

Professional Ethics and Liabilities of Auditors

First Schedule(Part I - Professional Misconduct in relation to Members in Practice)

(a) Clause 1

A CA in Practice is deemed to be guilty of professional Misconduct if he:

- 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 himself.

(b) Clause 2

A CA in Practice is deemed to be guilty of professional Misconduct if he:

- Pays or allows or agrees to pay or allow,
 - Directly or indirectly,
 - Any share, commission or brokerage in
 - (1) Fees or profits of his professional business to any person other than
 - (2) A member of the Institute, or
 - (3) Partner, or
 - (4) Retired partner, or
 - (5) Legal representative of deceased partner, or
 - (6) Member of any other professional bodies, or
 - (7) With such other persons having prescribed qualifications.
- For the purpose of rendering such professional services from time to time in or outside India.

NOTE:

- **Sharing of profits by Widow or legal representative of deceased partner:** Widow or legal representative of deceased partner can continue to receive a share of profits in the firm provided the partnership agreement provides the same.
- **Sale of Goodwill:** In case of **sole proprietorship**, the Council of ICAI has resolved that the sale / transfer of goodwill shall be permitted in respect of cases where the death of the proprietor occurred on or after 30/08/1998 provided:
 - (1) ICAI's permission to practice in the deceased's firm name is sought within a year of death. (In such a case, name of the firm is kept in abeyance till one year from the date of death).
 - (2) In case there exist a dispute as to the legal heir of the deceased proprietor, information as to the existence of the dispute is received by the Institute within a year of the death. (In such a case, name of the firm is kept in abeyance till one year from the date of settlement of dispute).

NOTE 1:

Consideration towards sale of goodwill should be determined in lump sum amount, though payment may be made in parts. Consideration determined as a percentage of future realisations is not permitted.

NOTE 2:

In case of a partnership firm when all the partners die at the same time, the above council decision would also be applicable.

- **Other professional Bodies (Regulation 53A):** ICSI, ICWAI, Bar Council of India, Indian Institute of Architects, Institute of Actuaries of India.
- **Persons with prescribed qualifications (Regulation 53A):** CS, Cost Accountant, Actuary, B.E. Bachelor in Technology, Bachelor in Architecture, Bachelor in Law and MBA.
- Accepting the assignments wherein a percentage of professional fee is deducted by the Government to meet the administrative and other expenditure will not amount to professional misconduct.

(c) Clause 3

A CA in Practice is deemed to be guilty of professional Misconduct if he:

- 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.

However, such a restriction does not apply in respect of following:

- Member of any other professional bodies (as specified in Clause 2), or
- With such other persons having prescribed qualifications (as specified in Clause 2).

NOTE:

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.

(d) Clause 4

A CA in Practice is deemed to be guilty of professional Misconduct if he:

- Enters into partnership in or outside India
- With any person other than the following:
 - (1) C.A. in practice, or
 - (2) Member of any other professional body having prescribed qualifications, or
 - (3) A person, who but for his residence abroad would be entitled to be registered as member under Clause (v) of Sec. 4(1), or
 - (4) A person whose qualifications are recognised by CG or Council for the purpose of permitting such partnerships.

NOTE:

- **Persons Qualified in India for purpose of Membership (Regulation 53A):** CS, Cost Accountant, Actuary, B.E., B. Tech, B. Arch, LLB or MBA (from recognised Universities or Institutes).

- **Permitted memberships for Partnership (Regulation 53B):** Members of ICSI, ICWAI, Bar Council of India, Institution of Engineers, Indian Institute of Architects, Institute of Actuaries of India & Professional Bodies or Institutions outside India recognised by the Council.

(e) Clause 5

A CA in Practice is deemed to be guilty of professional Misconduct if he:

- Secures any professional business
- Through the services of a person who is not an employee or not his partner or
- By means which are not open to a CA.

NOTE:

- Nothing contained in Clause 5 shall be construed as prohibiting any arrangement permitted in clauses (2), (3) and (4).
- The acts of partners and employees of the Firm towards securing professional work are subject to provisions of Clauses (6) and (7) of Part-1 of First Schedule.

(f) Clause 6

A CA in Practice is deemed to be guilty of professional Misconduct if he:

- Solicits clients or professional work
- Either directly or indirectly,
- By circular, advertisement, personal communication or interview or by any other means.

However, solicitation is relaxed in following cases:

- Securing professional work from another CA in practice.
- Responding to tenders or enquiries issued by various users of professional services.

Council Guidelines W.R.T. Permitted and Prohibited forms of Solicitation

(1) Advertisement & note in press

- (i) As a general rule a member can't advertise.
- (ii) However, a member may advertise change in partnership, address of practice and telephone numbers provided it contains a bare statement of facts and area of distribution and number of insertions in newspaper should be limited.
- (iii) A Member is permitted to give classified advertisements in journal/newsletter of institute for sharing professional work or seeking partnership or salaried employment of accountancy nature provided it contains only CA's name, address, tel. No., fax or e-mail address and address of social Networking sites.
- (iv) Mere factual position of experience and area of specialisation, relevant to seek response to the advertisement, are permissible.

(2) Empanelment for allotment of professional

- (i) In respect of organisations, where a panel of CA's exists, a member is free to request to place his name on the panel.
- (ii) Roving enquiries for existence of such panel is not permitted.

- (iii) It is permissible to quote fees on enquiries being received from such organisations, which maintains such panel.
- (iv) Printed or Xerox copies of scale of fees in reply to enquiries is not permitted.

(3) Responding to Tenders

- (i) It is not prohibited to the members to respond to tenders and requests made by users of professional work.
- (ii) This is however subject to conditions that may be issued by the Council.
- (iii) ICAI issue following guidelines for compliance by the members:
 - A member in practice shall not respond to any tender in areas of services which are exclusively reserved for CAs, such as audit and attestation.
 - However, such restriction shall not be applicable where minimum fee of assignment is prescribed in the tender document itself or where the 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.
- (iv) **EMD / Security Deposit:** Council is of the view that while interference with the practices prevailing for requirement of EMD / Deposit is not required. However, on having received complaint / instance of exorbitant EMD / Deposit, the Ethical Standards Board may look into the matter on case-to-case basis.

(4) Publications of Books

- It is not permissible for a member to mention in a book or an article published by him, or a presentation made by him, any professional attainment(s), whether of the member or the firm with which he is associated.
- However, he may designation “Chartered Accountant” as well as name of firm.

(5) Issue of Greeting Cards Or Invitations

Member is permitted to use designation “Chartered Accountant” as well as name of firm in:

- Greeting cards,
- Invitations for marriages and religious ceremonies and any invitation for opening or inauguration of office, or
- Letters regarding change in office premises or telephone numbers

Provided these are sent only to clients, relatives and friends of the members concerned.

(6) Advertisement for Celebrations

- To advertise the events organised by a Firm of CAs is not permitted.
- However, considering need of interpersonal socialisation/relationship of the members through such get together occasions, advertisement for Silver, Golden, Diamond, Platinum or Centenary celebrations of the CA Firms may be published in newspaper or newsletter.

(7) Sponsoring Activities

- (i) Member in practice or a Firm of CAs is not permitted to sponsor an event. However, such member or Firm may sponsor an event conducted by a Programme Organising Unit (PoU)

of the ICAI, provided such event has prior approval of Continuing Professional Education (CPE) Directorate of the ICAI.

- (ii) 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.

(8) Advertisement of Teaching activities

- (i) An advertisement of Coaching / teaching activities by a member in practice may amount to indirect solicitation, as well as solicitation by any may therefore be violative of the provisions of Clause (6).
- (ii) Hence, members are advised to abstain from advertising their association with Coaching / teaching activities through hoardings, posters, banners and by any other means, failing which they may be liable for disciplinary action.
- (iii) Subject to the above prohibition, such members may put, outside their Coaching / teaching premises, sign board mentioning the name of Coaching/teaching Institute, contact details and subjects taught therein only.

