

Revised Code of Ethics Important Provisions

**Organized by –
Hyderabad Branch of SIRCI of ICAI
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What is Code OF Ethics (The Code)

Every profession has its own Code of Ethics. The Chartered Accountants Act, 1949 has been enacted by the Parliament for the regulation of the profession of Chartered Accountants and for the purpose of carrying out the object of the Act, the Chartered Accountants Regulations, 1988 have been enacted.

WELCOME TO 2019 CODE OF ETHICS

- This is 12th edition of Code of Ethics
- First time that Code of Ethics segregated in different volumes (VOL 1, VOL 2, VOL 3)
- Members are given opportunity to become aware of the revised provisions and be prepared for implementation.
- E- Version of Code is available in ICAI websites.
- Various awareness Programs to assist members in their efforts

CODE OF ETHICS 2009 Vs 2019

Code of Ethics, 2009 has parts – “A” & “B”. Remains valid till 30.6.2020.

“Part-A” based on provisions of IESBA Code as suitably incorporated. “Part-B” based on domestic provisions governing members.

Code of Ethics, 2019 or **Volume – I** is a revised counterpart of Part A based on IESBA code of ethics .

Code of Ethics **Volume –II** - revised counterpart of Part-B.

Code of Ethics **Volume –III** - Disciplinary Case laws .

Code OF Ethics 2019

This code has been derived from the International Ethics Standard Board of Accountants (ISBA) which has been issued by International Federation of Accountants. ICAI Code of Ethics has been revised in January, 2019 based on 2018 edition of IESBA Code of Ethics. It is applicable from 1st July, 2020.

- The Code for Professional Accountants sets out fundamental principle of Ethics for Professional Accountants .
- Reflecting professions recognitions in Public Interest Responsibility.
- Code establish standard expected behaviour of a professional accountant.
- Code provide conceptual framework in order to Identify , Evaluate, Address Threats.
- Code set out requirements and application material on various topics to help accountants apply conceptual framework to those topics.
- In case of Audit and Assurance Engagements code sets out Independence Standard.

VOLUME 1 of CODE OF ETHICS

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

Part 1 (Applicable to all Professional Accountants)

Complying with the Code, Fundamental Principles and Conceptual Framework

Part 2

Professional Accountants in Service

EX: PA 's employed, engaged or contracted in an executive or nonexecutive capacity in Commerce , Industry , Public Sector , Regulatory bodies , Professional bodies. Individual PA 's in public practice when performing professional activities pursuant to their relationship with the firm as an employee.

Part 3

Professional Accountants in Public Practice

International Independence Standards (Parts 4A & 4B)

Part 4A—Independence for Audits & Reviews
(Sections 400 to 899)

Part 4B—Independence for Other Assurance Engagements
(Sections 900 to 999)

Glossary (All Professional Accountants)

Major Changes in Codes 2019 (Vol 1)

- In 2019 codes Independence sections reframed as “*International Independence Standards*.”
- Drafting pattern changed e.g. “should” to “shall.”
- New pattern of structuring of sections adopted.
- Responsibility increased in 2019 code relating to compliance on firms, network firms, individuals within firm.
- The requirements of the Code designated with letter “R”
- Application Material designated with letter “A”
- Application material provides explanations , suggestions or matters to considerations.
- Paragraph R400.80 to R400.89 and R900.50 – 900.55 of the Code address breach of Independence Standards.
- Professional Accountant who identifies a breach of any other provisions of the Code shall evaluate the significance of breach and its impact on the accountant’s ability to comply with the fundamental principles.

