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CA INDIA

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CODE OF ETHICS

1. Overview of COE

Introduction

Ethics

As per Oxford Dictionary "the moral principle that governs a person's behavior or how an activity is conducted".

Code of Ethics

Establishes ethical requirements for CAs.

Necessity

Ethics is nothing but the laws or rules of acceptable behaviour. The sole purpose of Code of Ethics is to ensure and uphold the credibility of our profession. The main ingredient of our profession is independence and it protects it from being affected.

Our Institute's Motto

'Ya Esha Supteshu Jagrati' is adopted from Kathopanishad and it denotes 'eternal vigilance' – awakening when the world is asleep.

Distinguishing feature of the accountancy profession

Its acceptance of the responsibility to act in the public interest that helps us to command

Part 1 Complying with the Code, Fundamental Principles and Conceptual Framework

(Applies to all CA) (Section 100-199) Contains provisions relating to fundamental principles and complying with the code applicable to all CAs.

Part 2 - CA in Service (CAiS)

(Applies to CA in service while performing professional activities) (Section 200-299)

Applies to CAiS when performing professional activities and covers CAs employed / engaged in executive or non-executive capacity in commerce, industry, service, public sector, NPO sector, Education, Regulatory or professional bodies. Also applies to CAiS under a CA Firm.

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(Additionally for CA in practice when providing professional services) (Section 300-399)

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- **Sections 5100 to 5350–** ethics standards for all sustainability assurance engagements (including those within the scope of the Independence Standards in Volume III) and other professional services performed for sustainability assurance clients.
- **Sections 5400 to 5600 –** independence standards for sustainability assurance engagements that are within the scope of the Independence Standards in Volume III

Structure

Each section has following parts with mentioned purpose

Introduction (Section 100 - 199)

(i) Sets out the subject matter addressed in the section and introduces the requirements and application material in the section

(ii) Applies to all CA

Requirements

(iii) Establish general and specific obligations to be complied with by the members

(iv) Denoted with R, usually mandatory.

Application material

(v) Provides context, explanations, suggestions or actions, illustrations and other guidance to assist in complying with the requirements.

(vi) Must be considered to apply 'R" of the Code. Designated with A.

Practical examples

(vii) Incorporated in the Code to illustrate different situations in which pressure might arise.

2A. Fundamental Principles of Ethics

1. Integrity :

CA to be straight forward and honest in both professional and business relationships.

(a) CA to be honest and upright as a citizen, and in personal affairs.

(b) CA shall imbibe the ideal of Satyameva Jayate, 'Truth alone triumphs' - adopted as national motto of India.

(c) Integrity involves fair dealing, truthfulness, and having the strength of character to act appropriately, even when facing pressure to do otherwise or when doing so might create potential adverse personal or organizational consequences.

(d) Acting appropriately involves:

(i) Standing one's ground when confronted by dilemmas and difficult situations; or

(ii) Challenging others as and when circumstances warrant, in appropriate manner.

→ Not knowingly be associated with reports, returns, communications or other information where accountant believes that the information:

(i) Contains a materially false or misleading statement;

(ii) Contains statements or information provided negligently; or

(iii) Omits or obscures required information

However, CA may provide a modified report in respect of such above mentioned matter.

→ When a CA becomes aware of above information the accountant shall take steps to be disassociated from that information.

2. Objectivity :

(a) Exercise professional or business judgment without being compromised by: bias, conflict of interest or undue influence of, or undue reliance on, individuals, organizations, technology or other factors.

(b) Not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity

3. Professional Competence and Due Care – Subsection 113

1. PC&DC requires :

(i) To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service as per current standards and legislation; and

(ii) act diligently in accordance with applicable technical and professional standards.

2. PC requires the exercise of sound judgment in applying professional knowledge and skills.

3. Knowledge and skills vary depending on the nature of the activity being undertaken. For example, in addition to the application of any technical knowledge, interpersonal, communication and organizational skills facilitate the CA's interaction with entities

4. Maintaining PC requires continuing awareness and understanding of relevant technical, professional, business and technology-related developments. Continuing professional development enables CA to develop and maintain the capabilities to perform competently within the professional environment.

5. Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

6. CA shall take reasonable steps to ensure those working under the CA's authority have appropriate training and supervision.

Where appropriate, CA shall make clients / employing organisations / other users aware of the inherent limitations and explain the implications of those limitations.

7. The circumstances in which a firm or employing organization seeks authorization to use or disclose confidential information, include where the information is to be used for training purposes, in the development of products or technology, in research or as source material for industry or other benchmarking data or studies. Such authorization

4. Confidentiality :

To refrain from:

1. Disclosing outside the firm or employing organization confidential information without proper and specific authority or unless there is a legal or professional right or duty to disclose; and

2. Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties

4-A. Confidentiality : Subsection 114

1. An accountant shall:

- Be alert to the possibility of inadvertent disclosure;
- Maintain confidentiality of information within the firm or employing organization;
- Maintain confidentiality of information disclosed by a prospective client or employing organization;
- Not disclose without proper and specific authority, unless there is a legal or professional duty or right to disclose;
- Not use confidential information acquired for the personal advantage of accountant or else;
- Not use or disclose any confidential information, after that relationship has ended; and
- Ensure that personnel under the accountant's control respect the duty of confidentiality.

2. CA to take appropriate action to protect the confidentiality of information acquired in course professional or business relationships (PBR) in the course of its collection, use, transfer, storage or retention, dissemination and lawful destruction.

3. Subject to 4, CA shall not:

(a) Disclose confidential information acquired in the course of PBR;

(b) Use confidential information acquired for advantage of CA, firm, employing organization or third party;

(c) Use or disclose any confidential information, after that relationship has ended; and

(d) Use or disclose information on which duty of confidentiality applies even if that information has become publicly available, properly or improperly.

4. As an exception to paragraph 3, CA may disclose or use confidential information where:

(a) There is a legal or professional duty or right to do so; or

(b) Authorized by the client or authorised person to permit disclosure or use information and this is not prohibited by law or regulation.

5. Confidentiality facilitates free flow of information from client or employing organization to CA. Nevertheless, CA might be required to disclose confidential information:

(a) Disclosure is required by law or regulation.

(b) There is a professional duty or right to disclose, when not prohibited by law or regulation:

- (i) To comply with the requirements of Peer Review or Quality Review or such other review;
- (ii) To respond to an inquiry or investigation by the Institute or other regulator;
- (iii) To protect the professional interests of a CA in legal proceedings; or
- (iv) To comply with technical and professional standards, including ethics requirements.

6. In deciding whether to disclose or use, factors to consider, depending on circumstances, include:

(a) Whether the interests of any party / interested third parties, could be harmed with disclosure of information by CA;

(b) Whether all the relevant information is known and substantiated, to the extent it is practicable. Factors affecting the decision include:

- Unsubstantiated facts.
- Incomplete information.
- Unsubstantiated conclusions.

(c) proposed mean of communicating;

(d) Whether the recipients of information are appropriate.

(e) Applicable law or regulation of jurisdiction where disclosure might take place. If different, jurisdiction where confidential information originates.

7. General Authorisation by a firm or employing organization: Seeks authorization to use or disclose confidential information, like information to be used for training purposes, in the development of products or technology, in research or as source material for industry or other benchmarking data or studies.

Specific Authorisation - When obtaining such authorization to use or disclose information, consider the following, preferably in writing:

- Nature of information
- Purpose (e.g. tech development, research, etc.)
- Entity who will undertake the activity
- Whether the identity of provider / party to which information relates will be identifiable from the output of the activity for which the information is to be used or disclosed.

8. CA continues to comply with principle of confidentiality even after end of relationship. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received earlier.

5. Professional Behaviour : Subsection 115

1. PB requires an accountant to:

(a) Comply with relevant laws and regulations

(b) Consistently act in line with profession's responsibility to act in the public interest; and

(c) Avoid conduct that might discredit the profession (includes conduct that a reasonable and informed third party would be likely to conclude adversely affects the good reputation of the profession).

CA shall not knowingly engage in activity that impairs integrity, objectivity or reputation of the profession, and as a result would be incompatible with the fundamental principles.

2. When promoting himself and his work, a CA shall not bring the profession into disrepute and shall be honest and truthful and should not make:

(a) Exaggerated claims for his or her services, qualifications, or experience; or

(b) Disparaging references or unsubstantiated comparisons to the work of others.

(c) Advertise, directly or indirectly, facts in violation of Advertisement Guidelines of the Institute.

CA to ensure contents of an advertisement are

- (i) true to the best of his knowledge and belief, and
- (ii) in conformity with Advertisement Guidelines, and
- (iii) be aware that the Institute does not own any responsibility for claims made by him.

However, when in doubt whether proposed advertising is appropriate, consult with ESB.

Duty to comply with fundamental principles

1. A CA shall comply with each of the fundamental principles.
2. The fundamental principles of ethics establish the standard of behaviour expected of a CA.
3. The conceptual framework establishes the approach which an accountant is required to apply to assist in complying with those fundamental principles.
4. A CA might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles. In such a situation, the accountant might consider consulting, with:



5. However, such consultation does not relieve the accountant from the responsibility to exercise professional judgment to resolve the conflict or, if necessary, and unless prohibited by LorR, disassociate from the matter creating the conflict.
6. The CA is encouraged to document the substance of the issue, the details of any discussions, the decisions made and the rationale for those decisions

Legends

Those Charged with Governance - **TCWG**, Law or Regulation - **LorR**

Space for Notice

2B. Threats, Evaluation of Threats & Safeguards

Conceptual Framework specifies an approach for a CA to:

(i) Identify threats to compliance with the fundamental principles;

(ii) Evaluate the threats identified; and

(iii) Address the threats

2B-1. Threats

1. Self–interest

I. Definition - The threat that a financial or other interest will inappropriately influence a CA's judgment or behaviour;

II. Examples

(i) A CA having a direct financial interest in a client.

(ii) A CA quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional service in accordance with applicable technical and professional standards for that price.

(iii) A CA having a close business relationship with a client.

(iv) A CA having access to confidential information that might be used for personal gain.

(v) A CA discovering a significant error when evaluating the results of a previous professional service performed by a member of the accountant's firm.

III. Examples of facts & circumstances

(i) A CA holding a financial interest in, or receiving a loan or guarantee from, the employing organization.

(ii) A CA participating in incentive compensation arrangements offered by the employing organization.

(iii) A CA having access to corporate assets for personal use.

(iv) A CA being offered a gift or special treatment from a supplier of the employing organization.

2. Self–review

I. Definition - The threat that a CA 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;

II. Examples

(i) A CA issuing an assurance report on the effectiveness of the operation of financial systems after implementing the systems.

(ii) A CA having prepared the original data used to generate records that are the subject matter of the assurance engagement.

III. Examples of facts & circumstances

A CA determining the appropriate accounting treatment for a business combination after performing the feasibility study supporting the purchase decision.

3. Familiarity

I. Definition - the threat that due to a long or close relationship with a client, or employing organization, a CA will be too sympathetic to their interests or too accepting of their work; and

II. Examples

(i) A CA having a close or immediate family member who is a director or officer of the client.

(ii) A director or officer of the client, or an employee in a position to exert significant influence over the subject matter of the engagement, having recently served as the engagement partner.

(iii) An audit team member having a long association with the audit client.

III. Examples of facts & circumstances

(i) A CA being responsible for the financial reporting of the employing organization when an immediate or close family member employed by the organization makes decisions that affect the financial reporting of the organization.

(ii) A CA having a long association with individuals influencing business decisions.



4. Advocacy

I. Definition - The threat that a CA will promote a client's or employing organization's position to the point that the accountant's objectivity is compromised;

II. Examples

(i) A CA promoting the interests of, or shares in, a client.

(ii) A CA acting as an advocate on behalf of a client in litigation or disputes with third parties.

(iii) A CA lobbying in favor of legislation on behalf of a client.

III. Examples of facts & circumstances

A CA having the opportunity to manipulate information in a prospectus in order to obtain favorable financing.



5. Intimidation

I. Definition - the threat that a CA will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.

II. Examples

(i) A CA being threatened with dismissal from a client engagement or the firm because of a disagreement about a professional matter.

(ii) A CA feeling pressured to agree with the judgment of a client because the client has more expertise on the matter in question.

(iii) A CA being informed that a planned promotion will not occur unless the accountant agrees with an inappropriate accounting treatment.

(iv) A CA having accepted a significant gift from a client and being threatened that acceptance of this gift will be made public.".

III. Examples of facts & circumstances

(i) A CA or immediate or close family member facing the threat of dismissal or replacement over a disagreement about:

(1) The application of an accounting principle.

(2) The way in which financial information is to be reported.

(ii) An individual attempting to influence the decision-making process of the CA, for example with regard to the awarding of contracts or the application of an accounting principle.

A circumstance might create more than one threat and affect more than one fundamental principle.

Identifying Threats Associated with the Use of Technology:

E.g. Self-interest Threats

- The data available might not be sufficient for the effective use of the technology.
- The technology might not be appropriate for the purpose for which it is to be used.
- The accountant might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.

E.g. Self-review Threats

The technology was designed or developed using the knowledge, expertise or judgment of the accountant or employing organization.

Space for Notice

2B.2 Evaluation of Threats:

Policies and procedures might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level.

(i) Acceptable level: Third party test, party likely conclude that the accountant complies with the fundamental principles.

(ii) Reasonable and Informed Third Party: Consideration by the CA about whether the same conclusions would likely be reached by another party.

Evaluation of the level of a threat is also impacted by:

(i) the nature and scope of professional activity.

(ii) work environment and operating environment.

For example:

- Leadership stress on importance of ethical behaviour
- Policies that empower employees to communicate ethics issues to senior levels without fear.
- Policies to implement and monitor the quality of employee performance.
- Systems of corporate oversight and strong internal controls.
- Recruitment procedures emphasizing employing competent personnel.
- Timely communication of P&P, including its changes, to all employees, with training on such policies.
- Ethics and code of conduct policies.

Threats Associated with the Use of Technology:

This might be impacted by the work environment within the employing organization and its operating environment. For example:

- Level of corporate oversight and internal controls over the technology.
- Assessments of the quality and functionality of 3rd party technology
- Training regularity to employees so they maintain competence to understand, use and explain the technology and its appropriateness for the purpose intended.

CA may consider obtaining **legal advice** where they believe that unethical behaviour or actions by others have occurred, or will continue to occur, within the employing organization.

2B-3. Addressing Threats

If the identified threats to compliance are not at an acceptable level, the accountant shall address the threats by eliminating them or reducing them to an acceptable level. The accountant shall do so by:

(i) Eliminating the circumstances, including interests or relationships, that are creating the threats;

(ii) Applying safeguards, if available and capable of being applied, to reduce threats to acceptable level; or

(iii) Declining or ending the specific professional activity.

Actions to Eliminate Threats: A threat might be addressed by eliminating the circumstance creating the threat. However, there are some situations in which threats can only be addressed by declining or ending the specific professional activity.

2B-4. Safeguards

Safeguards are actions individually or in combination that the accountant takes that effectively reduce threats to an acceptable level.

Examples

(i) Assigning additional time and qualified personnel, might address a self-interest threat.

(ii) Having an appropriate reviewer, might address a self-review threat.

(iii) Using different partners and engagement teams for the provision of non-assurance services

(iv) Involving another firm to perform or re-perform might address self-interest, self-review, advocacy, familiarity or intimidation threats.

(v) Separating teams might address a self-interest threat.

(vi) Disclosing to clients any referral fees or commission arrangements received for recommending services.

2B-5. Applicability on Sustainability Assurance Engagements

Fundamental principles + Conceptual framework for identifying, evaluating and addressing threats to compliance with those fundamental principles; are equally applicable when performing sustainability assurance engagements.

2C Non-Compliance with Laws and Regulations (NOCLAR)

A. What is NOCLAR?

In the course of providing a professional service to a client	Or	carrying out professional activities for an employer
a Chartered accountant (member of ICAI) may come across		
an instance of NOCLAR	Or	suspected NOCLAR
committed by	Or	about to be committed by
the client or the TCWG, management or employees of the client	Or	the employer, TCWG, management or employees of the employer.

B. Definition of NOCLAR under the Code:

NOCLAR comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing LorR committed by the following parties:

(i) Client or employing organization (EO)

(ii) TCWG of the client or EO

(iii) Management of the client or EO, or

(iv) Other individuals working for or under the direction of the client or EO.

C. Exclusions from NOCLAR under the Code:

(i) Personal misconduct unrelated to the business activities of the employing organisation, and

(ii) Non-compliance by parties, other than those specified in the definition above

D. Examples as per IESBA, of non-compliance covered under NOCLAR: (FM-DP-BEST)

(i) Fraud, corruption and bribery,

(ii) Money laundering, terrorist financing and proceeds of crime,

(iii) Data protection,

(iv) Public health and safety,

(v) Banking and other financial products and services,

(vi) Environmental protection,

(vii) Securities markets and trading,

(viii) Tax and pension liabilities and payments.

E. Objectives of NOCLAR

- CA have a responsibility to act in the public interest and not turn a blind eye to instances of NOCLAR.
- They should alert management / TCWG on situations of identified/suspected non-compliance.

F. Important facts about NOCLAR:

1. No additional responsibility to check

Responsibilities under NOCLAR will be applicable when he is encounters or is made aware of, non-compliance or suspected non-compliance **in the course of providing a professional service to a client.** He is **not required to investigate, nor responsible for ensuring compete compliance**.