(9) Sharing Firm Profile

It is not permitted to share Firm profile with a prospective Client unless it is in response to a proposed client’s specific query, and otherwise not prohibited to be used by the client.

(10) Television or Movie Credits

While sharing name of the member or Firm of CAs for inclusion in Television or Movie Credits, it must be taken care of that exhibition of name is not made differently as compared to other entries in the credits.

(11) Roving enquiries

It is not permissible for a member to address letters, e-mails or circulars specifically to persons who are likely to require services of a CA since it would tantamount to advertisement.

(12) Seeking work from Professional Colleagues

Issue of an advertisement or a circular by a CA, seeking work from professional colleagues on any basis whatsoever except as provided above would be in violation of this clause.

(13) Scope of representation u/s 140(4) of Companies Act, 2013

- Representation should not be used to secure needless publicity and soliciting for his continuance as an auditor.
- However, it may set out in a dignified manner how he has been acting independently through his term of office and his willingness to continue as an auditor if reappointed by shareholders.

(14) Acceptance of Original professional Work

- Acceptance of original work emanating from a client introduced by another member is not permitted.
- However, 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.

(15) Public Interviews

- While giving any interview or otherwise furnishing details about themselves or their firms in public interviews or to the press or at any forum, the members should ensure that, it should not result in publicity.
- Due care should be taken to ensure that such interviews or details about the members or their firms are not given in a manner highlighting their professional attainments.
- Any detail which is given must, in addition to meeting the above requirements, be given only as a response to a specific question, and of factual nature only.

(16) Advertisements Under Box Numbers

Members / Firms are prohibited from inserting advertisements for soliciting clients or professional work under box numbers in the newspapers.

(17) Educational Videos

While videos of educational nature may be uploaded on the internet by members, no reference should be made to the CA Firm wherein member is a partner / proprietor. Further, it should not contain any contact details or website address.

➤ Guidelines for Website

CAs and/or CAs Firms would be free to create their own website, subject to following requirements:

- No standard format of the Website is being given, to provide independence to the Members.
- Ensure that websites run on a “pull” model and not a “push” model of the technology.
- Ensure that none of the information contained in Website be circulated on their own or through E-mail or by any other mode or technique except on a specific “pull” request.
- Soliciting people to visit the website by means of any circular or any other advertisement or any other material of any kind whatsoever is not permitted. However, website address may be mentioned on the professional stationery and e-mail.
- The following information may be displayed on the Firms/Members’ Websites:
 - (i) Member / Trade / Firm name.
 - (ii) Year of establishment.
 - (iii) Member/Firm’s address (both H.O. and Branches), tel. No.(s), fax No.(s) & e-mail ID(s).
 - (iv) Nature of services rendered (to be displayable only on specific “pull” request)
 - (v) Partners details like name, year of qualification, other qualification(s), tel. No.(s), address, e-mail, area of Experience (to be displayable only on specific “pull” request).
 - (vi) Details of employees like name, designation, area of experience (to be displayable only on specific “pull” request)
 - (vii) Job vacancies for the CA / firm of Chartered Accountants (including articleship).
 - (viii) No. of articled assistants. (to be displayable only on specific “pull” request).
 - (ix) Nature of assignments handled (to be displayable only on specific “pull” request).
 - (x) Name of clients and fee charged cannot be given.

NOTE:

Disclosure of names of clients and/or fees charged, on website is permissible only where it is required by a regulator, provided that such disclosure is only to the extent of requirement of the regulator and is made only till such period that the member works under the purview of such Regulator. Ensure that below such disclosure it is mentioned in italics, that “This disclosure is in terms of the requirement of [name of the regulator] having jurisdiction in [name of the country / area where such regulator has jurisdiction] vide [Rule / Directive etc. under which the disclosure is required by the Regulator].

- Display of Passport style photograph is permitted.
- Members may include articles, professional information, bulletin boards, professional updation and other matters of larger importance or of professional interest on the website.
- Educational videos on topics of professional relevance are permissible.
- Chat rooms can be provided which permit chatting amongst members of the ICAI and between Firms and its clients. The confidentiality protocol would have to be observed.
- Firms can provide document management facility with distinct log in and password facility to the clients to access copies of their documents on the Firm website.
- Firm can provide link of its page on Social Networking site. However, the members should not solicit people to visit or like their respective page(s) on such social Networking site.
- The members / firms can provide on line advice to their clients who specifically request for the advice whether free of charge or on payment.
- The details in the Website should be so designed that it does not amount to soliciting client or professional work.
- Website should ensure adequate secrecy of the matters of the clients handled through Website.
- No Advertisement in the nature of banner or any other nature will be permitted.
- Website should be befitting the profession of Chartered Accountants and should not contain any information or material which is unbecoming of a Chartered Accountant.
- Website may provide a link to the Website of ICAI, its Regional Councils and Branches and also the Website of Govt. / Govt. Departments / Regulatory authorities / other Professional Bodies.
- Website address should be as near as possible to individual name/trade name, firm name of the CA in practice or firm of CAs in practice. But it should not amount to soliciting clients or professional work or advertisement of attainments or services.
- Website should mention the information which is not at material variance from the information as per the ICAI’s records.

(g) Clause 7

A CA In Practice shall be deemed to be guilty of professional Misconduct if he:

- 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.

However, recognised degree of university or title indicating membership of ICAI or other recognised institution may be used.

➤ **Guidelines for Advertisement:**

- (1) **Advertisement through write-up:** is allowed subject to guidelines issued by the Council.

Guidelines for Write-up

(A) Meaning of Write-up

“Write-up” means writing of particulars according to information given in the Guidelines setting out services rendered by the Members or firms.

(B) Conditions to be Complied with

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 by the member or the Firm.
- It must not make any 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 or the fees charged.
- It should not contain any information about achievements / awards (except the awards given by the C.G. or S.G. or Regulatory bodies) or any other position held, or accreditation(s) granted by any organisation.
- Monogram of any kind or use of any kind of catch words is not permissible.
- Membership No. / FRN is mandatory to be mentioned in the write-up.
- It should not be of font size exceeding 14.
- It must not be violative of any provisions of CA Act, 1949, CA Regulations, 1988, Code of Ethics, 2020 or any Guideline of the Council.

(C) Information to be Contained in Write-ups

(I) For Members

- CA..... Name
- Membership No. with Institute
- Age
- Date of becoming ACA
- Date of becoming FCA
- Date from which COP held
- Recognised qualifications
- Languages known
- Telephone / Mobile / Fax No.
- Professional Address

- Website
- E-mail
- CA Logo
- Passport style photograph
- Details of Employees (Nos.):
 - A. Chartered Accountants -
 - B. Other Professionals -
 - C. Articles / Audit Assistants
 - D. Other Employees
- Names of the employees and their particulars on the lines allowed for a member as stated above.
- Services provided
- Position held as Director or Managing Director in a Management Consultancy Company registered with the Institute.

(II) For Firms

- Name of the Firm.....Chartered Accountants
- Firm Registration No. with Institute
- Year of establishment.
- Professional Address(s) registered with the Institute (both Head Office and Branches)
- Working Hours
- Tel. No.(s)/Mobile No./Fax No.(s)
- E-mail
- No. of partners
- Name of the proprietor / partners and their particulars on the lines allowed for a member as stated above including passport style photograph.
- CA Logo
- Details of Employees (Nos. -)
 - A. Chartered Accountants -
 - B. Other professionals -
 - C. Articles/Audit Assistants
 - D. Other employees
- Names of the employees of the firm and their particulars on the lines allowed for a member as stated above.
- Services provided
- Affiliation with a Network registered with the Institute

NOTE:

The write-up may have the Signature, Name of the Member / Name of the Partner signing on behalf of the firm, Place and Date.