MAJOR TAKE OUTS OF VOL 1

- Breaches of Code (Section 400.80- 400.89) – Newly Introduced.
- Defined Key Audit Partner.
- Firm Rotation (Section 550) – Newly Introduced .
- Partners Rotation (Section 540) – Newly Introduced .
- Not to assume Management Responsibilities (Section 607-608) – Newly Introduced
- Non Assurance Service (Section 600 & 950) – New provision of Recruiting Service newly introduced.
- Defined application of various Safeguards to eliminate threats & identification of threats (Section R 120.11) – Newly Introduced
- Requirements of Documentations given in elaborate way (Section 290.27)
- Redrafting of definition of close and immediate family
- Definition of Public Interest Entity (Section 400.8) – Newly Introduced.
- Guidelines on changes in professional appointment (Section 320) – Newly Introduced
- Elaboration in the guidelines on Inducements , Gifts and hospitality (Section 250 & 340)
- Defined Criteria of Indebtness , materiality of loan (Section 511.3 A1) – Newly Introduced
- Council Guidelines on Contingent fees (Regulation 192 , read with Section 330 , 410.9 , 905.6)
- Applicability of provisions for members in practice and members in service (Section R 120.4, 200.4, R 300.5) – Newly Introduced
- Guidelines on Preparations & Presentations of Information (Section 220) - Newly Introduced

APPLICATION RESTRICTIONS OF VOL (1)

- It may further be noted that the Council at its 393rd Meeting held on 30th June to 1st July, 2020 has decided that due to the prevailing situation due to Covid-19, the following provisions of Volume-I of Code of Ethics, 2020 be deferred till further notification :-

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

[Sections 260 and 360]

2. Fees - Relative Size

[Paragraphs 410.3 to R410.6]

3. Taxation Services to Audit Clients

[Subsection 604]

With the exception of aforesaid provisions, all other provisions of revised Code of Ethics are applicable w.e.f 1st July, 2020.

