

CODE OF ETHICS 2.0

SIGNIFICANT CHANGES

*CA. MANOJ FADNIS
PAST PRESIDENT ICAI*

*CA. KEMISHA SONI
VICE CHAIRPERSON ESB*

WHAT ARE THE THREE VOLUMES OF REVISED CODE OF ETHICS?



Volume	Contents	Revised counterpart of
Volume-I	As converged with provisions of International Ethics Standards Board for Accountants	Part-A of Code of Ethics, 2009
Volume-II	Domestic provisions governing chartered accountants	Part-B of Code of Ethics, 2009
Volume-III	Disciplinary Case Laws (called as “Case Laws Referencer”)	New

CERTAIN PROVISIONS DEFERRED DUE TO COVID-19

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

- 1. Responding to Non-Compliance of Laws and Regulations(NOCLAR)
[Sections 260 and 360]**
- 2. Fees - Relative Size [Paragraphs 410.3 to R410.6]**
- 3. Taxation Services to Audit Clients [Subsection 604]**

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

ETHICAL STANDARDS BOARD

- Code of Ethics Volume – I <https://resource.cdn.icai.org/55133CodeofEthics-2019.pdf>
- Code of Ethics Volume – II <https://resource.cdn.icai.org/60018code-of-ethics-2020vol2.pdf>
- Code of Ethics Volume –III <https://resource.cdn.icai.org/59111esb48239.pdf>
- FAQs relating to professional Ethics of members pertaining to Bank Assignments
<https://resource.cdn.icai.org/59065esb48189.pdf>
- FAQs on Communication with Retiring Auditor <https://resource.cdn.icai.org/59445esb48371.pdf>
- FAQs on Books, Articles and Presentation <https://resource.cdn.icai.org/60255esb49076.pdf>
- ANNOUNCEMENT OF KYC NORMS <https://www.icai.org/resource/44207esb-kyc-guidelines.pdf>
- **General Awareness platforms - Know Your Ethics in CA Journal, Website of ESB esb.icai.org and ESB webpage on www.icai.org**

ETHICAL STANDARDS BOARD

- COUNCIL GUIDELINES FOR ADVERTISEMENT including website (Updated up to February, 2020)
<https://resource.cdn.icaai.org/60968esb49621.pdf>
- “FAQs on Ethical Issues” <https://resource.cdn.icaai.org/63083esb51033.pdf>
- Provisions relating to Director Simplicitor/ Independent Director vis-à-vis Members in Practice <https://resource.cdn.icaai.org/63067esb51024.pdf>
- Audio Book and Presentation on Code of Ethics <https://learning.icaai.org/iDH/icaai/>
- Creatives on Code of Ethics on social media



- [@icaiesb](https://www.icaiesb.in)

www.esb@icaai.in

- E-Code 



- Multiple Choice Questions (MCQs) on Engagement and Quality Control Standards – June 2020

<https://resource.cdn.icai.org/60118aasb48979-b.pdf>

- Practitioner's Guide to Audit of Small Entities (Revised 2020)

<https://resource.cdn.icai.org/58215aasbpg2020.pdf>

- Ready Referencer on Engagement and Quality Control Standards (As on December 1, 2019)

<https://resource.cdn.icai.org/5831357733aasb46997new.pdf>

- Implementation Guide on Reporting Standards (Revised SA 700, Revised SA 705 and Revised SA 706)

<https://resource.cdn.icai.org/50035aasb39630.pdf>

- Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)

<https://resource.cdn.icai.org/43452aasb-gn-rcsp.pdf>



IMPORTANT ICAI PUBLICATIONS

- Study on Compliance of Financial Reporting Requirements (Ind AS Frame work)
- <http://frrb.icai.org/wp-content/uploads/2021/05/Study-on-Compliance-of-Financial-Reporting-Requirements-IND-AS-Framework.pdf>
- Study on Compliance of Financial Reporting Requirements
- <https://resource.cdn.icai.org/49152frrb32877.pdf> Vol 3
- <https://resource.cdn.icai.org/39460frrb28978vol2.pdf> vol 2
- <https://resource.cdn.icai.org/39459frrb28978vol1.pdf> Vol 1

