ICAI Code of Ethics

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AREAS OF DISCUSSION

- CA ACT 1949-AN OVERVIEW
- CA 13-CONNECTED PROVISIONS
- NFRA ORDERS
- CORPORATE FRAUDS
- THREATS
- CASE STUDIES
- DO'S & DONT'S
- SAFEGUARDS
- LATEST DEVELOPMENTS

Global tripod & Indian tripod

- SOX(USA)-Sarbanes Oxley Act 2002
- IESBA-International Ethical Standard Board for Accountants
- FRC(UK)-Financial Reporting Council
- CA13
- NFRA
- ICAI

- **SOX (USA)** - Rules-based; PCAOB created for oversight: prohibits services like bookkeeping, valuation, system design; partner rotation every 5 years; cooling-off period for personnel joining client management.
- **IESBA** - Principles-based; uses a conceptual framework; prohibits certain non-audit services and tightens fee rules for PIEs. Reinforces global shift toward stricter safeguards.
- **FRC (UK)** - Stricter prohibitions for PIE auditors; allows only audit-related or legally required services; bans services like recruitment advice; applies "reasonable and informed third-party" test.

Notorious corporate frauds

- Satyam Fiasco
- IL & FS Episode
- ZEE Episode
- DHFL
- Indusind bank
- Rajesh Exports Limited(REL)

RAJESH EXPORTS

- Stunnig figure 15,15,384 crore
- Consolidated revenue from 21 to 25
- 97-99% of revenue comes from overseas subsidiaries
- Routed through Global Refineries (Switzerland)which in turn subsidiary called Valcambi SA(Exchange of valuables)
- Valcambi Standalone financials disclose revenue **543** crore were as REL shows **2,80,676 crore**
- **Violation of Sec** 136(1) CA13 (No uploading in website) and Reg 46(2)(s) of LODR
- NFRA Probe –SA600 and Ind AS 110 violation
- RPTs are extremely convenient
- BSD & Co.

BIG FOUR : BIG FRAUD

- **Among the 'big four' ,Ernst & Young (EY) had failed to report the hidden debts of billions of dollars in debt engineered through accounting jugglery to classify borrowings as sales through "Repo 105" resulting in one of the biggest bankruptcy in the world in 2008.**
- **Back home in India, Price Waterhouse Coopers (PWC) had failed to Verify fictitious cash and bank balances, fake invoices, ghost employees to siphon off salaries, and whistle-blowers concerns in the case of Satyam Computers services 2009.**

  BL/28/05/26

- **"It was like riding a tiger,not knowing how to get off without being eaten"**

  Ramalinga Raju

  Courtesy: **"The Resurgence of Satyam "by Zafar Anjum**

ZEEL

- Zee Entertainment Enterprises Ltd
- NFRA order dated 26.12.24
- Yes bank prematurely appropriated ZEELs FD of **200 cr** to entities linked with promoters
- NFRA held that despite red flags as per info and reliance on limited internal enquiries, neglecting external confirmations & insufficient professional skepticism available with auditors , they failed to address adequately
- The order suggests that whenever plausible suspicion arises, particularly in Related Party contexts, auditor must either gather conclusive exculpatory evidence or fulfil the statutory mandate to report potential fraud
- NFRA criticized auditor on following grounds
- Issued clean report without evaluating Yes bank's rationale
- Not obtained external confirmation from Yes bank-against SA 330
- **Inappropriate RPT disclosures**
- Had the auditor insisted on explanations from Yrs bank & conducted thorough investigation, he/she could have uncovered evidence meeting the reason to believe threshold as per 143(12)
- Sec 447-beyond reasonable doubt-more stringent than 143(12)

NFRA ON FRAUD

1. 1 Crore or above
2. ADT-4
3. Clause (xi) CARO
4. Ar shall maintain professional skepticism(SA 200)
5. UOI & Anr Vs Deloitte Haskins and Sells LLP & anr(SC)(2022)-Sec140(5) of CA13 will be applicable also on those Ars who resign from the audit engagements without reporting fraud/suspected fraud
6. Sec 140(5):Abetment/Collusion/Fraudulent Act
7. Even if he is not the first person to identify
8. Resignation does not absolve the Ar from responsibility
9. As per Section 134(1),approval of the FS by the Board and its signing by the persons authorized by the Board are prerequisites before an auditor makes a report on such approved & signed FS.
10. •The Auditors shall have to obtain a certified copy of the Board resolution approving the FS and authorizing the Directors to sign the FS and should have kept the same in the Audit File before its assembly(NFRA's Order NF-23/14/2022, Dated 12.04.2023)

INTRODUCTION TO ETHICS

- **Why Ethics Matters?**
- Chartered Accountants are custodians of public trust.
- Financial decisions of investors, banks, government and businesses rely on CA reports.
- **Ethical failure can destroy confidence in the profession.**
- Ethics is not merely compliance with rules; it is professional character.
- धर्मो रक्षति रक्षितः
- **"Dharma protects those who protect Dharma."(Aurobindo)**
- Righteousness protects the one who upholds righteousness
- ICAI Motto:
  "Ya Aeshu Supteshu Jagrati"
  (One who remains awake when others sleep.) [Katopanishad]