(2) Other Designations:

- Use of words like Income-tax Consultant, Corporate Lawyer, Cost Consultant or Management Consultant is not allowed.
- Use of designation like ‘Member of Parliament’, in addition to that of CA is not permissible.
- Member empanelled as Insolvency Professional or Registered Valuer can mention “Insolvency Professional” or “Registered Valuer” respectively on his visiting card.

(3) Permission to mention qualifications of certain Institutions: Members are permitted to indicate membership of a recognised foreign Institute of Accountancy on visiting cards, e.g. South African Institute of Chartered Accountants (SAICA), Institute of Certified Public Accountants (CPA Ireland) and ICAEW.

(4) Date of Setting up of practice: Date of setting up of practice or date of establishment of the firm on the letter heads and other professional documents etc. should not be mentioned.

(5) Practice as Advocate: Persons eligible otherwise, subject to permission may practice as advocates but can’t use designation “Chartered Accountant” and “Advocate” simultaneously.

(6) Practice as Company Secretary / Cost Management Accountant: Members of the Institute in practice who are otherwise eligible may also practice as CS and/or Cost Accountants.

Such members shall, however, not use designation of the aforesaid Institute/s simultaneously with the designation “Chartered Accountant”.

It is clarified that in event of the permission being granted to a member in practice to also hold COP of sister Institute (s) / Bar Council, such member be treated as a member in full-time practice.

(7) Mention of Firm name except on Professional Documents: It is not proper to use designation ‘Chartered Accountant’ except on professional documents, visiting cards, letter heads or sign boards.

(8) Notice in the Press relating to the Success in an Examination: Notice in press relating to success in an examination of an individual candidate, should not contain any element of undesirable publicity either in relation to the articled/audit assistant or an employee or the member or the firm with whom he was served.

(9) Reports and Certificates: Ensure that extent & manner of publication of certificates are limited to what is necessary to enable the report or certificate to serve its proper purpose. Members should use letterhead of their Firm for issuing reports and certificates.

(10) Appearance of Chartered Accountants on Electronic Media (including Internet):

Members may appear on television, films and Internet and agree to broadcast in the Radio or give lectures at forums and may give their names and describe themselves as Chartered Accountants.

Special qualifications or specialised knowledge directly relevant to the subject matter of the programme may also be given. Firm name may also be mentioned, however, any exaggerated claim or any kind of comparison is not permissible.

- (11) Important Appointments or views of Public Importance:** Publicity is permitted for appointments to positions of local or national importance or for the views of members on matters of similar importance. Mention of the membership of the Institute is desirable in such cases. However, reference to the professional firm of the member should not be given.
- (12) Organising Training Courses, Seminars etc. for his staff:** A CA in practice holding training courses, seminars etc. for his staff may also invite the staff of other CAs and clients to attend the same. However, undue prominence should not be given to the name of the CA in any booklet or document issued in connection therewith.
- (13) Writing Articles or Letters to the Press:** Members writing articles or letters on subjects connected with profession may give their names & use description Chartered Accountants.
- (14) Size of Sign Board:** Members should exercise their own discretion and good taste while keeping in mind the appropriate visibility and illumination of Sign Board. However, use of glow signs or lights on large-sized boards as is used by traders or shop-keepers is not permissible.
- Member can have a name board at the place of his residence with the designation of a Chartered Accountant, provided it is a name plate or name board of an individual member and not of firm.
- (15) Public Announcements with details of Directors:** Name of CA acting as director in the company is permissible to appear in the prospectus of the company, however descriptions regarding his expertise, specialisation and knowledge in any particular field is not permitted. It is advisable for a member that as soon as he is appointed as a director on Board of a Company, he should specifically invite the attention of the management of the Company to the aforesaid provisions and should request that before any such prospectus or public announcements or public communication mentioning the name of the member concerned, is issued, the material pertaining to the member concerned should, as far as practicable be got approved by him.

(16) Network Firms and Networking Guidelines: Refer topic 19.19.

(i) Definitions

(A) Network

- A larger structure that is aimed at:
- Co-operation; and
- Profit / cost sharing or shares common ownership, control or management, common quality control policies & procedures, common business strategy, use of a common brand name, or a significant part of professional resources.

(B) Network Firm

Means a firm or Entity that belongs to a Network.

(ii) Concept of Network

- A larger structure aimed only at facilitating referral of work, will not be considered as network.

- Judgment as to whether the larger structure is a network shall be made in light of whether a reasonable and informed third party would be likely to conclude that entities are associated in such a way that a network exists.
- Where larger structure is aimed at co-operation and it is clearly aimed at profit or cost sharing among the entities within the structure, it is deemed to be a network. However, sharing of immaterial costs does not in itself create a network.
- Where the larger structure is aimed at cooperation and the entities within the structure share common ownership, control or management, it is deemed to be a network.
- Where the larger structure is aimed at co-operation and the entities within the structure share common quality control policies and procedures, it is deemed to be a network.
- Where the larger structure is aimed at co-operation and the entities within the structure share a common business strategy, it is deemed to be a network.
- Where the larger structure is aimed at co-operation and the entities within the structure share the use of a common brand name, it is deemed to be a network.
- Where the larger structure is aimed at co-operation and entities within the structure share a significant part of professional resources, it is deemed to be a network.

Professional resources include:

- Common systems that enable firms to exchange information such as client data, billing and time records;
 - Partners and staff;
 - Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements;
 - Audit methodology or audit manuals; and
 - Training courses and facilities.
- Determination of whether professional resources shared are significant shall be made based on the relevant facts and circumstances. Where the shared resources are limited to common audit methodology or audit manuals, with no exchange of personnel or client or market information, it is unlikely that the shared resources would be significant.

(iii) Forms of the Network

- A network can be constituted as a mutual entity which will act as a facilitator for the constituents of the Network. In such a case the Network itself will not carry out any professional practice.
- A network can be constituted as a partnership firm subject to condition that total number of partners does not exceed 20.
- A network can be constituted as a LLP subject to the provision of the CA Act and Rules.
- A network can be constituted as company subject to the guidelines prescribed by ICAI for corporate form of practice.

- Network Firms shall consist of sole Practitioner/proprietor, partnership or any such entity of professional accountants as may be permitted by the Act.
- A firm is allowed to join only one network.
- Firms having common partners shall join only one Network.

(iv) Approval of Name of Network amongst firms registered with Institute

- Network may have distinct name which should be approved by the Institute. To distinguish a “Network” from a “firm” of Chartered Accountants, the words “& Affiliates” shall be used after the name of the network and the words “& Co.” / “& Associates” shall not be used.
- Provisions of Regulation 190 of the CA Regulations, 1988 shall be applicable to the name of Network. However, even if a name is approved and subsequently it is found that the same is undesirable then, the said name may be withdrawn at any time by the Institute.
- Institute shall approve or reject the name and intimate the same to Network within a period which shall not be later than 30 days from the date of receipt of the said Form.
- Mere approval of the name of the Network shall not entitle the Network to carry on practice in its own name.

(v) Registration of Network with entities in India

- After the name is approved, Institute shall reserve such name for a period of three (3) months from the date of approval.
- Network shall get itself registered with the Institute within the period of 3 months, failing which the name assigned shall stand cancelled on the expiry of the said period.
- Registration of Network with Institute is mandatory.
- If different Indian firms are networked with a common Multinational Accounting Firm, they shall be considered as a part of network.

(vi) Listing of Network with entities outside India

- Duly authorised representative(s) of Indian Member firm (s) / Member constituting Network with entities outside India shall file a declaration with the Institute for Listing of such Network within 30 days from the date of entering into the Network arrangement.
- Proprietary / individual members, partnership firms as well as members in LLP or any such other entity of members as may be permitted by the Act, shall be permitted to join such network with entities outside India provided that they are allowed to join only one network and firms having common partners shall join only one such network.

