



CODE OF ETHICS OF ICAI

-A STUDY



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ETHICS VS. PROFESSIONAL ETHICS



- ❑ “The moral principle that governs a person’s behaviour or how an activity is conducted”
- ❑ It is a branch of knowledge that deals with moral principles.

- ❑ Professional ethics consists of personal, organizational and corporate standards of behaviour expected for professionals.
- ❑ Like other professionals, CAs also have set of code of ethics.



CODE OF ETHICS – ITS NECESSITY

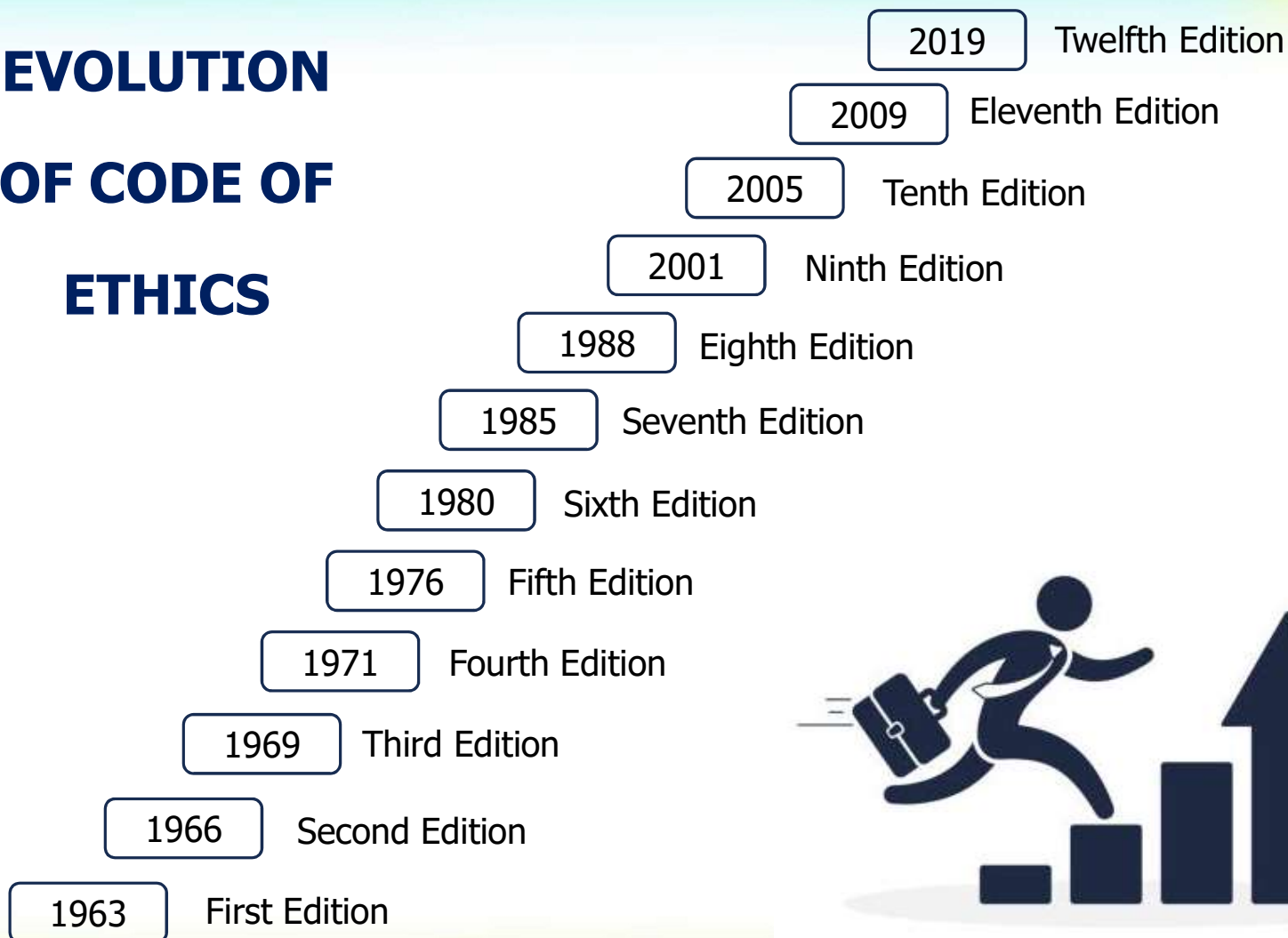
- ❑ It is a set of laws/ rules of acceptable behaviour.
- ❑ The whole foundation of any profession, particularly CA profession, is its **credibility**.
- ❑ The sole purpose of code of ethics is to ensure and uphold its credibility.