- **Evolution of ICAI Code of Ethics**

- First issued in **1963.**
- Revised Code W.e.f 1.4.26
- Regularly updated to meet changing business realities.
- Requirements(R) (shall indicate obligation) & Application part(A)
- 2026 Edition introduces:
  - **Stronger independence requirements**
  - **Better conflict management**
  - **Liberalized advertisement provisions**
  - **Sustainability assurance ethics**

Objectives of Code of Ethics

- Protect public interest
- Maintain trust in profession
- Promote integrity and transparency
- Ensure professional competence
- Enhance credibility of Chartered Accountants

Structure of the Revised Code

- The revised Code is issued in three volumes: W.e.f 1.4.26
- **Volume I** – Domestic provisions, misconduct clauses, and Council Guidelines (advertisement, ethical issues)
- **Volume II** –Converged with the IESBA Code of Ethics 2024 edition
- **Volume III** –Ethics Standards for Sustainability Assurance (a new addition)
- One provision — item (xxxi) on Management Consultancy Services covering Assessment and Evaluation of Social Impact, CSR Impact, Business Responsibility & Sustainability Reporting(BRSR), and the like — is effective from **11 December 2025**, while the rest of the Code applies from **1 April 2026**.

PART 2 : DOMESTIC PROVISIONS & PROFESSIONAL MISCONDUCT

- Authority of ICAI Pronouncements
- Documents issued by ICAI
- Accounting Standards
- Standards on Auditing
- Quality Control Standards
- Guidance Notes

- **Mandatory:**
- Accounting Standards
- Auditing Standards
- Quality Control Standards
- **Recommendatory:**
- Guidance Notes

What is Professional Misconduct?

- Professional misconduct means:
- Violation of ethical requirements
- Violation of Chartered Accountants Act
- Now
- Actions damaging professional reputation
- Misconduct can occur:
- In practice
- In employment
- In personal conduct

Revised Code Of Ethics

- Revision focusses on
- Greater clarity, consistency & enforceability in 3 major areas
- Independence, conflicts of interest & liberalized advt.norms
- General Guidelines 2008 renamed as Guidelines on Ethical Issues,2026
- **New clause (5) ,Part II,Second Schedule : Makes professional misconduct if a member acts as auditor of a company in contravention of Companies Act ,2013**

Major Misconducts Under First Schedule

- CA should NOT:
- Share fees with non-members
- Accept fees through non-members
- Partner with non-members
- Solicit clients
- Advertise improperly
- Accept contingent fees
- Practice through unauthorized persons

Advertisement & Solicitation

- **Permitted:**
- Professional website
- Educational content
- Contact information
- Social media within limits
- Not Permitted:
- Misleading claims
- Assured results
- Client poaching
- Comparative advertising

Communication with Previous Auditor

- Before accepting audit:
- CA must communicate with outgoing auditor.
- Purpose:
- Professional courtesy
- Know professional reasons for change
- Prevent unethical client shifting

Contingent Fees

- Prohibited:
- Fees based solely on:
- Profit earned
- Loan sanctioned
- Tax saved
- Reason:
- May impair objectivity.

Serious Professional Misconduct

- Examples:
- Breach of confidentiality
- Signing without examination
- Negligence
- Failure to disclose material facts
- False reporting
- Embezzlement

Due Diligence

- CA must:
- Verify facts
- Obtain sufficient evidence
- Exercise professional skepticism
- Follow auditing standards
- Failure = Gross Negligence

Confidentiality

- Never disclose:
- Client data
- Financial information
- Internal business matters
- Exceptions:
- Legal requirement
- Regulatory requirement
- Client permission

CONFIDENTIALITY

- A CA shall not:

  Disclose confidential info

  Use info for personal or business gain

  Share info after relationship ends

  Disclose even if publicly available

Objectivity

- Avoid:
- Conflict of interest
- Emotional influence
- Personal relationships
- Financial influence
- Example:
- Auditing a company owned by close family.

OBJECTIVITY

- Freedom from bias
- Lack of favoritism towards one side or another
- **Unconscious biases**: seeking or focussing on information
- **Confirmation bias**: focus on preexisting beliefs/expectations ignoring contradicting evidence.
- **Overconfidence bias**: overestimating own abilities,knowledge or judgement
- **Anchoring bias**: Relying heavily on initial piece of info like last years figures etc not adjusting contradictory info.
- **Familiarity bias**: placing undue trust due to longstanding relationship culminating in reluctance to challenge management
- **Groupthink bias**: team members agree with consensus/senior member, suppressing dissent or alternative perspectives to avoid conflict
- **Availability bias**: giving undue bias to readily available info ignoring more relevant evidence

