

21 Professional Ethics

	Fundamental Principles
a)	<p>Integrity:</p> <ul style="list-style-type: none"> • straightforward and honest in professional & business relationships • shall not knowingly be associated with information <p>(a) Contains a materially false or misleading statement;</p> <p>(b) Contains statements or information provided negligently; or</p> <p>(c) Omits required information.</p>
b)	<p>Objectivity: not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others</p>
c)	<p>Professional Competence & Due Care:</p> <ul style="list-style-type: none"> • Attain & maintain professional knowledge & skill • Act diligently • Exercise sound judgment • Continuous awareness & understanding of technical, professional & business developments • Reasonable steps to ensure those working in his authority have training & supervision
d)	<p>Confidentiality: Not disclose info acquired from client or employer (including prospective). Not use such info for personal advantage. Continues even after relationship has ended.</p>
	<p>Circumstances where professional accountants are or might be required to disclose confidential information or when such disclosure might be appropriate:</p> <ul style="list-style-type: none"> • Disclosure is required by law • Disclosure is permitted by law and is authorized by client or employing org; • There is a professional duty or right to disclose, when not prohibited by law: <ul style="list-style-type: none"> (i) To comply with requirements of Peer Review or Quality Review of the ICAI; (ii) To respond to inquiry or investigation by professional or regulatory body (iii) To protect the professional interests in legal proceedings; or (iv) To comply with technical and professional standards, including ethics requirements.
	<p>In deciding whether to disclose confidential information, professional accountants should consider the following points:</p>
(a)	<p>Whether interests of any party, including 3rd parties might be affected</p>

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(b)	Whether all relevant info is known and substantiated, and
(c)	The proposed type of communication, and to whom it is addressed;
(d)	Whether parties to whom communication is addressed are appropriate recipients.
e)	Professional Behaviour: avoid any conduct that accountant knows or should know might discredit the profession.
	If a professional accountant faces a situation when complying with one fundamental principle conflicts with others, he should consult: Others within the organization /TCWG/ICAI/Legal counsel
	Types of Threats
•	Self-interest threat -threat that a financial or other interest will inappropriately influence a professional accountant's judgment or behaviour;
•	Self-review threat -threat that a professional accountant will not appropriately evaluate the results of a previous judgment made; or an activity performed by the accountant, or by another individual within the accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity;
•	Advocacy threat -threat that a professional accountant will promote a client's or employing organization's position to the point that the accountant's objectivity is compromised;
•	Familiarity threat -threat that due to a long or close relationship with a client, or employing organization, professional accountant will be too sympathetic to their interests or too accepting of their work;
•	Intimidation threat -threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.
	Circumstances that may create self-interest threats
•	Direct financial interest in client
•	Undue dependence on total fees from a client.
•	Concern about the possibility of losing a client.
•	Potential employment with a client.

- Having a close **business relationship** with a client.
- Having access to confidential information of client that might be used for **personal gain**.

Circumstances that may create Self Review Threat

- Loan to or from assurance client or any of its directors or officers
- Professional accountant holding financial interest in, or receiving a loan or guarantee from, employing organization.
- Professional accountant participating in incentive compensation arrangements offered by employing organization.
- Professional accountant having access to corporate assets for personal use.
- Professional accountant being offered a gift or special treatment from supplier of employing organization.

Examples of circumstances that may create advocacy threats:

- **Promoting shares** in entity when that entity is financial statement audit client.
- **Acting as an advocate** on behalf of an assurance client in litigation or disputes with third parties.
- **lobbying in favor of legislation** on behalf of a client.

Examples of circumstances that may create familiarity threats

- A member of engagement team having **close or immediate family relationship** with **director or officer** of the client.
- A member of engagement team having a close or immediate family relationship with **employee of client** who is in position to **exert direct and significant influence** over subject matter of engagement.
- A **former partner** of firm being director or officer of client or employee in position to exert direct and significant influence over the subject matter of the engagement.
- **Long association** of an audit team member with the audit client.

Examples of circumstances that may create intimidation threats

- Being threatened with dismissal or replacement
- Being feeling pressured to agree with the judgment of a client because the client has more

	expertise on the matter in question.
•	Being informed that a planned promotion will not occur unless the accountant agrees with an inappropriate accounting treatment.
	Eg of actions that in certain circumstances might be safeguards to address threats :
•	Assigning additional time and qualified personnel to required tasks when engagement has been accepted.
•	Having appropriate reviewer , not member of team, to review work performed or advise to address a self-review threat.
•	Using different partners and engagement teams with separate reporting lines for provision of non-assurance services.
•	Involving another firm to perform or re-perform part of engagement.
•	Separating teams when dealing with matters of a confidential nature.
	Disabilities for the Purpose of Membership (Sec 8 of the CAs Act, 1949)
•	Under 21 years
•	Unsound mind and stands so adjudged by competent court;
•	Undischarged insolvent;
•	Being a discharged insolvent, has not obtained from court a certificate stating that insolvency was caused by misfortune without any misconduct on his part;
•	Convicted by competent Court within or outside India, of offence involving moral turpitude and punishable with transportation or imprisonment unless CG by order in writing, removed disability;
•	Removed from membership of ICAI been guilty of professional or other misconduct;
	Types of Members
	Associate Member: Person, whose name has been entered in Register, & entitled to use the letters A.C.A. after his name.
	Fellow Member: Following types of members shall be registered as Fellow of ICAI, on payment of such fees along with the application-
(i)	Associate member who has been in continuous practice in India for at least 5 years ,
(ii)	Member who has been associate for continuous period of not less than 5 years & who

possesses such qualification experience equivalent to continuous practice for period of 5 years as CA.

Removal of Name from the Register: As per Sec 20 of Act, Council may remove, from Register, the name of any member in following cases-

- i. who is dead;
- ii. from whom request received;
- iii. not paid prescribed fee required to be paid by him;
- iv. Disqualified u/s 8

Effective date of Restoration in case of Membership Removal

Application for restoration and requisite fees are made within same year of removal	Restoration shall be with effect from the date on which it was removed from the Register.
Removal of name under orders of Board of Discipline or the Disciplinary Committee the Appellate Authority or the High Court	Restoration shall be in accordance with such orders.
In other cases	Restoration shall be with effect from the date on which the application and fee are received.

Penalty for Falsely Claiming to be a Member- Sec 24 of the CAs Act, 1949 provides that any person who-

- (i) not being a member of ICAI;
 - (a) represents that he is member of ICAI; or
 - (b) uses designation CA;
 - (ii) being a member of ICAI, but not having certificate of practice, represents that he is in practice or practice as a CA,
- shall be punishable on first conviction with fine which may extend to 1000, and on any subsequent conviction with imprisonment which may extend to 6 months or with fine which may extend to 5,000, or with both.

	Cancellation and Restoration of Certificate of Practice
	Certificate of Practice (COP) shall be liable for cancellation, if:
(i)	name is removed from the Register; or
(ii)	Council is satisfied, that such certificate was issued on the basis of incorrect, misleading or false information, or by mistake or inadvertence; or
(iii)	a member has ceased to practise; or
(iv)	a member has not paid annual fee for COP till 30th day of September of the relevant year. Where COP is cancelled, the holder shall surrender the same to the Secretary.
	Regulation 11 on restoration of COP states that, on an application made in approved Form and payment of such fee, Council may restore COP w.e.f date on which it was cancelled, to member whose certificate has been cancelled due to non-payment of the annual fee for the COP and whose application, complete in all respects, together with fees, is received by the Secretary before expiry of relevant year.
	Members - deemed to be in Practice
	As per Sec 2(2): "A member of ICAI shall be deemed "to be in practice" if he:
(i)	engages himself in practice of accountancy; or
(ii)	offers to perform or performs service involving auditing or preparation, verification or certification of F.S. or holds himself out as accountant; or
(iii)	renders professional services about matters of principle or relating to accounting, presentation or certification of financial facts/data; or
(iv)	such other services in opinion of Council, are rendered by CA in practice;
	Explanation -Member who is salaried employee of CA in practice deemed to be in practice for limited purpose of training of Articled Assistants".
	Pursuant to Sec 2(2)(iv) above, the Council has passed a resolution permitting a CA in practice to render entire range of "Management Consultancy and other Services".
	The expression "Management Consultancy and other Services" shall include the following-
i.	Financial management planning and financial policy determination.
ii.	Capital structure planning and advice regarding raising finance.

iii.	Working capital management.
iv.	Preparing project reports and feasibility studies.
v.	Preparing cash budget, cash flow statements, profitability statements, statements of sources and application of funds etc.
vi.	Budgeting including capital budgets and revenue budgets.
vii.	Inventory management, material handling and storage.
viii.	Market research and demand studies.
ix.	Price-fixation and other management decision making.
x.	Management accounting systems, cost control and value analysis.
xi.	Control methods and management information and reporting.
xii.	Personnel recruitment and selection.
xiii.	Setting up executive incentive plans, wage incentive plans etc.
xiv.	Management and operational audits.
xv.	Valuation of shares and business and advice regarding amalgamation, merger and acquisition. Acting as Registered Valuer under Cos. Act 2013.
xvi.	Business Policy, corporate planning, organisation development, growth and diversification.
xvii.	Organisation structure and behaviour, training programmes, work study, job-description, job evaluation
	Systems analysis and design, and computer related services and to carry out other professional services relating to EDP
xix.	Acting as advisor or consultant to an issue , including such matters as:
	a. Drafting of prospectus and memorandum containing salient features of prospectus. Drafting and filing of listing agreement and completing formalities with Stock Exchanges, Registrar of Companies and SEBI.
	b. Preparation of publicity budget, advice regarding arrangements for selection of (i) ad - media, (ii) centres for holding conferences of brokers, investors, etc., (iii) bankers to issue, (iv) collection centres, (v) brokers to issue, (vi) underwriters and the underwriting arrangement.
	c. Advice regarding selection of various agencies connected with issue, namely Registrars to Issue, printers and advertising agencies.
	d. Advice on the post issue activities, e.g., follow up steps which include listing of instruments and dispatch of certificates and refunds.

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	Explanation - Portfolio mgt, underwriting & broking (PUB) not permitted.
xx.	Investment counselling in respect of securities
xxi.	Registrar to an issue and for transfer of shares/other securities.
xxii.	Quality Audit.
xxiii.	Environment Audit.
xxiv.	Energy Audit.
xxv.	Recovery Consultant in the Banking Sector.
xxvi.	Insurance Financial Advisory Services under IRDA Act 1999, including Insurance Brokerage.
xxvii.	Insolvency Professional in terms of Insolvency and Bankruptcy Code, 2016
xxviii.	Admin Services: Such services require little to no professional judgment and are clerical in nature.
	Note: Member of ICAI is deemed to be in practice during period he renders 'service with armed forces'.
	Important Note: A CA whose name has been removed from membership for prof. or other misconduct → during such period of removal will not appear before various tax authorities or other bodies before whom he could have appeared in his capacity as a member of ICAI. Because once a person becomes a member of ICAI; he is bound by provisions of CA Act, 1949 and its Regulations
	Companies not to practice as CAs → If LLP has Co. as partner it can't engage in practice
	Member in Practice Prohibited from using a Designation Other Than CA - Sec 7
•	Merchant Banker / Advisor to an issue: Members may obtain registration as category IV Merchant Banker & act as Advisor or Consultant to issue. In client Companies' offer documents and ads regarding capital issue, name and address of CA or firm of CAs acting as Advisor or Consultant to the Issue could be indicated under the caption "Advisor/Consultant to the Issue". However, name & address of such CA/firm of CAs should not appear prominently.
•	The members of ICAI who are also Directors in Companies, members of Political parties or CAs Cells in political parties, holding different positions in clubs are not permitted to mention these positions as these would be violative of provisions of Sec 7 of the Act.