Ya Esha Supteshu Jagrati – awakening when the world is asleep



EVOLUTION OF CODE OF ETHICS





2009 edition vs. Revised edition 2019

Code of Ethics, 2009

- ✓ It has two parts.
- ✓ Part A- Based on IFAC/IESBA Code of Ethics, 2005 edition, contains 3 chapters.
- ✓ Part B - Based on domestic Indian provisions, contains 4 chapters and appendices.

Code of Ethics, 2019

- ✓ It has three volumes.
- ✓ Volume I - Derived from the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, 2018
- ✓ Volume II - Based on the Chartered Accountants Act, 1949 based on domestic provisions
- ✓ Volume III - Case Law Referencer.

SIGNIFICANT CHANGES

Feature	2009 Code	Revised – 2019 Code
Focus	Rule-based, emphasizing compliance with specific regulations	Principle-based, emphasizing professional judgment and ethical reasoning
Language and clarity	Language and structure could be complex and challenging to navigate	More concise and clear language, with improved organization of the code for easier reference
Independence	Focus on independence in audit and assurance engagements	Expanded scope to cover all professional services
Conflicts of interest	Specific rules on prohibited relationships and transactions	Principle-based approach with more emphasis on identifying and managing potential conflicts
Confidentiality	Strict confidentiality obligations with limited exceptions	More nuanced approach balancing confidentiality with “public interest” disclosure requirements
Fees and commissions	Rules on disclosure and reasonableness of fees	Emphasis on transparency and avoiding conflicts of interest through fees
Technology	Limited guidance on technology use	Specific provisions on data privacy, cybersecurity, and use of technology in professional engagements

SIGNIFICANT CHANGES

Feature	2009 Code	Revised – 2019 Code
International Standards	Reference taken from International Federation of Accountants (IFAC) Code of Ethics	Full convergence with IFAC Code of Ethics for enhanced global consistency
Enforcement mechanisms	Primarily disciplinary action by ICAI	Expanded range of enforcement mechanisms, including peer review, mediation, and public censure.
Specific rules and guidance	More detailed specific rules and interpretations	Reduced emphasis on specific rules, favoring broader principles and case-by-case application
Corporate Governance	General principles of corporate governance	Dedicated section on corporate governance with specific standards for members involved in corporate governance activities.
NOCLAR	No such provision	Responding to Non-compliance of Laws and Regulations (NOCLAR)
Management responsibilities	No such provision	Prohibition on Management Responsibilities to the audit clients
Fees	Recommendatory 40% restriction on Fees from an audit client	15 % restriction on Fees from single client – only if its is consecutively for 2 years – and duty only to communicate to TCWG .



REVISED CODE OF ETHICS, 2019

Revised Code of Ethics has been made applicable from 1st July 2020 and has been divided into 3 parts.

Volume 1

It has been derived from the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, 2018 issued by the International Federation of Accountants (IFAC).

Volume 2

It is based on the Chartered Accountants Act, 1949 based on domestic provisions governing the Chartered Accountants.

Volume 3

Case Law Referencer and incorporates all the decided/published case laws of both the Schedule till 1st April 2019.



FUNDAMENTAL PRINCIPLES OF CODE OF ETHICS

Integrity

Objectivity

**Professional
competence and
due care**



Confidentiality

**Professional
behaviour**





RELEVANCE OF CODE OF ETHICS

A professional Accountant shall comply with the code.