2. Expertise of Laws not Required

A Chartered accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, he is not expected to have a level of knowledge of L&R greater than that which is required to undertake the engagement. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

3. Certain Matters Expressly out of Purview:

Clearly inconsequential matters, relating to personal misconduct.

4. Disclosure, which is Contrary to Law not Required:

Under Code, disclosure to an AA to be avoided if doing so would be contrary to LorR.

G. Applicability of NOCLAR in India

1. **Section 260 - Responding to NOCLAR - Chartered accountants in service:** Applicable to employees of listed entities who are CA being KMP in service.

CA being KMP in service are:

- directors, officers or senior employees
- able to exert significant influence over, and
- make decisions regarding, the acquisition, deployment and control of the employing organization's
- human, financial, technological, physical and intangible resources.

There is a greater expectation for such individuals than others because of roles and spheres of influence within the organization as such CA being a key managerial personnel in service.

2. **Section 360 - Responding to NOCLAR - Chartered accountants in public practice:** Applicable to audit engagements (where auditor to report on T&F view of FS as per A-FRFW) of listed entities and their material subsidiary(ies).

CA to respond to non-compliance or suspected noncompliance with:

(a) L&R generally recognized to have a direct effect on material amounts and disclosures in FS; and

(b) Other L&R that do not have a direct effect, but compliance with which is fundamental to operating aspects of business / ability to continue its business / avoid material penalties. (as defined in SA 250).

H. NOCLAR vs. SA 250

Basis	SA-250	NOCLAR
(a) CAiS	SA 250 is applicable only on Audit, and not on other Assurance engagements.	NOCLAR is applicable on Chartered accountants in **service, and in practice** (it applies on Audit as well as other professional services) (For audit only applicable to **Company Audit**)
(b) Impact of non-compliance	SA 250 talks of auditor's responsibilities for laws having direct effect & other laws that do not have a direct effect on the determination of the amounts and disclosures in the FSs, but compliance with which may be fundamental to the operating aspects of the business.	NOCLAR, while being alike to SA 250 till this point, is further ahead of it in that it takes into account non-compliance that causes **substantial harm resulting in serious consequences in financial or non-financial terms.**
(c) Stakeholders	SA 250 does not define stakehaolders.	NOCLAR is related to affect of non-compliance on investors, creditors, employees as also the general public
(d) Imminent Breach (Anticipated Breach)	This provision is not existent in SA 250	As per NOCLAR, in exceptional circumstances, CA might become aware of an imminent breach of a law or regulation that would cause substantial harm to investors etc. Having first considered whether it would be appropriate to discuss the matter with MGT or TCWG & exercise professional judgment and determine whether to disclose the matter immediately to an AA in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted.

I. Responding to NOCLAR

Steps to be taken for responding:

1. Obtaining an understanding of the matter
2. Addressing the matter
3. Seeking Advice
4. Determining whether further action is needed
5. Determining whether to disclose the matter to an AA
6. Imminent Breach
7. Documentation

"AA" for the purpose of disclosure will depend on the nature of the matter. For example, the AA would be SEBI in the case of fraudulent financial reporting in case of listed entities.

J. Responsibility of Responding to NOCLAR

Code lays steps to follow while assessing the nature of matter and potential harm to the interests of the stakeholders like employing organisation, investors, creditors, employees or general public.

CA to apply knowledge, expertise and professional judgement to determine the need, nature and extent of further action. It might require seeking advice on whether to disclose matter to AA.

1. Understanding of the Matter:

Obtain understanding of matter and determine:

i. The nature and circumstances in which matter occurred or might occur,

ii. The application of the relevant L&R to the circumstances, and

iii. Assess potential consequences to stakeholders.

2. Addressing the matter

- Depending on matter take steps to investigate the matter internally.

3. Seeking Advice

(i) Confidentiality: He/she might also consult confidentially with others within the EO, firm, network firms, ICAI, or a legal counsel.

(ii) To further clarify understanding of the matter, discuss with appropriate level of management / TCWG or in case of CAiS immediate superior, unless they appear to be involved in the matter. Then, discuss it with the next higher level of authority. This will also prompt management to investigate further

(iii) CAiP to communicate to management / TCWG for them to take timely action. Management / TCWG should inform appropriate authorities.

(iv) In case of CAiS basis their response of superiors determine if further action is needed in the public interest.

(v) Additionally, consider if there is a need to disclose the matter to internal auditor, or in case of CAiS to EO's external auditor.

4. & 5. Determining whether further action is needed & determining whether to disclose the matter to an AA

Further action that the senior Chartered accountant might take includes:

i. In case of group entities, informing the group engagement partner who needs to them inform other components if relevant or in case of CAiS to the management of the parent entity, if any.

ii. Disclosing matter to AA as specified under respective law, or

iii. Withdrawing or resigning from the engagement where permitted. However this is not a substitute for other actions to be taken under the Code.

Remember – It is the responsibility of EO's or client's management and TCWG to identify and address any instances of NOCLAR and ensure business activities are conducted as per L&R.

Confidentiality - ICAI has incorporated disclosures of NOCLAR under Clause (1) of Part-I to Second Schedule and Clause (2) of Part-II to the Second Schedule

6. Imminent Breach (Refer comparison with SA 250 above)

7. Documentation

A. Additional documents requirements (in addition to as required under SAs) as under:

1. How management / TCWG have responded to the matter.
2. Having regard to the reasonable and informed third party test
   - course of action considered,
   - judgments made and
   - decisions that were taken.
3. How the accountant is satisfied that the responsibility of public interest has been fulfilled.

B. Relevant documentation requirements under SAs for CAiP:

1. Prepare documentation sufficient to **enable an understanding of** significant matters arising during the audit, the conclusions reached, and significant professional judgments made in reaching those conclusions;
2. Document **discussions** of significant matters with management, TCWG, and others, including the nature of the significant matters discussed and when and with whom the discussions took place; and
3. Document **identified or suspected non-compliance**, and the results of discussion with management and, where applicable, TCWG and other parties outside the entity.



Content in red bracket is not in ICAI SM

Legend = Appropriate Authority = AA

3. MEMBERSHIP OF THE INSTITUTE

On acceptance of application by the Council

the applicant's name shall be entered in the Register and

a certificate of membership in the appropriate Form shall be issued to the applicant.

Particulars of the Register: Section 19 provides to include following in the Register for every member-

Full name, date of birth, domicile, residential and professional address;	
Date of entry of name in the Register;	Qualifications;
Whether the member holds a COP; and	Any other prescribed particulars.

3.1 Disabilities for the Purpose of Membership – Section 8

Circumstances where person is **debarred from having his name entered** in Register of Members:

(i) Not attained 21 years at the time of application; or

(ii) Is of unsound mind and stands so adjudged by a competent court; or

(iii) Is an undischarged insolvent/undischarged bankrupt

(iiia) Is declared bankrupt under the Insolvency and Bankruptcy Code, 2016; or

(iv) Is being a discharged insolvent, or has not obtained from the court, a certificate stating that his insolvency was caused by misfortune, without any misconduct on his part; or

(v) If he has been convicted by a competent Court whether within or outside India,

- of an offence involving moral turpitude and
- punishable with imprisonment or
- of an offence, not of a technical nature;
- committed by him in his professional capacity;
- unless in respect of the offence committed he has either been granted a pardon or the CG has, by an order in writing, removed the disability; or

(vi) If he has been removed from membership of the Institute on being found on inquiry to have been guilty of professional or other misconduct;

Suspension

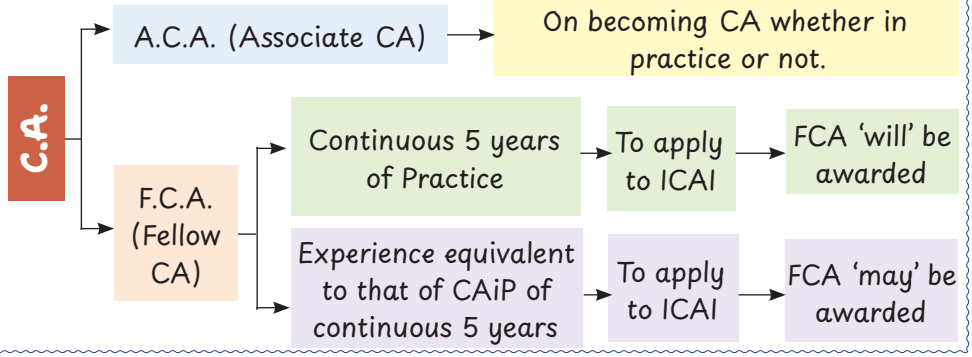
It may be noted that a person who has been removed from membership for a specified period, shall not be entitled to have his name entered in the Register until the expiry of such period.

Non-disclosure FAKE

In addition, failure on the part of a person to disclose the fact that he suffers from any one of the disabilities aforementioned would constitute professional misconduct. The name of the person, who is found to have been subject at any time to any of the disabilities aforementioned, can be removed from the Register of Members by the Council.

3.2 Types of Members of the Institute

Fellow 5 years of practice (confirmed) / 5 years of relevant experience (may be given on application) and Associate Members (if not Fellow)



3.3 Removal of Name from the Register

Section 20

i) Who is dead; or
ii) Suo – moto by member; or
iii) Who has not paid any prescribed fee, however will be restored on payment of arrears and making an application; or
iv) Disabilities mentioned in section 8, or who for any other reason has ceased to be entitled to have his name borne on the register.

3.4 Restoration of Membership

Section 20 & Regulation 19

Regulation 19 of the Chartered Accountants Regulations, 1988, states that the name of the member may be restored by the Council in the Register on an application.

However, the effective date in case of restoration of cancelled membership, in

different situations, shall be in the following manner:

If in case of non-payment of fees application for restoration and requisite fees are made within the same year of removal	Restoration shall be with effect from the date on which it was removed from the Register. (Retrospective)
Removal of name under the orders of the Board of Discipline or the Disciplinary Committee or 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. (Prospective)

3.5 Penalty for Falsely Claiming to be a Member etc.

Section 24 : Falsely Claiming to be CA / CAiP

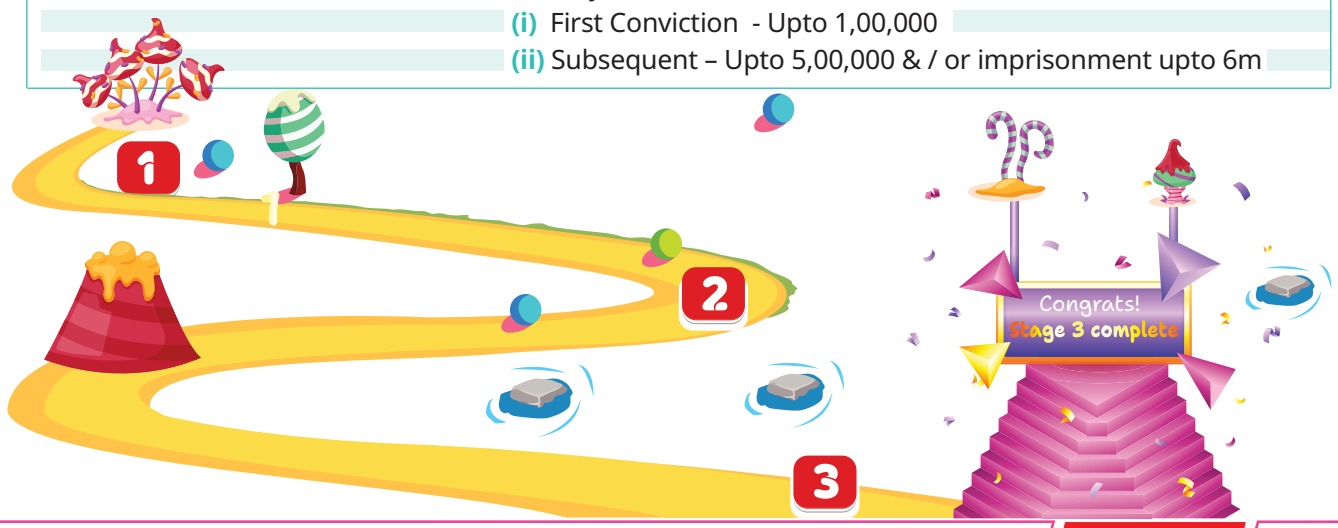
1 Not being a member designates / represents as CA

2 Not being in Practice exhibits to be in Practice

3 Penalty –

(i) First Conviction - Upto 1,00,000

(ii) Subsequent – Upto 5,00,000 & / or imprisonment upto 6m



4. CAs IN PRACTICE

A practicing CA is a person who is a member of the Institute and is holding COP; and includes such members of the Institute who are deemed to be in Practice in accordance with the provisions of the CAs Act, 1949.

4.1 Significance of the Certificate of Practice (COP) – Section 6

No member is entitled to practise in India or elsewhere unless he has obtained a COP from the Council. Annual fees shall be payable on or before 01st April every year and COP may be cancelled by the Council under such circumstances as may be prescribed.

Ineligibility of member without COP

A member who is not in practice is precluded from accepting engagement to render services of any of the types normally prescribed for a CA, even though for doing so, he does not require special qualifications.

Why So? Council is of view that

(i) Once the person concerned becomes a member of the Institute, he is bound by the provisions of the CAs Act and its Regulations. If and when he appears before the Income-tax Tribunal as an Income-tax representative after having become a member of the Institute, he could so appear only in his capacity as a CA and a member of the Institute.

(ii) A member of the Institute can have no other capacity in which he can take up such practice, separable from his capacity to practice as a member of the Institute.

4.2 Cancellation and Restoration of COP

Cancellation - Regulation 10

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 a COP is cancelled, the holder shall surrender the same to the Secretary.

Restoration of COP - Regulation 11

(i) On an application made in approved Form and on payment of prescribed fee,

(ii) the Council may restore the COP retrospectively (with effect from the date on which it was cancelled),

(iii) where the certificate has been cancelled due to non-payment of the annual fee for the COP and

(iv) whose complete application with fee, is received by the Secretary before the expiry of the relevant year.

4.3 Members - deemed to be in Practice

Every member of the Institute is entitled to designate himself as a CA. There are two classes of members,

- those who are in practice and
- those who are otherwise occupied.

Deemed "to be in practice"

1. Definition - Section 2(2)

A member of the Institute shall be deemed "to be in practice" when:

(I) individually or in partnership with CAs in practice, or in partnership with members of such other recognised professions as may be prescribed;

(II) he, in consideration of remuneration received or to be received;

(i) engages himself in the practice of accountancy; or

(ii) offers to perform or performs service involving the auditing or verification of financial transactions, books, accounts or records, or the preparation, verification or certification of financial accounting and related statements or holds himself out to the public as an accountant; or

(iii) renders professional services or assistance in or about matters of principle or detail relating to accounting procedure or the recording, presentation or certification of financial facts or data; or

(iv) renders such other services as, in the opinion of the Council, are or may be rendered by a CA in practice

(Council has passed a resolution permitting a CA in practice to render entire range of "Management Consultancy and other Services").

Note: CAiS under a CAiP or Firm of CAiP –

A CA who is a salaried employee of a CA / firm shall, be deemed to be in practice for the limited purpose of the training of Articled Assistants.

2. Management Consultancy and other Services

Exclusions:

(1) Statutory or periodical audit, tax (both direct taxes and indirect taxes)

(2) Representation or advice concerning tax matters (except as covered in inclusions (i) to (iv) below

(3) Acting as liquidator, trustee, executor, administrator, arbitrator or receiver,

Inclusions:

(i) Financial management planning and financial policy determination and its tax effects

(ii) Capital structure planning and advice regarding raising finance and its tax effects

(iii) Working capital management and its tax effects

(iv) Preparing project reports and feasibility studies and its tax effects

(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, including Information System Audit.

(xv) **Valuation:** Valuation of shares and business and advice regarding amalgamation, merger and acquisition.

Acting as **Registered Valuer** under the CA13 read with The Companies (Registered Valuers and Valuation) Rules, 2017

(xvi) Business Policy, corporate planning, organisation development, growth and diversification.

(xvii) Organisation structure and behaviour, development of **human resources** including design and conduct of training programmes, work study, job-description, job evaluation and evaluation of workloads.

HR Services

(xviii) **Systems analysis and design, and computer related services** including selection of hardware and development of software in all areas of services which can otherwise be rendered by a CA in practice and also to carry out any other professional services relating to EDP including making Data entry and databases in Unique Identity (UID) – Aadhaar and establishment of Tax Information Network Facilitation Centre (TIN-FC) and its franchise

(xix) **Acting as advisor or consultant to an issue: Including such matters as:**

(a) Drafting of prospectus and memorandum containing salient futures 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, and distribution of publicity material, prospectus, etc. (relevant provisions of COE must be kept in mind).

(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, with the various agencies connected with the work.

Exclusions:

Following activities are not permitted:

1. **Broking,**
2. **Underwriting and**
3. **Portfolio management**

(xx) **Investment counselling** in respect of securities (relevant provisions of COE must be kept in mind)

(xxi) Acting as **registrar to an issue** and for transfer of shares/other securities (relevant provisions of COE must be kept in mind)

(xxii) Quality Audit.

(xxiii) Environment Audit.

(xxiv) Energy Audit.