- Member can't designate as Cost Accountant; he can use letters A.C.M.A (Associate) or F.C.M.A (Fellow) after his name.
- Permitted to mention membership of foreign Institute of Accountancy, recognized by Council through MOU / Mutual Recognition Agreement (MRA) with ICAI.
- Improper for CA to state on professional docs Income-tax Consultant, Cost Accountant, Company Secretary, Cost Consultant or a Management Consultant.
- Designation "Corporate Lawyer" not permitted.
- Use of initials 'CPA' not permitted on visiting cards.
- Use of Designation Advocate and CA not permitted simultaneously.

Branch office (Section 27)

Sec 27 of Act: If a CA in practice or Firm of CAs has more than one office in India, each one of such offices should be in separate charge of member of ICAI.

Exemption for Hilly Areas

- Temp office in plains allowed for limited period not exceeding 3 months pa
- No need to close regular office & correspondence made at reg office
- Name board on temp office not displayed when its not functional
- Temp office not mentioned on Visit cards/letter heads as Place Of Business
- Before winters, member/firm informs ICAI about opening temp office from date & after closure intimated ICAI via regd post

To comply with requirement of being in charge of office:

- Member to reside in place office situated/attends the office ≥ 182 days
- Member can be in-charge of two offices if they are in one and the same Accommodation

Council Decisions:

- I) Use of the name-board: nameboard in place of residence allowed of member with designation of CA, provided it is nameplate of individual member & not of firm.
- ii) The exemption may be granted to member or firm of CAs in practice to have a second office without such second office being under separate charge of member of ICAI, provided-
 - a. second office is in same premises, in which first office is located or,
 - b. second office is in same city, in which first office is located or,

c. second office is located within 50 km. from the municipal limits of a city, in which the first office is located.

Mr. K, Chartered Accountant practicing as a sole proprietor has an office in the suburbs of Chennai. Due to increase in the income tax assessment work, he opens another office near the income tax office, which is within the city and at a distance of 30 km. from his office in the suburb. For running the new office, he has employed a retired Income Tax Commissioner who is not a Chartered Accountant.

Maintenance of Branch Office in Same City: As per Sec 27 of the Chartered Accountants Act, 1949 if a CAiP has more than 1 office in India, each one of these offices should be in the separate charge of a member of ICAI.

However, a member can be in charge of 2 offices if the 2nd office is located in same premises or in same city, in which 1st office is located; or 2nd office is located within a distance of 50 km. from municipal limits of a city, in which 1st office is located.

In given case, Mr. K, CAiP as a sole proprietor at Chennai has an office in suburbs of Chennai, and due to increase in work he opened another branch within the city near the income tax office. He also employed a retired income tax commissioner to run the new office and the second office is situated within a distance of 30 kilometers from his office in the suburb.

Conclusion: In view of above provisions, there will be no misconduct if Mr. K will be incharge of both the offices. However, he is bound to declare which of the two offices is the main office.

KYC Norms

The KYC Norms approved by the Council of ICAI are given below:

1. Where Client is an Individual/ Proprietor

A. General Information

- Name of the Individual

	<ul style="list-style-type: none"> • PAN No. or Aadhar Card No. of the Individual • Business Description • Copy of last Audited Financial Statement
	B. Engagement Information
	<ul style="list-style-type: none"> • Type of Engagement
2.	Where Client is a Corporate Entity
	A. General Information
	<ul style="list-style-type: none"> • Name and Address of the Entity • Business Description • Name of the Parent Company in case of Subsidiary • Copy of last Audited Financial Statement
	B. Engagement Information
	<ul style="list-style-type: none"> • Type of Engagement
	C. Regulatory Information
	<ul style="list-style-type: none"> • Company PAN No. • Company Identification No. • Directors' Names & Addresses • Directors' Identification No.
3.	Where Client is a Non-Corporate Entity
	A. General Information
	<ul style="list-style-type: none"> • Name and Address of the Entity • Copy of PAN No. • Business Description • Partner's Names & Addresses (with their PAN/Aadhar Card/DIN No.) • Copy of last Audited Financial Statement
	B. Engagement Information
	<ul style="list-style-type: none"> • Type of Engagement
	First Schedule
	PART I - Professional Misconduct in relation to CAs in Practice
	A CA in practice is deemed to be guilty of professional misconduct if he:
	Clause (1):
	<ul style="list-style-type: none"> • allows any person to

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- 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.
- ◇ The above clause is intended to safeguard public against unqualified accountant practicing under the cover of qualified accountants.
- ◇ It ensures that work of accountant will be carried out by a CA who may be his partner, or his employee and would work under his control and supervision.

Clause (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 ICAI or a partner or a retired partner or the legal representative of a deceased partner, or a member of any other professional body or with such other persons having such qualification as may be prescribed,
- for the purpose of rendering such professional services from time to time in or o/s India.

Reg. 53A: Professional bodies: [same for clause (3) & clause (4)]

ICSI (CS), ICWAI (Cost a/c), Bar Council (Advocate), Inst of Architects (Architect), Institute of Actuaries (Actuary), Engineer, LLB(Lawyer), MBA

Example: CA gave 50% of audit fees received by him to complainant, not a CA, under nomenclature of office allowance and such arrangement continued for no. of years, held by Council that in substance CA had shared his profits and was guilty of professional misconduct. It is not nomenclature to a transaction that is material, but it is substance of transaction, which is to be looked into.

Note: Paying % of profits to article as stipend not allowed even if financial condition weak

Share of Profit/Sale of Goodwill (Death Cases)

Partnership Firm: Legal representative will continue to receive share if Deed provides for it.

Sole Proprietorship Firm:

1. Goodwill can be transferred to other CA if:
 - Sale to be completed within 1 year of death

- If dispute of legal heir inform ICAI within 1 year about dispute & name preserved for 1 year from dispute settlement.
2. No sharing of fees between Legal Representative & purchaser of goodwill on death of Sole Proprietor + payments in instalments allowed if agreement allows
- Mr. Qureshi, CAiP died in road accident. His widow proposes to sell practice of husband to Mr. Pardeshi, CA, for ₹ 5 lakhs. The price also includes right to use the firm name - Qureshi and Associates. Can widow of Qureshi sell practice and can Mr. Pardeshi continue to practice in that name as a proprietor?
- Sale of Goodwill: With reference to Clause (2) of Part I to First Schedule to Chartered Accountants' Act, 1949, Council of ICAI considered whether goodwill of proprietary concern of CA can be sold to another member who is otherwise eligible, after death of proprietor.
- It lays down that sale is permitted subject to certain conditions. It further resolved that legal heir of deceased member has to obtain permission of Council within a year of the death of proprietor concerned.
- Conclusion: Thus, in a given case, the widow of Mr. Qureshi, who has proposed to sell the practice for ₹5 lakhs is in effect proposing the sale of goodwill. Thus, the act of Mrs. Qureshi is permissible Mr. Pardeshi can continue to practice in that name as a proprietor.
- Clause (3): accepts or agrees to accept any part of profits of professional work of person who is not member of ICAI.
- Provided that nothing herein contained shall be construed as prohibiting a member 'from entering into profit sharing or other similar arrangements, including receiving any share commission or brokerage in the fees, with member of such professional body or other person having qualifications, as is referred to in item (2) of this part.
- Referral fees amongst members: It is not prohibited for a member in practice to charge Referral Fees, being fees obtained by a member in practice from another member in practice in relation to referring client to him.
- Note: if CA Accepting commission from registered valuer for referring valuation assignments then he shall be Guilty

	Clause (4):
•	enters into partnership, in or o/s India, with person other than
•	CA in practice or such other person who is member of any other professional body having such qualifications as may be prescribed,
•	including a resident who but for his residence abroad would be entitled to be regd. as member under section 4(1)(v) or
•	whose qualifications are recognized by CG or Council for purpose of permitting such partnerships.
	A CAiP is not permitted to enter into partnership with any person other than a CAiP or such other persons as may be prescribed by Council from time to time. The members may however take note of the fact that they cannot form Multi-Disciplinary partnerships till such time that Regulators of such other professionals also permit partnership with CAs, and guidelines in this regard are issued by Council.
	Example: CA had engaged himself as partner in two business firms and MD in 2 Companies and holding Certificate of Practice without obtaining permission of ICAI. Held that he was guilty of professional misconduct inter under Clauses (4) and (11).
	Clause (5) Secures 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, any professional business. Provided that nothing herein contained shall be construed as prohibiting any agreement permitted in terms of item (2), (3) and (4) of this part.
	Clause (6) Solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means.
	Provided that nothing herein contained shall be construed as preventing or prohibiting -
(i)	Any CA from applying or requesting for or inviting or securing professional work from another CA in practice; or
(ii)	A member from responding to tenders or enquiries issued by various users of professional services or organizations from time to time and securing professional work as a consequence.
	As per Council guidelines, member in practice shall not respond to any tender
	◇ in areas of services which are exclusively reserved for CAs, such as audit and

attestation services.

◇ Such restriction not applicable

✓ where min. fees of assignment prescribed in tender document or

✓ where areas are open to other professionals along with Cas

The members should not adopt any indirect methods to adventure their professional practice with a view to gain publicity and thereby solicit clients or professional work. Such a restraint must be practiced so that members may maintain their independence of judgment and may be able to command respect of their prospective clients.

- An advertisement of Coaching /teaching activities by member in practice may amount to indirect solicitation, as well as solicitation by any other means, and may therefore be violative of provisions of Clause (6) of Part I of First Schedule to CAs Act, 1949.
- Members may put, outside Coaching/teaching premises, sign board mentioning name of Coaching / teaching Institute, contact details and subjects taught therein only.
- Advert/notes in press: Not advertise for soliciting work. Not circulate letters to possible clients

Exceptions:

◇ May advertise changes in partnerships or dissolution of firm, or change in address and telephone numbers. Bare statement of facts allowed and consideration given to appropriateness of area of distribution of newspaper or magazine and number of insertions.

◇ Permitted to issue classified ad in journal/ newsletter of ICAI intended to give info for sharing professional work on assignment basis or seeking partnership or salaried employment of accountancy nature, provided it only contains accountant's name, address or telephone number, fax number, e-mail address and address(es) of social Networking sites of members. However, mere factual position of experience and area of specialization, relevant to seek response to the advertisement, are permissible.