PERMISSIBLE AREA OF OTHER
OCCUPATIONS BY MEMBERS
IN PRACTICE



REGULATION 191 OF CHARTERED ACCOUNTANTS REGULATIONS, 1988

- Notwithstanding anything contained in Regulation 190A but subject to the control of the Council, a Chartered Accountant in practice may act as a
 - Liquidator,
 - Trustee,
 - Executor,
 - Administrator,
 - Arbitrator,
 - Receiver,
- Adviser or representative for costing, financial or taxation matter, or
- May take up an appointment that may be made by the Central /State Government / Court of law/ legal authority or may act as a Secretary in his professional capacity, provided his employment is not on salary-cum-full-time basis.

CLAUSE (II) OF PART-I OF FIRST SCHEDULE TO THE CHARTERED ACCOUNTANTS ACT, 1949

- A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he :-
- Clause (II): engages in any business or occupation other than the profession of chartered accountants unless permitted by the Council so to engage:

Provided that nothing contained herein shall disentitle a chartered accountant from being a **director of a Company**, (not being a managing director or a whole time director), unless he or any of his partners is interested in such company as an auditor;

DIRECTOR SIMPLICITOR

(1) The expression “Director Simplificitor” means an ordinary/simple Director who is not a Managing Director or Whole time Director and is required only in the Board Meetings of the company and not paid any remuneration except for attending such meetings.

(2) A member in practice is permitted generally to be a Director Simplificitor in any Company including a board-managed Company and as such he is not required to obtain any specific permission of the Council in this behalf unless he or any of his partners is interested in such Company as an auditor, irrespective of whether he and/or his relatives hold substantial interest in that Company.

PROMOTER/PROMOTER-DIRECTOR

- There is no bar for a member to be a Promotor/Signatory to the Memorandum and Articles of Association of any Company.
- There is also no bar for such a Promoter/Signatory to be a Director Simplicitor of that Company irrespective of whether the objects of the Company include areas which fall within the scope of the profession of Chartered Accountants.
- Therefore members are not required to obtain specific permission of the Council in such cases. **It must be clarified that under Section 25 of the Chartered Accountants Act, no Company can practise as a Chartered Accountant.**

Whether a member in practice who was Auditor of a company, can accept position of Independent director after completion of Audit assignment?

- No, as per Section 149 (6)(e)(ii) (A & B) of Companies Act, 2013, a member in practice who was Auditor of a company, cannot accept position of Independent director after three years from completion of Audit assignment

1. Whether a member in practice is allowed to become whole-time director of a company?

A. No, members are not allowed to become whole time Director of a company generally. However, a member in practice may become a Managing Director or a whole-time Director of a body corporate subject to the Council Guidelines of Corporate Form of practice (refer Appendix-D in Volume-II of Code of Ethics, 2020.) It may be noted that he will not be entitled to do attest functions even after permission.

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- **Can a member provide professional services through a private Company? If yes, which services can be provided ?**

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- **Are ‘Management Responsibility’ different from ‘Managing Consultancy and other Service’ ? Can a member in practice can engage in both?**

Whether a member in practice can become a Managing director or a whole-time director in a Company registered under Section 8 of Companies Act, 2013?

A member in practice can accept position as Managing Director or whole-time Director in a Company registered under Section 8 of Companies Act, 2013 provided his position is honorary, and the Company is of charitable, educational, or non-commercial nature.

Whether a member in practice who earlier held the position of Director Simplicitor/ Independent Director in a company, accept audit assignment of the company after completion of his tenure as director?

A. No, as per commentary under clause (4) of the part I of the second schedule of the Chartered Accountants Act, 1949 appearing in Volume II of revised Code of Ethics, 2020, a member shall not accept the assignment of audit of a Company for a period of two years from the date of completion of his tenure as Director, or resignation as Director of the said Company.

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- **Can a member in practice render Management Consultancy and other services?**

Yes, however, the areas covered under the Management Consultancy and other services have been summarized by the Council. Please refer to Appendix-D.

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- **Whether a Firm of Chartered Accountants can undertake the assignment of Management Consultancy Services of a company where a partner of the Firm is Director Simplicitor?**

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- Whether a member may provide
Virtual CFO Services.