Threat Type	Common Scenario (Real Life Example)	Risk
Self- Interest	>30% of firm’s revenue from one client	Bias towards retaining client
Self-Review	Book keeping + Audit	Objectivity impaired
Familiarity	Long-term clients in small towns	Reduced skepticism
Advocacy	Representing client in tax scrutiny	Conflict of roles
Intimidation	Threat of losing client	Biased reporting

Disciplinary Mechanism

- Complaint →Director (Discipline) →Board of Discipline / Disciplinary Committee →Punishment
- Possible outcomes:
  - Reprimand
  - Fine
  - Removal of membership
  - Suspension

IESBA-BASED ETHICAL FRAMEWORK

- **Five Fundamental Principles**
- **1. Integrity**
- Be honest and straightforward in all professional & business relationships
- **2. Objectivity**
- Avoid bias.
- **3. Professional Competence & Due Care**
- Stay updated.
- **4. Confidentiality**
- Protect information.
- **5. Professional Behaviour**
- Comply with laws and maintain dignity.

Integrity

- A CA should:
- ✓ Tell truth
- ✓ Avoid misleading statements
- ✓ Not manipulate information
- It is important that one does not hide information where the act of such omission itself would be misleading
- Professional's argument that he did not say anything false would not hold good if he was involved in in omitting any important information with full knowledge and awareness that such omission would be misleading.
- Upon becoming aware, he should also take necessary steps to disassociate himself from that information including tough and difficult steps such as issuing any written clarifications to the recipients of info/stakeholders
- Example:
- Refusing to certify fake expenses.

Professional Competence & Due Care

- CA must:
- Maintain knowledge
- Keep learning
- Apply latest standards
- Deliver quality work
- Example:
- Understanding AI, ESG and digital audits.

Conceptual Framework

- **Three-Step Approach:**
- Identify Threat
- Evaluate Threat
- Address Threat

Types of Ethical Threats

- **Self-interest Threat**
- Personal gain influences judgment.
- **Self-review Threat**
- Reviewing own work.
- **Advocacy Threat**
- Promoting client's position.
- **Familiarity Threat**
- Too close to client.
- **Intimidation Threat**
- Pressure from client.

Safeguards

- Examples:
- Independent review
- Partner rotation
- Additional supervision
- Consultation
- Withdrawal from engagement

Conflict of Interest

- Occurs when:
- Duties clash
- Interests clash
- Multiple clients compete
- Management:
- Disclosure
- Consent
- Chinese walls
- Withdrawal

Gifts & Hospitality

- Accept only if:
- ✓ Modest
- ✓ Not intended to influence
- Avoid:
- ✗ Expensive gifts
- ✗ Foreign trips
- ✗ Luxury benefits

Independence in Audit

- Independence means:
- Independence of Mind
- Actual objectivity.
- Independence in Appearance
- Public perceives auditor as unbiased.

Situations Affecting Independence

- Shareholding in client
- Loans from client
- Business relationship
- Family relationship
- Long association

Non-Assurance Services Restrictions

- Auditor should avoid:
- Maintaining books
- Internal audit
- Management functions
- Certain valuation services
- Reason:
- Creates self-review threat.

ETHICS FOR SUSTAINABILITY ASSURANCE

- Why Sustainability Assurance?
- Modern stakeholders need assurance on:
- Environmental Social And Governance (ESG)reporting
- Carbon emissions
- Sustainability disclosures
- Climate commitments
- ICAI introduced dedicated ethical standards.
- Even in Sustainability Assurance: **Integrity**, **Objectivity**, **Competence**, **Confidentiality**, **Professional Behaviour** remain applicable.

Sustainability Independence Requirements

- Threats arise from:
- Fees
- Gifts
- Litigation
- Financial interests
- Family relationships
- Same independence philosophy as audit.

Non-Assurance Services in Sustainability

- Must evaluate:
- Conflict of interest
- Independence threat
- Public perception
- **If threat cannot be reduced → Decline engagement.**

PRACTICAL SECTION

- Real-Life Ethical Dilemmas
- **Case 1**
- Client requests removal of qualification.
- What should CA do?

Answer:
Maintain integrity and objectivity.

PRACTICAL SECTION

- Real-Life Ethical Dilemmas
- **Case 2**
- Client offers expensive foreign trip.
- What should CA do?

Answer :
Reject if it creates influence threat.

PRACTICAL SECTION

- Real-Life Ethical Dilemmas
- **Case 3**
- You discover tax fraud.
- What should CA do?

Answer :
Follow applicable reporting and ethical requirements.

Advertisement Regulation – Key Points

- **What is permitted (liberalized):**
- Members and firms may advertise through a "write-up" in print or electronic media, including social networking sites (both push and pull mode).
- The write-up may include: name, membership/firm registration number, qualifications, services offered, employee details, client names (with client's permission), passport-style photographs, peer review status, and AQMM level.
- Websites may carry blogs, articles, educational videos, chat rooms, and photo galleries of professional events.
- Listing on non-exclusive service platforms and government portals (e.g., GeM portal) is permitted. Members are encouraged to use ICAI's own **CA Connect** portal.
- For exclusive CA services, only **"pull"** model advertising (i.e., information provided only when specifically requested) is permitted on websites.