- Application for empanelment for allotment of audit and other professional work: Free to write to concerned org. **Not proper for CA to make roving enquiries.** Permissible to quote fees on enquiries received from bodies, which maintain such panel.
- Publication of Books, Articles or Presentation: **Not permissible** for member to mention in book or article published, or presentation made by him, **any professional attainment(s)**,

	whether of member or firm. He may indicate in book, article or presentation designation "CA" as well as name of firm.
•	Issue of Greeting Cards or Invitations: Designation "CA" as well as name of firm may be used in greeting cards, invitations for marriages and religious ceremonies and any invitations for opening or inauguration of office of members, change in office premises and change in telephone numbers, provided that invitations are sent only to clients, relatives and friends of the members concerned.
•	Advertisement for Silver, Golden, Platinum or Centenary celebrations of CA Firms may be published in newspaper or newsletter.
•	Sponsoring Activities: (a) A member in practice or Firm of CAs is not permitted to sponsor an event. May sponsor event conducted by a Programme Organizing Unit (PoU) of ICAI, provided it has prior approval of Continuing Professional Education (CPE) Directorate of ICAI. (b) 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.
•	Sharing Firm Profile with prospective Client: Not permitted to share Firm profile with a prospective Client unless it is in response to a proposed client's specific query, and otherwise not prohibited to be used by the client.
•	Television or Movie Credits: Exhibition of name is not made differently as compared to other entries in the credits.
•	Soliciting professional work by making roving enquiries: Not permissible for member to address letters, emails or circulars to persons who are likely to require services of CA since it would tantamount to advertisement.
•	Seeking work from Professional Colleagues: Issue of advertisement or a circular by CA, seeking work from professional colleagues on any basis whatsoever except as provided above would be in violation
•	Scope of representation which an auditor is entitled to make under Section 140(4) of the Companies Act, 2013: Opportunity not being abused to secure needless publicity. The letter should merely set out in dignified manner how he has been acting independently and conscientiously through the term of office and in addition, indicate his willingness to continue as auditor if reappointed by shareholders.

- Acceptance of original professional work by a member emanating from the client introduced to him by another member: **Member not accept original professional work emanating from client introduced to him by another member.** If any professional work of such client comes directly, it should be his duty to ask the client that he should come through other member dealing generally with his original work.
- Giving Public Interviews: Not result in publicity. Details about members or their firms not given in a manner highlighting professional attainments. Detail given as response to specific question, and factual nature only.
- Members and/or firms who publish advertisements under Box numbers: prohibited from inserting advertisements under box numbers in newspapers. It is violation of this clause.
- Educational Videos: No reference made to CAs Firm wherein member is a partner/ proprietor. It should not contain contact details or website address.
- CA sent letters to other CAs claimed to be pioneer in **liasoning with govt depts as expertise** → **held guilty** in this clause

Website for CA Firms

- Should be on Pull model instead of Push model
- Info on website shouldn't be circulated own own or emails except on specific 'pull' request
- Not issue material to solicit users to visit their website
- Info that can be displayed:
 - ✓ Member/firm Name
 - ✓ Year of establishment
 - ✓ Address of firm/member + Tel nos + E mail ids
 - ✓ Nature of services rendered (specific pull request)
 - ✓ Partners [Name, Year of qualification, Other qualification, Phone, email, Area of experience (pull request)]
 - ✓ Details of employees (like partners)
 - ✓ Job vacancies
 - ✓ No of article assistants (pull request)
 - ✓ Nature of assignments handled (pull request)
 - ✓ Name of clients & fees charged can't be given (Note)

Note: It can be given if required by regulator (whether or not constituted under a statute)

	in India or o/s India) only to extent & period required by regulator.
	Where such disclosure of names of clients and/or fees charged is made on the website, the member/ firm shall ensure that it is mentioned on the website [in italics] , below such disclosure itself, that
	<i>This disclosure is in terms of the requirement of [name of the regulator] having jurisdiction in [name of the country/ area where such regulator has jurisdiction] vide [Rule/ Directive etc. under which the disclosure is required by the Regulator].</i>
•	Display of Passport size pic permitted
•	May include bulletin boards, articles, prof info, & educational videos
•	Chat rooms can be provided with confidentiality protocol
•	Can provide Document Management Facility
•	Can share link to Social Networking Site but not solicit to visit or like their pages
•	Can provide online advice on specific request for free/payment
•	Ensure adequate secrecy of matters of clients
•	No ad on website of banner or any nature
•	May provide link to website of ICAI, Regional councils, Branches & website of Govt/depts/Reg authorities/Professional bodies
•	Website name should be similar to firm name & not amount to solicitation
•	Mention info not at material variance from ICAI's records
	Online Third Party Platforms
•	Some websites provide consultancy services of CAs or CA Firms
•	Contact address of CA shouldn't be provided
•	It should not advertise professional achievements or status of CAs just mention they are CAs
•	Name of CA Firm with suffix "Chartered Accountants" not permitted
	Publication of Name or Firm Name by CAs in Telephone or other Directories published by Telephone Authorities or Private Bodies
•	Name under section 'Chartered Accountants'
•	Member/firm should be from town/city of directory publication
•	Order of entries should be alphabetical

- Entry shouldn't be made in a differential or prominent manner giving impression of publicity /advertisement
- Entries shouldn't be restricted & open to all CAs of that town
- Members can also include their names in Trade/social directories

Application based Service provider Aggregators (Eg UrbanClap)

- Not permissible for Cas

Specialised Directories for limited circulation

- name, description, and address of member (or firm) may appear in any directory or list of members of a particular body in which the names are listed alphabetically.
- Member shouldn't give name of clients
- May supply info for spl. directories on own discretion

Advertisement for following purpose allowed:

- ✓ For recruiting staff for own office
- ✓ Inserted on behalf of client for staff for their office or acquisition or disposition of property
- ✓ For sale of business or property by member acting in prof capacity as trustee, liquidator or receiver
- ✓ When advertising for staff its desirable to avoid saying "Well known firm".

Examples:

M/s XYZ, firm of CAs created website "www.xyzindia.com". Website besides containing details of firm and bio-data of partners also contains passport size photographs of all partners of firm.

Hosting Details on Website: As per Clause (6) of Part I of First Schedule to Chartered Accountants Act, 1949, CA of firm can create its own website using any format subject to guidelines. However, website should be so designed that it does not solicit clients or professional work and should not amount to direct or indirect advertisement. Guidelines of ICAI allow a firm to put up the details of firm, bio-data of partners and display of a passport size photograph.

Conclusion: In the case of M/s XYZ, all guidelines seem to have been complied and there appears to be no violation of Chartered Accountants Act, 1949 and its Regulations.

M/s LMN, firm of Chartered Accountants responded to tender from State Government for computerization of land revenue records. For this purpose, firm also paid ₹50,000 as earnest deposit as part of terms of tender.

Responding to Tenders: Clause (6) of Part I of First Schedule to Chartered Accountants Act, 1949 lays down guidelines for responding to tenders, etc. As per guidelines if a matter relates to any services other than audit, members can respond to any tender. Further, in respect of non-exclusive area, members are permitted to pay reasonable amount towards earnest money/security deposits.

Conclusion: In instance case, since computerization of land revenue records does not fall within exclusive areas for chartered accountants, M/s LMN can respond to tender as well as deposit ₹50,000 as earnest deposit and shall not have committed any professional misconduct.

Mr. Honest, CAiP, wrote two letters to M/s XY Chartered Accountants firm of Cas; requesting them to allot him some professional work. As he did not have significant practice or clients he also wrote letter to M/s ABC, a firm of CAs for securing professional work. Mr. Clever, another CA, informed ICAI regarding Mr. Honest's approach to secure the professional work. Is Mr. Honest wrong in soliciting professional work?

Securing Professional Work: Clause (6) of Part I of First Schedule to Chartered Accountants Act, 1949 states that CAiP shall be deemed to be guilty of misconduct if he solicits clients or professional work either directly or indirectly by a circular, advertisement, personal communication or interview or by any other means.

Provided that nothing herein contained shall be construed as preventing or prohibiting any CA from applying or requesting for or inviting or securing professional work from another CAiP. Such restraint has been put so that members maintain their independence of judgment and may be able to command respect from their prospective clients.

Conclusion : In given case, Mr. Honest wrote letters only to other CAs, M/s XY and M/s ABC requesting them to allot some professional work to him, which is not prohibited under Clause (6). Thus, Mr. Honest hasn't committed any professional misconduct by soliciting professional work.

Clause (7)

Advertises his professional attainments or services, or **uses any designation or expressions other than the CA** on professional documents, visiting cards, letter heads or sign boards unless it be a degree of a University established by law in India or recognized by the Central Government or a title indicating membership of the Institute of CAs or of any other institution that has been recognized by the Central Government or may be recognized by the Council.

Member in practice **may advertise through a write up**, setting out service provided by him or firm and particulars of his firm subject to such guidelines as issued by Council.

- Use of designation 'Member of Parliament', 'Municipal Councilor' not permitted.
- A member can mention "Insolvency Professional" or "Registered Valuer" respectively on his visiting card and letter head.
- As per Clause (7) Part I of First Schedule, CA Act 1949 members permitted to use membership of foreign institute of Accountancy, recognised by Council e.g. South African Institute of Chartered Accountants (SAICA), Institute of Certified Public Accountants (CPA Ireland) and Institute of Chartered Accountants in England and Wales (ICAEW)
- Date of setting-up practice: Should not be mentioned on the letter heads and other professional documents.
- Notice in the Press relating to the Success in an Examination: It should **not contain any element of undesirable publicity**. Candidate's name and address, school and local background, examination passed with details of any prize or place gained, name of principal, firm and town in which principal practices may be published.
- Reports and Certificates: Manner of publication limited to what is necessary to enable report or certificate to serve its proper purpose. Members should use letterhead for issuing reports and certificates.