(vii) Change in Constitution of Registered Network

In case of change in the constitution of registered Network on account of any entry into or exit constitution of from the Network, the network shall communicate the same to the Institute within a period of thirty (30) days from the date of change in the constitution.

(viii) Ethical Compliance

Once relationship of network arises, it will be necessary to comply with all applicable ethical requirements prescribed by Institute in general and the following requirements in particular:

- If one firm of the network is the statutory auditor of an entity then the associate or the said firm directly / indirectly shall not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm.
- The guidelines of ceiling on Non-audit fees is applicable in relation to a Network as follows:
 - For a Network firm who is doing statutory audit, it shall be the same as mentioned in the said notification; and
 - For other firms of the same Network collectively, it shall be 3 times of the fee payable for carrying out the statutory audit of the same undertaking / company.
- In cases where rotation of firms is prescribed, no member firm of the network can accept appointment as an auditor in place of any member firm of the network which is retiring.
- Network may advertise to the extent permitted by the Advertisement Guidelines issued by Institute.
- Firms constituting the network are permitted to use the words “Network Firms” on their professional stationary.

(ix) Consent of Client

Effect of registration of network with Institute will be deemed to be a public notice of the network and therefore consent of client will be deemed to be obtained.

(x) Framework of Internal Byelaws of Network

Network shall formulate operational bye-laws. Bye-laws may contain the following clauses on which the affiliates of the network may enter into a written agreement among themselves:

- Appointment of a Managing Committee, from among the managing partners of member firms of network and terms and conditions under which it should function. The minimum and maximum number of members of Managing Committee shall also be agreed upon.
- Administration of the network.
- Contribution of membership fees to meet cost of the administration.
- Identifying a partner of any of the member firms of the network to be responsible for the assignment (engagement partner).
- Dispute settlement procedures through arbitration and conciliation.
- Development of training materials for members of the network.
- Issue of News-letters for staff and clients.

- Development of software for different types of assignments.
- Development and maintenance of data bases relevant for different types of assignments.
- Library.
- Appointment of a technical director to whom references can be made.
- Determining the methodology for drawing resources from each member firm.
- Determining compensation to member firms for resources to be drawn from them.
- Peer review of the member firms.

(17) Use of logo: Use of logo / monogram of any kind / form / style / design / colour etc. whatsoever on any display material or media e.g. paper stationery, documents, visiting cards, magnetic devices, internet, sign board, be prohibited.

(18) Common CA Logo: Common logo is prescribed by ICAI. Any other logo is not permissible. Use of CA logo in the stamp is permissible, subject to CA logo guidelines.

(h) Clause 8

A member in practice shall be deemed to be guilty of professional misconduct if he

- accept a position as Auditor
- previously held by another chartered accountant or certified auditor without
- first communicating with him in writing.

NOTE:

➤ **Professional reasons for not accepting Audit:**

- (i) Non-compliance of provisions of Secs. 139 and 140 of Companies Act, 2013.
- (ii) Non-payment of undisputed audit fee (except sick unit). Provision for Audit fees in accounts signed by auditor and the client shall be considered as undisputed.)
- (iii) Issuance of a qualified Report.

In first two cases, acceptance of audit amounts to professional misconduct. In (iii) case, member may accept audit if he thinks that attitude of retiring auditor wasn't proper and justified. But if report was qualified for good & valid reasons, non-acceptance would be a healthy practice.

- **Fees pending due to non-availability of Previous Auditor:** Where the Previous Auditor is not available for accepting payment of undisputed audit fees, and it is not otherwise possible to transfer the payment to him electronically, the Incoming Auditor may advise the client to purchase DD Draft of the amount equivalent to undisputed Audit Fees of retiring auditor, and may accept the Audit assignment after verifying the same.
- **Course of action in case of change of Auditorship:** Object of the incoming auditor, in communicating with the retiring auditor is to ascertain from him whether there are any circumstances which warrant him not to accept the appointment.
- **Duty of Retiring Auditor:** On the request of the Incoming Auditor to the retiring auditor for providing known information regarding any facts or other information of which, in the

opinion of the retiring auditor, the Incoming auditor needs to be aware before deciding whether to accept the engagement, the retiring auditor shall provide the information diligently.

- **Positive Evidence of Delivery required:** Members should 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 opinion of the Council, the following would in the normal course provide such evidence:

- (i) Communication by a letter sent through “Registered Acknowledgement due”, or
 - (ii) By hand against a written acknowledgement, or
 - (iii) Acknowledgement of the communication from retiring auditor’s vide e-mail address registered with the Institute or his last known official e-mail address, or
 - (iv) Unique Document Identification Number (UDIN) generated on UDIN portal (subject to separate guidelines to be issued by the Council in this regard)
- **Certificate of Posting not a conclusive proof of communication:** Mere posting of a letter under certificate of posting is not sufficient to establish communication.
 - **Premises found Locked:** The communication received back by the Incoming Auditor with “Office found Locked” written on the Acknowledgement Due shall be deemed as having been delivered to the retiring auditor.
 - **Firm not found at the given Registered address:** If the Communication sent by the Incoming auditor is received back with remarks “No such office exists at this address”, and the address of communication is the same as registered with the Institute on the date of dispatch, the 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.
 - **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.
 - **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 vis., Statutory Audit, Tax Audit, GST Audit, Internal Audit, Concurrent Audit or any other kind of audit.
 - **Communication in case of Assignments done by other professionals:** A Communication is mandatorily required for all types of Audit/Report where the previous auditor is a Chartered Accountant. In case of assignments done by other professionals not being Chartered Accountants, it would also be a healthy practice to communicate.
 - **Lack of time in acceptance of Government Audits:** In case of audit of government Companies, banks or their branches, if appointment is made well in time to enable the obligation cast under this clause to be fulfilled, such obligation must be complied with before accepting the audit.

However, in case the time schedule given for the assignment is such that there is no time to wait for the reply from the outgoing auditor, incoming auditor may give a conditional acceptance of the appointment and commence the work which needs to be attended to immediately after he has sent the communication to the previous auditor in accordance with this clause.

In his acceptance letter, he should make clear to the client 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.

(i) Clause 9

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

- accepts an appointment as auditor of a company,
- without ascertaining whether requirements of Sec. 225 of Companies Act, 1956 (Secs. 139 & 140 of Companies Act, 2013 read with Sec. 141),
- in respect of such appointment have been duly complied with.

Aspects to be verified by Incoming Auditor to ascertain whether Company has complied with the provisions of Sec. 140 of the Companies Act

- Whether a member of the Company has given special notice of the resolution as required u/s 140(4) of the Companies Act, 2013. The notice shall be sent by members to the company not earlier than 3 months but at least 14 days 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.
- Whether special notice has been sent to all the members of the Company as required u/s 115 of Companies Act, 2013 at least 7 days before the date of the General Meeting.
- Whether special notice has been sent to the retiring auditor as required u/s 140(4).
- Whether representation received from the retiring auditor has been sent to the members of the Company as required u/s 140(4).
- Whether representation received from retiring auditor has been considered at general meeting and resolution proposed by the special notice has been properly passed at the general meeting.

(j) Clause 10

A CA in Practice shall be deemed to be guilty of professional misconduct if he:

- charges or offers to charge,
- accepts or offers to accept
- in respect of any professional employment,
- fee which is based on a % age of profits or
- which are contingent upon findings, or results of such employment,

Except as permitted under regulations.

NOTE:

- Fees will not be treated as contingent if fixed by a court or other public authority.