(xxv) Acting as **Recovery Consultant** in the Banking Sector.

(xxvi) Insurance Financial Advisory Services under IRDA Act, 1999, including Insurance Brokerage.

(xxvii) Acting as **Insolvency Professional** in terms of Insolvency and Bankruptcy Code, 2016

(xxviii) **Administrative Services:**

Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature.

Examples of administrative services include:

- Word processing services.
- Preparing administrative or statutory forms for client
- Submitting such forms
- Monitoring statutory filing dates etc.
- Functions of a GST practitioner (as specified under CGST Rules, 2017) :
  - Furnish details of - outward and inward supplies; periodic returns;
  - Make deposit for credit into the electronic cash ledger;
  - File - claim for refund; application for amendment or cancellation of registration / enrollment under rule 58; intimation to pay under composition scheme or withdraw from the scheme;
  - furnish - info for e-way bill; challan.

(xxix) Forensic Accounting and Investigation

(xxx) Research analyst recognized by a Regulator

(xxxi) Assessment and evaluation of Social Impact, CSR Impact, BRSR, and the like

(xxxii) AI Consultancy in areas of services which can be rendered by a CAiP

3. Deemed to be in Practice further includes:

As per Section 2(2)(iv) and Regulation 191 of CAs Regulations, 1988 a member shall be deemed to be in practice if he in his professional capacity and neither in his personal capacity nor in his capacity as an employee, acts as:

(i) liquidator, trustee, executor, administrator, arbitrator, receiver,

(ii) adviser or representative for costing, financial or taxation matters or

(iii) takes up an appointment made by the CG or a SG or a court of law or any other legal authority or acts as a Secretary unless his employment is on a salary-cum-full-time basis.

4. Act of Setting Up a Practice:

It is necessary to note that a person is deemed to be in practice not only when he is actually engaged in the practice of accountancy but also when he offers to render accounting services whether or not he in fact does so.

5. Service with armed forces

Member is deemed to be in practice during the period he renders 'service with armed forces'

6. Section 144 of CA13:

1. Prohibits auditor of company from rendering certain services directly or indirectly to the company or its holding company or its subsidiary company:
   - (i) accounting and book- keeping services;
   - (ii) internal audit;
   - (iii) design and implementation of any financial information system;
   - (iv) actuarial services;
   - (v) investment advisory services;
   - (vi) investment banking services;
   - (vii) rendering of outsourced financial services;
   - (viii) management services; and
   - (ix) any other kind of services as may be prescribed.
2. Any other service to be provided only if approved by BOD or AC as applicable.

4.4 Companies not to Engage in Accountancy

A. Section 25

(1) No company, whether incorporated in India or elsewhere, shall practise as CAs.

Here "company" shall include any LLP which has company as its partner

(2) Every director, manager, secretary and any other officer thereof who is knowingly a party to such contravention shall be punishable with fine which may extend on first conviction to **2 to 10 lakhs** and on any subsequent conviction to **4 to 20 lakhs.**

B. Section 141(2) of the CA13

- Where a firm (including a LLP) is appointed as an auditor of a company, then, only the partners who are CAs shall be authorised to act and sign on behalf of the firm.
- Therefore, it can be inferred that the LLP not having any company as its partner, can be engaged into practicing and thus take audit assignments.

4.5 Member in Practice Prohibited from using other Designation

(i) **Prefix 'CA' –** Permitted for use for all members (in practice or not).

(ii) **Designation – Section 7**

(a) Member in practice:

Cannot use any designation or description other than that of a "chartered accountant".

(b) Member who is not in practice

May use the designation "chartered accountant". If he does not uses this designation he may use any other description.

It is improper for a CA to state on his professional documents that he is an Income-tax Consultant, Cost Accountant, Company Secretary, Cost Consultant, Corporate Lawyer or a Management Consultant.

CA Prisha Jain
Chartered Accountant
Director - FAST
(B.Com, ACA, CPA, LLM)
9229223040



(iii) Membership of Other Institute – Section 7

a. Member can add any other description or letters to his name, if entitled thereto, to indicate membership of such other Institute of accountancy, whether in India or elsewhere, or

b. any other qualification that he may possess;

c. as may be recognised in this behalf by the Council (Eg CFA, CPA qualification awarded to member cannot be mentioned unless Institute recognizes it).

d. Furthermore, a degree conferred by any university may also be mentioned

(iv) Firm using Chartered Accountants designation with firm name – Section 7

Permitted if all the partners are CAs and in practice

(v) Merchant Banker / Advisor to an issue

a. The members may apply for and obtain registration as category IV Merchant Banker (such categorisation no more exist in SEBI) under the SEBI rules and act as Advisor or Consultant to an issue.

b. In client companies' offer documents and advertisements regarding capital issue, name and address of the CA or firm of CAs acting as Advisor or Consultant to the Issue could be indicated under the caption "Advisor/Consultant to the Issue".

c. However, the name and address of such CA/ firm of CAs should not appear prominently.

(vi) Directors of Companies, Members of political parties, position in clubs, etc

Not permitted to mention these positions as these would be violative of the provisions of Section 7 of the Act. Hence a member must not use the designation such as 'Member of Parliament', 'Municipal Councilor' nor any other functionary in addition to that of CA.

(vii) Members who are also Cost Accountants

Though a member cannot designate himself as a Cost Accountant, he can use the letters A.C.M.A (Associate) or F.C.M.A (Fellow) after his name, when he is a member of that Institute.

Dual COP:

Members of the Institute in practice who are otherwise eligible may also practice as Company Secretaries and/or Cost Accountants. Such members shall, however, not use designation/s of the aforesaid Institute/s simultaneously with the designation "chartered accountants". ***(Further refer Clause of Part I of First Schedule)***

(viii) Membership of a Foreign Institute of Accountancy

Permitted to mention membership of a foreign Institute of Accountancy, which has been recognized by the Council through a Memorandum of Understanding (MoU) / Mutual Recognition Agreement (MRA) with the said Institute.

E.g. Chartered Accountants – Australia and New Zealand (CAANZ), Institute of Chartered Accountants of Nepal (ICAN), Malaysian Institute of Certified Public Accountants (MICPA), Chartered Professional Accountants of Canada (CPA Canada), Chartered Professional Accountants of Australia (CPA Australia), South African Institute of Chartered Accountants (SAICA), Institute of Certified Public Accountants (CPA Ireland) and Institute of Chartered Accountants in England and Wales (ICAEW) *(list as on Dec, 2025...keeps updating)*

(ix) ICAI Office Bearers

For members bearing ICAI office positions their professional stationary with ICAI office position shall be printed by ICAI (Guidelines given in ICAI-CoE Appendix 'I'). On completion of term, unused stationary to be returned to Institute.

Visiting cards

Printed in their name with ICAI office position mentioned and address, contact details provided at the back of the card without firm name, logo permitted by CG to use and popularise.

Letter Heads

Not printed in name of member except for President and Vice President of the Institute

Guidelines on such VC, LH given in COE - Appendix "I" (Not in ICAI SM)

(x) Exemption: Registered Valuer and Insolvency Professional

A member in practice or otherwise empanelled as Insolvency Professional or Registered Valuer can mention "Insolvency Professional" or "Registered Valuer" respectively on his visiting card and letter head.

4.6 Maintenance of Branch Offices (Section 27)

A. Requirement:

CA in practice or a Firm of CAs has more than one office in India, each one of such offices should be in the separate charge of a member of the Institute failing which will constitute professional misconduct.

B. Eligible in-charge of the Branch:

Should be a CA and associated with the CA or firm either as a partner or as a paid assistant in whole time employment.

C. When treated to be in-charge of the Branch?

Only if the member is actively associated with such office. Such association shall be deemed to exist if the member:

(a) resides in the place where the office is situated for a period of not less than 182 days in a year; or

(b) attends the said office for a period of not less than 182 days in a year; or

(c) in such other circumstances as, in the opinion of the Executive Committee, establish such active association.

D. What is a Branch office?

When a CAiP or firm has more than one office where either name board of firm is affixed or it is mentioned as its branch / place of business in its professional stationary or website or elsewhere then such other office is regarded as a Branch office.

E. Office in same accommodation:

Member can be in-charge of two offices if they are located in one and the same Accommodation.

F. Name-Board at Residence:

Refer Clause 7-1-1 as well

Permitted to have name-board at residence provided it is a name-plate or a name-board of an individual member and not of the firm.

G. Conditional Exemption: Members practicing in hill areas:

The conditions are:

(1) Period: Such members/firm be allowed to open temporary offices in a city in the plains for a limited period not exceeding 3 months in a year.

(2) Correspondence: The regular office need not be closed during this period and all correspondence can continue to be made at the regular office.

(3) Board: The name board of the firm in the temporary office should not be displayed at times other than the period such office is permitted to function as above.

(4) POB: The temporary office should not be mentioned in the letterheads, visiting cards or any other documents as a place of business of the member/firm.

(5) Notice: Before commencement of every winter it shall be obligatory on the member/ firm to inform the Institute that he/it is opening the temporary office from a particular date and after the office is closed at the expiry of the period of permission, an intimation to that effect should also be sent to the office of the Institute **by registered post.**

H. Second Office Exemption:

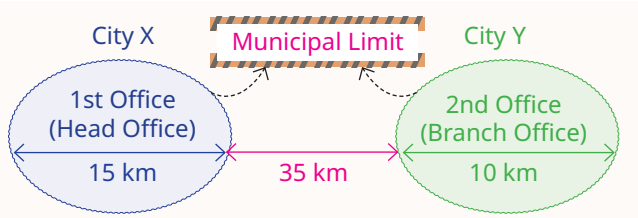
The exemption may be granted to a member or a firm of CAs in practice to have a second office without such second office being under the separate charge of a member of the Institute, provided-

(a) second office is located in the same premises, in which the first office is located or,

(b) second office is located in the same city, in which the first office is located or,



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



Effective distance from 1st Office = 35 km + 10 km = 45 km

H. Second Office Exemption: (contd...)

A member having two offices of the type referred to above shall have to declare, which of the two offices is his main office, which would constitute his professional address.

SJ Tips

1. Office in sub-urb of a city, treated as separate city by ICAI in past exam questions.
2. If distance between;

City limits of HO to BO **not given** & HO to BO **is given,**

Assume distance given from HO to BO = distance from city limits of HO to BO (& state this fact in the answer)

4.7 KYC Norms for CA in Practice

Financial services industry globally is required to obtain information of their clients and comply with Know Your Client Norms (KYC norms). Hence, ICAI issued KYC norms for members in practice, mandatory in nature and shall apply in all assignments pertaining to attestation functions.

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

ENTITY INFORMATION	
A. General Information	**C. Regulatory Information**
▸ Name of the Entity ▸ Type of Entity ▸ Business Description	▸ Company PAN No. ▸ Company Identification No. ▸ Director's Identification No. ▸ Director's Name & Addresses ▸ Names and address of companies in which above person in director
B. Corporate Structure	**D. Engagement Information**
▸ Name of ultimate parent company ▸ Name of parent company ▸ Name of Affiliates	▸ Type of Engagement

5. CAs IN SERVICES

Means a CA employed or engaged in an executive or non-executive capacity in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, regulatory bodies or professional bodies, or a Chartered accountant contracted by such entities.



6. DISCIPLINARY PROCEDURE

Sections 21, 21A, 21B, 21C, 22-A and 22-G of the CAs Act read with **the CAs (Procedure of Investigations of Professional and Other Misconduct of Cases) Rules, 2007** have laid down the following procedure in regard to the investigation of misconduct of members which has been summarized as under:-

Section 21 Disciplinary Procedure
- SI — Board of Discipline
- SII — Disciplinary Committee

Flow Chart of Discipline Procedure Mechanism

Receipt of (i) Complaint along with prescribed fee, or (ii) Information, against member of ICAI of alleged misconduct

Disciplinary Directorate

Prima Facie Opinion (by **Director Discipline**)

- **Guilty**
  - Falling in First Schedule → Place the matter before **Board of Discipline**
    - Accepted → Conduct enquiry
      - Found guilty
        - Yes → It can,
          (i) reprimand the member
          (ii) remove name of the member upto a period of 3 months
          (iii) impose fine upto ₹ 1,00,000
        - No
    - Rejected → Close the matter
  - Falling in Second Schedule or Both → Place the matter before **Disciplinary Committee**
    - Accepted → Conduct enquiry
      - Found guilty
        - Yes → It can,
          (i) reprimand the member
          (ii) remove name of the member permanently or for any duration, it thinks fit
          (iii) impose fine upto ₹ 5,00,000
        - No
    - Rejected → Close the matter
- **Not Guilty** → Submit all information & complaints to **Board of Discipline**
  - Accepted
  - Rejected
    - Advice the **Director (Discipline)** to further investigate
    - May proceed with the matter, if it's allied to the First Schedule
    - Refer the matter to the Disciplinary Committee, if it's allied to the Second Schedule or Both

Any member or **Director (Discipline)** aggrieved by order of Board or Disciplinary Committee can prefer an appeal within 90 days → **Appellate Authority** → It can,
(i) Confirm, modify or set aside the order.
(ii) Impose, Set aside, Reduce or enhance penalty.
(iii) remit the case to the Board of Discipline or Disciplinary Committee for reconsideration.
(iv) Pass such order as the Authority thinks fit.

Currently member liable if guilty of misconduct. No provision for making the firm liable (though it is proposed, but not in force)

7. TYPES OF MISCONDUCT: PROFESSIONAL OR OTHER MISCONDUCT

A member is liable to disciplinary action under Section 21 of the CAs Act, if he is found guilty of any Professional or Other Misconduct.

7.1 Professional Misconduct (PM)

1. Defined First Schedule - Part I, II and III; and Second Schedule - Part I and II.
2. Applicable for members engaged in profession of accountancy whether in practice or in service
3. If member is found guilty of any of the acts or omissions stated in any of the above parts of the Schedule, he/she shall be deemed to be guilty of PM.

7.2 Other Misconduct

1. Defined First Schedule - Part IV; and Second Schedule - Part III.
2. Applicable for all members
3. These provisions empower the Council to inquire into any misconduct of a member even it does not arise out of his professional work.
4. This is because CA is expected to maintain the 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.
5. Other misconduct would also relate to conviction by a competent court for an offence involving moral turpitude punishable with transportation or imprisonment to an offence not of a technical nature committed by the member in his professional capacity. [See section 8(v) of the Act].



8. SCHEDULES TO THE ACT

Schedule	Part	Applies to	Clauses
Schedule I	Part I	CA in Practice	12
(Mild Misconduct)	Part II	CA in Service	2
(Penalty – upto	Part III	All Members	3
1,00,000 or Max 3m	Part IV	All Members	2
suspension)	(OM*)		
Schedule II	Part I	CA in Practice	10
(Serious Misconduct)	Part II	All Members	5
(Penalty – upto 5,00,000	Part III	All Members	1
or cessation)	(OM*)		

OM* | **Other Misconduct, rest are Professional Misconduct**

SJ Tips

General Principles to Study Misconduct:

- Reference – Clause 'n' of Part 'x' of Schedule 'y' to CA Act, 1949
- Clause provide misconduct and not code of conducts
- Clause to be interpreted in letter as well as spirit
- In event of contravention of law and clauses, law shall prevail
- If misconduct covered under then disciplinary proceedings under clause with maximum penalty to be initiated multiple clauses

8.1. The First Schedule

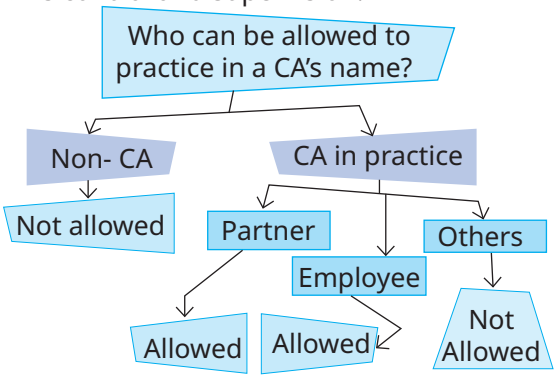
PART - 1 Professional Misconduct in relation to CAs in Practice

A CA in practice is deemed to be guilty of professional misconduct if he:

1 CLAUSE

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

Intention Safeguard public against unqualified accountant practicing under 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.



2 CLAUSE

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:

1. a member of the Institute or
2. a partner or
3. a retired partner or
4. the legal representative of a deceased partner, or
5. 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."

Explanation In this item, "partner" includes a person residing outside India with whom a CA in practice has entered into partnership which is not in contravention of item (4) of this Part.

Clause 2 : Exception

Member	CA whether or not in practice
	Sharing with employee CA permitted
Partner	Whether CA or any other professional
Retired Partner	Whether or not he continues to be a member
LR of a deceased partner	Provided already mentioned in deed
Member of any prescribed body	As prescribed under Regulation 53A(3)/B professional body or qualifications

Regulation 53A (1) permit sharing of fees with:

Members of professional bodies, as under: -
(a) The ICSI
(b) The ICWAI
(c) Bar Council
(d) The Indian Institute of Architects established under the Architects Act, 1972.
(e) The Institute of Actuaries of India established under the Actuaries Act, 2006.