Appearance of CAs on Electronic Media (including Internet): Members may appear on television, films and Internet and Radio or give lectures at forums and may give their names and describe themselves as CAs. Spl. qualifications or specialised knowledge directly relevant to subject matter of prog. may be given. Firm name may also be

	mentioned; however, exaggerated claim or comparison is not permissible. It must not be promotional of him or his firm but must be an objective professional view of topic.
	Mention of membership of Institute is desirable in such cases to achieve suitable publicity for ICAI.
•	Members giving talks or lectures or attending conference may describe themselves as CAs only when they are acting in their capacity as CAs. However, reference to professional firm of the member should not be given.
•	Organising Training Courses, Seminars etc. for his staff: CAiP may invite staff of other CAs and clients to attend the same. Undue prominence should not be given to name of CA in any booklet or document.
•	Writing Articles or Letters to the Press: May give their names and use the description Cas.
•	Size of Sign Board: Use of glow signs or lights on large-sized boards not permissible.
•	Public Announcements with details of Directors: Many Companies have CAs as directors. The prospectus or public announcements shouldn't publish descriptions about CA's expertise, specialisation & knowledge in any field.
	Member should invite attention of mgt to provisions and request that before communication, is issued, it should be approved by him. The use of expression 'CA' is permissible. Directorships held by member in other Companies can be given, but name of firm in which member is partner, should not be given.
•	Use of logo/monogram of any kind/form/ style/design/colour etc. is prohibited.
•	Printing QR code on visiting card allowed giving name/address/contact details/firm name
	Notes:
•	Giving names of all firms in which CA is partner on letterhead is allowed
•	When CA while delivering speech at Conference talks about his expertise & services of firm & requests audience to approach him guilty under clause 6 & 7
•	CA after Demonetisation messaged ppl that he offers cash conversion service guilty of Prof misconduct under Clause 6 & 7 + Other misconduct under clause 2 of Part IV of First Schedule read with Sec 22 of CA Act 1949
	Advertisements through write up
✓	Honest & truthful

✓	No exaggerated claims
✓	No disparaging references or unsubstantiated comparisons
✓	Not bring profession to disrepute
✓	Not contain testimonials
✓	Not contain info about achievements or awards (except awards by CG/SG/ Regulatory Bodies)
✓	Monogram of any sort not permissible
✓	Membership no/firm reg no to be mentioned
✓	Font size up to 14
	Eg. Offer document of listed Co. in which Mr. D, practising CA is a director mentions name of Mr. D as a director along with his various professional attainments & spheres of specialisation. As per ICAI Council if public Co, in which CAiP is director, issues prospectus or gives any announcement that gives descriptions about CA's expertise, specialisation and knowledge in any field, it shall constitute a misconduct under Clauses (6) & (7), Part I of First Schedule to Chartered Accountants Act, 1949. Council further stated that in such cases member has to take necessary steps to ensure that such prospectus or public announcements or communications don't advertise his professional attainments and do not directly/indirectly amount to solicitation of clients for professional work by members.
	Conclusion: Thus, Mr. D would be guilty of professional mis - conduct and liable for disciplinary action.
	Clause (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.
	As a matter of professional courtesy and professional obligation it is necessary for new auditor appointed to communicate with such earlier auditor.
	Objective is to ascertain whether there are any circumstances which warrant him not to accept appointment.
	The professional reasons for not accepting an audit would be:
	(a) Non-compliance of Sec 139 and 140 of Companies Act, 2013
	(b) Non-payment of undisputed Audit Fees by auditees other than in case of Sick Units
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(c) Issuance of qualified report*

*may accept audit if satisfied that attitude of retiring auditor was not proper and justified. If he feels that retiring auditor qualified report for good and valid reasons, refuse to accept audit. There is no rule, written or unwritten, which would prevent auditor from accepting appointment offered to him in these circumstances. Before accepting audit, ascertain full facts of case.

What should be the correct procedure to adopt when a prospective client tells you that he wants to change his auditor and wants you to take up his work?

Company should be asked whether retiring auditor had been informed of intention to change. If answer is 'Yes', then communication should be addressed to retiring auditor. If it is learnt that old auditor hasn't been informed, and client is not willing to inform, it would be necessary to ask reason for proposed change. If no valid reason for change, it would be healthy practice to not accept audit. If he decides to accept audit he should address a communication to retiring auditor.

Members should retain positive evidence of delivery of communication to addressee. In opinion of Council, following would provide such evidence: -

- (a) Communication by a letter sent through **Registered Acknowledgement due**, or
- (b) By hand against a **written acknowledgement**, or
- (c) Acknowledgement of communication from retiring auditor's vide **email address** registered with Institute or his last known official email address, or
- (d) Unique Identification Number (**UDIN**) generated on UDIN portal

*Letters posted under Certificate of Posting not considered valid (No positive evidence of delivery)

Premises found Locked: **Deemed** as having been delivered to retiring auditor.

Firm not found at the given Regd address: Address of communication is same as registered with ICAI on date of dispatch, letter will be deemed to be delivered, unless retiring auditor proves it was not really served and he was not responsible for such non-service.

Joint audit with earlier auditor: As a matter of professional courtesy and obligation it is necessary for new auditor appointed to act jointly with earlier auditor to communicate with such earlier auditor.

	Special Audit under Income Tax Act, 1961: It would be healthy practice if Tax Auditor conducting spl audit under Income Tax Act, 1961 communicates with member who conducted Statutory Audit.
	Council decisions:
•	Requirement for communicating with previous auditor being CAiP would apply to all types of Audit viz., Statutory Audit, Tax Audit, GST Audit, Internal Audit, Concurrent Audit or any other kind of audit.
•	Communication in case of Assignments done by other professionals: Communication is mandatorily reqd for all types of Audit/Report where previous auditor is a CA. For assignments done by other professionals not being CAs, it would be a healthy practice to communicate .
•	Lack of time in acceptance of Government Audits: No time to wait for reply from outgoing auditor, incoming auditor may give conditional acceptance of appointment and commence work. In acceptance letter, make clear to client that acceptance of appointment is subject to professional objections, from previous auditors and that he will decide about final acceptance after considering information recd from previous auditor.
	Clause (9) accepts an appointment as auditor of company without first ascertaining from it whether requirements of Section 225 of the Companies Act, 1956 (1 of 1956), in respect of such appointment have been duly complied with;
	Clause (9) of Part I of First Schedule to Chartered Accountants Act, 1949 provides that a member in practice shall be deemed to be guilty of professional misconduct if he accepts an appointment as auditor of a Co. without first ascertaining from it whether the requirements of Sec 139 and 140 of Companies Act, 2013, have been duly complied with.
	It would not be sufficient for incoming auditor to accept certificate from mgt that provisions of above sections have been complied with. It is necessary to verify relevant records of Co. and ascertain as to whether Co. has complied with provisions of above sections. If Co. is not willing to allow incoming auditor to verify relevant records, should not accept audit assignment.
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	ESB Guidelines in case of removal/resignation by Auditor
A.	Auditor willing for reappointment but not reappointed shall file with ICAI a copy of statement which is also sent to shareholders by mgt of Co (Obligatory for incoming auditor to obtain such copy from BOD & consider before accepting audit)
B.	Auditor resigns send communication to BOD + ICAI stating professional reasons (Obligatory for incoming auditor to obtain such copy from BOD & consider before accepting audit)
C.	ESB can ask for add. info if required
D.	Also applicable to removal of auditor by govt/other statutory bodies
	Clause (10)
	<ul style="list-style-type: none"> Charges or offers to charge, accepts or offers to accept in respect of professional employment fees based on percentage of profits or contingent upon findings, or results of such employment, except as permitted under any regulations made under this Act
	Exceptions: Regulation 192
(a)	Receiver or a liquidator, fees based on percentage of realization or disbursement of assets
(b)	Auditor of co-operative society, fees based on percentage of paid up capital or working capital or the gross or net income or profits;
(c)	Valuer for purposes of direct taxes and duties, fees based on percentage of value of property valued;
(d)	management consultancy services, fees contingent upon findings, or results of such work;
(e)	fund raising services, fees based on percentage of fund raised;
(f)	Debt recovery services, fees based on percentage of debt recovered;
(g)	services related to cost optimisation, fees based on percentage of benefit derived; and
(h)	any other service or audit as may be decided by Council.
	[Following activities have been decided by Council under "h" above :-
	(i) Acting as Insolvency Professional (ii) Non-Assurance Services to Non-Audit Clients]
	Note: Getting a loan sanctioned from bank is not covered under fund raising service hence CAiP can't charge fees basis % of loan raised by client.

	Clause (11) Engages in business or occupation other than profession of chartered accountant unless permitted by Council so to engage.
	Provided that nothing contained herein shall disentitle a chartered accountant from being a director of a company (Not being managing director or a whole time director*) unless he or any of his partners is interested in such company as an auditor.
	Exception: Ch-XVII of Council General Guidelines to be discussed later.
	Subject to control of Council, CAiP may act as liquidator, trustee, executor, administrator, arbitrator, receiver, adviser or representative for costing, financial or taxation matter, or may take up appointment that may be made by the CG or a State Government or a court of law or any other legal authority or may act as Secretary in his professional capacity, provided his employment is not on a salary-cum-full-time basis.
	Permission granted generally -
	<ul style="list-style-type: none"> • Employment under CAiP or firms of such Cas. • Private tutorship. • Authorship of books and articles. • Holding of Life Insurance Agency License for purpose of getting renewal commission. • Attending classes and appearing for any examination. • Holding of public elective offices such as M.P., M.L.A. and M.L.C. • Honorary office leadership of charitable-educational or other non-commercial organisations. • Acting as Notary Public, Justice of the Peace, Special Executive Magistrate and the like. • Part-time tutorship under coaching organisation of Institute. • Valuation of papers, acting as paper-setter, head-examiner or a moderator, for any examination. • Editorship of professional journals (Eg Company Audit Journal) • Acting as Surveyor and Loss Assessor under the Insurance Act, 1938 • Acting as recovery consultant in banking sector • Owning agricultural land and carrying out agricultural activity
	Specific Resolution - Members in practice may engage in following categories of business or occupations, after obtaining the specific and prior approval of the Council in each case:
	<ul style="list-style-type: none"> • Employment in business concerns provided member and/or his relatives do not hold "substantial interest" in such concerns. (20% or more)
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- Full-time or part-time **employment in non-business concern.**
- Office of **MD or a WTD of body corporate** provided member and/or any of his relatives don't hold substantial interest in such concern
- Interest in **family business** concerns (including such interest devolving on the members as a result of inheritance / succession / partition of family business) or concerns in which interest has been acquired as a result of relationships and in management of which no active part is taken.
- Interest in an educational institution.
- Part-time or full-time **lectureship for courses other than** those relating to **Institute's examinations** conducted under the auspices of the Institute or the Regional councils or their branches.
- Part-time or full-time **tutorship under any educational institution** other than coaching organization of Institute.
- **Editorship of journals other than professional journals.**
- Any other business or occupation for which Executive Committee considers that permission may be granted

Notes:

- No bar for member to be promoter / signatory to Memorandum and Articles of Association of Co.
- No bar for such promoter / signatory to be Director Simplicitor of that Co.
- **Teaching hours should not exceed 25 hrs a week** in order to be able to undertake attest functions.
- Trading in commodity derivatives treated as business
- Need specific permission of Council for becoming director if partner is Auditor of Co.

Q. Whether the auditor of a Subsidiary Company can be a Director of its Holding Company?
The Ethical Standard Board (ESB) via a clarification, decided that auditor of a Subsidiary Co. can't be a Director of its Holding Company, as it will affect independence of an auditor. Public conscience needs to be kept ahead of the law.