Non-compliance of the code is deemed as professional misconduct.

The revised SA 700 on Auditor's report expressly states as below,

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the **Code of Ethics** issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the **Code of Ethics**. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

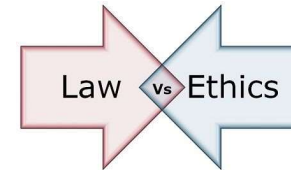
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OVERVIEW OF CODE OF ETHICS

The Code contains sections which address specific topics and also paragraphs elaborating those topics. Each section of the Code is structured, as follows:

- a) Introduction
- b) Requirements
- c) Application material



There might be circumstances where laws or regulations preclude an accountant from complying with certain parts of the Code.

In such circumstances, those **laws and regulations prevail**, and the accountant shall comply with all other parts of the Code.



GENERAL APPLICATION OF THE CODE – THREATS AND SAFEGUARDS

THREATS

- Self Interest threats
- Self-Review threats
- Advocacy threats
- Familiarity threats
- Intimidation threats



SAFEGUARDS



- ✓ Education, training and experience
- ✓ CPE
- ✓ Corporate Governance
- ✓ Professional Standards
- ✓ Regulatory monitoring and disciplinary mechanism
- ✓ Internal/ External Review



NON-COMPLIANCE WITH LAWS AND REGULATIONS (NOCLAR)

A professional accountant may come across instances of non-compliance with laws and regulations (NOCLAR) are committed or about to be committed by the client
(FS Part 3 clause 1, SS Part 1 clause 5,6, Part 2 clause 3)

Examples

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



OBJECTIVE AND APPLICABILITY OF NOCLAR

OBJECTIVE

The objective of NOCLAR is that – turning a blind eye to potential NOCLAR is not an appropriate response from professional accountants, while placing renewed emphasis on the roles of management and TCWG in addressing the matter.

APPLICABILITY

The Institute has restricted applicability of NOCLAR to Audits assignment of listed entities (in case of members in practice) and for the members in service applicability has been restricted to employees of listed entities only.