Regulation 53A (3) permits sharing of fees with:

(a) CS;
(b) Cost Accountant;
(c) Actuary;
(d) Bachelor in Engineering*;
(e) Bachelor in Technology*;
(f) Bachelor in Architecture*;
(g) Bachelor in Law*;
(h) Master in Business Administration from* or AICTE approved institution

**law recognized university.*

Note:

1. Sharing of Fees with Government for Administrative Expenses:

Where any part of audit fees, on account of any circular or order, is payable to the Government for recovering the administrative and other expenses incurred in the process, the Council decided that as such there is no bar in the Code of Ethics to accept such assignment wherein a percentage of professional fee is deducted by the Government to meet the administrative and other expenditure.

2. Sharing of Fees in name of office allowance to another person:

If that in substance CA shared his profits he is guilty of professional misconduct. It is not the nomenclature to a transaction that is material but it is the substance of the transaction, which has to be looked into.

3. Sale of Goodwill:

- When permitted
  - Death of Proprietor
  - Death of all partner
- Conditions
  - Sale to CAiP
  - Sale for lump sum consideration
  - No sharing of fees
- Timeline
  - 1 year from date or death or from decision on disputed R, if any
  - After 1 year name released to new member on first come basis

wef 25 .07.26 the time limit in this provision has been replaced everywhere from 1 year to 3 years

3 CLAUSE

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.

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 a member of such professional body or other person having qualifications, as is referred to in item (2) of this part.

Diagnosis

Just as a member cannot share his fees with a non-member, he is also not permitted to receive and share the fees of others except for sharing with persons specified in Regulation 53A

Referral fees amongst members:

It is not prohibited for a member in practice to charge Referral Fees, being the fees obtained by a member in practice from another member in practice in relation to referring a client to him.



SJ Tips

Sharing / accepting fees with foreign CA firms not permitted in Clause 2/3

4 CLAUSE

enters into partnership, in or outside India, with any person other than

1. CA in practice or
2. 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
3. whose qualifications are recognized by the Central Government or the Council for the purpose of permitting such partnerships.

Exception **Multi-disciplinary Partnership (MDP):**

(1) Council has prescribed Regulation 53B for entering into partnership that covers CS, Cost Accountant, Advocate, Engineer, Architect, and Actuary. (MBA and B.Tech not included).

(2) ICAI has revised its Form 18 to permit such MDP and has also issued Guidelines for formation of MDP and FAQs in this behalf.

(3) However, to form MDPs the Regulators of other professionals to also permit partnership with CAs.

(4) Currently CS, CMA, Architect, Engineers
Advocate & Actuary in practice are not permitted by their institute to partner

Diagnosis

(1) Prohibition on entering into partnership with non-CAs is confined to the practice of the profession of CAs.

(2) partnership with foreign body professionals as in foreign CAs is also not permitted.

5 CLAUSE

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.

Diagnosis:

(1) "A man must stand erect, and not to be kept erect by others", Marcus Aurelius

(2) One must seek work not through any agency, but by his professional talent, skill and reputation. All forms of canvassing on that account are regarded unethical and are prohibited.

(3) It may further be noted that the acts of partners and employees of the Firm towards securing professional work are subject to the provisions of Clauses (6) and (7) of Part-I of First Schedule of CAs Act, 1949.

6 CLAUSE

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.

Diagnosis:

The members should not adopt methods to gain publicity and thereby solicit work. Such restraint in maintaining independence of judgment and to command respect of prospective clients. The services of a CA are of personal nature and its value can be appraised only by personal contact and experience. A public advertisement may indicate over anxiousness to win confidence, and hence have an opposite effect. It is the quality service, which attracts and retains the clients.

Some forms of soliciting work which the Council has prohibited are discussed below:

a. Advertisement and note in the press (Also refer Clause 7 and Appendix 'F')

i. Members should not advertise for soliciting work or advertise in a manner.

ii. Not permitted circulating letters to a small field of possible clients.

iii. Personal canvassing or canvassing for clients of previous employer through the help of the employees are also not permitted.

Exceptions: A member is permitted to:

1. Request professional work from another CA in practice.

2. Advertise changes in partnerships or dissolution of a firm, or of any change in address of practice and telephone numbers subject to following:
   - Announcements limited to a bare statement of facts
   - Appropriateness of the area of distribution of the newspaper or magazine and
   - Number of insertions.

3. Issue a classified advertisement in the journal/ newsletter of the Institute intended to give information for sharing professional work on assignment basis or for seeking partnership or salaried employment of an accountancy nature, provided it only contains:
   - ~~CA's name~~, Address or telephone number, fax number, e-mail address and
   - Address of Social Networking sites of members.
   - Factual position of experience and area of specialization, relevant to seek response to the advertisement, are also permissible.

Seeking work from Professional Colleagues:

Prohibited by any means other than as provided above.

b. Application for empanelment for allotment of audit and other professional work

Government departments/companies, courts, co-operative societies, banks etc. prepare panels of CAs for allotment of audit and other professional work.

Permitted Where existence of such panel is known to the member, he is free to write to the concerned organization with a request to place his name on the panel. May quote fees on enquiries being received from such bodies maintaining panel.

Prohibited Roving enquiries to include name in such panel.

c. Responding to Tenders, Advertisements and Circulars: (Refer Appendix K: Guidelines on Tenders)

CA can respond to tenders and requests made by users of professional work subject to following:

a. Not respond to in areas of services exclusively reserved for CAs (statutorily), such as audit and attestation services, unless minimum fee* is prescribed in the tender document itself

b. No restriction to respond if areas are open to other professionals along with the CAs.

*"Minimum fee" for this purpose should be such that it commensurate with size, value, volume, manpower requirement and nature of work. Accordingly, cost sheet be maintained by members responding to tenders having number of persons involved, hours to be spent, etc, so that Institute may call for perusal.

EMD/Security Deposit:

No restriction to pay such deposit if required, however, on having received complaint of exorbitant EMD/Deposit, Ethical Standards Board may look into the matter on case to case basis.

d. Publication of Books, Articles or Presentation:

(Applicable to CA is service under a CA Firm as well)

Permitted To use designation "Chartered Accountant" & Name of the firm.

Prohibited To mention professional attainment of CA or his firm

e. Educational Videos, Audios or Podcasts:

Permitted Uploading videos, audios or podcasts of educational nature on the internet. "Chartered Accountant" and the contact details i.e. physical address, phone number and email id as well as the name of the firm, wherein the member is a partner/ proprietor may be mentioned.

Prohibited Such video does not contain website address.

f. Issue of Greeting Cards or Invitations:

Purpose for issuing such cards: Invitations for marriages and religious ceremonies, opening or inauguration of office of the members, change in office premises and change in telephone numbers, provided that such greeting cards or invitations etc. are sent only to clients, relatives and friends of the members concerned.

Permitted Information: Chartered Accountant designation, name of the firm

Prohibited Information: Other professional designation, status and qualifications etc.

g. Advertisement for Silver, Golden, Platinum or Centenary celebrations:

Permitted: Advertisement for Silver(25), Golden(50), Diamond(60 or 75), Platinum(70) or Centenary (100 years) celebrations of the CAs Firms may be published in newspaper or newsletter. (Years in bracket – Source Wikipedia, not in ICAI SM)

Prohibited: Not permitted to advertise any other the events organised by a Firm of CAs

h. Sponsoring Activities

Prohibited: Member or Firm not permitted to sponsor an event except:

(a) May sponsor an event conducted by a Programme Organizing Unit (PoU) of the ICAI, provided such event has the prior approval of Continuing Professional Education (CPE) Directorate of the ICAI. In such case Council to define the deliverables permitted to member/ firms in lieu of the sponsorship

(b) 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.

i. Advertisement of Teaching/Coaching activities by members:

Members may engage in teaching/coaching activities – Subject to compliance with Regulation 190A (discussed in Clause 11).

Advertisements of coaching/teaching activities - May amount to indirect solicitation/ solicitation by any other means, hence violative of this Clause.

Abstain: From advertising their association with Coaching/teaching activities through hoardings, posters, banners and by any other means.

Sign Board - Members may put, outside their Coaching/ teaching premises, a sign board mentioning the name of Coaching/teaching Institute, contact details and subjects taught therein only. (Size and Type of signboard - Council Guidelines as applicable to Firms of CAs would apply).

j. Sharing Firm Profile with prospective Client:

Only permitted in response to client's specific query, and not.

k. Television or Movie Credits:

Permitted, provided exhibition of name is not made differently as compared to other entries in the credits.

l. Scope of representation u/s 140(4), CA13:

Prohibited: **(1)** Avoid abuse to secure needless publicity, direct or indirect canvassing or soliciting for his continuance as an auditor.

(2) cannot seek reappointment.

(3) Not pass disparaging references or derogatory comments against the entity.

(4) Should not indicate your contributions in improving ICs etc. of the company.

Permitted: To mention in a dignified manner how he has been acting independently and may, in addition, indicate if he so chooses, his willingness to continue as auditor if reappointed by the shareholders.

m. Acceptance of original professional work by a member emanating from the client introduced to him by another member:

Prohibited: To accept original professional work emanating from a client introduced to him by another member. If any professional work of such client comes to him directly, it should be his duty to ask the client that he should come through the other member dealing generally with his original work.

n. Giving Public Interviews:

Permitted: To give details about their themselves/ firms in public interviews / press / any forum.

Prohibited: Furnishing detail resulting in publicity / highlighting professional attainments.

Remember: Details be given only as a response to a specific question, and of factual nature only.

o. Members and/or firms who publish advertisements under Box numbers:

Prohibited from inserting advertisements for soliciting clients / work under box numbers.

p. Soliciting professional work by making roving enquiries:

Not permissible to address letters, emails or circulars specifically to potential customers of CA since it would tantamount to advertisement.

q. Seeking work from Professional Colleagues:

CA seeking work from professional colleagues on any basis whatsoever except as provided above in this clause would be in violation of this clause.

CLAUSE 7

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 CAs or of any other institution that has been recognized by the Central Government or may be recognized by the Council.

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.

Designation and other details on visiting cards, letterheads, etc.

1. Designation – Refer Section 7

a. Practice as Advocate/Company Secretary/ Cost Management Accountant:

If permitted by the other Institute then use designation of CA and Advocate / Cost Management Accountant / Company Secretary but not simultaneously.

b. Full Time Practice - If permission granted to a CAiP to also hold COP of sister Institute(s)/Bar Council, such member treated in FT practice.

2. Date of setting-up practice or the date of establishment of firm:

Should not be mentioned on letter heads and other professional documents etc.

3. Chartered Accountant Designation with Firm Name – Permitted:

In professional documents, visiting cards, letter heads or sign boards and under the circumstances clarified under Clause (6). However, an individual member may use the prefix "CA" with his name.

4. Notice in the Press relating to the Success in an Examination:

Prohibited: Undesirable publicity either in relation to the article/employee/member/firm in service.

Permitted: Candidate's name and address, school and local background, examination passed with details of any prize or place gained, the name of the principal, firm and town in which the principal practices may be published.

5. Reports and Certificates:

Ensure extent & manner of publication of certificates are limited to what is necessary to serve its proper purpose. CA should use letterhead of their Firm for issuing reports and certificates.

6. Appearance of CAs on Electronic Media (including Internet):

Members may broadcast on TV, films and Internet, Radio or give lectures at forums

Permitted: May give their names and describe themselves as Chartered Accountants.
Special qualifications or specialised knowledge directly relevant to the subject matter of the programme may also be given.

Firm name may also be mentioned.

Prohibited: Any exaggerated claim / comparison. What he may say or write must not be promotional but an objective view of the topic.

7. Appointments to positions of local or national importance -

Publicity is permitted in such case, with mention of membership but not firm name.

8. Members giving talks or lectures or attending conference

Permitted: May describe themselves as chartered accountants only when they are acting in their capacity as CAs.

Prohibited: Reference firm name.

9. Organising Training Courses, Seminars etc. for his staff:

A CAiP holding training courses, seminars etc. for his staff may invite staff of other CAs and clients. However, undue prominence should not be given to the name of the CA in any booklet or document issued in connection therewith.

10. Writing Articles or Letters to the Press:

Professional articles/letters to press by CA may contain names, chartered accountants, name of firm where his is partner / proprietor.

11. Size of Sign Board:

- Size - Members to exercise own discretion while keeping in mind the appropriate visibility and illumination (limited to the sake of visibility).
- Use of glow signs or lights on large-sized boards as used by shop-keepers is not permissible.
- A member can have a name board at the place of his residence with the designation of a CA, provided it is a name plate or name board of an individual member and not of the firm.

12. Public Announcements with details of Directors:

Members should take steps to ensure such prospectus or public announcements or public communications do not advertise his professional attainments or directly/indirectly amount to solicitation of clients for professional work.

Permitted: The use of the expression 'Chartered Accountant' is permissible.

Particulars about directorships held by the member in other Companies can, be given

Prohibited: Descriptions about his expertise, specialisation and knowledge in any particular field or other appellations or adjectives are not published with his name.

Name of the firm of CAs in which the member is a partner, should not be given.

13. Use of Logo:

Prohibited:

i. Council decided use of any logo/monogram of any kind/form/ style/design/colour etc. on any display material or media e.g. paper stationery, documents, visiting cards, magnetic devices, internet, sign board, by the CAiP or firm, is prohibited.

ii. Name printed in a manner tantamounting to logo/monogram is also prohibited.

Separate Guidelines issued for:

- **Common CA Logo:** Refer Appendix L - Logo Guidelines
- **Network Firms and Networking Guidelines:** Council has permitted Network amongst the Firms registered with the Institute.

Firms registered with Institute, constituting a Network are:

Permitted:

1. Mention name of Network, name of network firm names, on all professional stationery.
2. Once the network is registered with ICAI, it can have its own website.
3. Comply with Code of Ethics - Network and its constituent entities to comply with the Code.

It is not permissible for the Firms to join Networks not registered with the Institute

- **Advertisement in print and electronic media –** Refer Council Advertisement Guidelines



SJ Tips

Visting Cards

Permitted: CA Name, Designation, Firm Name, Contact, Web address

Prohibited: Photograph, soliciting visit to office, year of establishment, vision / mission statement

QR Code : Yes provided on scan information provided is only as permitted to be provided.

8 CLAUSE

accepts a position as auditor;

previously held by another chartered accountant*;

without first communicating with him;

in writing."

Diagnosis:

Making inquiry from retiring auditor is to primarily find out whether there are any professional or other reasons why proposed incoming auditor should not accept the appointment.

I The professional reasons for not accepting an audit would be:

(a) Non-compliance of the provisions of Sections 139 and 140 of CA13 as mentioned in next clause 9-1-1; and

(b) Non-payment of undisputed Audit Fees (fees as signed by auditor and auditee including other expenses – Chapter IV of GEI) of statutory audits under CA13 or other statues, other than in case of Sick Units(unit registered for >= 5years, which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth – Chapter IV of GEI); and

(c) Issuance of a qualified report.

Impact if auditor accepts in above situation:

(1) If auditor accepts in case (a) or (b) above – He would be guilty of PM.

(2) If auditor accepts in case (c) above –

He may accept audit if satisfied that the attitude of retiring auditor was not proper and justified.

But if he feels that the retiring auditor had qualified the report for good and valid reasons, he should refuse to accept the audit.

There is no rule, preventing auditor from accepting the appointment in these circumstances.

However, he should ascertain the full facts of the case.

It will be dismaying if public finds that if an auditor is found to be "inconvenient" by the client, he could readily be replaced by another.

II Applicability of Clause 8

A. Communication required for all kinds of audit:

The requirement for communicating with the previous auditor being a Chartered Accountant in practice would apply to all types of Audit viz., Statutory Audit, Tax Audit, GST Audit, Internal Audit, Concurrent Audit or any other kind of audit.

B. Joint Auditor

It is necessary for the new auditor appointed to act jointly with the earlier auditor and to communicate with such earlier auditor.

C. Lack of time in acceptance of Government Audits:

The incoming auditor may give a conditional acceptance of the appointment and commence the work after he has sent due communication to previous auditor.

In his acceptance letter to client, clarify that his acceptance is subject to professional objections, if any, from the previous auditors and that he will decide about his final acceptance after taking into account the information received from the previous auditor.

D. Communication in case of Assignments done by other professionals:

In such case it would also be a healthy practice to communicate but not madatory.

E. Recommendatory in case of Special Audit under Income Tax Act, 1961:

It would be a healthy practice if a Tax Auditor appointed for conducting special audit under the Income Tax Act,1961 communicates with the member who has conducted the Statutory Audit.

III Procedure and Special Cases:

A. 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?

1. Whether retiring auditor had been informed of the intention to change.

2. If yes, then send a communication to the retiring auditor.

* or a certified auditor who has been issued certificate under the Restricted Certificate Rules, 1932

3. If no, ask client to communicate.

   i. If client refuses, inquire reasons for change and advisable to not accept audit if no valid reasons.

   ii. If he decides to accept the audit he should address a communication to the retiring auditor.

4. Where retiring auditor fails to respond to the communication of incoming auditor, the auditor appointed can act, after waiting for a reasonable time for a reply.

B. Mode Communication with retiring auditor:

Prohibited : Posting of a letter merely "under certificate of posting"

Permitted : Members should therefore communicate with a retiring auditor in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee. In the opinion of the Council, the following would in the normal course provide such evidence:-

i. Communication by a letter sent through "Registered/Speed Post with Acknowledgement Due" or

ii. By hand against a written acknowledgement, or

iii. Acknowledgement of the communication from retiring auditor's vide email address registered with the Institute or his last known official email address, or

iv. Unique Identification Number (UDIN) generated on UDIN portal (subject to separate guidelines to be issued by the Council in this regard)

C. Firm not found at the given Registered address:

Letter will be deemed to be delivered, unless the retiring auditor proves that it was not really served and that he was not responsible for such non-service.