1. A chartered accountant holding certificate of practice and having four articled clerks registered under him accepts appointment as a full-time lecturer in a college. Also, he

	<p>becomes a partner with his brother in a business. Examine his conduct in the light of Chartered Accountants Act, 1949 and the regulations thereunder.</p> <p>Clause (11) of Part I of the First Schedule to the Chartered Accountants Act, 1949 debars a CAiP from engaging in any business or occupation other than profession of chartered accountancy unless permitted by Council of the Institute so to engage.</p> <p>This clause, in effect, has empowered the Council to permit CAiP to engage in any other business or occupation considered fit and proper. Accordingly, Council had formulated Regulations 190A and 191 to the Chartered Accountants Regulations, 1988 to provide a basis for considering applications of CAs seeking permission to engage in other business or occupation. A member can accept full- time lecturer-ship in a college only after obtaining specific and prior approval of Council as also becoming a partner in a business with his brother would require specific permission.</p> <p>Conclusion: Thus, the CA is liable for professional misconduct since he failed to obtain specific and prior approval of the Council in each case.</p>
2.	<p>Mr. A, a practicing Chartered Accountant, took over as the executive chairman of Software Company on 1.4.2019. On 10.4.2019 he applied to the Council for permission.</p> <p>Specific Permission to be Obtained: As per Clause (11) of Part I of First Schedule to the Chartered Accountants Act, 1949, a CAiP will be deemed to be guilty of professional misconduct if he engages in any business or occupation other than the profession of Chartered Accountant unless permitted by the Council so to engage.</p> <p>In the instant case, Mr. A took over as the executive chairman on 01.04.2019 and applied for permission on 10.04.2019. On the basis of these facts, he was engaged in other occupation between the period 01.04.2019 and 10.04.2019, without permission of Council.</p> <p>Conclusion: Therefore, Mr. A is guilty of professional misconduct in terms of Clause (11) of Part I of First Schedule to the Chartered Accountants Act, 1949.</p>
3.	<p>C.A. Prabhu is a leading income tax practitioner and consultant for derivative products. He resides in Mumbai near to the ABC commodity stock exchange and does trading in commodity derivatives. Every day, he invests nearly 50% of his time to settle the commodity transactions. Is C.A. Prabhu liable for professional misconduct?</p>
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Engaging into a Business: As per Clause (11) of Part I of First Schedule of Chartered Accountants Act, 1949, a CAIP is deemed to be guilty of professional misconduct if he engages in any business or occupation other than the profession of Chartered Accountant unless permitted by Council so to engage.

However, Council has granted general permission to members to engage in certain specific occupation. In respect of all other occupations specific permission of ICAI is necessary. In this case, CA. Prabhu is engaged in the occupation of trading in commodity derivatives which is not covered under the general permission.

Conclusion: Hence, specific permission of the Institute has to be obtained otherwise he will be deemed to be guilty of professional misconduct under Clause (11) of Part I of First Schedule of Chartered Accountants Act, 1949.

Clause (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.

Exceptions:

Council has clarified that power to sign routine documents on which professional opinion or authentication is not required to be expressed may be delegated in the following instances and such delegation will not attract provisions of this clause:

- (i) Issue of **audit queries** during course of audit.
- (ii) Asking for information or issue of **questionnaire**.
- (iii) Letter forwarding **draft observations/financial statements**.
- (iv) Initiating and **stamping of vouchers** and of schedules prepared for purpose of audit.
- (v) Acknowledging and carrying on **routine correspondence** with clients.
- (vi) Issue of **memorandum of cash verification** and other physical verification or recording results thereof in books of clients.
- (vii) **Issuing acknowledgements** for records produced.
- (viii) **Raising of bills** and issuing acknowledgements for money receipts.
- (ix) Attending to **routine matters in tax practice**, subject to provisions of Section 288 of Income Tax Act.
- (x) Any other matter incidental to office administration and routine work involved in practice of accountancy.

	Case: Authority delegated by CA » But Authority not used » not a defence for firm/CA it shall be Professional Misconduct
	Sec-26 No person other than member of ICAI will sign document on behalf of CAiP
	Note: Issue of stock certificate by assistant shall also make CAiP guilty.
	CA. Smart, a practicing CA was on Europe tour between 15-9-20 and 25-9-20. On 18-9-20 a message was received from one of his clients requesting for a stock certificate to be produced to bank on or before 20-9-20. Due to urgency, CA. Smart directed his assistant, who is also a CA, to sign and issue the stock certificate after due verification, on his behalf.
	Allowing a Member Not Being a Partner to Sign Certificate: As per Clause (12) of Part I of the First Schedule to the Chartered Accountants Act, 1949, a CA in practice is deemed to be guilty of professional misconduct "if he 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".
	In this case, CA. Smart allowed his assistant who is not a partner but a member of the Institute of Chartered Accountants of India to sign stock certificate on his behalf and thereby commits misconduct.
	Conclusion: Thus, CA. Smart is guilty of professional misconduct under Clause (12) of Part I of First Schedule to the Chartered Accountants Act, 1949.
	PART II - Professional misconduct in relation to members of the Institute in service
	A member of the Institute (other than a member in practice) shall be deemed to be guilty of professional misconduct, if he being an employee of any company, firm or person:
	Clause (1) pays or allows or agrees to pay directly or indirectly to any person any share in the emoluments of the employment undertaken by him.
✓	Can share with relatives, dependents, friends etc. if it's not consideration for procuring or retaining a job.
✓	Job must be procured and retained with own professional capabilities and not by any financial deal impairing professional dignity.
	Clause (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.

A member in foregoing circumstances would be guilty of misconduct regardless of fact that he was in whole-time or part-time employment or that he was holding COP along with his employment.

(CAiP & Employment refers lawyer to employer Gets referral fees from lawyer Guilty in this clause)

Mr. 'C', a CA holds a COP while in employment also, recommends a particular lawyer to his employer in respect of a case. The lawyer, out of the professional fee received from employer paid a particular sum as referral fee to Mr. 'C'.

Referral Fee from Lawyer: According to Clause (2) of Part II of First Schedule of the Chartered Accountant Act, 1949, a member of the Institute (other than a member in practice) shall be guilty of professional misconduct, if he being an employee of any company, firm or person accepts or agrees to accept any part of fee, 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. In the present case, Mr. C who beside holding a certificate of practice, is also an employee and by referring a lawyer to the company in respect of a case, he receives a particular sum as referral fee from the lawyer out of his professional fee.

Conclusion: Therefore, Mr. C is guilty of professional misconduct by virtue of Clause (2) of Part II of First schedule.

PART III - Professional misconduct in relation to members of the Institute generally

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

Clause (2) does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority.

Where a Chartered Accountant had continued to train an articled clerk 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. Held that he was guilty under Clause (2) of Part III of the First Schedule.

1.	<p>Mr. 'G', while applying for a certificate of practice, did not fill in the columns which solicit information about his engagement in other occupation or business, while he was indeed engaged in a business.</p> <p>Disclosure of Information: As per Clause (2) of Part III of First Schedule to the Chartered Accountants Act, 1949 a member shall be held guilty if a CA, in practice or not, does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority; In given case, Mr. "G", a CA while applying for a COP, did not fill in the columns which solicit information about his engagement in other occupation or business, while he was indeed engaged in a business. Details of engagement in business need to be disclosed while applying for COP as it was the information called for in the application, by Institute.</p> <p>Conclusion: Thus, Mr. G will be held guilty for professional misconduct under the Clause (2) of Part III of First Schedule of the Chartered Accountants Act, 1949.</p>
2.	<p>Mr. X, a CA, employed as a paid Assistant with a CA firm, leaves the services of firm on 31-12-19. Despite many reminders from ICAI he fails to reply regarding the date of leaving the services of the firm.</p> <p>Failed to Supply Information Called For: As per Clause (2) of Part III of the First Schedule to the Chartered Accountants Act, 1949, a member, whether in practice or not, will be deemed to be guilty of professional misconduct if he does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate authority.</p> <p>Conclusion: Thus, in the given case, Mr. X has failed to reply to the letters of the Institute asking him to confirm the date of leaving the service as a paid assistant. Therefore, he is held guilty of professional misconduct as per Clause (2) of Part III of the First Schedule to the Chartered Accountants Act, 1949.</p> <p>Clause (3) while inviting professional work from another chartered accountant or while responding to tenders or enquiries or while advertising through a write up, or anything as</p>
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	provided for in items (6) and (7) of Part I of this Schedule, gives information knowing it to be false.
	PART IV- Other misconduct in relation to members of the Institute generally
	A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he -
.	Clause (1) is held guilty by any civil or criminal court for offence which is punishable with imprisonment for a term not exceeding six months.
	Clause (2) in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work.
	CA is expected to maintain highest standards of integrity even in his personal affairs and any deviation from these standards, even in his non-professional work, would expose him to disciplinary action.
	Note: Before starting any ans. of this clause ICAI gives this line » Section 21 of the Chartered Accountants Act, 1949 provides that a member is liable for disciplinary action if he is guilty of any professional or "Other Misconduct."
	Examples, where a member may be found guilty of "Other Misconduct":
•	Retains books of a/c and documents of client and fails to return on request without reasonable cause.
•	Makes material misrepresentation.
•	Uses the services of his articled or audit assistant for purposes other than professional practice.
•	Conviction by a competent court of law for any offence under Sec 8 (v) of the CAs Act 1949.
•	Misappropriation of money by office-bearer of Regional Council of ICAI and utilisation for his personal use.
•	Not replying within reasonable time and without good cause to letter of public authorities.
•	Assessment records of IT Dept belonging to client of were found in almirah of bed-room of CA.
•	Where CA had adopted coercive methods on a bank for having a loan sanctioned to him.
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YKS & Co., a proprietary firm of CAs was appointed as a concurrent auditor of a bank. YKS, the proprietor, used his influence to get a loan and thereafter failed to repay the loan.

This is a case which is covered under the expression in other misconduct of the Chartered Accountants Act, 1949. As per Clause (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949, a member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he, 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.

This brings disrepute to the profession of a Chartered Accountant. This act of YKS & Co is not pardonable.

Conclusion: Therefore, YKS & Co will be held guilty of other misconduct under Clause (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949.

The Second Schedule

Director discipline opinion member guilty of prof/other misconduct in 2nd or both schedules
Disciplinary Committee

Part I - Professional Misconduct in relation to Chartered Accountants in Practice

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

Clause (1) 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.

Exceptions:

- Disclosure allowed only with consent of client or as part of professional duties (Eg submitting info to Exchange Control Authorities)
- No misconduct in case of legal compulsion as reqd by Evidence Act
- Sec 143(12) - Reporting of fraud

Eg. CA while presenting paper at event shared vital info of his client to help Nation Held guilty

Note: When external party like Bank asks for info of your working papers → This clause + SA 200 Confidentiality is to be maintained + SA 230 Property of Auditor (discretion)

Clause (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.

Clause (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 manner which may lead to the belief that he vouches for the accuracy of the forecast.

He can prepare profit forecast provided he indicates clearly in his report the

- sources of information,
- the basis of forecasts and
- major assumptions made in arriving at the forecasts, so long as he does not vouch for the accuracy of the forecasts.