RESPONDING AND DOCUMENTATION TO NOCLAR

INCASE OF EMPLOYMENT AND PRACTICE

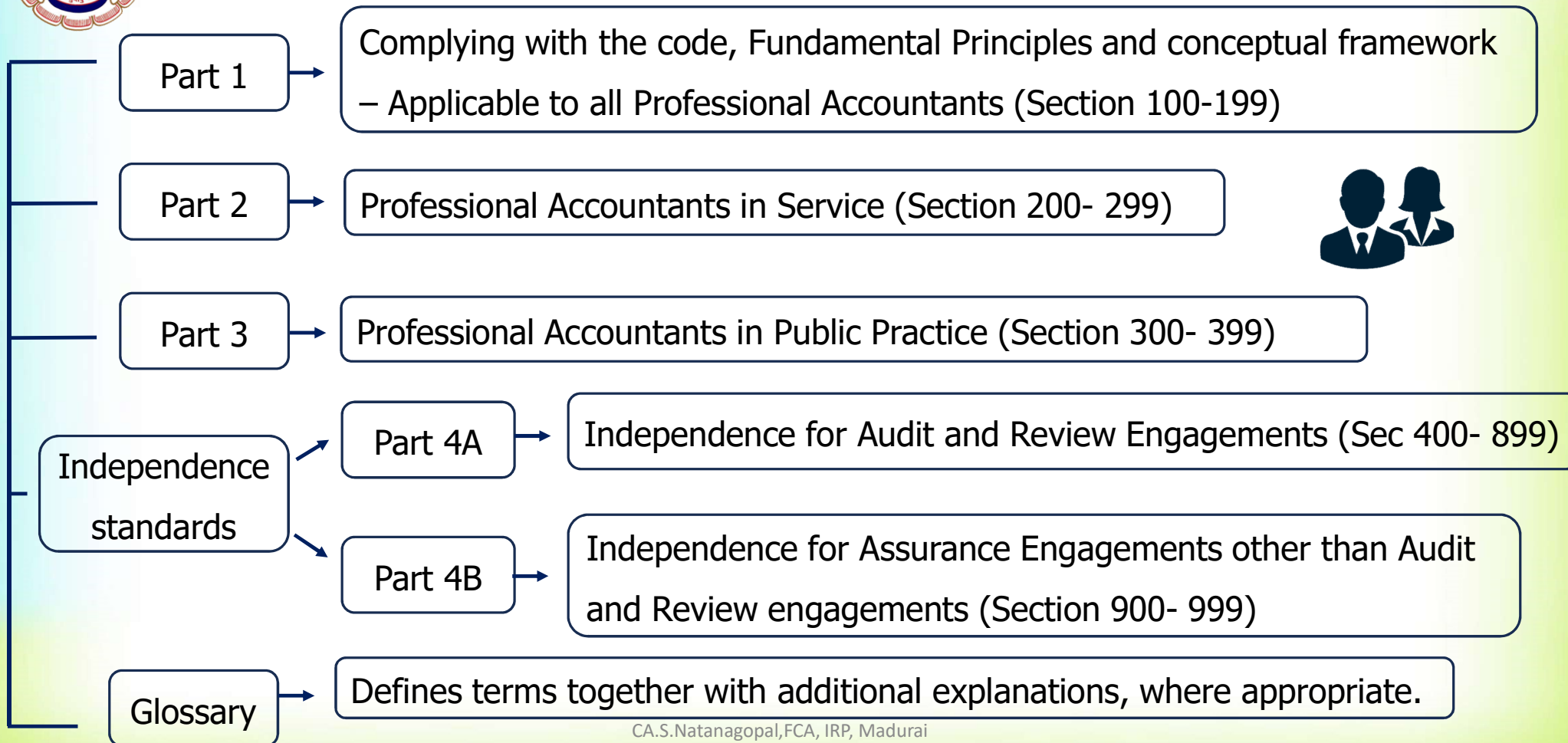
- ✓ Obtaining an understanding of the matter
- ✓ Addressing the matter
- ✓ Seeking advice
- ✓ Determining whether further action is needed
- ✓ Determining whether to disclose the matter to an appropriate authority
- ✓ Imminent breach
- ✓ Documentation

DOCUMENTATION

- Obtaining an understanding of the matter
- ✓ How management/TCWG have responded to the matter.
- ✓ The course of action the accountant considered, the judgements made and the decisions that were taken.
- ✓ How the accountant is satisfied that the responsibility of the public interest has been fulfilled.



STRUCTURE OF CODE OF ETHICS – VOLUME 1



Part 2 – M in S		Part 3 – M in PP	
Section	Particulars	Section	Particulars
200	Conceptual framework	300	Conceptual framework
210	Conflicts of interest	310	Conflicts of Interest
220	Preparation and presentation of information	320	Professional appointments
230	Acting with sufficient expertise	321	Second Opinions
240	Financial Interests, Compensation and Incentives linked to financial reporting and decision making	330	Fees and Other Types of Remuneration (Also referred in Part 1 Clause 1 to 12 of CA Act)
250	Inducements, including gifts and hospitality	340	Inducements, including gifts and hospitality.
260	Responding to NOCLAR	350	Custody of Client assets
270	Pressure to Breach the Fundamental Principles	360	Responding to NOCLAR