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- Whether a member in practice associated with a MCS Company can print the name of the Company on the visiting card of his Firm ?

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- Whether a Chartered Accountant in practice may become member of “Board of Management” in Primary (Urban) Co-operative Banks (UCBs)

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- Whether a member in practice/firm of Chartered Accountants can register themselves on GeM Portal (Government e- marketplace).

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- **Whether a member in practice owning intellectual property rights of a few domain names (website names only) give these domain names to some company for Royalty (recurring income).**

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- **Can a practicing CA provide a equity research service that it can publish retail research report after giving NISM research analyst exam**

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- **Can a Chartered Accountant provide 'Portfolio Management Services' (PMS) as part of CA practice?**

MANAGEMENT CONSULTANCY AND OTHER SERVICES

- **Whether a practicing Chartered Accountant can agree to select and recruit personnel, conduct training programmes and work studies for and on behalf of a client?**
- **Whether a member in practice can provide payroll services?**

Whether a member in practice is permitted to undertake the management of NRI funds?

No, the member is not permitted to undertake such assignment because the same is not covered under “Management Consultancy and Other Services” permitted to be rendered by the practicing members of the Institute. Please refer to Appendix-D in Volume-II of Code of Ethics, 2020.

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- **Whether a member in practice can advertise their services on social networking websites?**

Yes, a member in practice may advertise through a write up on social networking websites setting out his particulars or services, subject to the Council Guidelines for Advertisement, 2008 appearing in Volume-II of Code of Ethics

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- **Whether members in practice can list themselves with online Application based service provider Aggregators?**

No, Council Guidelines for Advertisement, 2008 appearing in Volume-II of Code of Ethics prohibits members in practice to list themselves with online Application based service provider Aggregators, wherein other categories like businessmen, technicians, maintenance workers, event organizers etc. are also listed.



CA CONNECT

Search Engine Portal for CA Firms

The search portal of the Institute is an indigenous system of listing of CA Firms on the platform of the Institute.

The objective of this portal is to provide an effective platform for listing due to limitations on such listing through online aggregators.

The norms of such online aggregators do not comply with the Institute's norms; further, there is no assurance as to how far they would continue as per Institute's norms.

Therefore, this Search Engine Portal shall provide the essential bridge between clients & Chartered Accountants.

This portal is in addition to the existing modes of listing, which will continue to be functional.

This portal will be named as caconnect.icai.org.

This Search portal has following key features :-

- ▶ Member/Firm name
- ▶ Year of establishment
- ▶ Membership No./FRN
- ▶ Member/Firm's Address (both Head Office and Branches)
- ▶ Member/ Firm's Telephone Number, Fax Number and E-mail id.
- ▶ Recognized qualifications of proprietor/partner
- ▶ Date from which Certificate of practice held by proprietor/partner
- ▶ Nature of assignments handled e.g. Corporate taxation
- ▶ No. of partners

APPENDIX 'H' OF VOLUME-II OF CODE OF ETHICS [APPENDIX (9) – CHARTERED ACCOUNTANTS REGULATIONS, 1988]

(A) Permission granted generally- Members of the Institute in practice be :generally permitted to engage in the categories of occupations mentioned under this part, for which no specific permission from the Council would be necessary in individual cases. Generally shall be entitled to perform attest function except as provided by the council

(B) Permission to be granted specifically-Members of the Institute in practice may engage in the categories of business or occupations mentioned under this part, after obtaining the **specific and prior approval** of the Council in each case. i.,e Prior permission from the institute is required.

Once permission is granted, the member in practice is **deemed to be holding part time CoP**. However, a member engaging in any of the area(s), in terms of the specific or general permission so granted, covered under council resolution, shall be entitled to perform attest function.

MEMBERS IN PART TIME PRACTICE

Any member in part-time practice

namely, holding certificate of practice and

is also engaging himself in any other business and/or
occupation

is not entitled to perform attest function (except where allowed
by the Council) in terms of resolution passed under Regulation
190A.