FUNDAMENTAL PRINCIPLES

Integrity

Objectivity

Professional
Competence

Confidentiality

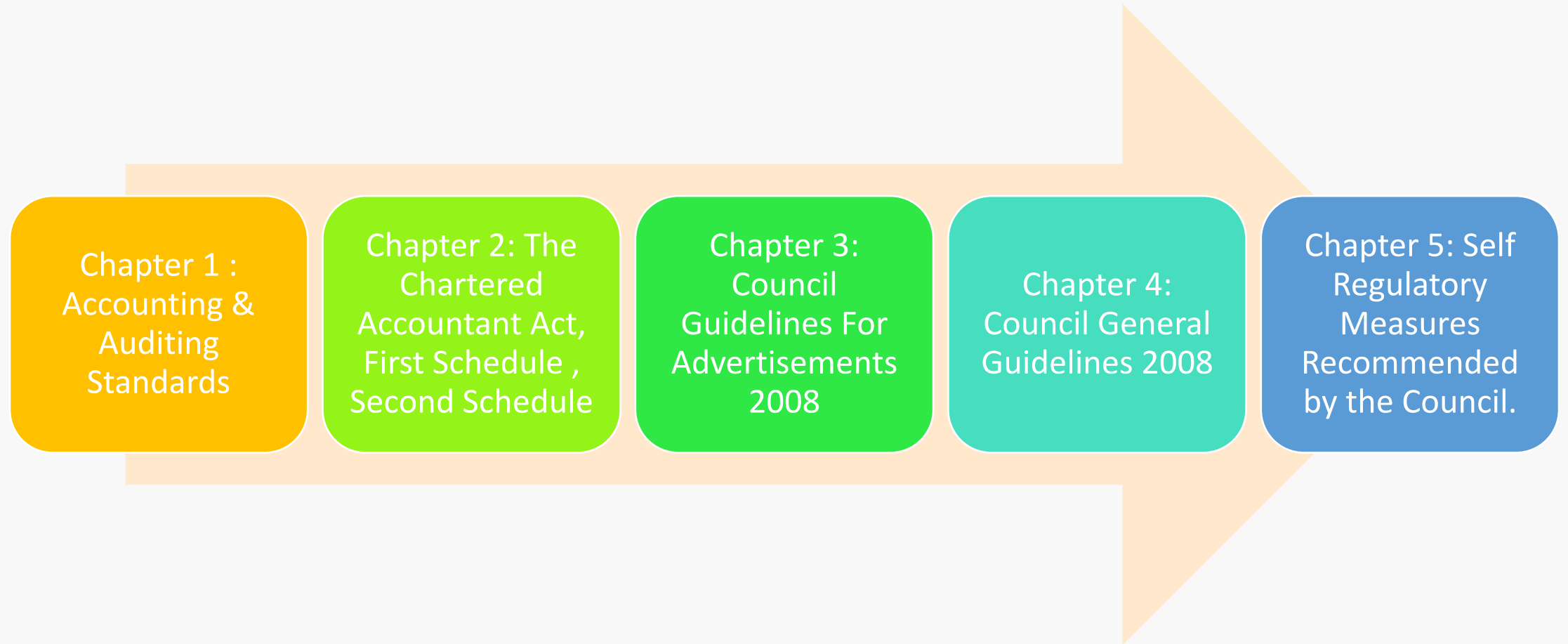
Professional
Behaviour

THREATS IN COMPLIANCE OF FUNDAMENTAL PRINCIPLES

-  Self Interest Threats
-  Self Review Threats
-  Advocacy Threats
-  Familiarity Threats
-  Intimidation Threats

VOLUME 2 of CODE OF ETHICS

STRUCTURE OF VOLUME 2 of CODE OF ETHICS



Major Takeout's of Code of Ethics 2019 (Vol 2)

Changes due to CA (Amendment) Act, 2011, amendment in CA Regulations, 1988, changes in Council Guidelines, changes in Auditing and Accounting Standards , Companies Act, 2013 & changes due to Code of Ethics, 2019

Council Decisions and Clarifications given by ESB and other Committees (having ethical repercussions) since 2009

Changes in Advertisement Guidelines & Council General Guidelines

Changes in commentary under Clauses (6) and (7) of Part- I of First Schedule pertaining to Solicitation and Advertisement

Changes in commentary under Clause (8) of Part- I of First Schedule pertaining to communication

A BRIEF OF COMMON CA LOGO GUIDELINE



As part of ongoing drive to promote the brand CA profession and responding to the long felt need to have a symbol of CA Profession in India ICAI come up with a unique logo for its Member.

Members sponsoring activities relating to Corporate Social Responsibility may mention their individual name with the prefix “CA”. However, the mention of Firm name or CA Logo is not permitted.

The Council at its 299th Meeting held in 2010 has decided that use of CA logo in the stamp is permissible, subject to CA logo guidelines.

The Management Consultancy Company shall neither be permitted to advertise nor to use logo.

For use of logos by Members on letter heads, visiting cards etc. the Council had decided that the logos unconnected with the first letter of the name of the firm or its partners or proprietors would not be permitted for use by members in practice/firms of Chartered Accountants on their letter heads, visiting cards etc. as the same would have amounted to advertisement or smacking of publicity.

A BRIEF OF CORPORATE FORM OF PRACTICE GUIDELINE

The Council decided to allow members in practice to hold the office of Managing Director, Whole-time Director or Manager of a body corporate within the meaning of the Companies Act, 1956 provided that the body corporate is engaged exclusively in rendering Management Consultancy and Other Services permitted by the Council in pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 and complies with the conditions(s) as specified by the Council from time to time in this regard.

Management Consultancy & Other Services' permitted by the Council in pursuance to Section 2(2)(iv) of the Chartered Accountants Act, 1949. The expression "Management Consultancy and other Services" shall not include the function of statutory or periodical audit, tax (both direct taxes and indirect taxes) representation or advice concerning tax matters or acting as liquidator, trustee, executor, administrator, arbitrator or receiver.

By abundant caution, it may be clarified that no audit practice can be done in Corporate Form. The consultancy practice hitherto done in Individual or Firm Status alone is now intended to be permitted in Corporate Form also.

A BRIEF OF CORPORATE FORM OF PRACTICE GUIDELINE

Few Examples :

- Financial management planning, Working capital management,
- Preparing project reports and feasibility studies,
- Budgeting, Inventory management,
- Market research and demand studies,
- Cost control and value analysis,
- Management and operational audits,
- Valuation of shares and business and advice regarding amalgamation, merger and acquisition, Acting as **Registered valuer** under Companies Act, 2013 r.w.Companies (Registered Valuers& Valuation) Rules, 2017.

A BRIEF OF CORPORATE FORM OF PRACTICE GUIDELINE

Few Examples :

- Systems analysis and design, and computer related services,
- Acting as advisor or consultant to an issue,
- Investment counselling in respect of securities,
- Acting as registrar to an issue and for transfer of shares/other securities,
- Quality Audit, Environment Audit, Energy Audit,
- Acting as Recovery Consultant in the Banking Sector,
- Insurance Financial Advisory Services under IRDA Act, 1999 including Insurance Brokerage **not Insurance Agency.**
- Insolvency Professional .
- Administrative Services

A BRIEF OF ADVERTISEMENT GUIDELINE

The Members may advertise through a write up setting out their particulars or of their firms and services provided by them subject to the Guidelines .