VOLUME 2 - SCHEDULES TO CHARTERED ACCOUNTANTS ACT, 1949

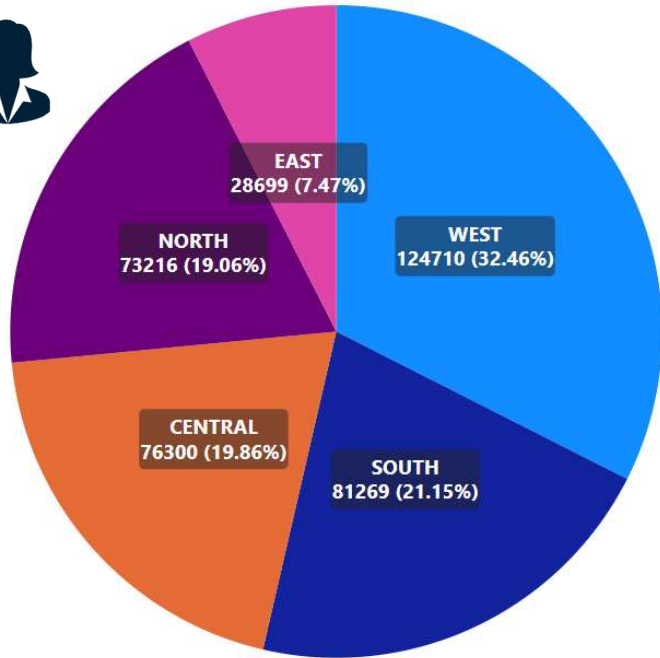
According to Section 22 of the Act, the expression "professional or other misconduct" shall be deemed to include any act or omission provided in any of the Schedules. A member is liable to Disciplinary Action u/s 21, if he is found guilty of any professional or other misconduct.

Schedule	Part	Particulars	No. of Clauses
First	I	Professional misconduct of members in practice	12
	II	Professional misconduct of members in service	2
	III	Professional misconduct of members generally	3
	IV	Other misconduct of members generally	2
Second	I	Professional misconduct of members in practice	10
	II	Professional misconduct of members generally	4
	III	Other misconduct of members generally	1

Areas	M in PP	M in S	All CAs
Fees and profits sharing and commission arrangements	Part I of First Schedule – Clause 2, 3	Part II of First Schedule – Clause 1, 2	-
Advertisement	Part I of First Schedule – Clause 6, 7	-	-
Confidentiality	Part I of Second Schedule – Clause 1	Part II of Second Schedule – Clause 2	-
Non-compliance of Council's requirements	-	-	Part III of First Schedule – Clause 2 Part II of Second Schedule – Clause 3
Guilty for any civil or criminal offence	-	-	Part IV of First Schedule – Clause 1 Part III of Second Schedule – Clause 1



ACTIVE MEMBERS STATISTICS AS ON 30.11.2023



Region	No COP	Members with COP	No. of members
North	43 076	30 140	73 216
South	49 325	31 944	81 269
East	16 438	12 261	28 699
West	76 324	48 386	1 24 710
Central	42 956	33 344	76 300
Total	2 28 119	1 56 075	3 84 194



PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK (SEC 100-199)

Section 100

Complying with
the Code

Section 110

The Fundamental Principles

- a) Integrity
- b) Objectivity
- c) Professional competence and due care
- d) Confidentiality
- e) Professional behaviour



Section 120

The conceptual Framework specifies and approach for a professional accountant to:

- a) **Identify threats to compliance with the fundamental principles;**
- b) Evaluate the threats identified; and
- c) Address the threats by eliminating or reducing them to an acceptable level.



PART 2 – PROFESSIONAL ACCOUNTANTS IN SERVICE (SEC 200-299)

Section 200

Applying the conceptual framework – Professional Accountants in service

Section 210

Conflicts of Interest

Section 220

Preparation and presentation of information

Section 230

Acting with sufficient expertise

Section 240

Financial Interests, Compensation and Incentives linked to Financial reporting and decision making

Section 250

Inducements, including gifts and hospitality

Section 260

Responding to Non-Compliance with laws and regulations in case of employment with listed entities

Section 270

Pressure to Breach the Fundamental Principles



PART 3 – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE (SEC 300-499)

Section 300

Applying the conceptual framework – Professional Accountants in public practice

Section 310

Conflicts of Interest

Section 320

Professional appointments

Section 321

Second Opinions

Section 330

Fees and Other Types of Remuneration

Section 340

Inducements, including gifts and hospitality

Section 350

Custody of Client assets

Section 360

Responding to Non-compliance with laws and regulations (NOCLAR) during the course of Audit engagements of Listed entities