MEANING OF ATTEST FUNCTION

Attest function would cover services pertaining to audit, review, certification, agreed upon procedures, and compilation, as defined in the Framework of Statements on Standard Auditing Practices and Guidance Notes on Related Services published in the July, 2001 issue of the Institute's Journal.”

ACTIVITIES PERMISSIBLE FOR MEMBERS IN PRACTICE DISENTITLED FROM DOING ATTEST FUNCTIONS AS A RESULT OF PART-TIME COP:-

- 1 Being continued as partner in a CA Firm. However, as per Chapter VI of Council general Guidelines, 2008, a Chartered Accountant 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. Similar restriction is also applicable in Chapter VIII of council General Guidelines, 2008 for reckoning number of statutory Audits of Companies.
- 2. Accounting work
- 3. Consultancy work under Section 2(2)(iv) of Chartered accountancy work and Regulation 191 of Chartered Accountants Regulations, 1988 is also permissible.
- 4. Director Simplicitorship of Companies , which is generally permitted to members in practice under commentary to Clause (11) of Part-I of First schedule to The Chartered Accountants Regulations, 1988.

(A) PERMISSION GRANTED GENERALLY

Members of the Institute in practice be :generally permitted to engage in the following categories of occupations, for which no specific permission from the Council would be necessary in individual cases-

1. Employment under Chartered Accountants in practice or firms of such Chartered Accountants. (No attest function)
2. Private tutorship.
3. Authorship of books and articles.
4. Holding of Life Insurance Agency Licence for the limited purpose of getting renewal commission.

CONT....(A) PERMISSION GRANTED GENERALLY

5. Attending classes and appearing for any examination.
6. Holding of public elective offices such as M.P., M.L.A. & M.L.C.
7. Honorary office-bearership of charitable, educational or other non-commercial organisations.
8. Acting as Notary Public, Justice of the Peace, Special Executive Magistrate and the like.
9. Part-time tutorship under the Coaching Organisation of the Institute.

CONT....(A) PERMISSION GRANTED GENERALLY

10. Valuation of papers, acting as paper-setter, head- examiner or a moderator for any examination.
11. Editorship of professional journals. **(not in employment)**.
12. Acting as Surveyor and Loss Assessor under the Insurance Act, 1938. **(not in employment)**.
13. Acting as Recovery consultant in the Banking Sector. **(not in employment)**.
14. Owning agricultural land and carrying out agricultural activity.

(B) PERMISSION TO BE GRANTED SPECIFICALLY:

Members of the Institute in practice may engage in the following categories of business or occupations, after obtaining the specific and prior approval of the Council in each case:-

1. Full-time or part-time employment in business concerns provided that the member and/or his relatives do not hold substantial interest in such concerns.
2. Full-time or part-time employment in non-business concerns.
3. Office of a Managing Director or a whole time Director of a body corporate within the meaning of the Companies Act, 1956, provided that the member and/or any of his relatives do not hold substantial interest in such concern.

CONT.....(B) PERMISSION TO BE GRANTED SPECIFICALLY:

4. Interest in family business concern or concern in which interest has been acquired as a result of relationship and in the management of which no active part is taken.
5. Interest in an educational institution.
6. Part-time or full-time lecturership for courses other than those relating to the Institute's examination conducted under the auspices of the Institute or the Regional Councils or their branches.
7. Part-time or full-time tutorship under any educational institution other than the Coaching Organisation of the Institute.
8. Editorship of journals other than professional journals.
9. Any other business or occupation for which the Executive Committee considers that permission may be granted.

Further resolved that the Council may refuse permission in individual cases though covered under any of the above categories.

ACTIVITIES OF OTHER OCCUPATION (MENTIONED UNDER “PERMISSION GRANTED GENERALLY” AND “PERMISSION TO BE GRANTED SPECIFICALLY”) WHEREIN ATTEST FUNCTIONS ARE ALLOWED-

- (a) Authorship of books and articles
- (b) Holding of Life Insurance Agency Licence for the limited purpose of getting renewal commission.
- (c) Attending classes and appearing for any examination.
- (d) Holding of public elective offices such as M.P., M.L.A. & M.L.C.
- (e) Honorary office-bearership of charitable, educational or other non-commercial organisations.
- (f) Acting as Notary Public, Justice of the Peace, Special Executive Magistrate and the like.
- (g) Part-time tutorship under the Coaching Organisation of the Institute.