Advertisement Regulation – Key Points

- **What is still NOT permitted:**
- Exaggerated claims, testimonials, endorsements, or disparaging comparisons with competitors.
- Soliciting clients directly through circulars, personal communication, or canvassing.
- Listing on **app-based aggregator platforms** for services exclusively reserved for CAs.
- Banner advertisements on websites.
- Mentioning awards/accreditations from non-government bodies, or using monograms/catchwords.
- Mentioning fees charged (except where specifically required by a regulator).
- Allowing third-party websites to carry the firm's name or contact details for exclusive CA services.

B. New Professional Misconduct Clause

- **B. New Professional Misconduct Clause**
- **New Clause (5) under Part II of the Second Schedule** (inserted by CA Amendment Act, 2022; in force from 10 May 2022, now codified in the revised Code): A member acting as auditor of a Company in contravention of the Companies Act, 2013 is guilty of professional misconduct. This applies both before accepting appointment (verifying eligibility under Sections 139–141 of the Companies Act) and in the discharge of audit duties thereafter.

C. Guidelines on Ethical Issues, 2026 – Chapter-wise Changes

- **Chapter III – Books of Account:** Members in practice must maintain proper books in electronic or physical form. Minimum requirement: a Cash Book, Ledger, and Bill Register.

- **Chapter IV – Appointment as Auditor (Non-payment of Undisputed Fees):** A member cannot accept appointment as statutory auditor if the undisputed audit fee of the previous CA for statutory audit under the Companies Act or other statutes has not been paid. Exceptions: sick units (accumulated losses ≥ net worth, registered for ≥ 5 years) and companies under insolvency resolution. "Undisputed fee" now expressly includes audit fees as provisioned in accounts signed by both auditee and auditor, along with applicable taxes and expenses.

- **Chapter V – Ceiling on Audit Assignments:** The limit on company audit assignments per partner/proprietor is **40 audits** (excluding one-person companies and dormant companies). The ceiling is aggregated across all firms where the partner holds interest.

- **Chapter VI – Appointment as Statutory Auditor (Non-audit Fee Ceiling):** For statutory auditors of PSUs, government companies, listed companies, and other public companies with turnover of **₹250 crores or more**, total fees from other services (including those paid to associate concerns) must not exceed the statutory audit fee. Associate concern is defined to include firms/companies where the auditor's partners or their relatives hold substantial interest.

C. Guidelines on Ethical Issues, 2026 – Chapter-wise Changes

- **Chapter VII – Indebtedness:** A member, their partner, or their relative cannot accept audit appointment if indebted to the concern beyond the statutory limit, or beyond **₹5,00,000** in other cases.
- **Chapter VIII – Unjustified Removal of Auditors:** Members must follow directions by the Council or ESB not to accept appointment as incoming auditor where the outgoing auditor was unjustifiably removed.
- **Chapter IX – Minimum Fees (NEW):** A member shall not charge fees below the minimum mandated by the Central/State Government or a Regulator, or prescribed by the Council for any professional service under any law or regulation.
- **Chapter X – Non-signing for Non-payment (NEW / Strengthened):** A member **shall not sign the audit report** of an entity (Public Interest Entity) if the undisputed audit fee for the immediately preceding year has not been paid. For non-PIEs, the bar applies if fees for the **two immediately preceding years** are unpaid. Exception applies for companies under insolvency resolution.

D. Tax Audit Limit – New Separate Guidelines (Appendix G)

- **The Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025**, effective from **1 April 2026**, supersede Chapter VI of the old Council General Guidelines, 2008. Key provisions:
- A CA in practice cannot accept and sign more than **60 tax audit assignments** (u/s 44AB of the Income Tax Act) in a financial year — whether corporate or non-corporate.
- The limit is **per partner** in a firm.
- The year of signing (not acceptance) determines the count.
- Tax audits under sections 44AE, 44ADA, and 44AD are **excluded** from the count.
- Revised tax audit reports are **not counted** separately.
- Head office and all its branches together count as **one** assignment.

E. Expanded Management Consultancy Services (Appendix H)

- Several new services have been added to the list of permitted Management Consultancy and Other Services, incorporated pursuant to Council decisions taken in December 2025:
- **Administrative Services** (new)
- **Forensic Accounting and Investigation** (new)
- **Research Analyst recognized by a Regulator** (new)
- **Management and Operational Audits including Information System Audit** (expanded)
- **Assessment and Evaluation of Social Impact, CSR Impact, Business Responsibility and Sustainability Reporting** (effective 11 December 2025)
- **Artificial Intelligence (AI) Consultancy** in areas of services that can otherwise be rendered by a CA in practice (new)

F. Advertisement Regulation – Liberalised (Council Guidelines for Advertisement, 2008, Updated to December 2025)

What is now permitted:

- Members and firms may advertise through a "write-up" in print and electronic media, including **social networking websites in both push and pull mode** (previously restricted). A write-up may include: name, membership/firm registration number, qualifications, services, employee details, languages, working hours, CA India Logo, passport-style photograph, Peer Review status, Audit Quality Maturity Model (AQMM) level, client names and assignment nature (with client permission — for exclusive CA services, only client name is permitted), and position held as MD/Director in a Management Consultancy Company registered with ICAI.
- Websites may carry blogs, articles, professional information, educational videos, photo galleries of professional events, chat rooms for member-client communication, and document management portals for clients. The website address should be as close as possible to the member's/firm's name.