Clause (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.

- CA can't certify F.S. of concern where he's employed
- Not audit a/c of college where he is part time lecturer
- Not audit trust if partner is either trustee or employee of trust
- Applicable to all types of Audit
- The client shouldn't be relative of member
- Not permitted to prepare books of a/cs for auditee clients
- Stat auditor can't be internal auditor
- Internal auditor can't be appointed as Tax/GST Auditor
- Cooling off period: Not accept Audit of Co for 2 years from date of completion of tenure/resignation as Director.

Note: Evaluating costs or other assignments of such nature not covered in this clause

Clause (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 not misleading where he is concerned with that financial statement in a professional capacity.

Example:

•	CA failed to report to shareholders of Co. about non-creation of sinking fund as per Debenture Trust Deed and did not make clear that amounts shown as towards sinking fund were borrowed from managing agents of the company -Held, that the chartered accountant was duty bound to see that nature and subject matter of the charge over a security and the nature and mode of valuation of the sinking fund investment were disclosed in Balance Sheet, held guilty of misconduct.
•	CA knew Co. had taken loan of 10L from EPF which wasn't disclosed in F.S. → Held guilty Note: If CA appears before tax authorities on behalf of client submits info or expln that's found false misleading not guilty as data provided by mgt + acting on instructions of client.
	Mr. Joe, a CA during the course of audit of M/s XYZ Ltd. came to know that the Co. has taken a loan of ₹10 lakhs from Employees Provident Fund. The said loan was not reflected in the books of account. However, the auditor ignored this information in his report.
	Failure to Disclose Material Facts: As per Clause (5) of Part I of Second Schedule to the Chartered Accountants Act, 1949, a CAiP will be held liable for misconduct if he fails to disclose a material fact known to him, which is not disclosed in the financial statements but disclosure of which is necessary to make the financial statements not misleading.
	In this case, Mr. Joe has come across information that a loan of ₹10 lakhs has been taken by the company from Employees Provident Fund. This is contravention of Rules and the said loan has not been reflected in the books of accounts. Further, this material fact has also to be disclosed in the financial statements.
	The very fact that Mr. Joe has failed to disclose this fact in his report, he is attracted by the provisions of professional misconduct under Clause (5) of Part I of Second Schedule to the Chartered Accountants Act, 1949.
	Clause (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.
	Clause (7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.
•	It is a vital clause which gets attracted whenever it is necessary to judge whether accountant has honestly and reasonably discharged his duties.
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•	The expression negligence covers a wide field and extends from frontiers of fraud to collateral minor negligence.
	Examples:
•	CA fails to indicate mode of valuation of investments in shares required by Cos. Act 2013
•	Conducted Stock audit without visiting the site, relied on management reports
•	Wrongly certified increase in Paid up share capital of Pvt Ltd Co in Balance Sheet (Clause 7/8/9 of Part 1 of Second Schedule to CA Act 1949)
•	Issued turnover certificate of betel nuts to firm for import license without checking books & documents but relying on article clerk → Guilty
•	Issued certificate of consumption of Raw material based on minutes of BOD → guilty clause 2 & 7 of this schedule
•	Issued incorrect certificate of export of Onions
•	Issued report subject to separate notes (No audit report is issued with Notes)
•	Failure to examine cash balance & passbook i.e. basic audit procedure
•	Not submitted his report in due time to enable Co to comply with Statutory requirement
•	Wrong audit report issued to School, claimed correction slip sent but couldn't prove
•	Issued 2 certificates of circulation for 1 daily newspaper → clause 7 & 8 (Should have issued only 1)
•	Failed to check a forged signature which he could have checked
•	Shared password of his digital signature certificate with client → Guilty
	Mr. D, a practicing Chartered Accountant, did not complete his work relating to the audit of the accounts of a company and had not submitted his audit report in due time to enable the company to comply with the statutory requirements.
	Not Exercising Due Diligence: According to Clause (7) of Part I of Second Schedule of Chartered Accountants Act, 1949, a CAiP is deemed to be guilty of professional misconduct if he doesn't exercise due diligence or is grossly negligent in conduct of his professional duties.
	It is a vital clause which unusually gets attracted whenever it is necessary to judge whether the accountant has honestly and reasonably discharged his duties.
	The expression negligence covers a wide field and extends from the frontiers of fraud to collateral minor negligence.

	Where a CA had not completed his work relating to audit and had not submitted his audit report in due time to enable the Co. to comply with statutory requirement in this regard. He was guilty of professional misconduct under Clause (7).
	Since Mr. D hasn't completed his audit work in time and consequently could not submit audit report in due time and consequently, company could not comply with the statutory requirements, therefore, the auditor is guilty of professional misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
	Clause (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.
	Examples:
	<ul style="list-style-type: none"> Transaction took place between ABC Firm & R developers but reported in books of ABC Construction. Loan amount was material. Guilty under clause 6, 7 & 8 of Part I of Second Schedule to CA Act 1949 CA issued false certificates to several parties for past exports for monetary consideration without verifying any supporting records or documents which helped parties to make imports free of duty. Held that he was guilty of professional misconduct within the meaning of clauses (2), (7) & (8) of Part I of the second schedule of CA Act, 1949 in terms of section 21 & 22 of the said Act CA audited books of A Ltd that had investment of ₹10L, later it was found real value was ₹25k CA guilty under clause 2, 7, 8 of Part I of Second Schedule of CA Act, 1949 Certificate of circulation of Periodical w/o verifying underlying record bank statements, printer bills, sales records etc Guilty under clause 7 & 8
	Clause (9) Fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances
	Generally accepted audit procedure = Engagement and Quality Control Standards, Statements, General Clarifications, Guidance Notes Technical Guides, Practice Manuals, Studies and Other Papers.
	Special Points:
	Audit of Listed Companies: Done by Auditor subject to Peer Review process of ICAI & hold

	valid certificate issued by Peer Review Board of ICAI
•	Firm Reg No & Membership No to be mentioned on reports pursuant to attestation engagements
•	UDIN is mandatory to be generated for all kinds of certifications
	Examples:
•	CA didn't conduct sample checking of bank a/c of Co & didn't do vouching & depended on work of Article Assistant → guilty under clause 7,8,9
•	CA didn't check bank column totals, didn't verify contra entries, test checked when no internal check present, didn't check Bank recos → guilty under clause 7,8,9
	Clause (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.
	Special points:
•	Advance received against services excluded from scope
•	Money received for expenses to be incurred in reasonably short time not to be deposited in bank a/c
•	Money received in capacity of trustee, executor liquidator, etc keep in separate bank a/c
	Mazedar Kisse:
•	Refund voucher issued by Income Tax dept in name of client credited to his a/c Guilty under clause 7 & 10
•	CA acting as financial advisor to client converted his own a/c to joint a/c with client without his consent & fraudulently discharged 3 FDRs in client's name. Guilty Clause 10 of Part I of Second Schedule + Other Misconduct u/s 22 read with sec 21
	PART II - Professional misconduct in relation to members of the Institute generally
	A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he -
	Clause (1) contravenes any of the provisions of this Act or the regulations made there under or any guidelines issued by the Council.
	Examples:
•	CA certified in Form K-2 audit clerk in service with him, the article employed elsewhere

	11-5pm & then come to office work till 8 pm.
•	Took article intern under him even when no vacancy was there, intern got to know that Articleship deed not regd.
•	Issued certificate as a CA even if no COP there with him. Guilty as violation of Section 6
•	Took loan from firm where article & his father were interested
•	Didn't pay stipend as per Reg 48 to article, only paid when article left. Said he had agreement to pay fees annually held guilty
•	Accepted audit even when UNDISPUTED audit fees wasn't paid to earlier auditor Guilty under Clause 1 of Part II of Second Schedule of CA Act 1949
•	Conducted more TAX audits than prescribed limit
	Clause (2) being an employee of any company, firm or person, discloses confidential information acquired in the course of his employment except as and when required by any law for the time being in force or except as permitted by the employer.
	Clause (3) Includes in any information, statement, return or form to be submitted to the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline. Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false.
	Examples:
•	A CA manager in firm applied for admission as fellow to ICAI saying he's partner in firm made a statement that's false → Guilty
•	In a hearing before Disciplinary Committee made a false statement on oath
•	CA in full time employment in a Co while filling bank empanelment form gave declaration that he was not in any occupation/business/vocation etc
•	CA being manager of Co devoting 30 hrs. per week showed himself as CA in full time practice for employment for Bank branch Audits
	Clause (4) Defalcates or embezzles money received in his professional capacity. SA 240 → Defalcation & embezzlement of money recd in prof capacity » Fraud
	Part III - Other misconduct in relation to members of the Institute generally

A member of Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term exceeding 6 months.

Council General Guidelines (Final Stage of Chapter)

Chapter I: Applicable to all the Members of the Institute whether in practice or not

Chapter II: A member of the ICAI who is an employee shall exercise due diligence and shall not be grossly negligent in the conduct of his duties.

Chapter V: Maintenance of books of account

Member or firm in practice shall maintain following books of a/c:

- Cash Book
- Ledger

Chapter VI: Tax Audit assignments under Section 44 AB of the Income-tax Act, 1961
A member of the Institute in practice shall not accept, in a financial year, more than the "specified number of tax audit assignments" under Section 44AB of the Income-tax Act, 1961.

- As per clarification on Tax Audit Assignments, if there are 10 partners in a firm of CAs in practice, then all partners of the firm can collectively sign 600 tax audit reports. This max. limit of 600 tax audit assignments may be distributed between partners in any manner. For instance, 1 partner can individually sign 600 tax audit reports & remaining 9 partners are not signing any tax audit report.
- In computing "specified no. of tax audit assignments" each year's audit would be taken as separate assignment.
- Mr A partner in ABC as well as ADE, then also only 60 allowed for A
- Mr A partner in ABC & also in A proprietorship, then also 60 allowed to A
- Audits u/s 44AD, 44ADA, & 44AE of IT Act 1961 not counted
- Audit of H.O. & Branch office counted as 1 assignment
- Audit of More than 1 branch of same concern = 1 assignment
- Mr Badal is part time practicing partner then will he be considered for limit? No

Chapter VII: Appointment of an Auditor in case of non-payment of undisputed fees

- A member of Institute in practice shall not accept appointment as auditor of an entity in case undisputed audit fee of another CA for carrying out statutory audit under Companies Act, 2013 or various other statutes has not been paid:
- Provided that in case of sick unit, above prohibition of acceptance shall not apply.
- Undisputed audit fees include expense incurred by Auditor
- Sick unit means unit regd for 5 years or more & has accumulated loss \geq Net worth

Chapter VIII: Specified no of Audit assignments

A member of ICAI in practice shall not hold at any time appointment of more than "specified number of audit assignments" of Companies under Sec 141 of the Companies Act 2013.

