audit, assurance and attestation functions undertaken/ signed by him.

Chapter - XV : Guidelines for networking: ↴

A network is a larger structure that is aimed at Co-operation and aimed at profit; or aimed at sharing of - Cost

- Ownership, Control & Mngt.
- Q.C. policies & procedures
- Business strategies
- Common brand name
- Significant professional resources.

Notes:- A larger structure aimed only at facilitating referral of work does not create a network.

- Sharing of immaterial costs does not itself create a network.
- Sharing of only audit methodology or audit manuals, training courses will not be considered as significant professional resources.

Forms of Network:

- Network can be constituted as a partnership firm (upto 20 partners), LLP or company.
- A firm is allowed to join only one network.
- Firms having common partners shall join only one network.

Name / Regn. of Network:

- The word " & Affiliates " shall be used after name of network.
- Registration of network with the Institute is mandatory.

✓ Ethical Compliances:

Network shall comply with all relevant ethical requirements prescribed by ICAI in general and in particular in cases, where rotation of firms is prescribed, no member firm of network can accept appointment as an auditor in place of any member firm of network which is retiring.

(Similar provisions are covered under Rule 6 of Companies (Audit and Auditor's) Rules, 2014)

Chapter XVI: LOGO Guidelines:



- Members are encouraged to use common logo prescribed by ICAI.
- Do not change the design, colours including white background
- Refrain from rotating or tilting the logo.

Chapter XVII: Guidelines for Corporate form of practice:

Members in practice are allowed to hold the office of MD, WTD or manager of a body corporate provided it is exclusively engaged in providing Management consultancy and other services permitted by the Council in pursuant to Sec. 2(2)(iv) of CA Act, 1949 and complies with following conditions:

- (i) Management consultancy company shall have a distinct name, approved by the Institute.
- (ii) After approval of name and registration under Companies Act, 2013, management consultancy company shall register with the Institute.

- (iii) Mngt. consultancy company shall give an undertaking that it shall comply with clauses (6) and (7) of Part I of First Schedule.
- (iv) If member/firm is statutory auditor of an entity, Mngt. Consultancy company shall not accept Internal audit, book keeping and other prohibited assignments.

⑩ Fundamental Principles to be followed by an Accountant:

(i) Integrity:

(ii) Objectivity:

(iii) Professional competence:

(iv) Confidentiality:

(v) Professional behaviour:

Compliance with the fundamental principles: (Sec. 110 of Code of Ethics)

- ✓ A professional accountant shall comply with each of the fundamental principles.
- Fundamental principles establishes the standard of behaviour expected of a professional accountant.
 - If professional accountant faces a situation in which complying with one fundamental principle, conflicts with complying with other fundamental principles, he may consider consulting with:
 - (a) Others within the firm or Employing Organisation
 - (b) TCGI
 - (c) ICAI
 - (d) Legal Counsel.
 - However, such consultation does not relieve the accountant from responsibility to exercise professional judgement to resolve the conflict or, if necessary, disassociate from the matter creating the conflict.
 - At the same time, he should also document the issue, details of discussions, decisions made and rationale for the decision.

Fundamental Principles



Sec. 110 → Professional Accountant shall comply with each of the fundamental principles.



A professional accountant identify a threat to compliance with fundamental principles



Evaluate whether such threat is at acceptable level.



Threats are at acceptable level



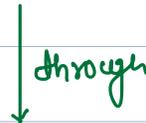
O.K.

Threats are not at a acceptable level.



Address the threats by:

- (a) Eliminating them; OR
- (b) Reducing them to an acceptable level



- (i) Eliminating the Circumstances that create the threats
- (ii) Apply safeguards wherever applicable.
- (iii) declining or ending the specific professional activity (i.e. to withdraw)

Threats to Compliance with fundamental principles:

- (A) Self Review threats
- (B) Self Interest threats
- (C) Advocacy threats
- (d) Familiarity threats
- (e) Intimidation threats

Circumstances that create threats: -

Imp:

Safeguards to be applied to eliminate threats:

- (i) Assign additional time and qualified personnel to required task when an engagement has been accepted might address self interest threat.
- (ii) Having an appropriate reviewer who was not a member of team to review the work performed might address self review threat.
- (iii) Involving another firm to perform or re-perform part of the engagement might address self interest threat, self review, family threats, advocacy, intimidation threats.
- (iv) Separating teams when dealing with matters of confidential nature might address self interest threat.
- (v) Using different persons and engagement teams with separate reporting lines for non-assurance services to an assurance client might address self review, advocacy or familiarity threats.
(MCS) (audit)