F. Advertisement Regulation – Liberalised (Council Guidelines for Advertisement, 2008, Updated to December 2025)

What is now permitted:

- Members may **mention past/present positions held in ICAI** (Central Council, Regional Council, Branches) on their websites.
- Members may list themselves on **government/regulator platforms** (e.g., GeM portal) and are encouraged to use ICAI's **CA Connect portal** (caconnect.icai.org).
- Online **third-party platforms** (non-CA firms, banks, newspapers) may use CAs for consultation/advice, but cannot carry the firm's name with the "Chartered Accountants" suffix or publish the CA's contact details/achievements.

What remains prohibited:

- Exaggerated claims, testimonials, endorsements, disparaging comparisons with competitors, catching phrases/monograms, awards from non-government bodies, banner advertisements on websites, listing on **app-based aggregator platforms for exclusive CA services** (e.g., audit/attestation), personal canvassing, roving applications to institutions for empanelment, soliciting people to visit or "like" their social media pages, and disclosure of fees charged (except where a regulator specifically requires it).

- For exclusively reserved CA services (audit/attestation), only **"pull" mode** is permitted on websites and social media — no push/proactive circulation is allowed.

- **Exemptions for press advertisements:** Members may publish their name and address (not prominently) in ads for staff recruitment, ads on behalf of clients for staff/business disposal, or when acting as trustee/liquidator/receiver for sale of property/business.

G. Self-Regulatory Measures (Recommendatory)

- These include: branch audits of large firms (10+ members) to be done by local smaller firms; joint audits to be encouraged for large companies; a recommended minimum ratio of one qualified CA for every five unqualified staff; disclosure of payments received through associate firms; acceptance of audit fees only through digital/banking channels; and reference to the revised Recommended Minimum Scale of Fees issued by ICAI.

SMP

- Highly competitive
- Audit services at lower fee may increase reliance on non audit services later to ensure overall engagement profitability
- Lack of resources compared to larger firms
- Compliance gaps even if practitioners are committed to ethical conduct,simply due to practical burden
- **"Management services"** lacks clarity within CA13(Sec 144)(h)

Independence-SMP perspective

- NFRA regulates auditors of Public Interest Entities(PIE) and large unlisted cos
- The majority of SMPs are still regulated by ICAI itself
- ICAIs COE & International Ethics Standard Board(IESB) discuss two crucial dimensions
- Independence of Mind-where judgment remains routed in integrity
- Independence in appearance-where third parties perceive the auditor as free from influence
- Sec 144 of CA13-specified list of non audit services- **“Directly or Indirectly”**
- **NFRA in IL& FS case,questioned the provision of prohibited services by other entities within the same net work**
- Code of ethics-5 fundamental principles-Integrity,Objectivity,Professional Competence & Due Care, Confidentiality &Professional Behavior
- **NFRA’s Interpretations especially Under SA 600 & Sec 144-more rigid than previous industry practices**

CASE STUDIES

- Respondent certifying fabricated Tax Audit Report & false capital infusion certificate submitted to bank for sanction of loan(F.Y 2013-14)
- Turnover as per IT 729.01 lacs, bank 2077.57 lacs
- Bank sanctioned a 500 lacs cash credit,
- Respondent CA certified a fresh capital infusion of 145.42 lacs ,whereas audited statements reflected a capital outlay of 42.72 lacs only
- Both signed/certified by same CA
- Inconsistent financials for both
- Failed to reply to bank's queries
- Failed to take action after being aware of misuse of signatures
- Held guilty of prof & other misconduct under Clause(7) of Part I of Second schedule & Clause (2)of part IV of First Schedule

Engagement in other business

- Whether a CA in practice can engage in any other business or occupation?
- No, Clause(11) Part I, First Schedule
- Appendix 9
- Exceptions
- Can be a Director in a co(not MD/WTD), unless he/partner interested a s auditor
- MIP can be MD/WTD in a **Sec 8** co provided the position is honorary
- Engage in any business /occupation as per permission granted by ICAI(Regulation 190A)
- General & special

Do’s & Don'ts

- Pay roll services- yes, member in practice can. Sec 2(2)(1 &iii) except when he being Stat .auditor
- A member in practice(MIP) owning IPR of domain names can not sell to a company-as it amount to other business/occupation-Clause(11),Part I,First Schedule
- MIP can not practice as actuary
- MIP can not act as fin advisor and receive fees/commission from FIs such as MF,Insurance Cos/NBFCs
- MIP can be an amateur athlete rather than be professional athlete-not covered in Appendix 9
- MIP can not act as collection agent/recovery agent
- MIP can act as mediator(covered under arbitrator) Reg 191
- MIP can run TIN –FC,
- Can engages as GST practitioner