- **Regulation 192 (Restriction on Fees):** In respect of below mentioned cases fees may be fixed as specified below:
- (i) **In the case of receiver or liquidator:** On the basis of percentage of realisation or disbursement of assets.
 - (ii) **In the case of co-operative society:** On the basis of percentage of paid-up capital or working capital or gross/net income or profits.
 - (iii) **In the case of valuer for purposes of direct taxes and duties:** On the basis of percentage of value of property valued.
 - (iv) **In the case of management consultancy services:** on the basis of percentage which may be contingent upon the findings, or results of such work;
 - (v) **In the case of certain fund-raising services:** On the basis of a percentage of the fund raised;
 - (vi) **In the case of debt recovery services:** On the basis of percentage of the debt recovered.
 - (vii) **In the case of services related to cost optimisation:** On the basis of percentage of benefit derived; and
 - (viii) **Any other service or audit:** Following activities decided by Council for this clause:
 - Acting as Insolvency Professional
 - Non-Assurance Services to Non-Audit Clients

(k) Clause 11

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

- engages in any Business or occupation
- other than the profession of chartered accountant
- unless permitted by Council so to engage.

NOTE:

However, a member may become director (not being M.D. or Whole-time director) in a company provided he or any of his partner is not interested in such company as an auditor.

NOTE:

- (i) **Regulation 190A:** A CA in practice is not entitled to engage in any other business or occupation other than the profession of accountancy except with the permission of the Council.

Accordingly, the various occupations have been specified for which general permission is granted and the occupations for which specific and prior approval of council is required.

Occupations for which permission has been granted generally:

- Employment under C.A. in practice or firms of such CAs.
- Private tutorship.
- Authorship of Books /Articles.
- Holding of Life Insurance Agency license for limited purpose of Renewal Commission.

- Attending class and appearing for any exams.
- Holding of public elective offices such as MP or MLA.
- Honorary office of charitable - educational or other non-commercial institute.
- Notary public, Justice of peace, Special Executive Magistrate and like.
- Part time tutorship under coaching organisation of institute.
- Valuation of paper, acting as paper setter, head-examiner or moderator for any exam.
- Editorship of professional journal.
- Acting as Surveyor / Loss Assessor under Insurance Act.
- Acting as Recovery Consultant in the Banking Sector.
- Owning agricultural land and carrying out agricultural activity.

Occupations for which specific and Prior approval is required:

- Full time / Part time employment in Business concerns provided he/his relative do not hold substantial interest in such concerns. The Term relative means Husband, wife, brother or sister or any lineal ascendant or descendent.
- Full time / Part time employment in non-business concern.
- Office of Managing Director / 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.
- Interest in family business concerns.
- Interest in any educational institute.
- Part time / Full time lectureship for courses other than ICAI Examinations.
- Part time / Full time tutorship under any educational institution other than coaching organisation of institute.
- Editorship of journals other than professional journals.
- Any other Business / Occupation for which Executive Committee considers that permission may be granted.

(ii) **Acquiring interest in family business:** A member of the Institute can acquire interest in family business in any of the following manner:

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

It would be necessary for the members to provide evidence that interest in the family business concern devolved on him as a result of inheritance / succession / partition of the family business.

It is also necessary for the member to show that he was not actively engaged in carrying on the said business and that the family business concern in question was not created by himself.

(iii) **General permission (for private tutorship, and part-time tutorship under Coaching organisation of the Institute) and specific permission (for part-time or full-time tutorship under any educational institution other than Coaching organisation of the Institute)** is subject to the condition that the direct teaching hours devoted to such activities taken together should not exceed 25 hours in a week in order to be able to undertake attest functions.

(l) Clause 12

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

- a person not being a member of the institute in practice or
- a member not being his partner
- to sign on his behalf or on behalf of his firm,
- any Balance Sheet, P&L A/C, Report or Financial Statements

NOTE:

- The Financial Statements and the Reports referred to in this clause means the financial statements and reports as ultimately finalised and submitted to the outside authorities.
- Council has clarified that power to sign routine documents on which a professional opinion or authentication is not required to be expressed may be delegated and such delegation will not attract provisions of this clause. Examples of such instances are:
 - (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 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 Sec. 288 of Income-tax Act.
 - Any other matter incidental to the office administration and routine work involved.

First Schedule (Part II - Professional Misconduct in relation to Members in Service)

(a) Clause 1

A CA in service is guilty of professional misconduct if he:

- Pays or allows or agrees to pay
- Directly or indirectly to any person
- Any share in the emoluments of the employment undertaken by him.

(b) Clause 2

A CA in service is guilty of professional misconduct if he: Accepts or agrees to accept

- Any part of fees, profits or gains from
- A lawyer, a CA 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.

First Schedule (Part III - Professional Misconduct in relation to Members Generally)

(a) Clause 1

A CA is deemed to be guilty of professional misconduct if he not being a fellow of the Institute but acts as a fellow of the Institute.

(b) Clause 2

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

- does not supply the information called for, or
- does not comply with the requirements asked for by
- The Institute, Council or any of its committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the appellate authority.

(c) Clause 3

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

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

First Schedule (Part IV - Other Misconduct in relation to Members Generally)

(a) Clause 1

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

(b) Clause 2

A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work.

Second Schedule (Part I - Professional Misconduct in relation to Members in Practice)

(a) Clause 1

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

- discloses the 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.

NOTE:

Access to Working Papers:

- An auditor is not required to provide the client or other auditors of the same enterprise or its related enterprise such as a parent or a subsidiary, access to his audit working papers.
- The Principal Auditor of an enterprise do not have right of access to the audit working papers of the branch auditors.
- An auditor can rely on the work of another auditor, without having any right of access to the audit working papers of the other auditor.
- **There is a difference between sharing of working papers and sharing of information. So far as the information is concerned, member can provide the same to the client or to a Regulatory body after obtaining the consent of the client.**

(b) Clause 2

A CA In practice shall be deemed to be guilty of professional misconduct if he :

- certifies or submits in his name or in the name of his firm
- a report of an examination of financial statements
- unless the examination of such statements and the related records has been made by
 - (i) him or
 - (ii) by a partner or
 - (iii) an employee in his firm or
 - (iv) by another CA in practice.

(c) Clause 3

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

- 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.

NOTE:

Participation in preparation of forecasts & their review: SAE 3400 “The Examination of Prospective Financial Information” allows to a member to review the prospective financial information subject to following conditions:

- He indicates the source of information.

- He indicates the basis of forecasts.
- He gives in his report the major assumptions made in arriving at the forecasts.
- He does not vouch for the accuracy of the forecasts.

(d) Clause 4

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

- 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.

NOTE:

- (i) The words “**Financial Statements**” used in this clause would cover both reports and certificates usually given after an examination of the accounts or the F.S. or any attest function under any statutory enactment or for purposes of income-tax assessments. This would not, however, apply to cases where such statements are prepared by members in employment purely for the information of their respective employers in the normal course of their duties and not meant to be submitted to any outside authority.
 - (ii) Member must take care to see that they do not land themselves in situations where there could be conflict of interest and duty.
 - (iii) Council has decided not to permit a CA in employment to certify the F.S. of the concern in which he is employed, or of a concern under the same management as the concern in which he is employed, even though he holds COP and that such certification can be done by any CA in practice. Council has also decided that a CA should not by himself or in his firm name:
 - Accept the Auditorship of a college, if he is working as a part-time lecturer in the college.
 - Accept the Auditorship of a Trust where his partner is either an employee or a trustee of the Trust.
 - (iv) Requirements of Clause (4) are equally applicable while performing all types of attest functions by the members.
 - (v) Sec. 141 of Companies Act, 2013 also prohibits a member from auditing the accounts of a company in various situations.
 - (vi) A member of the Institute cannot express the opinion in the following cases:
 - Where the member himself is owner / partner of concerned business.
 - Where partner / relative of member has substantial interest in concerned business.
 - Where the member himself or his partner or relative is a director or in the employment of an officer or an employee of the company.
 - (vii) Members are not permitted to write books of account of their auditee clients.
 - (viii) A statutory auditor cannot be the internal auditor of the same entity.
 - (ix) An internal auditor cannot be the tax auditor / GST Auditor of the same entity.
- 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.