CONT....ACTIVITIES (MENTIONED “PERMISSION GRANTED GENERALLY” AND “PERMISSION TO BE GRANTED SPECIFICALLY”) WHEREIN ATTEST FUNCTIONS ARE ALLOWED-

- (h) Valuation of papers, acting as paper-setter, head-examiner or a moderator for any examination.
- (i) Editorship of professional journals – (not in employment)
- (j) Acting as surveyor and Loss Assessor under the Insurance Act, 1938 - (not in employment).
- (k) Acting as Recovery consultant in the Banking Sector - (not in employment).
- (l) Any coaching assignment organized by the Institute, its Regional Councils and Branches of Regional Councils.
- (m) Engagement as Lecturer in an University, affiliated college, educational institution, coaching organisation, private tutorship, provided the direct teaching hours devoted to such activities taken together do not exceed 25 hours a week.
- (n) Owning agricultural land and carrying out agricultural activity.

PERMISSIBLE AREAS OF TEACHING WITH ATTEST FUNCTION

- Part-time tutorship under the Coaching Organisation of the Institute.
- Any coaching assignment organized by the Institute, its Regional Councils and Branches of Regional Councils.
- Engagement as Lecturer in followings provided the direct teaching hours devoted to such activities taken together do not exceed 25 hours a week.
 - University,
 - Affiliated college,
 - Educational institution,
 - Coaching organisation,
 - Private tutorship,

CONT.....

- A member in practice may start an NGO provided that his position/ office in such NGO is “honorary”. The term “chartered accountants” or CA logo is to be used by members or Firm of Chartered Accountants only. Hence, the use of these by non-CA entities is not permissible.
- Renewal commission from holding life Insurance Agency is allowed to a member in practice, but not premium for procurement of new Insurance policy, or the first premium.
- A political party would be deemed as “Non-commercial organization” on the basis of activities and objective clause of that particular party.
- Chartered Accountant being an athlete/playing tournaments is not covered under the Appendix (9) to the Chartered Accountants Regulations, 1988. Accordingly, a chartered accountant in practice may be an amateur athlete; however, in case he is a professional athlete, the same is not permissible.

DECISIONS OF ETHICAL STANDARDS BOARD RELATED TO APPENDIX (9) OF C.A. REGULATION, 1988

- Members in practice are allowed to accept a particular position e.g. Whole Time director / Managing Director in Companies registered under Section 8 of Companies Act, 2013 provided his position is honorary and the Companies falls under the category of charitable, educational, or other non-commercial.
- “Honorary Chancellor” of a University would fall under Entry No. 7 of Permission Granted Generally (Honorary office-bearership of charitable, educational or other non-commercial organisations) of Appendix (9) to the Chartered Accountants Regulations, 1988
- The position of founder member and Chairman of a society for imparting education and providing medical facility to the needy and poor would fall under “honorary position” and therefore the same is permissible under Entry No. 7 of Permission Granted Generally (Honorary office-bearership of charitable, educational or other non-commercial organisations)

DECISION OF PERMISSIBILITY OF ENGAGING IN OTHER ACTIVITIES

- It is permissible for a member in practice to engage in derivative transactions in his personal capacity, but not in professional capacity i.e for clients. Such engagement in derivatives would not be violative of provisions of Clause (II) of Part-I of First Schedule to The Chartered Accountants Act, 1949.

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- **Whether a member in practice can grant power of attorney to his son for the purpose of developing and selling agricultural land.**

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- **Whether a member in practice who is a member/coparcener of HUF and not involved in the management of HUF, is entitled to perform attest functions?**

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- **Whether a member in practice, who inherit interest in family business, is not entitled to do attest functions, unless he legally separates himself from the family business?**

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- **Whether a member in practice, who is a Karta / representative of HUF doing business, is required to obtain specific permission from the Council of ICAI?**

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- **Whether a member holding CoP who is a Karta of HUF; can make investment of HUF funds as a Karta of his HUF (with or without doing business)?**

THANK YOU