Do's & Dont's

- A partner of a firm of CAs doing audit of an insurance co can not be surveyor of same co
- MIP can take license/registration of Investment Advisor from SEBI
- Not allowed to engage in broking,underwriting & PMS
- SAr can not provide investment counselling services as it is not permissible under CA13
- MIP can accept the appointment as special invitee of a university on an honorary basis
- Member/CA firm can accept due diligence services
- MIP can not be MF distributor
- Auditor of PF & Pension Fund trust can not provide investment advisory services

Do's & Dont's

- Branch auditor is not mandated to give access to his working papers to Main auditor, but at his discretion he can make portions/extracts
- No Joint auditor can demand working papers of the other auditor
- Joint auditors are jointly and severally responsible for the work which is not interse divided among the auditors.
- Each auditor is responsible only for the work allocated to him.
- A CA in service can not accept any part of fee,profits or gains from a lawyer, a **CA or** broker engaged by such co ,firm, or person or agent or customer
- A member can not accept audit even if he or his partner holds a single share(Sec 143(1)(3)(d)(i)
- Relative of an auditor can not hold security /interest in the Co of face value in excess of Rs.1 lac
- An auditor can not write the books of accounts of auditee. Sec 144 of CA13 also prohibits

Do’s & Dont’s

- Can a MIP enter into a partnership with practicing CA of recognized foreign professional body for sharing fee of their partnership within India?
- Yes, provided they share the fees of the partnership business both within India and outside India-Clause (4) Schedule I
- Can a MIP be a partner or designated partner in a LLP ,which is not doing professional work, but is in the commercial activities?
- No-Clause (4) ,Part I,Schedule I
- Can a MIP secure any professional business through the services of a person who is not his employee or partner?
- No, Clause (5),Part I, Schedule I
- Cautious in financial dealings with clients

MISSION & VISION STATEMENT

- A firm of CAs can have mission & vision statement
- It should not lead to advertisement or solicitation directly or indirectly
- Not permitted to publish its vision or mission st. on letter heads, visiting card or stationery
- May be printed on firm's profile and may be provided in response to specific request

CASE STUDIES

- A MIP can not share commission or brokerage in the fees/profits of his professional business
- Govt is asking auditors to share a portion of audit fee and to deposit in State treasury to meet administrative expenses as per order issued by Registrar of various State Co-operative Societies- No bar in the CoE
- MIP can respond to announcement for empanelment for allotment of audit and other professional work and quote fees on enquiries being received
- MIP may be guilty of professional misconduct if he fails to keep moneys of his client other than fee/remuneration in a separate bank account or when using the money for purposes other than they intended for
- Nothing wrong in receiving the fee in advance

Can the fee be a % on turnover?

- No
- But can be in the case of a receiver /liquidator, % on disbursement of assets
- Co-op society-% of PuC/WC/gross or net income
- Valuer for DT & duties-% of value of property valued
- Management consultancy services-contingent upon findings
- Fund raising services-% on fund raised
- Debt recovery services-% of debt recovered
- Cost optimization services-% of benefits derived
- Educational Institution-Utilization certificate-% of Utilization amt
- Any other service/audit –as decided by Council

Website etc

- Can A MIP use/fix monogram of the institute on any column/wall located inside the office or on professional document?
- No.Cl(7),Part I,S chI
- Can a MIP /Firm of CAs post the particulars of himself/itself on website?
- Yes ,as per council guidelines
- Whether a Website of a CA can provide a link to the website of its branches,RCs and also to the website of Govt/Govt departments/regulatory authorities?
- Yes
- Whether name of clients/fee charged be mentioned on the website?
- No, except when required by regulator, whether or not constituted under a statute in India/abroad till the member work under that regulator. The fact that the disclosure is made due to requirement of regulator has to be made below the disclosure itself
- Whether info contained in the website of CAs/firm be circulated on their own or through e-mail or any other mode/technique?
- None can be circulated except on a "**pull" model rather than push model**. Any person who wishes to locate can only have access

RECENT DECISIONS OF ESB OF ICAI

- **Statutory Auditor and/ or Tax Auditor** cannot act as **valuer of unquoted shares** of any company;

- Member **cannot be appointed as Statutory and/ or Tax auditor**, of such a company, **for a period of 2 years** from the date of his **resignation or removal as a director from such company**;

- 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;

- Member in practice **cannot act as Trademark or Patent Attorney**. However, Professional advice in relation to Intellectual Property Rights (IPR) is a routine professional work for a Chartered Accountants in practice and same is permissible