Write Up means the writing of particulars according to the information given in the Guidelines setting out services rendered by the Members or firms and any writing or display of the particulars of the Member(s) in Practice or of firm(s) issued, circulated or published by way of print or electronic mode or otherwise including in newspapers, journals, magazines and websites (**in Push as well in Pull model**) in accordance with the Guidelines.

A BRIEF OF ADVERTISEMENT GUIDELINE

It should be presented in such a manner as to maintain the profession's good reputation, dignity and its ability to serve the public interest.

The Member(s)/Firm(s) should ensure that the contents of the Write up are true to the best of their knowledge and belief and are in conformity with Guidelines and be aware that the Institute of Chartered Accountants of India will neither approve a proposed write up, nor own any responsibility whatsoever for such contents or claims by the writer Member(s)/ Firm(s).

The Council has permitted Network amongst the Firms registered with the Institute. A member of the Network may advertise to the extent permitted by the Advertisement Guidelines issued by Institute.

A BRIEF OF ADVERTISEMENT GUIDELINE

The write-up may include only the following information

For Members

- Name of Chartered Accountant
- Membership No. with Institute
- Age
- Date of becoming ACA and FCA
- Date from which COP held
- Recognized qualifications
- Languages known (ix) Telephone/Mobile/Fax No.
- Professional Address , Web ,E-mail
- C A Logo
- Passport size photograph
- Details of Employees (No.) (a) Chartered Accountants - (b) Other Professionals – (c) Articles/Audit Assistants (d) Other Employees (xvi) Names of the employees and their particulars on the lines allowed for a member as stated above
- Services provided

A BRIEF OF ADVERTISEMENT GUIDELINE

For Firms

- Name of the Firm Chartered Accountants
- Firm Registration No. with Institute
- Year of establishment.
- Professional Address(s)
- Working Hours
- Tel. No(s)/Mobile No./Fax No(s)
- Web address
- E-mail
- No. of partners Name of the proprietor/partners and their particulars on the lines allowed for a member as stated above including passport size photograph.
- C A Logo (xii) Details of Employees (Nos. -) (a) Chartered Accountants - (b) Other professionals – (c) Articles/Audit Assistants (d) Other employees
- Names of the employees of the firm and their particulars on the lines allowed for a member as stated above.
- Services provided

ADVERTISEMENT GUIDELINES (CONTD....)

Other Conditions

- The write-up should not be false or misleading and bring the profession into disrepute.
- The write-up should not claim superiority over any other Member(s)/Firm(s).
- The write-up should not be indecent, sensational or otherwise of such nature which may likely to bring the profession into disrepute.
- The write-up should not contain testimonials or endorsements concerning Member(s).
- The write-up should not contain any other representation(s) that may like to cause a person to misunderstand and/or to be deceived.
- The write-up should not violate the provisions of the 'Act', Rules made there under and 'The Chartered Accountants Regulations,1988'.
- The write-up should not include the names of the clients (both past and present)
- The write-up should not be of font size exceeding 14.
- The write-up should not contain any information other than stated in Para 3 hereinabove.
- The write-up should not contain any information about achievements / award or any other position held.
- The particulars of information required at para (ii) of 3(A) and para (ii) of 3(B) is mandatory

A BRIEF OF WEBSITE GUIDELINE (S)

The Council has approved the detailed guidelines for posting the particulars on Website by Chartered Accountant(s) in practice and firm(s) of Chartered Accountants in practice.

The actual format of the Website is not being prescribed nor any standard format of the Website is being given to provide independence to the Members.

The Chartered Accountants and/or Chartered Accountants' Firms would ensure that their Websites are run on a "pull" model and not a "push" model of the technology to ensure that any person who wishes to locate the Chartered Accountants or Chartered Accountants' firms would only have access to the information and the information should be provided only on the basis of specific "pull" request.