D. Premises found Locked:

The communication received back by the Incoming Auditor with "Office found Locked" written on the Acknowledgement Due deemed as having been delivered to the retiring auditor.

E. Where Previous Auditor is not available for accepting payment of undisputed audit fees

If not possible to transfer electronically, may advise client to purchase Demand Draft of the amount of undisputed Audit Fees payable of retiring auditor, verify the same and can then accept the audit. Incoming auditor to then ensure payment of undisputed Audit Fees of the retiring auditor at the earliest possibility.

9 CLAUSE

accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956 or sections 139 to 141 of the Companies Act, 2013 or any other law pertaining to appointment of auditors for time being in force in respect of such appointment have been duly complied with.

I. Diagnosis:

In order that the validity of the appointment of an auditor is not challenged at a later date, it has been made obligatory on Incoming Auditor to ascertain from the Company that appropriate procedure for appointment has been followed.

Clause applies on company auditor only and extends to check whether removal of auditor, where applicable, has been made appropriately as per provisions of applicable law.

II. Sections:

Section 139 | Contains provisions in the matter of appointment of auditors

Section 140 | Lays down the procedure when a Company desires to change its auditors.

Section 141 | contains provisions of eligibility, qualifications and disqualifications of auditors.

Other laws | Like for banking or insurance companies, or if auditor of a listed company then check SEBI (LoDR) Regulations, provisions regarding rotation, etc.

Compliance with Section 141 | Ascertain that:

1. Member or firm qualified for appointment. (Firm qualified if majority of partners are CAiP and eligible for appointment)
2. Member not disqualified under section 141(3)
3. If member attracts disqualification after appointment, office vacated, treated as casual vacancy.
4. Where member of firm include non-CAs only CA partners eligible to act and sign on behalf of firm.

III. Responsibility of Incoming auditor:

1. He has to **ascertain, i.e. find out for certain,** whether the Company has complied with above provisions.
2. Mere certificate from the management that the provisions of the above sections have been complied with are not enough.
3. He is to verify the relevant records of the Company and ascertain compliance.
4. If Company is not willing to allow the incoming auditor to verify the relevant records the incoming auditor should not accept the audit assignment.

IV. Records to be verified:

1. First auditor

Appointed by BODs-

Verify whether the BoDs have passed the resolution for his appointment within **30days** of the date of registration of the Company.

Appointed in GM when BODs fail to appoint-

Verify proper notice convening the general meeting has been issued and whether resolution passed is valid.

2. Casual Vacancy

Other than resignation-

Verify if BoDs have powers to fill the casual vacancy and whether resolution filling the casual vacancy passed by them.

Due to resignation of the auditor –

Verify if proper resolution filling the vacancy has been passed at the General Meeting of the Company within 3m of BoD appointment.

3. Removal before expiry of term

See that **special resolution** has been passed at the General Meeting and previous approval of the **Central Government** has been obtained by the Company.

4. Non-reappointment of retiring auditor

Where the auditor other than the retiring auditor is proposed to be appointed, ascertain provisions of S.139, 140 and 141 or other law complied with.

Joint Audit

Provisions equally apply where an auditor who was jointly holding office with another auditor or auditors and any one or more of such joint auditors has not been reappointed.

5. Verification of compliance with Section 140

Incoming auditor should verify the records in respect of the following matters-

a. Whether a **member of the Company has given special notice** of the resolution as required under Section 140 (4) of the Companies Act, 2013.

b. The **notice** shall be sent by members **to the company** not earlier than **3months** but at least **14days** before the date of the meeting at which the resolution is to be moved, exclusive of the day on which the notice is given and the day of the meeting. A true copy of this notice should be obtained by the incoming auditor.

c. Whether this special notice has been **sent to all the members**, of the Company as required under Section 115 at least **7days** before the date of the General Meeting

d. Whether this special notice has been **sent to the retiring auditor**

e. Whether the **representation received** from the retiring auditor has been sent to the members of the Company.

f. Whether the representation received has been considered at the general meeting and

g. Resolution proposed by the special notice has been properly passed at the meeting.

V. Mode of sending the notice of the resolution to the members of the Company

Involves complying with Sections 139, 140 & 20, which is as under-

A. A document may be served on a company or an officer thereof by

(i) sending it to the company or the officer

(ii) at the registered office of the company

(iii) by registered post or by speed post or by courier service or by leaving it at its registered office or by means of such electronic or other mode as may be prescribed.

B Department of Company Affairs circular advises that the copy of the special notice should be sent to the retiring auditors by Registered A/D post so that a proof of delivery can be established.

C Accordingly, incoming auditor has to satisfy himself that the notice has been effectively served on the outgoing auditor:

(i) E.g. by seeing that the notice has been duly served through hand delivery or by Regd. Post with A.D.).

(ii) Production of a certificate of posting by the Company would not be adequate.

(iii) Acknowledgement received from the outgoing auditor would be one of the forms in which such satisfaction can be obtained.

D A copy of the relevant minutes of the general meeting where the above resolution is passed duly verified by the Chairman should also be obtained by the incoming auditor for his records.

VI. Adjournment of AGM

1. AGM is adjourned

Under Section 139(1) the retiring auditor holds office till the conclusion of every sixth annual general meeting. Therefore, when the annual general meeting is adjourned, the retiring auditor will continue to hold the office of auditor till the adjourned meeting is held. In case a new auditor is appointed at the original meeting (which is adjourned) such auditor can assume office only after the conclusion of such adjourned meeting.

2. Special Notice in adjourned AGM

If any AGM is adjourned without appointing an auditor, no special notice for removal or replacement of the retiring auditor received after the adjournment can be acted upon by the Company, since in terms of Section 115, special notice should be given at least 14 clear days before the meeting.

3. No auditor appointed

Where at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company mentioned in Section 139(10).

VII. Ethical Standards Board – Unjustified Removal of Auditors

1. Functions

- In order to examine various ethical issues and safeguard the independence of the Auditors, the Council has set up a Ethical Standards Board (ESB).
- This Board examines various issues concerning professional ethics which are either raised by the members or are taken up based on their importance.
- The recommendations of the Board are forwarded to the Council for its consideration.
- This Board is also charged with the responsibility of looking into the cases of removal and resignation of auditors and making an appropriate report to the Council.

2. Guidelines for Unjustified Removal of auditors:

A. Resignation or Refusal for re-appointment

Auditor shall send a communication, in writing, to the BoDs of the Company giving reasons therefor and shall send a copy of such communication to the Institute.	It shall be obligatory on the incoming auditor, before accepting appointment, to obtain a copy of such communication from the BoDs and consider the same before accepting the appointment.

B. Non-reappointment

Where an auditor, though willing for re-appointment has not been reappointed, he shall file with the Institute a copy of the statement which he may have sent to the management of the Company for circulation among the shareholders.	It shall be obligatory on the incoming auditor before accepting the appointment, to obtain a copy of such a communication from the Company and consider it, before accepting the appointment.

C. Ethical Standards Board Review

ESB to review communications referred to in paras (A) and (B), may call for further information from the incoming auditor, the outgoing auditor and the Company and make a report to the Council in cases where it considers necessary.

The above procedure is also followed in the case of removal of auditors by the government and other statutory authorities.

Feedback for Audit Crush

10 CLAUSE

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.

Diagnosis:

What distinguishes a profession from a business is that professional services are not rendered with the sole purpose of a profit motive. It is obvious that a person who is to receive payment in direct proportion to the benefit received by his client, may be tempted to exaggerate the advantage of his service or may adopt means that are not ethical and will affect integrity and independence. Therefore, members are prohibited from charging or accepting any remuneration based on a percentage of the profits or on the happening of a particular contingency.

Exception:

1. Fees should not be regarded as being contingent if **fixed by a court or other public authority.**

2. **Regulation 192** - Exempts members from operation of this clause in certain professional services:

(a) In the case of **a receiver or a liquidator**, the fees may be based on a percentage of the realization or disbursement of the assets;

(b) In the case of an **auditor of a co-operative society**, the fees may be based on a percentage of the paid up capital or the working capital or the gross or net income or profits;

(c) In the case of a **valuer for the purposes of direct taxes and duties**, the fees may be based on a percentage of the value of property valued;

(d) in the case of certain **management consultancy services** as may be decided by the resolution of the Council from time to time, the fees may be based on percentage basis which may be contingent upon the findings, or results of such work;

(e) in the case of **certain fund raising services**, the fees may be based on a percentage of the fund raised;

(f) in the case of **debt recovery services**, the fees may be based on a percentage of the debt recovered;

(g) in the case of services related to **cost optimisation**, the fees may be based on a percentage of the benefit derived; and

(h) other service or audit as may be decided by the Council:

- (i) Acting as Insolvency Professional;
- (ii) Non- Assurance Services to Non-Audit Clients

11 CLAUSE

engages in any business or occupation other than the profession of chartered accountant unless permitted by the 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 (MD) or a whole time director (WTD) unless he or any of his partners is interested in such company as an auditor.

A. Diagnosis:

The objective is to restrain members from carrying on any other business in conjunction with the profession of accountancy is to:

1. avoid combining work with any business which is not in keeping with the dignity of the profession.
2. To prevent unfair advantage in his professional practice by having the ability to advertise the other businesses.
3. **Council notified Regulations:**

R. 190A. "A chartered accountant in practice not to engage in any other business or occupation other than the profession of accountancy except with the permission granted in accordance with a resolution of the Council".

R. 191. Part-time employment/engagement a CA may accept -

A CAiP may act as:

- a liquidator, trustee, executor, administrator, arbitrator, receiver;
- adviser or representative for costing, financial or taxation matter; or
- may take up an appointment that may be made by the CG or a SG or a court of law or any other legal authority or may act as a Secretary in his professional capacity, provided his employment is not on a salary-cum-full-time basis.

B. Appendix 9 C.A. Regulations, 1988

General and Specific Resolutions passed by the Council as included in Appendix 9 of C.A. Regulations, 1988 are as under:

I General Resolution

Permission granted generally – Cases like:

(1) ▶ Employment under Chartered Accountants in practice or firms of such chartered accountants

(2) ▶ Private tutorship.

(3) ▶ Authorship of books and articles.

(4) ▶ Holding of Life Insurance Agency License for the limited purpose of getting renewal commission.

(5) ▶ Attending classes and appearing for any examination.

(6) ▶ Holding of public elective offices such as M.P., M.L.A. and M.L.C.

(7) ▶ Honorary office leadership of charitable - educational or other non-commercial organisations.

(8) ▶ Acting as Notary Public, Justice of the Peace, Special Executive Magistrate and the like.

(9) ▶ Part-time tutorship under the coaching organisation of the Institute.

(10) ▶ Valuation of papers, acting as paper-setter, head-examiner or a moderator, for any examination.

(11) ▶ Editorship of professional journals like company Audit Journal.

(12) ▶ Acting as Surveyor and Loss Assessor under the Insurance Act, 1938 provided they are otherwise eligible.

(13) ▶ Acting as recovery consultant in the banking sector

(14) ▶ Owning agricultural land and carrying out agricultural activity.

(15) ▶ Office of a Managing Director, whole time Director, Executive Director or Manager of a body corporate within the meaning of the Companies Act, 2013, being a Management Consultancy Company registered with the Institute.

(16) ▶ Transactions in securities, provided in case of commodity derivatives, only such transactions which are settled on cash basis.

(17) ▶ Publishing Research Report on own behest.

Note Content in green font is also included in notified services under section 2(2)(iv)

II Specific Resolution If Q. Silent assume SP not taken & answer accordingly.

CAiP may engage in following business or occupations, after obtaining **specific and prior approval of the Council** in each case:

(1) Full-time (FT) or part-time (PT) employment in business concerns provided that the member and/or his relatives do not hold "substantial interest" in such concerns.

(2) FT or PT employment in non-business concern.

(3) Office of MD or a whole-time director of a body corporate provided that the member and/or any of his relatives do not hold substantial interest in such concern. (Exception: Corporate form of practice. Refer to guidelines in Appendix H)

(4) Insolvency professional (within meaning of Insolvency and Bankruptcy Code, 2016) holding office of MD or WTD in a Insolvency Professional Entity recognised by IBBI (Insolvency and Bankruptcy Board of India)

(5) Registered Valuer within the meaning of Companies Act, 2013 read with the Companies (Registered Valuers And Valuation) Rules, 2017 holding office of a MD or WTD in a Registered Valuer Entity recognised by IBBI.

(6) Interest in family business concerns (including such interest devolving on the members as a result of inheritance/succession/partition of the family business) or concerns in which interest has been acquired as a result of relationships and in the management of which no active part is taken.

CAiP engaged as Karta of a HUF not doing business and making investments from HUF funds shall not be impacted by this Clause as no other occupation is engaged into.

(5) Interest in an educational institution.

(6) PT or FT lectureship for courses other than those relating to the Institute's examinations conducted under the auspices of the Institute or the Regional councils or their branches.

(7) PT or FT tutorship under any educational institution other than the coaching organization of the Institute.

(8) Editorship of journals other than professional journals.

(9) Any other business or occupation for which the Executive Committee considers that permission may be granted.

III Related Terms

(1) "Relative" in relation to a member - Means husband, wife, brother or sister or any lineal ascendant or descendant of that member;

(2) "Substantial interest" in a concern of a member-

(i) in a case where the concern is a Company–

If its shares (not being shares entitled to fixed rate of dividend whether with or without a further right to participate in profits) carrying not less than 20% of voting power at any time, during the relevant years are owned beneficially by such member or by any one or more of the following persons:

(a) One or more relatives of the member;

(b) Any concerns in which any of persons referred to above has a substantial interest;

(ii) in the case of any other concern –

if such member or other persons referred to above are entitled in aggregate, at any time during the relevant years to not less than **20% of the profits of such concern.**

C. Directorship:

1 MD/WTD (Exemption: MCS Co. of CAiP)

(1) Member can accept the office only after obtaining, the specific and prior approval of the Council. Deemed to be a MD or a WTD if he is entrusted with whole or substantially the whole of the management of the affairs of the company.

(2) Cannot accept if the member and/or his partners and relatives hold substantial interest in such a company.

2. Director Simplicitor

"Director Simplicitor" (Ordinary / Simple Director who is not a MD or WTD and is required only in the Board Meetings of the company and not paid any remuneration except for attending such meetings, known as non-executive Director)

(i) Irrespective of whether he and/or his relatives hold substantial interest in that Company

(ii) he is permitted generally to accept such directorship

(iii) unless he or any of his partners is interested as an auditor in

- such Company or
- its holding company as an auditor (ESB via a clarification, decided that the auditor of a Subsidiary Company can't be a Director of its Holding Company, as it will affect the independence of an auditor)

3. Promoter/Promoter Director

(i) There is no bar for a member to be a promoter / signatory to the MOA or AOA of any company.

(ii) There is also no bar for such a promoter / signatory to be a Director Simplicitor of that company irrespective of object of the company include areas which fall within the scope of the profession of CAs.

D. HUF doing business of Member in practice

1. **A member of the Institute can acquire interest in family business in any of the following manner:**

a	b	c
as a proprietary firm	as a partnership firm	in the name and style of Hindu Undivided Family as its Karta or a member.

2. **Members to provide evidence that**
   - a. interest in the family business concern devolved as a result of inheritance/succession/ partition of the family business.
   - b. he was not actively engaged in carrying on the said business and
   - c. the family business concern in question was not created by himself.

   Member to furnish a declaration in prescribed format and documents evidencing above to concerned Decentralized Office."

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

E. Teaching Hours Restriction

Under Regulation 190A

1. i. General permission is granted for:
   - a. private tutorship, and
   - b. part-time tutorship under ICAI Coaching
2. ii. Specific permission for:
   - part- time or full-time tutorship under any educational institution other than ICAI Coaching

Such general and specific permission granted is subject to the condition that the **direct teaching hours** devoted to such activities taken together should not exceed **35 hours a week** in order to be able to undertake attest functions. Else the member shall be deemed to be in part time practice.

F. Part-time practice:

A CA who holds CoP but is not allowed to undertake attestation functions & train articled clerks. Following CAiP are also considered to be in PT practice:

1. CA employeed under CAiP and CA Firm
2. FT, PT employment in business/non buisness concern.
3. MD/WTD with special permission
4. Interest in family business concern, educational institutional
5. Editor of non professional journals.
6. Teaching beyond 35 hours a week.
7. Where specific permission is granted in misc. cases the EC will decide on case to case basis.

Any member holding CoP and also engaging himself in any other business and/or occupation will be deemed to be in PT practice.

12 CLAUSE

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.

A. Related Provisions and Terms:

1. Section 26* of CA Act, 1949

'No person other than a member of the Institute shall sign any document on behalf of a Chartered Accountant in practice or a firm of Chartered Accountants in his or its professional capacity'.

*** Contravention attracts:**

First time - Fine ₹ 1 to 5 Lakhs.

Subsequent - ₹2 to 10 Lakhs with and/or imprisonment upto 1 year

2. Report

For this clause may cover a wider range of documents submitted to the client(s) or an outsider on behalf of himself or on behalf of the firm. The subject matter of report should be the expression of a professional opinion whether, financial or non-financial.