Recent Decisions of ESB of ICAI

- There is **no prohibition for internal auditor of a company to acquire/purchase shares** of the said Company;
- A CA Firm may **register itself on Udyog Aadhar**, a web portal of Ministry Micro, Small and Medium Enterprises;
- A member in practice **cannot hold Customs Brokers Licence** under section 146 of the Customs Act, 1962;
- A **Chartered accountant in service may appear as tax representative before tax authorities** on behalf of his employer, but not on behalf of other employees of the employer;
- A CA/CA Firm can act as the internal auditor of a company **& statutory auditor of its employees PF Fund** under the new Companies Act;

Recent Decisions of ESB of ICAI

- It is permissible for a member in practice to be a **settlor of a trust**.;

- A chartered accountant **cannot exercise lien over the client documents/records** for non-payment of his fees;

- A Chartered Accountant in practice is **not permitted to accept audit assignment of a bank in case he has taken loan** against a Fixed Deposit held by him in that bank;

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

- A Chartered accountant **can hold the credit card of a bank when he is also the auditor of the bank, provided the outstanding balance on the said card does not exceed Rs 100,000** beyond the prescribed credit period limit on credit card given to him;

Recent Decisions of ESB of ICAI

- A Chartered Accountant in practice may **engage himself as Registration Authority** (RA) for obtaining digital signatures for clients;

- A Chartered Accountant in practice **may be an equity research adviser**, but he cannot publish retail report, as it would amount to other business or occupation;

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

- It is **not allowed to print vision and values/ member's photograph** the visiting cards;

- It is **not permissible for a chartered accountant in practice to mention catch words** like "Quality, Knowledge & Transparency, Integrity, etc. On websites, letter heads/ visiting cards;

Recent Decisions of ESB of ICAI

- A member in practice **cannot mention services** such as filing of Income tax return, GST return, Audit etc on professional documents, visiting cards, letter heads or sign boards, etc. **BUT** it is permissible to mention services provided by the Firm in sign board which can be put inside the premises of the Firm;

- **use of glow signs or lights on large-sized boards** as is used by traders or shop-keepers is not permissible;

- It is **not permissible for a member to mention the name of certificate course of the ICAI cleared by him**. However, wherever diploma is awarded by the ICAI, the same can be mentioned on the visiting cards, letterheads, and other stationery;

- It is permissible to mention **name of the member or Firm of Chartered Accountants 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

Recent Decisions of ESB of ICAI

- **write-up may contain information about an achievement or award** given to a member, provided it has been awarded by the Central or State Governments or Regulatory bodies;

- members in practice **can not list themselves with online Application based service provider Aggregators**;

- Members in practice **may upload videos of educational nature on the internet, no reference should be made to the Chartered Accountants Firm** wherein the member is a partner/ proprietor. Further, it should not contain any contact details or website address;

- only the **name of the Firm of Chartered Accountants may be mentioned on the PPT** made by the CA/ Firm. No other details, whatsoever, are permissible:
  a) mention of contact details of members like mobile no. are not permissible on the presentation made by him;
  b) the names of other partners of the Chartered Accountants Firm cannot be mentioned in the Presentation

Recent Decisions of ESB of ICAI

- A member can **share GST/ Tax/ legal updates,** mentioning himself as “CA” with individual name, provided the communication is limited to providing updates. Mention of Firm name is not allowed;
- **testimonials are allowed to be mentioned on CA Firm website,** but not on social media like Facebook, Linkedin etc.;
- **Not allowed to share Firm details intended for comparison of Firms** ~ the sharing of such details would tacitly result in claiming superiority of one firm over other, which is prohibited in terms of the Advertisement Guidelines of the ICAI under Item 7 of Part –I of First Schedule;
- a member is **not permitted to accept the appointment as Statutory Auditor of certain branch(es) of a Bank** while he is the **Revenue Auditor** of different branch(es) of the same Bank;
- Concurrent Audit and the assignment of (quarterly) limited review/ tax audit/ GST Audit, of the same entity cannot be undertaken simultaneously;
- There is no restriction for the consultancy work if it is undertaken by a member along with the assignment of Internal Audit;

Recent Decisions of ESB of ICAI

- the **use of logo/monogram of any kind/form/ style/design/colour etc. is prohibited**. Use/printing of member/firm name in any other manner tantamounting to logo/monogram is also prohibited;

- a member in practice is **not allowed to be a publisher of a book**, whether or not authored by him;

- Members in practice are generally permitted to author books and articles. **There will be no issue in mentioning other Chartered Accountants name with prefix CA in acknowledgement message of books**;

- a member in practice needs to **obtain specific permission from ICAI to write script/story for a movie**;

- **Internal Auditor** not to undertake **GST Audit** simultaneously;

- A member/Firm can conduct training through seminars etc. on GST. However, **the member/ Firm may only invite its existing clients to such training programmes**. Inviting individuals or entities other than existing clients may amount to solicitation, which is prohibited

Recent Decisions of ESB of ICAI

- In a Bank, **the Stock Audit or Inspection Audit and Statutory Audit are not permissible to be done simultaneously** since Stock Audit or Inspection Audit are kind of management function, which cannot be undertaken simultaneously along with the Statutory Audit (whether pertaining to the same branch of different branch);

- the **Concurrent Auditor of a Bank can accept Revenue Audit** of the same Bank since both the Audits are of the nature of management function;

- A member can **simultaneously be the Information system Auditor and Credit Appraiser of the same Bank** except in case where appointment as Information system Auditor has been made under a statutory or regulatory requirement;

- Chartered Accountants in Practice/Firms of chartered accountants are **permitted to register on GeM Portal (www.gem.gov.in)** for rendering professional services

- Members can own a YouTube channel. However, **CA firms are not allowed to open its channel**.