CA WEBSITE ADVISORY DATED 14-10-2020

- The Clauses (6) and (7) of Part-I of First Schedule to The Chartered Accountants Act, 1949 (“Act”) bar solicitation and advertisement, respectively. The Website Guidelines have been formulated by the Council in a manner so as to permit members and Firms to have own Website without hitting the provisions of Clauses (6) and (7).
- Further, it is obligatory to comply with the Guidelines of the Council in terms of the provisions of Clause (1) of Part-II of Second Schedule to the Act. The non-compliance with any Guidelines issued by the Council is deemed as professional misconduct in terms of the provisions of above-mentioned Clause

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COMMONLY OBSERVED ERRORS IN FIRM'S WEBSITES

- Mention of Names of clients / Client Logo
- Writing of Firm name in a manner tantamounting to Logo/Monogram
- Mention of Professional Fees, or fact of providing services free of charge
- Using Photographs other than passport style, including Event galleries of Photographs
- Use of expressions such as “Leading Firm”/”Best Firm”/ “Top Firm”
- Claiming to have liasoning with Government offices.
- Mention of activities forming other business or occupation, which are not allowed to members in practice.
- Mention of activities forming other business or occupation allowed to members in practice e.g. reference of Books authored, teaching activities by the member concerned, etc.

COMMONLY OBSERVED ERRORS IN FIRM's WEBSITES

- Mention of activities which exceed the purview granted to members in practice e.g. “Arrangement of Loans” .
- Links of organizations which do not fall under permitted categories e.g. of a commercial Company.
- Videos other than educational videos e.g. Firm profile, canvassing for Elections etc.
- Mentioning subjective claims e.g. “having presence/associates in big cities”, “have well equipped Conference Room”, “best quality services in the market” etc.
- Mentioning CSR contribution / donation done by the Firm.
- Mentioning any kind of affiliation with any national or international organisation e.g. United Nations.
- Mention of any award(s) as may have been given to the CA Firm.
- Mention of any kind of grading granted to the Firm by any organization (including a Regulator) or a survey agency e.g. “Tier 2 Firm

COMMONLY OBSERVED ERRORS IN FIRM's WEBSITES

- Mentioning of a particular role instead of professional service e.g. “Training”.
- Professional services of the Firm mentioned in push mode/ the website running on a push model of technology.
- Mention of media coverage of Firm.
- Mention of association of the member with the Institute e.g. as a Special Invitee in a Committee of the Institute.
- Mentioning testimonial with client name.
- ISO Certification or any other certification or accreditation .
- Using Logo of a Government Department or scheme e.g. of Startup India.
- Mention of updates which do not fall under the category of professional updates e.g. relating to movies, National and International News.

COMMONLY OBSERVED ERRORS IN FIRM'S WEBSITES

- Mention of empanelment with any organisation, whether for Audit or any other assignment
- Mention of engagement of the Firm in social activity(ies)
- Mention of features like “why choose us” on the website
- Mentioning association/reference of any other Firm(s) , wherein the proprietor or partner of the Firm may be partner
- Advertisement of any commodity, service or entity.
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VOLUME 3 of CODE OF ETHICS

Major Takeout's of Code of Ethics 2019 (Vol 3)

All case laws now available as separate Volume of Code of Ethics (Volume –III)

Incorporates relevant decided/published case laws of First & Second Schedules till 1st April, 2019.

Cases have been segregated according to context or relevance addressed in the Index.

All Case Laws have been numbered for easy reference.

RESOURCES

<https://resource.cdn.icaai.org/55133CodeofEthics-2019.pdf>

<https://resource.cdn.icaai.org/60018code-of-ethics-2020vol2.pdf>

<https://resource.cdn.icaai.org/59111esb48239.pdf>

<https://www.icaai.org/post/ethical-standards-board>

<http://esb.icaai.org/>

<https://www.icaai.org/post/advisory-website-guidelines-of-the-institute>

https://www.icaai.org/new_post.html?post_id=16461

<https://resource.cdn.icaai.org/8898adv.pdf>

Thank
You

The image features the words "Thank You" written in a fluid, cursive script. The text is centered and surrounded by six decorative elements that resemble stylized leaves or petals, arranged in a circular pattern around the text. Each element is composed of two curved lines meeting at a point, creating a simple, elegant shape.