3. FS & Report

The financial statements and the reports referred to in this clause means the FS and reports as ultimately finalized and submitted to the outside authorities.

B. Clause not applicable on signing of routine documents on which a professional opinion or authentication is not required and hence may be delegated:

(i) Issue of audit queries during the 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 the 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 the results thereof in the books of the 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 the Income-tax Act, 1961.

(x) Any other matter incidental to the office administration and routine work involved in practice of accountancy.

Note: Delegation of signing power of above routine matters will still make auditor responsible for them

C. Mode of Signing

i. Council has decided while signing a report or, FS or other document CA is statutorily required to disclose his name, he should disclose

ii. Where there is no such statutory requirement, the member may sign in the name of the firm.

iii. SA 700 mandates mentioning of Membership No. and Firm Registration No.

iv. Members' attention is also drawn towards UDIN Guidelines of the Institute.

> If you think life of CA student is tough, try life of a CA drop-out.

PART 2 Professional misconduct in relation to members of the Institute in service

A member of the Institute shall be deemed to be guilty of professional misconduct, if he being an employee of any company, firm or person:

1 CLAUSE

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

Exclusion: Clause does not restricts such sharing or commitments among relatives, dependents, friends etc., if there is no relationship in procuring or retaining the job and payment is not a consideration for job procurement or retainership.

The clear verdict of this clause is that job must be procured and retained with own professional capabilities and not by any financial deal impairing professional dignity.

2 CLAUSE

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

The **objective** is that when a member is in employment, he must maintain high level of ethics and should not accept any other amount from anyone for which he is not entitled from employer under contractual agreement of service.

Note for Clause 1&2, Part II;

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

PART 3 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 -

1 CLAUSE

not being a fellow of the Institute, acts as a fellow of the Institute.

2 CLAUSE

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.

Example 1:

CA not disclosed to the Institute at any time about his engagement as a proprietor of a non-CA's firm while holding COP and had not furnished particulars of his engagement as Director of a company despite various letters of the institute which remained unreplied. Held that he was guilty under Clause (11) of Part I and Clauses (1) and (3) of Part III of the First Schedule.

Example 2:

Where a CA 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 Institute. Held that he was guilty under Clause (2) of Part III of the First Schedule.

3 CLAUSE

while inviting professional work from another CA 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.

Example:

Like information provided in tenders, enquiries, response to advertisement, CV type write ups etc.

PART 4

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-

1 CLAUSE **is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term not exceeding 6 months.**

2 CLAUSE **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.**



SJ Tips

Other misconduct covers unlawful acts like non-repayment of debt, not responding to legal bodies etc. and also acts which relate to professional work but not covered else where like bribes to secure work, not returning client books, promoting client to manipulate FS etc.

Note: If imprisonment tenure exceeds 6m, this case will be covered in the Clause of Part III of Second Schedule.

8.1. The Second Schedule

Part 1 **Professional Misconduct in relation to Chartered Accountants in Practice**

A CA in practice shall be deemed to be guilty of professional misconduct, if he-

1 CLAUSE **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.**

Important Notes:

1. Duty not to disclose continues **even after the completion** of assignment.
2. If disclosure is **required as a part of performance of professional duty**, the fact that such performance is required by the client would itself amount to the client consenting to such disclosure.
3. If disclosure is required in other cases, consent of the client should be given by **competent person** like in case of:
   - a. **Sole proprietary concern -** By the proprietor or his constituted attorney
   - b. **Partnership firm -** By any partner
   - c. **Company –** BODs unless a resolution in general meeting is required by the Act or MOA or AOA. Similarly, consent may be sought from MD if the powers of BODs are delegated to him.
4. **Access to working papers -** There is a difference between sharing of working papers and sharing of information. So far as the information is concerned, he can provide the same to the client or to a **Regulatory body, after obtaining the consent of the client.** An auditor is not required to provide
   - a. the client or
   - b. other auditors of the same enterprise or
   - c. its related enterprise such as a parent or a subsidiary, access to his audit working papers.
5. **Right to access others working papers –**

   Statutory auditor of company has to consider the report of the branch auditor and has a right to:
   - a. seek clarifications and/or
   - b. to visit the branch if he deems it necessary
   - c. rely on the work of another auditor, without having any right of access to the audit working papers of the other auditor.

   Here 'auditor' includes 'internal auditor'.
6. **Discretion to provide access**

   Auditor may, at his discretion, in cases considered appropriate by him, make portions of or extracts from his working papers available to the client.
7. **Disclosure required by law**
   - a. If it is not legally permissible to claim privilege under the **Evidence Act, 1872 (Section 126),** the disclosure made by a member, under any legal compulsion may not be considered as misconduct. Such matters involve niceties of law and expert legal advice may be sought prior to such disclosure.
   - b. The only circumstance in which this duty of confidence may give rise to a difficulty is where the accountant has reason to believe that the client has been guilty of some unlawful act or default. This matter is of special significance in the case where the client is guilty of **tax evasion.**

c. Section 143(12) of CA13

if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately **report the matter to the Central Government within 60 days** of his knowledge and after following the prescribed procedure (Subject to amount involved or expected to be involved in individual instance of fraud being not less than Rs 1 crore).

2 CLAUSE

Certifies or submits in his name or in the name of his firm, a report of an examination of FS 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 CA in practice.

Diagnosis:

a. Clause ensures that the work entrusted to CA has been carried out by the member either directly or under his supervision before he renders his report

b. **Exception –** Where examination carried out by another CA in practice, like joint audits.

c. **Joint Audits -** Work to be divided in terms of identifiable units or areas and adequately documented and communicated to the auditee. Further refer SA 299 "Joint Audit of FS":

3 CLAUSE

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.

IMP Notes: (Refer SAE 3400 also)

1. CA can participate in the preparation of profit or financial forecasts and can review them, provided he indicates clearly in his report the:
   a. sources of information,
   b. the basis of forecasts and
   c. also the major assumptions made in arriving at the forecasts and so long as he does not vouch for the accuracy of the forecasts.
2. **Projections -** Same opinion apply to projections made on the basis of hypothetical assumptions about future events which are not necessarily expected to take place.
3. **Guidance Note on Reports in Company Prospectuses -** Note provides guidance on compliance with the provisions of CA13 and SEBI Regulations relating to the reports required to be issued by CAs in prospectus.

4 CLAUSE

Expresses his opinion on FS of any business or enterprise in which he, his firm, or a partner in his firm has a substantial interest.

Terms used in the clause:

i. "Substantial Interest" - See Clause 11 of Part I of First Schedule

ii. "FS" used in this clause would:
   Cover both reports and certificates given after examination or any attest function under any statutory enactment or for income-tax assessments.

However, it will not include statements that are not meant to be submitted to any outside authority.

IMP Notes:

1. Auditor should not express his opinion on FS of any business or enterprise wherein he has a substantial interest to assure the public as regards the faith and confidences that could be reposed on the independent opinion expressed by the auditors.
2. Council is of the view that CA should interpret requirements of this clause more strictly than what law requires to avoid any compromise to independence or conflict of interest and duty.
3. **Clause applies to all types of attest functions** e.g., Tax Audit, GST Audit, Concurrent Audit of Banks, Concurrent Audit of Borrowers of Financial institutions, Audit of non-corporate borrowers of Banks and Financial Institutions, Audit of Stock Exchange, Brokers, etc.
4. Following situations in **opinion of Council create substantial interest** and hence should not be undertaken by a member:
   i. Liquidator should not accept assignment of preparation of Statement of Accounts to be filed u/s 348(1) of CA13

ii. CA in practice as well as in employment – Not to certify FS of concern in which he is employed, or concern under same management. This restriction would not however apply where the certification is permitted by any law.

iii. Audit of college, if he is working as a part-time lecturer in it.

iv. Audit of a Trust where his partner is either an employee or a trustee. (Refer ESB decision)

v. Where member, his firm or his partner or his relative has substantial interest in the business or enterprise (not being a company).

a. Concern of which a member is either an owner or a partner

b. Concern where partner or relative of a member has substantial interest

c. Where member is holding a position in the Company as Director, officer or employee

d. Clause 11, Part1, First Schedule – Prohibits member who is Director Simplicitor in Company or Parent company, from auditing accounts of the Company.

e. Section 141(3)(b)&(c) of CA13 specifically prohibits a member from auditing the accounts of a Company in which:

he is an officer or employee of the Company, or	in the employment of an officer or an employee of the Company	the partner of such member is an officer or employee of the Company.

(Irrespective of the question of substantial interest).

f. Section 141(3)(d)(i) of CA13 disqualifies a person from being auditor of a Company, if he or his partner or relative holds:

Any security or interest in the Company / subsidiary / holding / associate company / fellow subsidiary.	Except his relative may hold securities upto face value of 100,000/- in the company.

g. Section 141 (3) (f) of CA13 disqualifies a person from being auditor of a Company where the relative of the member is a:

- director or
- employed as KMP

h. Assignment of certification, wherein the client is relative (as defined in AS18) of the member.

5. Independence is also required in discharge of his duties as a tax consultant or as a financial adviser else his statements would not be relied upon as correct by the authorities.

6. Members not to write Books of Account for auditee clients: The Council has clarified that the members are not permitted to write the books of account of their auditee clients.

7. Internal auditor not to be the Tax auditor / GST auditor / Statutory auditor simultaneously

8. Cooling off period after completion of tenure as Director: A member shall not accept the assignment of audit of a Company for a period of 2 years from the date of completion of his tenure as Director, or resignation as Director of the said Company.

9. Members to satisfy whether appointment is:

i. as per the statute - appointment is in accordance with the statute governing the entity.

ii. to be authorised by regulatory authorities Eg. co-operative societies, trusts etc. – Body has authorized appointment or MaC for such appointment

iii. By an entity managed by MaC or Board of Trustees or Board of Governors - His appointment is duly made by a resolution passed of such MaC or Board

iv. In case of partnership or sole proprietary concerns - Ensure letter of appointment/ engagement is given by the firm/sole proprietor before he accepts

10. Section 288 of Income-tax Act, 1961 describe disqualifications for the purpose of Tax Audit.

5 CLAUSE

fails to disclose a material fact known to him which is not disclosed in a FS, but disclosure of which is necessary in making such FS where he is concerned with that FS in a professional capacity.

Legend - MaC: Management Committee

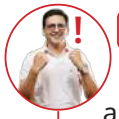
6 CLAUSE

Fails to report a material misstatement known to him to appear in a FS with which he is concerned in a professional capacity.

Important Points for Clause 5 and 6:

- Materiality of the matter, as provided in SA 320 is considered before holding CA guilty under this clause.
- **"FSs"** as discussed in Clause 12-1-1
- **Submitting Incorrect Information as Authorised Representative under Tax Laws:**

Here CA submits the statements before the taxation authorities based on data provided by the management and hence clause 5 and 6 will not be attracted. In such assignments CA provides data based on data provided to him and has no responsibility to check the authenticity of the data and thus would not be held liable for professional misconduct.



SJ Tips for Clause 5 and 6:

- Failure to disclose material fact in the auditor's report would attract clause 5 and failure to report a misstatement in the report would attract clause 6. Hence usually clause 5 is referred when there is an omission of material fact. However in several questions both clauses are referred to in the answer
- **Clause 5 & 6 – Knows does not mentions:** Auditor is aware of error/fraud and still does not discloses/reports
- **Clause 2,7,8 – Fails to detect:** Auditor is unaware of misstatements due to his inadequate checking and hence fails to detect a misstatement.

7 CLAUSE

does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.

Important Points:

- **Applicability:** Clause gets attracted whenever it is necessary to judge whether the accountant has honestly and reasonably discharged his duties.
- **Negligence:** Covers wide field from fraud to collateral minor negligence.

Courts view on auditor's duty –

It is the duty of an auditor to perform with reasonable skill, care and caution. What is reasonable skill, care and caution must depend on the particular circumstances of each case. An auditor is not bound to be a detective, i.e. to approach his work with suspicion that there is something wrong. He is a watchdog but not a bloodhound. If there is anything suspicious he should probe it to the bottom; but otherwise he is only bound to be reasonably cautious and careful.

- **Example –** Where a CA had not completed his work relating to the audit of the accounts a company and had not submitted his audit report in due time he was guilty of professional misconduct under Clause (7).



SJ Tip

- Clause referred not just for audit assignments but for any professional duty that a CAiP has performed carelessly.
- In certain answers Clause 2, 7 and 8 are referred to jointly

8 CLAUSE

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.

Important Points:

- CA must determine the extent of information, to be obtained before expressing an opinion and should not express an opinion before obtaining the required data and information.
- Clause expects from auditor to express disclaimer due to inadequacy of information or data making him unable to express a categorical opinion.
- Hence, auditor's opinion should be as per SA 705.
- **Applicability on Certification:**

A Case Study: Certificate is a written confirmation of the accuracy of the facts stated therein and does not involve any estimate or opinion. A CA is required to clearly state his limitations/ assumptions in his certificates alongwith the basis/papers relied upon by him. If CA fails to

do so he will be guilty for grossly negligence and failure to obtain sufficient information while issuing the certificates. Thus, guilty under clause (7) and (8).



SJ Tip

Usually question specifying "opinion" given by auditor is incorrect, will be answered with reference to Clause 8. Clause 2 and 7 may also be relevant.

9 CLAUSE

Fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances.

Diagnosis:

Clause applicable when RELEVANT SA not observed by auditor and such fact is not reported in the report

Note:

Since SAs compliance is mandatory for auditor, any non-compliance to attract this clause. Further CA 2013 S. 143 (9) & (10) also requires auditor to comply with SAs

Certain generally accepted procedures for audit include:

i **Generally Accepted Audit Procedure (GAAP):** What constitutes "generally accepted audit procedure" would depend upon the facts and circumstances of each case for eg. SA's

ii **Audit of Listed Companies:** Shall be done by only those auditors who have:
- subjected themselves to the Peer Review process of the Institute, and
- hold a valid certificate issued by the Peer Review Board of the ICAI

iii **FRN and Membership No.:** The members are required to mention in all reports issued pursuant to any attestation engagements, including certificates.

iv **Unique Document Identification Number (UDIN):** The members may note that UDIN is mandatory from 1st July, 2019 on all Corporate/ Non- Corporate Audit, Attest and Assurance Functions.(Also refer Guidelines on Ethical Issues, 2026)

A. **Engagement Standards:** Issued by AASB includes SA, SRE, SAE, SRS and SQC

B. **Standards on Auditing(SA):** Formulated in the context of an audit of FSs by an independent auditor

C. **Statements on Auditing:** Issued with a view to securing compliance by professional accountants on matters which are critical to discharge - hence mandatory.

D. **General Clarifications:** Issued with a view to clarify any issues.

E. **Guidance Notes:** Issued to assist professional accountants in implementing the Eng. Standards and the SQC issued by the AASB.

F. Technical Guides, Practice Manuals, Studies and Other Papers Published by AASB

v **Special procedure:** Two instances of an audit requiring a special procedure are given below:-

a **Certifying figures of circulation of Newspapers etc.:** Audit Bureau of Circulations (ABC) Ltd. Members are normally supplied by the Rules and Regulations from ABC under which the certification of circulation is to be carried out.

b **Verification on behalf of Banks:** Members are required to be very familiar with the special procedure required in these matters and act accordingly.

10 CLAUSE

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.

1. CA to deposit client's money in a separate banking account (other than fees or remuneration or money meant to be expended), and
2. To utilize such funds only in accordance with client's instructions or for purposes intended by the client.
3. Council suggestions to overcome practical difficulties:

(i) **Fees received in advance against services to be rendered -** Does not fall under this Clause.

(ii) **Moneys received for expenses to be incurred -** For example, payment of prescribed statutory fees, purchase of stamp paper etc., which are intended to be spent within a reasonably short time (depends of facts) need not be put in a separate bank account.

(iii) **Moneys received for expenses to be incurred beyond a reasonably short time -** Should be put in a separate bank account immediately.

(iv) **Moneys received by a CA on behalf –** For example as trustee, executor liquidator, etc. must be put in a separate bank account immediately.

Part 2 **A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he -**

1 CLAUSE **contravenes any of the provisions of this Act or the regulations made there under or any guidelines issued by the Council.**

- Every member to act within the framework of the CAs Act and the Regulations and Guidelines made by Council thereunder. Any violation would amount to misconduct under this Clause.
- Commonly contravened Regulations:

Regulation 43	Engagement of Articled Assistant
Regulation 46	Registration of Articled Assistant
Regulation 47	Premium from Articled Assistant (No Loan from Articles)
Regulation 48	Stipend to Articled Assistant
Regulation 56	Termination or assignment of Articles
Regulation 65	Articled Assistant not to engage in any other occupation
Regulation 67	Complaint against the employer (from Articled Assistant)
Regulation 68 to 80	Audit Assistant
Regulation 190	Register of offices and firms
Regulation 190-A	CAs not to engage in any other business or occupation
Regulation 191	Part time employment's a CA may accept
Regulation 192	Restriction on fees

It is an authority for Council to issue guidelines for extending scope of misconduct to cover acts or omissions not already dealt with in various clauses of the two schedules.