(e) Clause 5

A CA in Practice shall be deemed to be guilty of professional misconduct if he:

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

(f) Clause 6

A CA in Practice shall be deemed to be guilty of professional misconduct if he:

- fails to report a material misstatement
- known to him
- to appear in a financial statement
- with which he is concerned in a professional capacity.

(g) Clause 7

A CA in Practice shall be deemed to be guilty of professional misconduct if he:

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

NOTE:

(i) **Due Diligence:** It implies that work should be performed with skill, care and caution.

(ii) **Gross Negligence:** It implies negligence of high degree, either arising out of reckless or deliberate failure to act honestly and reasonably on a material matter.

(iii) **Examples of Gross negligence:**

- Failure to check the bank balances with the pass books of the banks and to obtain certificates of balances from the bankers in respect of those balances.
- Issuing clean reports on the balance sheets whereas the reports on the special audit conducted subsequently revealed certain irregularities which amounted to failure to examine the pass book and to verify the cash balance.
- Not completing his work relating to the audit and non-submission of audit report in due time to enable the company to comply with the statutory requirement in this regard.
- Issuing wrong consumption certificate in respect of raw material and components without examination of stock register and other relevant matters.
- Accepting arbitrary valuation of closing stock without any verification.

(h) Clause 8

A CA in Practice shall be deemed to be guilty of professional misconduct if he:

- 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.

(i) Clause 9

A CA in Practice shall be deemed to be guilty of professional misconduct if he:

- fails to invite attention to any material departure

- from the generally accepted procedure of audit applicable to the circumstances.

NOTE:

- (i) If the auditor fails to perform the audit as per generally accepted procedures and standards, his report should draw attention to the material departure from such procedures.
- (ii) Failure to perform certain statutory functions and duties is not excused merely by giving a qualification or reservation in auditor's report. On failure he should clearly indicate reasons for failure to perform audit as per generally accepted procedures and standards.
- (iii) What constitutes "generally accepted audit procedure" would depend upon the facts and circumstances of each case, but guidance is available from the various pronouncements of the Institute issued from time to time by way of Engagement and Quality Control Standards, Statements, General Clarifications, Guidance Notes Technical Guides, Practice Manuals, Studies and Other Papers.
- (iv) **Audit of Listed Companies:** Pursuant to SEBI Notification, Statutory Audit of Listed Companies under the Companies Act, 2013 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.
- (v) **FRN and Membership No.:** Members are required to mention the Membership number and Firm registration number to all reports issued pursuant to any attestation engagements, including certificates, issued by them as proprietor of / partner in the said firm.
- (vi) **Unique Document Identification Number (UDIN):** Member in practice shall generate Unique Document Identification Number (UDIN) for all kinds of the certification, GST and Tax Audit Reports and other Audit, Assurance and Attestation functions undertaken / signed by him.

(j) Clause 10

A CA in Practice shall be deemed to be guilty of professional misconduct if he:

- 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.

NOTE:

In connection with compliance of Clause 10, Council has considered some practical difficulties of the members and the following suggestions have been made to remove these difficulties:

- (i) An advance received by a Chartered Accountant against services to be rendered does not fall under Clause (10) of Part I of the Second Schedule.
- (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 need not be put in a separate bank account. For this purpose, the expression reasonably short time, would depend upon the circumstances of each case.
- (iii) Moneys received for expenses to be incurred which are not intended to be spent within a reasonably short time as aforesaid, should be put in a separate bank account immediately.
- (iv) Moneys received by a Chartered Accountant, in his capacity as trustee, executor, liquidator, etc. must be put in a separate bank account immediately.

Second Schedule (Part II - Professional Misconduct in relation to Members Generally)

(a) Clause 1 *This Clause can be used in all the answers*

A member of the Institute shall be deemed to be guilty of professional misconduct if he contravenes any of:

- the provisions of this Act or
- the Regulations made there under or
- the Guidelines issued by the Council.

NOTE 1:

The Regulations under which cases of contravention have generally come to the notice of the Council are the following:

Regulation 47	Premium from Articled Clerks - prohibited
Regulation 48	Stipend to Articled Clerks-stipend to be paid on monthly basis.
Regulation 190A	Chartered Accountants not to engage in any other business or occupation (Refer Clause 11, Part I of First Schedule)
Regulation 192	Restriction on fees (Refer Clause 10 of Part I of First Schedule)

NOTE 2:

- Entering into an agreement to pay the articles clerk on annual basis, results into violation of Regulation 48.
- Accepting a loan from an article in case of engagement of the article results into violation of Regulation 47.

(b) Clause 2

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,
- discloses confidential information acquired in the course of his employment
- except as and when required by any law or except as permitted by the employer.

(c) Clause 3

A member of the Institute shall be deemed to be guilty of professional misconduct if he :

- 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.

(d) Clause 4

A member of the Institute shall be deemed to be guilty of professional misconduct if he defalcates or embezzles money received in his professional capacity.

Second Schedule (Part III - Other Misconduct in relation to Members Generally)

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

Council General Guidelines, 2008

I. Preliminary

These guidelines shall be applicable to all Members of Institute whether in practice or not.

II. Conduct of a Member being an Employee

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

III. Maintenance of books of account

A member of the Institute in practice or the firm of CAs of which he is a partner, shall maintain and keep in respect of his / its professional practice, proper books of account including the following:

- a Cash Book; and
- a Ledger.

IV. Tax Audit assignments u/s 44 AB of the Income-tax Act 1961

- A Practicing CA shall not accept, in a financial year, more than the “specified number of tax audit assignments” u/s 44AB of the Income-tax Act, 1961.
- In case of a firm of CAS in practice, the “specified number of tax audit assignments” shall be construed as specified number for every partner of the firm.
- Where any partner of the firm is also a partner of any other firm, number of tax audit assignments which may be taken for all the firms together in relation to such partner shall not exceed the “specified number” in the aggregate.
- Where any partner of a firm of CAs accepts one or more tax audit assignments in his individual capacity, total number of such assignments which may be accepted by him shall not exceed the “specified number” in the aggregate.
- Audits conducted u/ss 44AD, 44ADA and 44AE of the Income-tax Act, 1961 shall not be taken into account for the purpose of reckoning the “specified number”.
- “The specified number of tax audit assignments” means:
 - In case of a CA in practice or proprietary firm of CA, 60 tax audit assignments, in a financial year, whether in respect of corporate or non-corporate assessees,
 - In case of firm of CAs in practice, 60 tax audit assignments per partner in firm, in a financial year, whether in respect of corporate or non-corporate assessees.
 - In computing the “specified number” each year’s audit would be taken as a separate assignment.
 - Audit of head office & branch office of a concern shall be regarded as one assignment.
 - Audit of one or more branches of same concern by one CA in practice shall be construed as only one assignment.
 - A CA being a part time practicing partner of a firm shall not be taken into account for the purpose of reckoning the tax audit assignments of the firm
 - 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.

NOTE:

- (i) Tax Audit Report accepted by the firm of Chartered Accountants can be signed by any partner on the behalf of the firm.
- (ii) **For example**, if there are 10 partners in a firm of CAs in practice, then all the partners of the firm can collectively sign 600 tax audit reports. This maximum limit of 600 tax audit assignments may be distributed between the partners in any manner whatsoever. For instance, 1 partner can individually sign 600 tax audit reports in case remaining 9 partners are not signing any tax audit report.