- 30 audits per CA in full time practice allowed
- One Person Co & Dormant Co excluded from limit
- No of partners on date of acceptance to be considered

Chapter IX Appointment as Statutory auditor

- A member of Institute in practice shall not accept appointment as statutory auditor of PSU(s)/ Govt Company(s)/Listed Company(s) and
- other Public Company(s) having turnover of 50 Cr or more in a year
- where he accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/ Company(s) on a
- remuneration which in total exceeds fee payable for carrying out stat audit of same Undertaking /Co.

Other work excludes:

- audit under any other statute.
- certification work required to be done by statutory auditors; and
- any representation before an authority

A is auditor of Z Ltd., which has a turnover of ₹ 200 crore. The audit fee for the year is fixed at ₹ 50 lakhs. During the year, company offers A an assignment of management consultancy within the meaning of Section 2(2)(iv) of the CA Act, 1949 for a remuneration of ₹ 1 crore. A seeks your advice on accepting the assignment.

Appointment as a Statutory Auditor of a PSUs' /Govt Company(ies)/Listed Company(ies) and Other Public Company(ies): As per the Council General Guidelines 2008, under Chapter IX on appointment as statutory auditor a member of the Institute in practice shall not accept the appointment as a statutory auditor of a PSUs' /Govt company(ies)/Listed company(ies) and other public company(ies) having a turnover of ₹ 50 crores or more in a year and where he accepts any other work(s) or assignment(s) or service(s) in regard to same undertaking(s) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of same undertaking.

For this purpose, other work/services include Management Consultancy and all other professional services permitted by Council excluding audit under any other statute, Certification work required to be done by statutory auditor and any representation before an authority.

Conclusion: In view of above position it would be a misconduct on A's part if he accepts management consultancy assignment for a fee of ₹ 1 crore.

Chapter X Appointment of an auditor when he is indebted to a concern

Member in practice or partner of firm in practice or firm or relative of such member or partner shall not accept appointment as auditor of concern while indebted to concern or given any guarantee or provided any security in connection with indebtedness of any 3rd person to concern, for limits fixed in statute and in other cases for amount exceeding 100,000/-.

Notes:

- Recovery of fees on progressive basis doesn't mean indebtedness.
- Limit as per Cos. Act for indebtedness is 5L & for guarantee or security is 1L

Chapter XI : Directions in case of unjustified removal of auditors

Member in practice shall not accept appointment as auditor(s), in case of unjustified removal of earlier auditor(s).

Chapter XV: Networking

Where larger structure is aimed at co-operation and entities within structure share significant part of professional resources, it is deemed to be a network.

Professional resources include:

- Common systems that enable firms to exchange info such as client data, billing and time records;
- Partners and staff;
- Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements;
- Audit methodology or audit manuals; and
- Training courses and facilities

The different forms of Network can be as under:-

- Network can be constituted as a mutual entity which will act as a facilitator for constituents of Network. In such case Network itself will not carry out any professional practice.
- Network can be constituted as a partnership firm subject to condition that total number of partners does not exceed 20.
- Network can be constituted as a LLP subject to provision of Chartered Accountant Act and Rules and such other laws as may be applicable.
- Network can be constituted as company subject to the guidelines prescribed by Institute for corporate form of practice and formation of management consultancy services company. (Chap xvii)
- Network Firms shall consist of sole Practitioner/proprietor, partnership or any such entity of professional accountants as may be permitted by the Act.
- Firm is allowed to join only one network.
- Firms having common partners shall join only one Network.

Naming of Network

1. The Network may have distinct name which should be approved by ICAI. To distinguish a "Network" from a "firm" of CAs, the words "& Affiliates" shall be used after the name of network and words "& Co." / "& Associates" shall not be used. The prescribed format of application for approval of Name for Network is at Form 'A' (enclosed). The names of the network may be as mentioned in Appendix II.
2. ICAI shall approve or reject name of Network and intimate to Network at its address

	mentioned in Form 'A' within 30 days from date of receipt of said Form.
3.	Mere approval of name of Network shall not entitle Network to carry on practice in its own name.
	Registration of Network with entities in India
1.	After name of Network approved, Institute same shall reserve name for period of 3 months from date of approval.
2.	Network shall get itself registered with Institute by applying in Form B within period of 3 months, failing which name assigned shall stand cancelled on expiry of said period.
3.	Registration of Network with Institute is mandatory.
4.	If different Indian firms are networked with a common Multinational Accounting Firm, they shall be considered as part of network.
	Listing of Network with entities outside India
1.	Authorized representative of Indian Member firm (s)/Member constituting Network with entities outside India shall file declaration with ICAI in Form 'D' for Listing such Network within 30 days from date of entering into Network arrangement.
2.	Proprietary/individual members, partnership firms as well as members in LLP or any such other entity, shall be permitted to join such network with entities outside India provided that they can join only one network and firms having common partners shall join only one such network.
	Framework of Internal Byelaws of Network:
	Bye-laws may contain following clauses on which the affiliates of the network may enter into a written agreement among themselves:
(i)	Appointment of a Managing Committee
(ii)	Administration of network
(iii)	Contribution of membership fees to meet the cost of the administration of the network.
(iv)	Identifying a partner of any of member firms of network to be responsible for the assignment (engagement partner)
(v)	Dispute settlement procedures through arbitration and conciliation
(vi)	Development of training materials for members of the network

(vii)	Issue of News-letters for staff and clients
(viii)	Development of software for different types of assignments
	Ethical Compliance: It will be necessary for such network to comply with applicable ethical requirements prescribed by ICAI and following requirements in particular: -
1.	If one firm of network is statutory auditor of entity then associate [including networked firm(s)] or said firm directly/indirectly not accept internal audit or book-keeping or other assignments prohibited for stat auditor firm.
2.	Guidelines of ceiling on Non-audit fees is applicable in relation to Network as follows: i) For a Network firm who is doing statutory audit (including its associate concern and/or firm(s) having common partnership), it shall be same as mentioned in said notification ; and ii) For other firms of same Network collectively, it shall be 3 times of fee payable for carrying out statutory audit of same undertaking/ company.
3.	In cases where rotation of firms prescribed by regulatory authority, no member firm of network can accept appointment as auditor in place of any member firm of network which is retiring.
4.	Network may advertise to extent permitted by Advertisement Guidelines issued by ICAI. Firms constituting network are permitted to use words "Network Firms" on their professional stationery.
5.	Constituent member firms of Network and Network shall comply with all Ethical Standards prescribed by Council from time to time.
	Change in constitution of registered Network: In case of change in constitution of regd Network on account of any entry into or exit from Network, network shall communicate to ICAI by filing Form 'C' within 30 days from date of change in the constitution.
	Chapter XIV Unique Document Identification Number (UDIN) Guidelines
•	To curb malpractice of false certification/ attestation by unauthorised persons & reduce bogus certificates.
•	Mandatory for all certificates, GST & Tax audit reports & other audit/assurance attest functions

Chapter XVI Logo Guidelines

The logo consists of letter 'CA' with a tick mark inside a rounded rectangle with white background.



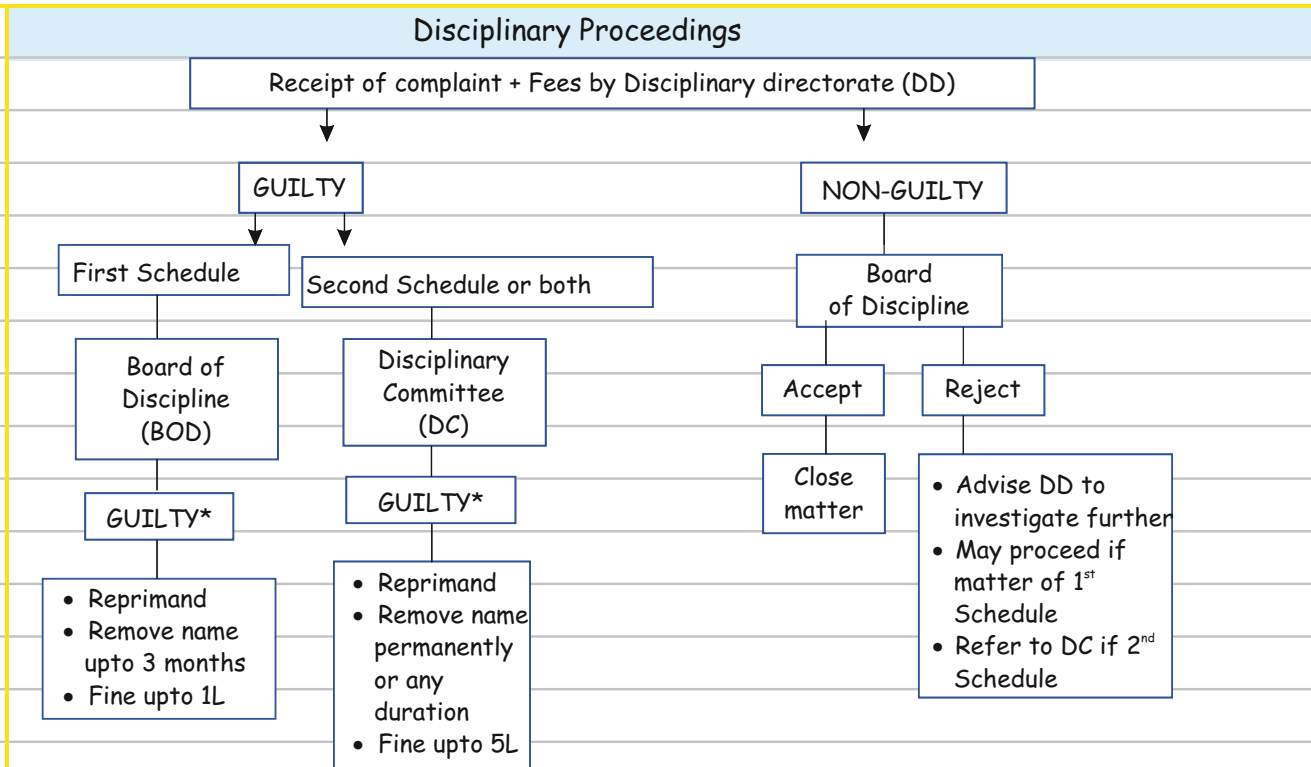
Chapter XVII Guidelines for Corporate form of Practice

- Council has allowed members in practice to be MD/WTD/Manager of a Body Corporate that is exclusively engaged in providing Management Consultancy & Other Services permitted u/s 2(2)(iv) of CA Act 1949
- No restriction on equity holding in such Company
- Entitled to do attest functions & train article assistants
- Name of Mgt Consulting Co to be approved by ICAI & registered with it
- Ethical Compliances for Mgt Consulting Co:
 - ✓ Not to accept Internal audit or bookkeeping service or other assignments from entity where practitioner or firm is auditor
 - ✓ Ceiling of non-audit fees applicable to it
 - ✓ Mgt consulting co shall comply with clause 6 & 7 of Part 1 of First Schedule of CA Act 1949