SJ Tips

- A non-compliance of a Regulation Say R. 191 will attract Clause 11-1-1 and is also mentioned under this clause, which clause to be referred to...?
  Usually a specific clause will prevail over generic clause hence Clause 11-1-1 would be more appropriate. In exam if time permits both clauses may be mentioned.
- **Example –** CA signed a report without UDIN, misconduct under which Clause?
  If audit report, then Clause 9-1-2 else 1-2-2.

2 CLAUSE **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.**

- Similar to Clause 1-1-2 but for CAiS

3 CLAUSE **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.**

If information submitted to the Institute, Council etc.:

- Knowing it to be false- Guilty of misconduct under this clause.
- Unknowingly or fails to submit– Guilty under Clause 2-3-1

SJ Tips

False information while applying to tenders, empanelment, would attract Clause 3-3-1 but if false information submitted in Multi-purpose Empanelment Form then Clause 3-2-2 attracted as the same is submitted to ICAI.

4 CLAUSE

Defalcates or embezzles money received in his professional capacity.

Defalcation and embezzlement of moneys received in professional capacity amounts to fraud (Covered in SA-240) and such member will be deemed to be guilty of professional misconduct under this clause.

Part 3

A member of the 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.

5 CLAUSE

Acts as an auditor of the company in contravention of the provisions of the Companies Act, 2013.

Clause 9-1-1: Verify appointment is valid like confirming eligibility / qualifications / validity of appointment as per Section 139 to 141.

Clause 5-2-2: Covers member acts after appointment as Auditor, to perform duties in accordance with the provisions of the Companies Act, 2013.

9. GUIDELINES ON ETHICAL ISSUES, 2026

Council General Guidelines, 2008 now renamed - Guidelines on Ethical Issues, 2026 (GEI) (issued under Clause (1) of Part-II of Second Schedule to The CAs Act, 1949):

Chapter I Name & Applicability

Guidelines issued by the Council called as the 'Guidelines on Ethical Issues, 2026'.

Applicable to all the Members whether in practice or not.

SJ Tips

Guideline prescribes code of conduct and not misconduct.

Chapter II Conduct of a Member being an employee

CA who is an **employee shall exercise due diligence and shall not be grossly negligent in the conduct of his duties**.

Chapter III Maintenance of books of account

CAiP or Firm, shall keep in **respect of professional practice**, proper books of account in electronic or physical form including-

(i) a Cash Book; (ii) a Ledger; (iii) a Bill Register.

SJ Tips

This is irrespective of CA's income being within the tax exemption limit or income being less than the limits prescribed u/s 44AA of the Income Tax Act, 1961.

Chapter IV Appointment of an Auditor in case of non-payment of undisputed fees (Refer Clause 8-1-1)

a. Statutory auditor (audit under Companies Act or other Statue) shall not accept the audit where **undisputed audit fee of another CA** for carrying out the statutory audit has not been paid.

b. **Exception:** above prohibition shall not apply in case of-

1. **Sick unit**;
2. Company for which **insolvency resolution process** has been initiated and the Resolution Professional has been appointed.

c. **Undisputed Audit Fees -** Provision for audit fee in accounts signed by both auditee and auditor along with other expenses.

d. **Sick unit -** Unit registered for **not less than 5 years**, which has at the end of **any financial year** accumulated losses = or > its entire net worth.

Chapter V Specified number of audit assignme--nts (Company Audit)

- CAiP shall not hold **at any time** appointment of more than **40 companies'** audit assignments u/s 141 of the CA13.
- Companies to **include private and public companies but** will not include One Person Companies and Dormant Companies.
- For CA Firm limit will be for **every partner** of the firm (similar way as discussed in Chapter VI).
- **Joint Audit –** Considered as one audit for each join auditor
- Audit of **head office and branch offices** - Regarded as one audit assignment.

- Audit of **one or more branches** of the same Company by one CAiP or CA firm - Construed as one audit assignment only.

  Number of partners of a firm **on the date of acceptance of audit assignment** shall be taken into account.

- A CA in practice in full-time or part time employment elsewhere, shall have no eligibility to accept any audits.
- Record – CA Firm CAiP shall maintain a record of audit assignments accepted in the prescribed format [Name of company, CIN, Date of appointment & acceptance]

Chapter VI Appointment as Statutory auditor

1. **CAiP shall not accept the appointment as statutory auditor of:**
   - Public Sector Undertaking(s)
   - Government Company(ies)
   - Listed Company(ies) and
   - other Public Company(ies) having turn-over of ₹ 250 crores or more in a year

where it accepts any **other work/service/ assignment** (other work) in regard to the same entity and **remuneration in total exceeds the fee payable for carrying out the statutory audit of the same entity.** *Here the other work accepted by statutory auditor and its associate concern both shall be included.*

Note: If more stringent conditions are prescribed by authorities, those shall apply. (Eg. Section 144 CA13)

2. **Related Definition:**

- **Other work** shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the CAs Act, 1949 but **shall not include:-**
  - a. audit under any other statute;
  - b. certification work required to be done by the statutory auditors; and
  - c. any representation before an authority;
- **"Associate concern"** means any corporate body or partnership firm which renders the Management Consultancy and all other professional services permitted by the Council wherein the proprietor and/or partner(s) of the statutory auditor firm and/or their "relative(s)" is/are Director/s or partner/s and/or jointly or severally hold "substantial interest" in the said corporate body or partnership
- "Relative" and "Substantial interest" shall have the same meaning as discussed in Clause 4-1-2.



SJ Tips

ICAI module has a question on company auditor offered MCS assignment. In my opinion it should be answered with reference to provisions of Section 144 which prohibit acceptance of such assignment and not based on above Chapter limits, as given in ICAI answer.

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

- CAiP or partner of CA firm or CA firm or Relative of such CAiP or partner;
- shall not accept appointment as auditor of a concern while:
  - a. indebted to the concern or
  - b. given any guarantee or
  - c. provided any security in connection with indebtedness of third person to the concern,
- for limits fixed in the statute and in other cases for **amount exceeding ₹ 5,00,000/-.**



SJ Tips

- For company audit the limits are fixed under Section 141(3)(d)(ii) and (iii) of CA13, and for Tax Audit limits are prescribed u/s 288 of Income Tax Act, 1961.
- **Audit Fees** received on **progressive basis** is not indebtedness as per Research Committee of ICAI.
- **Audit Fees** received in **advance** is regarded as indebtedness.

- Auditor for this chapter shall not includ internal/ concurrent auditor giving report to management.
- Indebtedness includes debt which is **not yet due** for payment.
- ICAI clarified that in case of **credit card indebtedness** would be considered after expiry of the due date under the payment cycle of credit card.

Chapter VIII Directions in case of unjustified removal of auditors (Refer Clause 8-1-1)

CAiP being the incoming auditor, to follow Council / Committees directions of not to accept the appointment as auditor in case of unjustified removal of the earlier auditor.

Chapter IX Minimum Fee in respect of Professional Services

CAiP shall not charge fees less than the minimum fees mandated by the CG/SG or a Regulator, or prescribed by the Council for any professional service prescribed under any law.

Chapter X Non-payment of undisputed Audit fees

- **Applies -** Where immediately previous year **audited by auditor itself and the audit fees is unpaid**
- **Restriction -** Not to **sign audit report** if the undisputed audit fee has not been paid for statutory audit (under CA13 or any other Act) in case of:
  - Public interest entity (as discussed in NOCLAR) - for 2 immediately preceding years
  - Other entity - immediately preceding year
- **Exception -** Company for which insolvency resolution process has been initiated and the Resolution Professional has been appointed, the above prohibition shall not apply.
- **Undisputed audit fees -** Provision for audit fee in accounts signed by both - the auditee and the auditor along with applicable taxes and other expenses, if any, incurred by the auditor.

APPENDIX

Appendix G Tax Audit assignments under Section 44 AB of the Income-tax Act, 1961

a. **Specified number of tax audit assingments (limit) per partner** = 60 audits for each financial year (FY means the year in which report is singed and not neccessarily accepted)

b. **Limit per CA Firm** = Number of CAiP partners* x 60 audits for each financial year

c. If CA is a **partner in multiple firms** his limit across all firms and in individual capacity for this clause will be 60 in aggregate.

d. In case of revised tax audit report, the revised report shall not be included in the limits.

e. Audits **u/s 44AD, 44ADA and 44AE of the Act** shall not be considered in limit of 60.

f. The audit of the **head office and branch offices** of a concern shall be regarded as one tax audit assignment.

g. The audit of **one or more branches** of the same concern by one CA in practice shall be construed as only one tax audit assignment.

h. In case of joint audit, the audit will be considered as an audit while computing limits, for each joint auditor. A CA being a **part time practicing partner** of a firm shall not be entitled to accept any tax audit assignments of the firm.

i. A CA in practice shall **maintain a record** of the tax audit assignments accepted by him in each assessment year in the format as may be prescribed by the Council.

j. **Record to be maintained** for each CAiP FY wise with details of : Assessee Name, AY, Date of Appointment and Acceptance, Name of Firm for whose behalf audit accepted, Date of communication with previous auditor

k. **Illustration:** A CA firm with 3 CAiP partners may accept 180 audits u/s 44AB of the Act and no partner can individually sign more than 60 audits. Further if tax audit report is revised it shall not be treated as another audit.

As per The Chartered Accountants (Limit On Number Of Tax Audits) Guidelines, 2025

Appendix H Guidelines for Corporate Form of Practice

1. The Council decided to allow members in practice to hold the office of **MD, WTD or Manager** of a body corporate within the meaning of the Companies Act 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.
2. The members can retain full time COP.
3. There will be no restriction on the quantum of the equity holding of the members, either
4. Such members shall be regarded as being in full- time practice and therefore can continue to do attest function
5. The name of the Management Consultancy Company is required to be approved by the Institute and such Company has to be registered with the Institute.
6. **Ethical Compliance:**

(i) Once the Company is Registered with Institute it has to comply with the following:

(a) If the individual practitioner/ sole-proprietorship firm/partnership firm is the **statutory auditor** of an entity then the Management Consultancy Company **should not accept the internal audit or book-keeping** or such other professional assignments, which are prohibited for the statutory auditor firm.

(b) The Guideline in respect of **Ceiling on Non-audit fees is applicable in relation to a Management Consultancy Company (Chapter IX- CGG)**

(c) **The Management Consultancy Company shall comply with clauses (6) & (7) of Part-I of the** First Schedule to the Chartered Accountants Act, 1949 and other directives issued by the Institute.

(ii) The Management Consultancy Company shall **give an undertaking that it shall comply with clauses (6) & (7) of Part-I of the First Schedule** and such other directives as may be issued by the Institute from time to time.

7. **Object of Management Consultancy Company:**

(a) engage itself **only in Management Consultancy & Other Services.**

(b) shall **give an undertaking that** it shall render only Management Consultancy & Other Services

Appendix J Unique Document Identification Number (UDIN) Guidelines (Refer Clause 9-1-2)

To curb the malpractice of false certification/ attestation by the unauthorized persons & bogus certificates Institute implemented the concept to generate UDIN mandatorily for all kinds of:

a. **Certificates -** w.e.f. 1st February, 2019;
b. **GST and Tax Audit Reports -** w.e.f. 1st April, 2019; and
c. **Other attest function –** w.e.f. 1st July, 2019.

Appendix K

Guidelines on Tenders (Discussed in Clause 6-1-1)

Appendix L CA Logo Guidelines (Refer Clause 6-1-1)

1. **CA in Blue** - the corporate colour denotes creativity, innovativeness, knowledge, integrity, trust, truth, stability and depth.
2. **Upside down tick mark** - Typically used by CAs, symbolizes the wisdom and value of the professional.
3. **Green colour in the tick mark** - Signifies growth, prosperity, harmony and freshness.
4. Members are encouraged to use the logo as it is refraining from;

a) Changing design, colours or the white background;
b) Rotating or tilting the logo.

COUNCIL ADVERTISEMENT GUIDELINES, 2008:

A.

Council Guidelines for Advertisement (Write up)

Guidelines

For Advertisement For the Members in Practice (for Print or Electronic media)

The write-up may include **only the following information:**

(Now definiton includes social networking websites also)

For Members:

Name, Membership No., Age, Date of becoming ACA, Date of becoming FCA, Date which COP held, Recognised qualifications, Languages known, Telephone/Mobile/Fax No., Professional / Address Web, E-mail, CA India logo, Passport Style Photograph, Services provided Names and details of the employees and their particulars on the lines allowed for a member as stated a. CA's b. Other professional c. Articles/Audit Assistants, d. Other Employees.

Position held as Director of MD in a MCS Co. registered with the ICAI.

For Firms:

Name of the Firm, Firm Registration No., Year of Establishment Professional Address, Working hours, Telephone No. (s) / Mobile No. / Fax No., Web Address, E-mail, No. of partners, CA India logo, Passport Style Photograph, Services Provided, Name of the proprietor /partners and their particulars on the lines allowed for a member as stated above, Names and details of the employees and their particulars on the lines allowed for a member as stated

a. CAs **b.** Other Professionals

c. Articles / Audit Assistants

d. Other Employees.

Affiliation with a Network registered with the ICAI

Other Conditions:

The write-up shall comply with the following conditions: -

- It shall be honest and truthful.
- There shall be no exaggerated claims for the services offered
- It must not make any disparaging references or unsubstantiated comparisons to the work of others.
- It should not be of a nature that may bring the profession into disrepute.
- It should not contain testimonials or endorsements concerning Member(s)/names of clients/ fees charged.
- It should not contain any info. about achievements /awards (except CG or SG or Reg. bodies) or any other position /accreditation/ granted by any organistion.
- Monogram of any kind or use of any kind of catch words is not permissible.
- It should not contain photographs of events. (No bar on posting photographs of cultural programs, festivals etc. organized by the Firm on SNW, provided there is no element of advertisement or solicitation)
- It must not be violative of any provisions of CAs Act, 1949,CA Reg's, 1988, CoE, 2020 or any Guideline of the Council
- Ensure content is true to their best information. ICAI neither will approve nor own any responsibility for such write-ups.
- Write-ups to advertise their firm or services are permitted but should maintain the profession's reputation and public interest.

The ICAI may issue a reasoned directive for remov al or withdrawal of write-up.

Name of the client, and nature of assignment handled:

a. Can be given, subject to permission of the client.

b. For services exclusively reserved for CAs - Only client name may be mentioned

Both the above cases are subject to permission of the client.

B.

WEBSITE of CA, Firm, or Registered Network/Alliance (Net/All.)

1. Free to create website.
2. Format - No standard format prescribed, members free to choose
3. Push Mode - Websites may run on "pull" as well as "push" technology except for services exclusively reserved for CAs (SERCA), only "pull" model permitted
4. Information contained in Website pertaining to SERCA – Ensure not circulated on their own / E-mail / any other mode except on a specific "pull" request.
5. Do no solicit people to visit Website through circular, advertisements, etc. However, website address - permitted on professional stationery and email.
6. **Net/All. of firms registered with ICAI:**
   - May display - Registration Number
   - Should mention - Model adopted (i.e., Alliance Model, Network Model, or Lead Firm Model)
7. **Member/Firm, Net/All. of firms registered with ICAI may mention:**
   - Member/Trade/Firm name Net/All. of firms registered with ICAI.
   - Year of establishment.
   - Member/Firm's Address (both Head Office and Branches) Tel. No(s) Fax No(s) E-mail ID(s)
   - Peer Review status.
   - Audit Quality Maturity Model level as reviewed by a Reviewer.
   - Nature of services rendered
   - Exclusive services to be displayable only on specific "pull" request.
   - Partners [Firm-wise in case of Net/All.] - Partners Name, Year of Qualification, Other Qualification(s), Tel. & E-mail, Area of Experience
   - Details of Employees – Professional, Others, Name, Designation, Area of experience
   - Job vacancies for the CA/firm of CAs (including articleship).
   - No. of articled assistants.
   - Affiliation with a Network registered with the Institute.
   - Name of the client, & nature of assignment handled. For SERCA, only client name. Both, subject to client's permission.

Fee charged:

- Generally, cannot be given.
- May be disclosed on the website only where it is required by a regulator: (in India or outside): Provided disclosure only to the extent required by regulator and only till such period that Regulator requirements require. Add beneath the disclosure in in italics, "This disclosure is in terms of the requirement of [name of regulator] having jurisdiction in [name of country/ area where such regulator has jurisdiction] vide [Rule/Directive etc.]"

8. Changes in constitution of Net/All. – To be updated, for any entry or exit of any Firm from the Alliance/Network. No information be given of entity not a part of Net/All.
9. (a) Passport style photograph – Permitted of persons associated with Firm/ Net/All.
   (b) Photo gallery – Permitted of professional event(s) organized by the firm/ Net/All. or any professional event(s) where lectures are delivered by the partners / proprietor.
10. (a) Blogs, articles, professional information, bulletin boards, professional updation, etc. – Permitted if of larger importance or of professional interest.
    (b) Educational videos – Permitted on topics of professional relevance.
11. (a) Chat rooms – Between members of Firms/ Net/All. and its clients. The confidentiality protocol applies.
    (b) Document management facility – Permitted to the clients to access copies of their documents on the Firm website, with distinct log in and password facility.
12. Website link – Permitted on Social Networking site with no solicitation to visit or like their pages on such SNW.
13. On-line advice – Permitted to clients specifically requesting for it, whether free or paid.
14. No soliciting client or professional work – Website to be so designed, that it complies with professional Code of Conduct and Ethics, schedules to the Act / guidelines / directions. ICAI free to initiate disciplinary actions suo-moto or on complaint received.