PART 4A – INDEPENDENCE OF AUDIT AND REVIEW ENGAGEMENTS (SEC 400-899)

Section	Details
400	Applying the concept of independence for Audit and Review Engagements
410	Fees
411	Compensation and Evaluation policies
420	Gifts and Hospitality
430	Actual or threatened litigation
510	Financial Interests
511	Loans and guarantees
520	Business relationships
521	Family and personal relationships
522	Recent service with an Audit client
523	Serving as a Director or Officer of an Audit Client
524	Employment with an Audit Client
525	Temporary Personnel assignments
540	Long association of personnel (Including partner rotation) with an audit client

Section	Details
550	Auditor Rotation
600	Provision for Non-assurance services to an Audit client
601	Accounting and bookkeeping services
602	-Administrative services
603	-Valuation Services
604	-Tax services
605	-Internal Audit services
606	-Information Technology systems services
607	-Litigation Support services
608	-Legal services
609	-Recruiting services
610	-Corporate finance services
800	Reports on Special purpose Financial statements that include a restriction on use and distribution (Audit and Review Engagements)

PART 4B – INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS (SEC 900-999)

Section	Details
900	Applying the conceptual framework to independence for assurance engagements other than audit and review engagements
905	Fees
906	Gifts and Hospitality
907	Actual or threatened litigation
910	Financial Interests
911	Loans and guarantees
920	Business relationships
921	Family and personal relationships

Section	Details
922	Recent service with the assurance client
923	Serving as a Director or Officer of an Assurance Client
924	Employment with the Assurance Client
940	Long association of personnel with an Assurance Client
950	Provision of Non – Assurance Services to assurance clients other than Audit and Review Engagement Clients
990	Reports that include a restriction on use and Distribution (Assurance Engagements other than Audit and Review Engagements)

COUNCIL GENERAL GUIDELINES, 2008

Chapter I – Preliminary – Guidelines applicable to all the members.

Chapter II – Conduct of employee member – Shall exercise due diligence and not grossly negligent.

Chapter III – Appointment of a member as Cost Auditor (Repealed on 2020)

Chapter IV – Opinion on Financial statements when there is substantial interest
(Repealed on 2020)

Chapter V – Maintenance of books of accounts – A member in practice, shall maintain proper books of accounts.

Chapter VI- Tax Audit assignments u/s 44AB of IT Act – A member in practice shall not accept, more than 60 Tax Audit assignments in a financial year.



COUNCIL GENERAL GUIDELINES, 2008

Chapter VII – Appointment of Auditor in case of Non-Payment of Undisputed fees

– A member in practice shall not accept the appointment as Auditor with the entity not settling Undisputed fee of another CA.

Chapter VIII – Specified number of Audit assignments – A member in practice shall not hold more than the “specified number of audit assignments” of Companies u/s 141 of the Companies Act, 2013. (30 audit assignments whether in respect of private or public companies, with the exception of one-person companies and dormant companies).



COUNCIL GENERAL GUIDELINES, 2008

Chapter IX – Restrictions on appointment as Statutory Auditor –

- a) A member in practice shall not accept statutory audit of Public Sector Undertaking(s)/ Government Companies/ Listed Companies and other public companies having turnover of ₹ 50 crores or more if any other assignments or services on a remuneration exceeding the SA fee is performed.
- b) This condition applies Associate concerns also.

Chapter X – Appointment of an Auditor when he is indebted to a concern – A member or the firm shall not be indebted or gives guarantee to a concern exceeding ₹ 1,00,000.



COUNCIL GENERAL GUIDELINES, 2008

Chapter XI – Directions in case of unjustified removal of Auditors- A member shall follow the directions of the Council with regard to acceptance of audit and/ or unjustified removal of earlier auditors.