V. Appointment of an Auditor in case of non-payment of Undisputed fees

- A member of the Institute in practice shall not accept appointment as auditor of an entity in case undisputed audit fee of another CA for carrying out the statutory audit under the Companies Act, 2013 or various other statutes has not been paid.
- In the case of sick unit, the above prohibition of acceptance shall not apply.
- Provision for audit fee in accounts signed by both - the auditee and the auditor along with other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as “undisputed” audit fee.
- “Sick unit” shall mean a unit registered for not less than 5 years, which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

VI. Specified number of audit assignments

- A Practicing CA shall not hold at any time appointment of more than the “specified number of audit assignments” of Companies u/s 141 of the Companies Act, 2013.
- In case of a firm of CAs in practice, the “specified number” shall be construed as the specific number for every partner of the firm.
- Where any partner of firm of CAs in practice is also a partner of any other firm or firms of CAs in practice, the number of audit assignments which may be taken for all the firms together in relation to such partner shall not exceed the “specified number” in the aggregate.
- Where any partner of a firm or firms of CAs in practice accepts one or more audit of Companies in his individual capacity, or in the name of his proprietary firm, total number of such assignments which may be accepted by all firms in relation to such CA and by him shall not exceed the “specified number” in the aggregate.
- For this purpose, the “specified number of audit assignments” means:
 - (i) In the case of a CA in practice or a proprietary firm of CA, 30 audit assignments whether in respect of private Companies or other Companies, with the exception of OPC and dormant companies.
 - (ii) In the case of firm of CAs in practice, 30 audit assignments per partner in the firm, whether in respect of private Companies or other Companies, with the exception of OPC and dormant companies.
- In computing “specified number” number of audit of such Companies, which he or any partner of his firm has accepted whether singly or in combination with any other CA in practice or firm of such CAs, shall be taken into account.

- Audit of the head office and branch offices of a Company by one CA or firm of such CAs in practice shall be regarded as one audit assignment.
- Audit of one or more branches of the same Company by one CA in practice or by firm of CAs in practice in which he is a partner shall be construed as one assignment only.
- Number of partners of a firm on date of acceptance of audit shall be considered.
- A CA in practice, whether in full-time or part-time employment elsewhere, shall not be counted for purpose of determination of “specified number”.
- A CA being a part time practicing partner of a firm shall not be taken into account for the purpose of reckoning the audit assignments of the firm.
- A CA in practice as well as firm of CAs in practice shall maintain a record of the audit assignments accepted by him or by the firm, or by any of the partners of the firm in his individual name or as a partner of any other firm.

VII. Appointment as Statutory auditor

- A Practicing CA shall not accept appointment as statutory auditor of PSU/Govt. Company/Listed Company & other Public Companies having turnover of ₹50 Crores or more in a year where he accepts any other work or assignment or service in regard to the same undertaking/company on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same undertaking/company.
- This restriction shall apply in respect of fees for other work/service or assignment payable to the statutory auditors and their associate concern(s) put together.
- For this purpose, term “other work” or “service” or “assignment shall include Management Consultancy and all other professional services permitted by the Council pursuant to Sec. 2(2)(iv) of the CA Act, 1949 but shall not include :
 - (i) Audit under any other statute;
 - (ii) Certification work required to be done by the statutory auditors, and
 - (iii) Any representation before an authority.

NOTE:

Applicability of these guidelines seems to be redundant in case of companies as Sec. 144 of Companies Act, 2013 prohibits an auditor of the company from rendering certain services including management services directly or indirectly to the Company or its holding company or its subsidiary company.

VIII. Appointment of an auditor when he is indebted to a concern

A Practicing member or a partner of a firm in practice or a firm or a relative of such member or partner shall not accept appointment as auditor of a concern while indebted to the concern or given any guarantee or provided any security in connection with the indebtedness of any third person to the concern,

- for limits fixed in the statute and
- in other cases, for amount exceeding ₹1,00,000.

IX. Directions in case of unjustified removal of auditors

A Practicing member shall follow the direction given, by the Council or an appropriate Committee or on behalf of any of them, to him being the incoming auditor not to accept the appointment as auditor, in the case of unjustified removal of the earlier auditor.

X. Minimum Fees

Repealed by Council

XI. Guidelines on Tenders

- A Practicing member shall not respond to any tender issued by an organisation or user of professional services in areas of services which are exclusively reserved for CAs, such as audit and attestation services.
- However, such restriction shall not be applicable where minimum fee of the assignment is prescribed in the tender document itself or where the areas are open to other professionals along with the CAs.

XII. UDIN Guidelines

A member of the Institute in practice shall generate Unique Document Identification Number (UDIN) for all kinds of the certification, GST and Tax Audit Reports and other Audit, Assurance and Attestation functions undertaken/signed by him which made mandatory from the following dates through announcements published on the website of the ICAI www.icaai.org at the relevant time:

- For all Certificates w.e.f. 1st February, 2019.
- For all GST and Tax Audit Reports w.e.f. 1st April, 2019.
- For all other Audit, Assurance and Attestation functions w.e.f. 1st July, 2019.

XIII. Logo Guidelines

- Logo consists of letter 'CA' with a tick mark inside a rounded rectangle with white background.
- Letters CA have been put in blue, the corporate colour which not only stands out on the background but also denotes creativity, innovativeness, knowledge, integrity, trust, truth, stability and depth.
- Upside down tick mark typically used by CAs, has been used to symbolise the wisdom and value of the professional.
- Green colour in the tick mark signifies growth, prosperity, harmony and freshness.
- Members are encouraged to use the new logo, as published in the guidelines. Do not change the design and colours, including the white background. Refrain from rotating or tilting the logo.

XIV. Guidelines for Corporate Form of Practice

Members in practice can render Management Consultancy and Other Services in Corporate form, subject to the guidelines.

Members in practice may hold the office of MD, WTD or Manager of a body corporate within the meaning of Companies Act provided that body corporate is engaged exclusively in rendering Management Consultancy and Other Services permitted by the Council in pursuant to Sec. 2(2)(iv) of the CA Act, 1949 and complies with the following conditions:

(a) Name

Management Consultancy Company (MCC) shall have a distinct name which shall be approved the Institute.

(b) Registration

After approval of the name, company is required to be registered with the Institute.

(c) Ethical Compliance

- Once MCC is Registered with the Institute as per the Guidelines, it will be necessary to comply with the following requirements:
 - (i) If the individual practitioner / sole proprietorship firm / partnership firm is statutory auditor of an entity then the MCC should not accept the internal audit or book-keeping or such other professional assignments, which are prohibited for the statutory auditor firm.
 - (ii) Ceiling on non-audit fees is applicable in relation to an MCC.
 - (iii) MCC shall comply with clauses (6) & (7) of Part I of the First Schedule to the CA Act, 1949 and other directives as issued by the Institute.
- MCC shall give an undertaking that it shall comply with clauses (6) & (7) of Part-1 of the First Schedule to the CA Act, 1949 and other directives as issued by the Institute.

(d) Object of MCC

MCC shall engage itself only in Management Consultancy & Other Services. MCC shall give an undertaking that it shall render only Management Consultancy & Other Services prescribed by Council pursuant to powers u/s 2(2)(iv) of the CA Act, 1949.

Council Guidelines for Advertisement, 2008

(a) Online Third Party Platforms

- A CA may provide advisory services on taxation and other areas through websites of others. No other service, can be rendered through such websites.
- This is subject to the condition that on the Website, contact address of the CA is not provided nor such Website will contain any material which advertises professional achievements or status of such CA except making a statement that they are CAs.
- The name of CA firm with suffix “Chartered Accountants” would not be permitted.

(b) Publication of Name or Firm Name in the Telephone or other Directories

CAs and CA Firms may have entries made in a Telephone Directory (in printed and electronic form) either by making a special request or by means of an additional payment, subject to following restrictions:

- (i) Entry should not appear in any other section/category except that of CAs.
- (ii) Member / firm should belong to town/city in respect of which directory is being published.
- (iii) Order of the entries should not be in any manner other than alphabetical.
- (iv) Entry should not be made in a differential or prominent manner giving the impression of publicity / advertisement.
- (v) Entries should not be restricted and should be open to all the CAs/firms of CAs in the particular city/town in respect whereof the directory is published.
- (vi) Members can also include their names in trade/social directories.