15. Ensure secrecy of the matters of the clients handled through Website.

16. No Advertisement (banner or other) permitted.

17. Website be befitting the profession and not contain information unbecoming of a CA.

18. Links permitted on website - Website of ICAI / Regional Councils / Branches. Website of Govt./ Govt. Departments/Regulatory authorities/other Professional Bodies.

19. Existing /past position(s) in ICAI's Central Council / Regional Council / Branches – Can be mentioned, by member being Proprietor/Partner or partner of a Net/All. of firms.

20. Website address - Should be as near as possible to the individual name/trade name, firm name or name of Net/All. It should not amount to soliciting clients or professional work or advertisement of professional attainments or services. The ESB to decide in case there is any difficulty.

21. Website information not at material variance with ICAI's records.

Professional's or Firm's Account in Social Networking Websites (SNW)

Social Networking Websites	CA FIRM	CAiP*	Name and Content permitted
Whether can have account / page on SNW like Facebook, LinkedIn etc?	Y	Y	Name permitted. Other content as per Advertisement Guidelines, 2008
Whether can give link of his website or webpage in the SNW?	Y	Y	
Whether can give link of his SNW on his website?	N	NA	As per Website Guidelines

*representing himself as a proprietor or partner of a firm

C. Online Third Party Platforms

Permitted

- CAs or CAs' firms can only provide consultancy and advisory through such websites.
- Websites can make a statement that they are chartered accountants.
- Fact that providers are Chartered Accountants can be mentioned

Prohibited

- Contact address of the CA concerned is not provided
- Website to not contain any material advertising professional achievements or status of such CA
- The name of CAs' firm with suffix "Chartered Accountants" would not be permitted.

D. Application based Service Provider Aggregators (SPAs)

Prohibited

- To list with online Application based SPAs for services exclusively reserved for CAs.

Permitted

- Listing for non-exclusive Services.
- Listing in Government or Regulator platforms for providing any professional services e.g. GeM portal.
- Members encouraged to use "CA Connect", listing portal of ICAI.

E. Specialised Directories for limited circulation

1. Directory of a Particular Body:
   - Name, description address of member/firm may appear in any directory or list of members of a particular body if names are listed alphabetically.
2. Specialised directory such as a **"Who's Who":**
   - Use discretion in supplying information, bearing in mind the nature and purpose of publications.
   - May give name, description, address, and directorships held, reasonable personal details and his outside interests but not client names.

F.

Exemptions for advertisements

Publication of the name and address of a member or firm, with description Chartered Accountant, in the press may be given provided that the advertisement is not displayed more prominently than usual. This includes advertisements:

(a) For recruiting staff* in the member's own office.

(b) On behalf of clients requiring staff or wishing to acquire or dispose of business or property.

(c) For sale of a business or property by a member acting as trustee, liquidator or receiver.

*Avoid the expression as "a well-known firm", promotional element, nor should there be any suggestion that the services offered by the CA / firm are superior to others.

10 RECOMMENDED SELF-REGULATORY MEASURES

Few important recommendations are:

10.1 Branch Audits

The branch audits of a company should not be conducted by its statutory auditors consisting of 10 or more members, but should be conducted by the local firms of auditors consisting of less than 10 members.

This not applicable:

(i) where the accounting records of the branches are maintained at the head office of the respective companies, and

(ii) where significant operations of an undertaking or a company are carried out at its branch office.

10.2 Joint Audit

In the case of large companies, the practice of associating a practicing firm with less than 5 members as Joint auditors should be encouraged.

10.3 Ratio Between Qualified and Unqualified Staff

At least 1 member for every 5 non-qualified members of the staff, excluding articled and audit assistants, typists, peons and other persons not engaged directly in such professional work.

10.4 Disclosure of Interest by Auditors in other Firms

Auditors should make disclosure of payments received by them for other services through the medium of a different firm or firms in which the said auditor may be either a partner or proprietor.

10.5 Recommended Minimum Scale of Fees

The recommended scale of Fees is to be charged as per the work performed for various professional assignments and is recommended separately for Class-A, B and C cities. Accessible at https://tmdicai.org/assets/whats_new_doc/MinimumrecommendedscaleofFees-Feb%202020.pdf.

10.6 Audit fees by Digital modes or through Banking channels

Members or firms should accept audit fees only through digital modes or banking channels to promote digital economy.



11. ETHICAL STANDARDS BOARD RECENT DECISIONS

Section 2(2)

1. A Chartered Accountant in practice can act as mediator in Court, since acting as a "mediator" would be deemed to be covered within the meaning of "arbitrator'; which is inter-alia permitted to members in practice as per Regulation 191 of the Chartered Accountants Regulations, 1988.

2. It is permissible for a member in practice to be a settlor of a trust.

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

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

5. It is permissible for members in practice to engage in the services assessment/performance audit of the centres of skill development council of Government of India as these are permissible under Management Consultancy and other services issued under section 2(2)(iv) of Chartered Accountants Act, 1949.

6. Members in practice are allowed to take license/registration of investment advisors from SEBI. However, members are not allowed to engage in services of broking, underwriting, portfolio management and cannot take agency of mutual funds etc. The statutory auditor cannot provide investment counselling services to the audit clients as the same is not permissible in terms of the provisions of Companies Act, 2013.

7. It is permissible for a member in practice to accept the assignment of Mystery Audit.

8. **Due diligence services -** May be provided by the Members/Firms. Performing due diligence examining of financial records and involves identifying whether the conditions of a company are consistent with what has been presented about it before acquiring a controlling stake in the company.

Clause 2-1-1

9. It is permissible for two or more Chartered Accountants in practice collectively to have joint training session for their clients on GST, and share the fees collected from the clients thereof.

Clause 6-1-1

10. It is not permissible for a member to use Messaging Apps to send messages to make people aware about his practice, and mention the services provided therein.

11. It is permitted for a member in practice to mention position as promoter/director on the portal of a Company. However, the member cannot mention his professional attainments and the name of the firm with which he is associated. There should be no violation of clause (6) and Clause (7) of Part-I of First Schedule to the Chartered Accountants Act, 1949 in doing so.

12. A firm is not permitted to publish its vision or mission statement on letter head, visiting card or stationery etc. The vision and mission statement may be printed on the firm profile and may be provided in response to a specific request.

    Vision and values behind the visiting cards - Not permitted as violative of Clause 6-1-1.

13. A chartered accountant in practice **can provide** services through kiosk only if the services provided are professional activities of a practicing chartered accountant, permitted under the Act.

Clause 10-1-1

14. Contingent Fees - Utilisation Certificate - Permissible

    It is permissible for members in practice to charge fees on a percentage of utilization amount of an educational Institute for certifying the amount (utilization) spent by an educational Institute out of grant.

15. A Chartered Accountant in practice may be an equity research adviser (Research Analyst), but he cannot publish retail report, as it would amount to other business or occupation.

16. A Chartered Accountant in practice may engage himself as Registration Authority (RA) for obtaining digital signatures for clients.

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

18. It is not permissible for CA in practice to take agencies of UTI, GIC or NSDL.

19. A member in practice cannot hold Customs Brokers Licence under section 146 of the Customs Act, 1962 read with Customs Brokers Licensing Regulations, 2013 in terms of the provisions of Code of Ethics.

20. The Ethical Standards Board while noting that there is requirement for a Director u/s 149(3) of the Companies Act, 2013 to reside in India for a minimum period of 182 days in the previous calendar year, decided that such a Director would be within the scope of Director Simplicitor (which is generally permitted as per ICAI norms), if he is non–executive director, required in the Board Meetings only, and not paid any remuneration except for attending such Board Meetings.

21. A CA Firm may register itself on Udyog Aadhar, a web portal of Ministry Micro, Small and Medium Enterprises.

22. A Chartered Accountant in practice being Director Simplicitor in a Company cannot sign ROC Forms of the Company as it is a direct conflict of role.

23. Members in practice are allowed to accept a particular position e.g. Whole Time director/ Managing Director in Companies registered under Section 8 of Companies Act, 2013 provided his position is honorary and the Companies falls under the category of charitable, educational, or other non-commercial.

24. Non-executive/independent director in a Co-operative Bank - Not interested as auditor, Not involved in day to day activities - Permissible

A Member in practice may be a Non-executive/ independent director in a Co-operative Bank, provided he is not involved into day to day activity of the organization, nor he or any of his partners are interested in the Bank as an auditor.

25. Member of Board of Management-Primary (Urban) Co-operative Banks-Permissible

It is permissible for a practicing Chartered Accountant holding Certificate of Practice to become a member of the 'Board of Management' in Primary (Urban) Co-operative Banks as it is similar to Director-Simiplicitor; where there is no involvement of a member in the day-to-day functioning/operations and not signatory etc. and only sitting fees for the services rendered are provided.

26. Trademark or Patent Attorney - Not permissible, IPR advisory permitted

Member in practice cannot act as Trademark or Patent Attorney. However, Professional advice in relation to Intellectual Property Rights (IPR) is a routine professional work for a Chartered Accountants in practice and same is permissible under the provisions of the Chartered Accountants Act, 1949.

27. It is permissible for a member in practice to become professional director in the Board of Management of a Co-operative Bank.

28. It is permissible for a member to set up practice in IFSC/GIFT city.

29. It is permissible for a member to render professional services to IFSC units from offices outside IFSC.

30. CA, member of a Trust, can be its auditor. Subject to the exception where a particular statute governing a Trust prescribes prohibition on the member to be its Auditor or where there is conflict of interest as per Ethics.

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

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

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

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

35. There is no prohibition for internal auditor of a company to acquire/purchase shares of the said Company.

36. A Chartered Accountant in practice can act as Authorized Representative of a Foreign Company, provided he is not the auditor of the said Company.

37. In case where Chartered Accountant in practice is a non-executive director in a company, he or a Firm in which he is a partner, should not accept the appointment as a statutory auditor of a Company which is a joint venture of the original Company, as it would impact independence.

38. The Ethical Standards Board in 2013 generally apply the stipulations contained in the then amended Rule 11U of Income Tax generally, wherein statutory auditor /tax auditor cannot be the valuer of unquoted equity shares of the same entity.

The Board has at its recent Meeting (January, 2017) has reviewed the above, and decided that where law prohibits for instance in the Income Tax Act and the rules framed thereunder, such prohibition on statutory auditor/tax auditor to be the valuer will continue.

But where there is no specific restriction under any law, the said eventuality will be permissible, subject to compliance with the provisions, as contained in the Code of Ethics relating to independence.

39. **Ex-director as auditor:** Ethics prohibits accepting audits of entity where CA was a director in last 2 years. S. 141 has no such prohibition. Member to hence take decision to comply with Ethics as well as the Act.

40. The concurrent auditor of a Branch can undertake the assignment of LFAR only with respect to Branches which are not subject to Statutory Audit. With respect to Branches which are subject to Statutory Audit, the LFAR assignment shall be undertaken by the Statutory Auditor.

41. Concurrent Audit and the assignment of (quarterly) limited review of the same Bank cannot be undertaken simultaneously as the concurrent audit being a kind of internal audit and the quarterly limited review being a kind of statutory audit undertaken simultaneously are prohibited under the provisions of Code of Ethics. It may however be noted that the Concurrent Auditor of a Branch of a Bank may be required to submit a specific Review Report to the Management on quarterly basis. Such assignment of specific review may be undertaken by the Concurrent auditor of the Bank.

42. Statutory audit of the Society - Immediate family member hold honorary position in management committee - Not permissible

It is not permissible for a member in practice to accept the appointment of statutory audit of the society wherein immediate family member i.e., spouse or dependent, of member hold honorary position of one of the managing committee of the institutes governed by the society.

43. Statutory auditor of an entity is not permitted to engage in assignment of compilation engagement, of that entity as per SRS 4410.

Clause 4-1-2 (Contd...)

44. It is not permissible for a member/ firm being the statutory auditor of a Bank to accept the assignment of ASM of a customer of the same Bank simultaneously. He can accept either of the Assignments at one time.

45. A member in practice cannot be appointed as an Internal Auditor and Procurement officer simultaneously in an organization.

46. BRSR:

Prohibited Not permissible for statutory auditor to prepare Business Responsibility & Sustainability Reporting (BRSR) study to Audit Clients.

Permitted He may provide advisory services on the same. Further statutory auditor can be "Assurance provider of BRSR core" (Ref. SEBI circular dt. 12.07.2023) for the same client.

Clause 10-1-2

47. A chartered accountant cannot exercise lien over the client documents/records for non- payment of his fees.

Clause CGG-X

48. A Chartered accountant can hold the credit card of a bank when he is also the auditor of the bank, provided the outstanding balance on the said card does not exceed ₹ 100,000 or current indebtedness limit beyond the prescribed credit period limit on credit card given to him.

49. A Chartered Accountant in practice is not permitted to accept audit assignment of a bank in case he has taken loan against a Fixed Deposit held by him in that bank.

50. For the purpose of Appointment of an auditor when he is indebted to a concern, as dealt with under Chapter X of the Council General Guidelines, 2008, the term "auditor' shall not include internal auditor, concurrent auditor or an auditor giving report to the Management. In other words, the provision relating to criteria/limit of indebtedness shall apply only to statutory audits.

ESB Recent FAQs

Announcement on Ranking of CA Firms.

Providing ranks or providing information to entities providing ranks to CA Firms is violative of Item 6 of Part-I of First Schedule to The Chartered Accountants Act, 1949. Additionally, it results in claiming superiority of one firm over other, which is prohibited in terms of the Advertisement Guidelines of the ICAI under Item 7 of Part –I of First Schedule to The Chartered Accountants Act, 1949.

Whether a CA in practice is required to obtain any trade license for practicing?

No.

Whether a write-up in an Advertisement may contain any information about an achievement or award given to a member?

Yes, provided it has been awarded by the Central or State Governments or Regulatory bodies.

Whether the office of a Chartered Accountant is permitted to go in for ISO certification or other similar certifications?

Yes, However, the member cannot use the expression like "ISO Certified" on his professional documents.

Whether a member in practice owning intellectual property rights of domain names sell these domain names to some entity for earning royalty on the same?

No.

Whether a member, who is the statutory auditor of a company, can let out property owned by his Hindu Undivided Family (HUF) to the said Company?

Such a transaction should be avoided from an independence perspective.

Whether a member in practice is generally permitted to write script/story for a movie?

No, Such a member would require prior and specific permission of the Council in this regard.

Whether a member in practice can also practice simultaneously as an Actuary?

No.

Legend - ASM : Agency for specialised monitoring

Whether a member in practice is permitted to be an athlete/ play tournaments simultaneously along with holding COPs?

Not permissible

Whether a statutory auditor can accept the system audit of same entity?

Yes, the statutory auditor can accept the assignment of a system audit of the same entity, provided it did not involve any scrutiny/review of financial data and information.

Whether CA is qualified to be appointed as statutory auditor of one associate company when he is the internal auditor of another fellow associate company.

Yes.

Whether there is any minimum audit fee to be charged by the members of the Institute?

No.

Whether a member in practice can establish a Tax Information Network- Facilitation Centre (TIN-FC)? Whether he can be franchise for a TIN-FC?

Permissible.

Whether partner of a Firm of Chartered Accountants doing audit of an Insurance company can accept the assignment of surveyor of the said Company?

No.

THE FIRST SCHEDULE

(See sections 21(3), 21A(3) and 22)

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—

(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;

(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 qualifications as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

Explanation.—In this item, "partner" includes a person residing outside India with whom a chartered accountant in practice has entered into partnership which is not in contravention of item (4) of this Part;

(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:

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 a member of such professional body or other person having qualifications, as is referred to in item (2) of this Part;

(4) enters into partnership, in or outside India, with any person other than a 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 recognised by the Central Government or the Council for the purpose of permitting such partnerships;

(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 arrangement permitted in terms of items (2), (3) and (4) of this Part;

(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 organisations from time to time and securing professional work as a consequence;

(7) advertises his professional attainments or services, or uses any designation or expressions other than chartered accountant on professional documents, visiting cards, letter heads or sign boards, unless it be a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of the Institute of Chartered Accountants of India or of any other institution that has been recognised by the Central Government or may be recognised by the Council:

Provided that a member in practice may advertise through a write up, setting out the services provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council;

(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;

(9) accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of section 225 of the Companies Act, 1956 [or sections 139 to 141 of the Companies Act, 2013 or any other law pertaining to appointment of auditors for the time being in force] in respect of such appointment have been duly complied with;

(10) charges or offers to charge, accepts or offers to accept in respect of any professional employment, fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulation made under this Act;

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

Provided that nothing contained herein shall disentitle a chartered accountant from being a director of a company (not being a managing director or a whole time director) unless he or any of his partners is interested in such company as an auditor;

(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.

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—

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

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

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—

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

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

(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—

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

(2) in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work.



THE SECOND SCHEDULE

(See sections 21(3), 21B(3) and 22)

PART I Professional misconduct in relation to CA in practice

A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(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;

(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;

(3) permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast;

(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;

(5) fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity;

(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;

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

(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;

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

(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—

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

(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;

(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;

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

(5) acts as an auditor of the company in contravention of the provisions of the Companies Act, 2013.

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 misconduct, 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.



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