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Safeguards/precautions

- Sec 141: Eligibility, qualifications & disqualifications
- Sec 143(3)
- Sec 143(12)
- Sec 144-Auditor not to render certain Services
- Sec 447
- Self contained audit engagement letter
- MRL
- Effective communication with TCWG-SA 260
- Examining secretarial records- directors disqualification u/s 164(2)
- Do not simply carry forward things from last year
- Visualize disputes/litigations

IN THE PIPELINE

- More teeth to NFRA
- **Stringent disciplinary actions against Big Audit Firm's nefarious designs**
- PMO Initiative on creating great Indian Firms
- The Prime Minister's Office (PMO) convened a high-level meeting on 06/06/2025 Friday to strategise on fostering the growth of homegrown accounting, auditing and advisory firms, enabling them to better compete with global behemoths like EY, PwC, KPMG, and Deloitte.
- Chaired by Principal Secretary to the Prime Minister Shaktikanta Das, the meeting saw the participation of key officials including Secretaries from the Finance and Corporate Affairs Ministries, and Sanjeev Sanyal, Member of the Prime Minister's Economic Advisory Council.
- While details of the discussions remain under wraps, sources indicate the agenda likely focused on the overall business landscape for Indian firms, potential incentives, and capacity development initiatives. It is anticipated that domestic firms will soon be invited to share their perspectives.

CONCLUSION

- **<u>Key Takeaways</u>**
- Ethics is the foundation of CA profession.
- Independence is non-negotiable.
- Public interest comes before client interest.
- Professional judgment must remain unbiased.
- Sustainability assurance is the future.

IN THE PIPELINE Contd…

- The government is expected to introduce changes to regulatory mechanisms and offer incentives and preferences to bolster Indian firms. Currently, the Indian advisory and consulting market is largely dominated by the 'Big 4' global giants, who secure the majority of government contracts, significantly influencing policy formulation and implementation. Though Indian firms like Nangia & Co, Dhruva, and Grant Thornton Bharat are performing well, they require additional support to scale up.

- A key rationale behind empowering domestic firms is to retain talented Indian partners who currently hold senior positions in global firms both in India and abroad. Strengthening homegrown capabilities would also reduce reliance on foreign consultants, particularly in sensitive areas of policy and governance, ensuring stronger domestic contributions to policymaking and implementation.

- The combined revenue of the Indian arms of Deloitte, PwC, EY, and KPMG reportedly reached ₹38,800 crore in FY24, with projections to exceed ₹45,000 crore in FY25. This significant revenue growth is largely driven by government projects encompassing project management, financial advice, PSU stake sales, and disinvestment support.

- Affilates of large firms such as Deloitte & PwC have stopped taking non audit assignments from audit clients

DON’T BE TAMASIC

- “The pleasure ,which at first and in the sequel deludes the Self, arising from sleep, indolence and heedlessness,is declared to be TAMASIC”
- The happiness of the dull(tamasic) is that which deludes the HIGHER in us, and vitiates the culture in us, and when the pursuit of such happiness is continued for a long time ,it gives to the intellect a thick crust of wrong values and false ideals, and ruins the spiritual sensitivity of the personality
- **Bhagavad Gita Chapter xviii/39**
- **It takes 20 years to build a reputation and five minutes to ruin it”-Warren Buffet**

63. *Thus, the "Wisdom" which is a greater secret than all secrets, has been declared to you by Me; having reflected upon it fully, you now act as you choose.*

This can be considered as THE CLOSING VERSE of the Geeta discourses on the battle-field of Kurukshetra. The word "thus" (*Iti*) is generally used in Sanskrit to indicate what we mean nowadays, by the phrase "quotation closes." The Lord has ended His discourses here.

A GREATER SECRET THAN ALL SECRETS (*Guhyat-Guhyataram*)—A secret can be so called only as long as it is not divulged. The moment we come to know of a thing it is no longer a secret at all. The spiritual truth and the right way-of-living as discussed in the Geeta are termed as "THE SECRET OF ALL SECRETS" in the sense that it is not easy for one to know the Geeta way of dynamic life and the Geeta vision-of-Truth, unless one is initiated into them. Even a subtle intellect, very efficient in knowing the material world, both in its arrangement of things and their mutual interaction, must necessarily fail to feel the Presence of this Subtle, Eternal and Infinite Self.