(c) Application based Service provider Aggregators

It is not permissible for members to list themselves with online Application based service provider Aggregators, wherein other categories like businessmen, technicians, maintenance workers, event organisers etc. are also listed.

(d) Specialised Directories for Limited Circulation

- Name, description and address of member (or firm) may appear in any directory or list of members of a particular body in which the names are listed alphabetically.
- For a specialised directory or a publication such as a “Who’s Who” (including those compiled on purely local basis), a member should use his discretion in supplying information, bearing in mind the nature and purpose of the publications.
- In addition to his name, description and address and those of his firm, a member may give where appropriate, directorships held and reasonable personal details and may state his outside interests. He should not, however, give the names of any of his clients.

(e) Exemptions

- A special exemption has been made as regards publication of name and address of a member or that of his firm, with the description CAs, in an advertisement appearing in press in following circumstances, provided that advertisement is not displayed more prominently or name of member

or firm with the designation CAs appears in type not bolder than the substance of the advertisement:

- (i) Advertisement for recruiting staff in the member's own office.
 - (ii) Advertisement inserted on behalf of clients requiring staff or wishing to acquire or dispose of business or property.
 - (iii) Advertisement for the sale of a business or property by a member acting in a professional capacity as trustee, liquidator or receiver.
- When advertising for staff, it is desirable that members should avoid the expression such as "a well-known firm", since this would savour of advertisement.

Self-Regulatory Measures

(a) Branch Audits

- The Branch audits of a company should not be conducted by its statutory auditors consisting of \geq 10 members, but should be conducted by local firms consisting of $<$ 10 members.
- This should not be understood to mean any restriction on the right of the statutory auditors to have access over branch accounts conferred under the Companies Act, 2013.
- This restriction may not apply in the following cases.
 - (i) Where accounting records of branches are maintained at the H.O., and
 - (ii) Where significant operations of an undertaking or a company are carried out at its branch office.

(b) Joint Audit

- In case of large companies, the practice of associating a practicing firm with $<$ 5 members as Joint auditors should be encouraged.
- Where a client desires to appoint such a firm as joint auditor, senior firm should not object.

(c) Ratio Between Qualified and Unqualified Staff

A practicing firm of CAs engaged in audit work should have at least one member for every five non-qualified members of the staff, excluding articled and audit assistants, typists, peons and other persons not engaged directly in such professional work.

(d) Disclosure of Interest by Auditors in other Firms

Council has decided that as a good and healthy practice, auditors should make a disclosure of the 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.

(e) Recommended Minimum Scale of Fees

- Institute has issued revised Minimum scale of Fees for the professional assignments of the members of ICAI.
- Recommended scale of Fees is to be charged as per the work performed for various professional assignments.

Requirements as to Disclosure of Fees to ICAI:

(1) Disclosure requirements

- (i) **For non-public Interest Entities:** Disclosure is required where for 2 consecutive years, gross annual professional fees from an audit client represents > 40% of the total fees of the firm.
- (ii) **For Public Interest Entities (PIE):** Disclosure is required where for 2 consecutive years, gross annual professional fees from an audit client represents > 20% of the total fees of the firm.

NOTE:

Here Public Interest Entity means Listed Entities, Banks and Insurance Companies.

(2) Exemptions from Disclosure

- (i) If total Fees received by Firm does \geq ₹20 lakh.
- (ii) Audit of Government Companies, public undertakings, nationalised banks, PFI or regulators.
- (iii) Appointments of auditors made by Government.

Recent Decisions of Ethical Standard Board

1. A Practicing CA can become a member of 'Board of Management in Primary (Urban) Co-operative Banks as there is no involvement in day-to-day functioning and only sitting fees for services rendered are provided.
2. Member in practice cannot act as Trademark or Patent Attorney. However, Professional advice in relation to IPR is a routine professional work and hence permissible.
3. A member in practice cannot accept statutory audit of a society wherein immediate family member i.e., spouse or dependent, hold honorary position in managing committee of the institutes governed by the society.
4. Provision relating to limit of indebtedness under Chapter X of Council General Guidelines, 2008 shall apply only to statutory audits.
5. A CA Firm may register itself on Udyog Aadhar, a web portal of Ministry of MSME.
6. There is no prohibition for internal auditor to acquire/purchase shares of Company.
7. It is not permissible for a member to use Messaging Applications to send messages to make people aware about his practice, and mention the services provided therein.
8. A Practicing CA being Director *Simplicitor* in a Company cannot sign ROC Forms of Company as it is a direct conflict of role.
9. A Practicing CA can act as Authorized Representative of a Foreign Company, provided he is not the auditor of the said Company.
10. It is permissible for two or more CAs in practice collectively to have joint training session for their clients on GST, and share the fees collected from the clients thereof.
11. A Practicing CA can provide services through kiosk only if services provided are professional activities, permitted under the Act.

12. A CA in service is allowed to take e-return registration if it does not conflict with employment obligation. However, he cannot certify the return.
13. If a Practicing CA is a non-executive director in a company, he or his Firm, should not accept appointment as a statutory auditor of a Company which is a joint venture of original Company, as it would impact independence.
14. A Practicing CA may be an equity research adviser, but he cannot publish retail report, as it would amount to other business or occupation.
15. There is no conflict of interest if a CA, who is a member of a Trust, is also the auditor of the said trust, provided there is no such prohibition under the statute or otherwise where there is conflict of Interest as per provisions of Code of Ethics.
16. A Practicing CA may engage himself as Registration Authority (RA) for obtaining digital signatures for clients.
17. A CA can hold credit card of a bank when he is also the auditor, provided outstanding balance on the said card does not exceed ₹1,00,000 beyond the prescribed credit period limit on credit card.
18. A Practicing CA can act as mediator in Court, as it would be deemed to be covered within meaning of “arbitrator”; which is permitted as per Regulation 191.
19. A Practicing CA 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.
20. Statutory auditor/tax auditor cannot be the valuer of unquoted equity shares of the same entity, if prohibited under statute; but where there is no specific restriction under any law, said eventuality will be permissible, subject to compliance of independence provisions, as contained in the Code of Ethics.
21. A member who has been Director of a Company, upon resignation from the Company may be appointed as auditor of the said Company after cooling period of 2 years.
22. A Practicing CA cannot become Financial Advisors and receive fees/commission from Financial Institutions such as Mutual Funds, Insurance Companies, NBFCs etc.
23. A CA cannot exercise lien over the client documents/records for non-payment of his fees.
24. It is not permissible for CA Firm to print its vision and values behind the visiting cards, as it would result in solicitation and therefore would be violative of Clause (6), Part-1 of First Schedule.
25. It is not permissible for chartered accountants in practice to take agencies of UTI, GIC or NSDL.
26. It is permissible for a member in practice to be a settlor of a trust
27. A member in practice cannot hold Customs Brokers Licence u/s 146 of Customs Act, 1962 read with Customs Brokers Licensing Regulations, 2013 in terms of the provisions of Code of Ethics.
28. A CA 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.

- 29.** A CA who is statutory auditor of a bank cannot for same financial year accept stock 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
- 30.** 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.
- 31.** Concurrent auditor of bank 'X' cannot be appointed as statutory auditor of bank 'Y', which is sponsored by 'X'.
- 32.** A CA / CA Firm can act as the internal auditor of a company & statutory auditor of its employees PF Fund.
- 33.** Resident Director u/s 149(3) of the Companies Act, 2013 would be within scope of Director Simplicitor, if he is non-executive director, required in the Board Meetings only, and not paid any remuneration except for attending such Board Meetings.