Recommended Self-Regulatory Measures

- Branch Audits
 - ✓ Branch audit of Co shouldn't be conducted by Stat Auditors consisting 10 or more members
 - ✓ But by local firms of auditors less than 10 members
 - ✓ Restriction not apply in following cases:
 - o A/c records of branch at HO
 - o Significant operations carried out at Branch
- Joint Audit
 - ✓ Large Cos should have practice of having firms with < 5 members as Joint Auditors
 - ✓ Senior firms shouldn't object to such practice
- Ratio b/w Qualified & Unqualified Staff
 - ✓ Atleast 1 member for every 5 non-members excluding articulated/audit assistants, typists, peons, & others not engaged in professional work

- Disclosure of Interest by Auditors
 - ✓ Disclose the payments received for other services through medium of different firm or firms where he maybe a partner or proprietor
 - Recommended minimum scale of fees
 - Recommended Min. fees for professional services is to be charged
- | Recent Decisions of Ethical Standards Board | |
|---|--|
| • | CA may be Equity research adviser but can't publish retail report as it'd be business or occupation |
| • | Member of trust can't be its auditor |
| • | May engage himself as Registration Authority for obtaining Digital Signature Certificate for clients |
| • | Can hold credit card of bank even if auditor of same bank but o/s balance shouldn't exceed 1L beyond prescribed credit period limit |
| • | CA can act as mediator in Court |
| • | Can't accept audit of bank if taken loan against FD |
| • | CA in practice can't become Financial Advisors & receive fees/commission from Financial Institutions such as Mutual Funds, Insurance cos, NBFCs |
| • | Can't exercise lien over client docs for non-payment of fees |
| • | Not permissible to print vision or values behind visiting cards as it'd result in solicitation & thus violative of Clause 6 of First Schedule of CA Act 1949 |
| • | Not permissible to take agencies of UTI, GIC & NSDL |
| • | Permissible to be settlor of a trust (provides property to beneficiary) |
| • | Can't hold customs broker license |
| • | CA in employment can appear as Tax representative before tax authorities on behalf of employer but not for other employees of that employer |
| • | Stat auditor of bank can't do stock audit of such bank |
| • | Internal auditor of PF trust of Govt co can't be stat auditor |
| • | Concurrent auditor of bank X can't be stat auditor of bank Y which is sponsored by X |
| • | CA/ CA firm can act as internal auditor of Co & stat auditor of its EPF |
| • | Internal auditor not to undertake Tax Audit |



If not found guilty → **Matter closed**

Appeal:

Can be made by member or Director (Discipline) within **90 days** → **Appellate Authority**

Orders possible:

- Confirm, modify or set aside order
- Impose, set aside, reduce or enhance penalty
- Remit case to BOD/DC to reconsider

Such order it thinks fit

Non-Compliance with Laws and Regulations (NOCLAR)

NOCLAR comprises acts of omission or commission, intentional or unintentional contrary to prevailing laws or regulations committed by:

- a client/professional accountant's employer;
- or TCWG or Mgt of client/employer or
- other individuals working for or under direction of a client/ employing organization

Examples of Laws & Regulations

Fraud, corruption and bribery.	Money laundering, terrorist financing and proceeds of crime.	Environmental protection.
Banking and other financial products and services.	Data protection.	Public health and safety.
Securities markets and trading.	Tax and pension liabilities and payments.	

Some important facts about NOCLAR are given below:

- Expertise of Laws not Required: Expected to apply knowledge and expertise, and exercise professional judgment.
- Certain Matters Expressly out of Purview: Matters clearly insignificant, or relating to personal misconduct unrelated to business of client not covered.
- Disclosure, which is Contrary to Law not Required

Applicability of NOCLAR in India:

- The IESBA Code of Ethics makes NOCLAR applicable to all assignments (members in practice), and to all employers (members in service).
- ICAI Code has restricted applicability of NOCLAR to
 - ▶ CAIP: Audit engagements of LISTED entities having net worth \geq 250 cr &
 - ▶ Members in service: Senior Professional Accountants (KMP) in service, being employees of listed entities.

Steps to be taken for responding

1. Obtain Understanding of Matter

2. Addressing matter

3. Seeking advice

4. Determining if further action needed

5. Determining whether to disclose to Appropriate Authority

6. Imminent Breach

7. Documentation

Documentation Requirements in NOCLAR: Revised Code over and above require professional accountant to follow additional documents requirements as under:

- How management / TCWG have responded to the matter.

	The course of action accountant considered, judgments made and decisions that were taken, having regard to reasonable and informed third party test.
•	How accountant is satisfied that responsibility of public interest has been fulfilled.
	NOCLAR vs. SA 250
.	Coverage of Laws
1.	SA 250 talks of auditor's responsibilities for <ul style="list-style-type: none"> ▶ laws having direct effect on the determination of material amounts and disclosures in the financial statements (such as tax and labour laws); and ▶ other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operating aspects of the business. NOCLAR being alike to SA 250 also accounts for non-compliance that causes substantial harm resulting in serious consequences in financial or non-financial terms.
	Definition of Stakeholders
2.	SA 250 doesn't define stakeholders. NOCLAR is related to effect of non-compliance on investors, creditors, employees as also the general public.
	First Schedule
	Part I Professional misconduct in relation to Chartered Accountants in practice A Chartered Accountant in practice is deemed to be guilty of professional misconduct if he:
	Clause (1) allows any person to practice in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by him.
	Clause (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 or with such other persons having such qualification as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

Clause (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.
Clause (4)	enters into partnership, in or outside India, with any person other than Chartered Accountant in practice or such other person who is a member of any other professional body having such qualifications as may be prescribed, including a resident who but for his residence abroad would be entitled to be registered as a member under clause (V) of sub-section (1) of section 4 or whose qualifications are recognized by the Central Government or the Council for the purpose of permitting such partnerships.
Clause (5)	Secures either through the services of a person who is not an employee of such Chartered Accountant or who is not his partner or by means which are not open to a Chartered Accountant, any professional business. Provided that nothing herein contained shall be construed as prohibiting any agreement permitted in terms of item (2), (3) and (4) of this part.
Clause (6)	Solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means. Provided that nothing herein contained shall be construed as preventing or prohibiting - (i) Any Chartered Accountant from applying or requesting for or inviting or securing professional work from another chartered accountant in practice; or (ii) A member from responding to tenders or enquiries issued by various users of professional services or organizations from time to time and securing professional work as a consequence. However, as per the guideline issued by the Council of the Institute of Chartered Accountants of India, 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.

Clause (7)	<p>Advertises his professional attainments or services, or uses any designation or expressions other than the Chartered Accountant on professional documents, visiting cards, letter heads or sign boards unless it be a degree of a University established by law in India or recognized by the Central Government or a title indicating membership of the Institute of Chartered Accountants or of any other institution that has been recognized by the Central Government or may be recognized by the Council.</p> <p>Provided that a member in practice may advertise through a write up, setting out the service provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council.</p>
Clause (8)	<p>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.</p>
Clause (9)	<p>Accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956, in respect of such appointment have been duly complied with.</p>
Clause (10)	<p>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 regulations made under this Act.</p> <p>The Council of the Institute has however framed Regulation 192 which exempts members from the operation of this clause in certain professional services.</p>
Clause (11)	<p>Engages in any business or occupation other than the profession of chartered accountant unless permitted by the Council so to engage.</p> <p>Provided that nothing contained herein shall disentitle a chartered accountant from being a director of a company (Not being managing director or a whole time director) unless he or any of his partners is interested in such company as an auditor.</p>
Clause (12)	<p>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</p>

balance sheet, profit and loss account, report or financial statements.

Part II Professional misconduct in relation to members of the Institute in service
A member of the Institute (other than a member in practice) shall be deemed to be guilty of professional misconduct, if he being an employee of any company, firm or person:

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

Clause (2) accepts or agrees to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification.

Part III Professional misconduct in relation to members of the Institute generally
A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he:

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

Clause (2) does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority.

Clause (3) while inviting professional work from another chartered accountant or while responding to tenders or enquiries or while advertising through a write up, or anything as provided for in items (6) and (7) of Part I of this Schedule, gives information knowing it to be false.

Part IV Other misconduct in relation to members of the Institute generally
A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he:

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

Clause (2) in the opinion of the Council, brings disrepute to the profession or the

	Institute as a result of his action whether or not related to his professional work.
	Second Schedule
Part I	Professional misconduct in relation to chartered Accountant in practice
	CA iP shall be deemed to be guilty of professional misconduct, if he:
Clause (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.
Clause (2)	If he certifies or submits in his name or in the name of his firm, a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee In his firm or by another chartered accountant in practice.
Clause (3)	Permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in manner which may lead to the belief that he vouches for the accuracy of the forecast.
Clause (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.
Clause (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 not misleading where he is concerned with that financial statement in a professional capacity.
Clause (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.
Clause (7)	Does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.
Clause (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.
Clause (9)	Fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances.

Clause (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.

Part II Professional misconduct in relation to members of the Institute generally
A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he:

Clause (1) contravenes any of the provisions of this Act or the regulations made there under or any guidelines issued by the Council.

Clause (2) being an employee of any company, firm or person, discloses confidential information acquired in the course of his employment except as and when required by any law for the time being in force or except as permitted by the employer.

Clause (3) Includes in any information, statement, return or form to be submitted to the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false.

Clause (4) Defalcates or embezzles money received in his professional capacity.

Part III Other misconduct in relation to members of the Institute generally
A member of the Institute, whether in practice or not, shall be deemed to be guilty of other mis - conduct, if he is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term exceeding six months.

Annexure

Public interest entity [PIE]

(a) listed entity or

(b) An entity:

(i) Defined by regulation or legislation as PIE or

(ii) For which audit is required by regulation or legislation to be conducted in compliance with same independence requirements that apply to audit of listed entities.

Such regulation might be promulgated by any relevant regulator, including an audit regulator.

Note: Banks and Insurance Companies are to be considered as Public Interest Entities.

Summary: Listed Entities/Banks/Insurance → Cos. PIE

Disclosure to ICAI:

Where for 2 consecutive years, total fees from audit client and its related entities represent more than

- 20% [PIE]
- 40% [other entities]

of the total fees received by firm expressing opinion on F.S.

Firm shall disclose this fact to ICAI.

Exemptions:

- ▶ Client fees upto ₹20 lakhs
- ▶ Audit of Govt Companies, public undertakings, nationalised banks, public financial institution, regulators or where appointments of auditors are made by Govt

Example:

Uday Majnu & Co. is Audit firm doing following Audits

Client	Type of Entity	PIE/Not	Audit fees (₹ in Cr)	% of total fees	Ceiling	Disclosure required ?
ITC	Listed	Yes	4	26.67%	20	
Bandhan Bank	Listed	Yes	2	13.33%	20	
XYZ Insurance	Insurance	Yes	1	6.67%	20	
Potato chips Ltd	Unlisted Public Co	No	2	13.33%	40	
Orange juice Pvt Ltd	Unlisted Pvt Co	No	6	40.00%	40	
			15			