Chapter XII – Minimum Audit fee in respect of Audit (Repealed by the Council on 2011)

Chapter XIII – Guidelines on Tenders – A member shall not respond to tenders except where minimum fee of the assignment is prescribed in the tender document itself or where the areas are open to other professionals along with CAs.

Chapter XIV – Unique Document Identification Number (UDIN) Guidelines – A member of the Institute shall generate UDIN for all kinds of the certification as detailed in the UDIN portal.



COUNCIL GENERAL GUIDELINES, 2008

Chapter XV – Guidelines for Networking

A member or a firm shall adhere to the guidelines of networking issued by the ICAI.

Chapter XVI – Logo Guidelines – The new logo guidelines of 2023 by ICAI shall be followed meticulously. Refer pg. 22,23 of CA journal Dec 2023.

Chapter XVII – Guidelines for Corporate form of practice

- ✓ A member in practice can incorporate company and also hold COP and do attest functions and train articled/ audit assistants.
- ✓ 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.
- ✓ No audit practice can be done in Corporate form.



THANK YOU

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FIRST SCHEDULE OF THE CA ACT

PART I

Clause 1- Allows practice as a CA unless in practice / partnership / employed

Clause 2 – Prohibition of payment of any share, commission or brokerage in the fees

Clause 3- Prohibition to accept or share any part of the profits of professional work with a non-member

Clause 4- Prohibition to Enter into partnership with Non-CA in or member of other professional body in India or abroad

Clause 5- Prohibition from securing any professional business through persons other than CA and not open to a CA for practice

Clause 6- Prohibition to Solicit client or professional directly or indirectly

Clause 7– Prohibition to advertise professional attainments other than degree of university or membership from any institute

Clause 8- Prohibition to accept audit without consent of a previous auditor

Clause 9- Bared in accepting without appointment without considering the sections 139,140,141,142

Clause 10- Prohibits charging or accepting fees based upon % of profit or contingent upon the findings or results of work

Clause 11- Prohibition from doing business or occupation other than profession of CA

Clause 12- Allowing Non - CA from signing financials and reports on his behalf

PART II

Clause 1- Prohibition to pay or agreeing to pay any share from his emoluments

Clause 2- Prohibition from accepting fees/profits/gains from a lawyer/ CA/ Broker/ Agent etc.

PART III

Clause 1- A Non-fellow acts as a fellow of the Institute

Clause 2- Fails to provide any information called for by the institute or other competent authorities

PART IV

Clause 1- If held guilty by court for an offence punishable with imprisonment for a term not exceeding 6 months

Clause 2- If brings disrepute to the profession or the Institute through his actions or professional work.



SECOND SCHEDULE OF THE CA ACT

PART I

Clause 1- Prohibits disclosure of information acquired in the course of professional engagement to any person other than client engaging him

Clause 2- Prohibits certification or submission of report for examination of financials without actually examining them

Clause 3- Prohibits permitting the use of his name or firm name in connection with an estimate of future earnings in a manner which may lead to be believed as him vouching the accuracy of the forecast

Clause 4- Prohibits expression of opinion on financial statements where he or his firm has substantial interest

Clause 5- Fails to disclose a material fact known to him, where he is concerned with that financial statement in professional capacity

Clause 6- Fails to report a material misstatement known to him to appear in financials in which he is concerned on a professional capacity

Clause 7- Fails to exercise due diligence or negligence of his professional duties

Clause 8- Failure to obtain sufficient information for expression of an opinion

Clause 9- Failure to invite attention to any material departure from the general audit procedures applicable

Clause 10- Failure to keep moneys of his client other than fees in separate bank account /to use such moneys for purposes for which they are intended

PART II

Clause 1- Prohibits contravention of any of the provisions of the CA act or guidelines issued by the council

Clause 2- Prohibition of disclosure of information acquired in the course of employment

Clause 3- Inclusion of any information knowing to be false in statements, return or form to be submitted to the Institute or other competent authority

Clause 4- Defalcation or embezzlement of moneys received in professional capacity

PART III

Clause 1- If held guilty by any court for an offence which is punishable with imprisonment for a term exceeding six months.