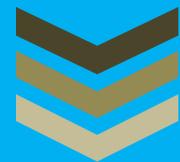


# Referencer for Quick Revision



## Final Course Paper-3: Advanced Auditing and Professional Ethics

A compendium of subject-wise capsules published in the  
monthly journal "The Chartered Accountant Student"



**Board of Studies  
(Academic)  
ICAI**

# INDEX

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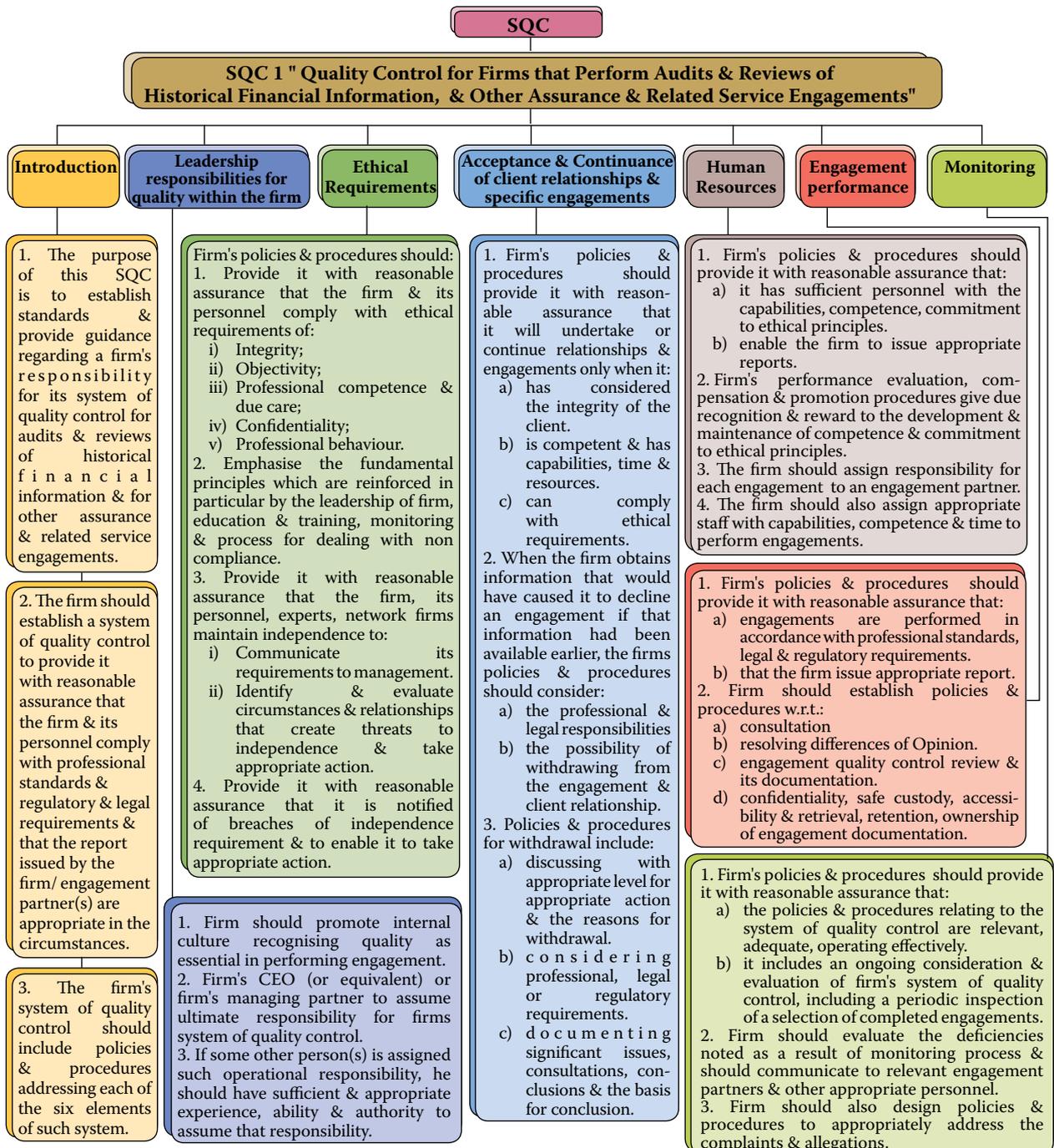
<b>Page No.</b>	<b>Edition of Students' Journal</b>	<b>Topics</b>
<i>1</i>	<i>June 2021</i>	<i>Engagement &amp; Quality Control Standards</i>
<i>2-9</i>	<i>June 2021</i>	<i>SA 200-299: General Principles and Responsibilities</i>
<i>10-15</i>	<i>January 2021</i>	<i>SA 300-499: Risk Assessment and Response to Assessed Risks</i>
<i>16-23</i>	<i>January 2021, March 2019</i>	<i>SA 500-599: Audit Evidence</i>
<i>24-27</i>	<i>March 2019, January 2021</i>	<i>SA 600-699: Using Work of Others</i>
<i>28-31</i>	<i>June 2021</i>	<i>SA 700-799: Audit Conclusions and Reporting</i>
<i>32-43</i>	<i>October 2022</i>	<i>Professional Ethics</i>

## CA FINAL - PAPER 3 - ADVANCED AUDITING AND PROFESSIONAL ETHICS

It has always been the endeavour of Board of Studies to provide quality academic inputs to the students of Chartered Accountancy Course. Keeping in mind this objective, BoS has decided to come out with a Crisp & Concise Capsule of each subject to facilitate students in quick revision before examination.

This series of capsules is on Paper 3: Advanced Auditing & Professional Ethics of Final Course. In this capsule we are covering Engagement and Quality Control Standards i.e. SQC 1, SA 200 and 700 Series (for remaining Standards on Auditing i.e. SA 300, 500 and 600 series refer January 2021 edition). It may be mentioned that this capsule is a tool for quick revision of some significant areas of Auditing subject, this should not be taken as a substitute for the detailed study of the subject. Students are advised to refer to the relevant Study Material, Auditing Pronouncements and RTP for comprehensive study & revision.

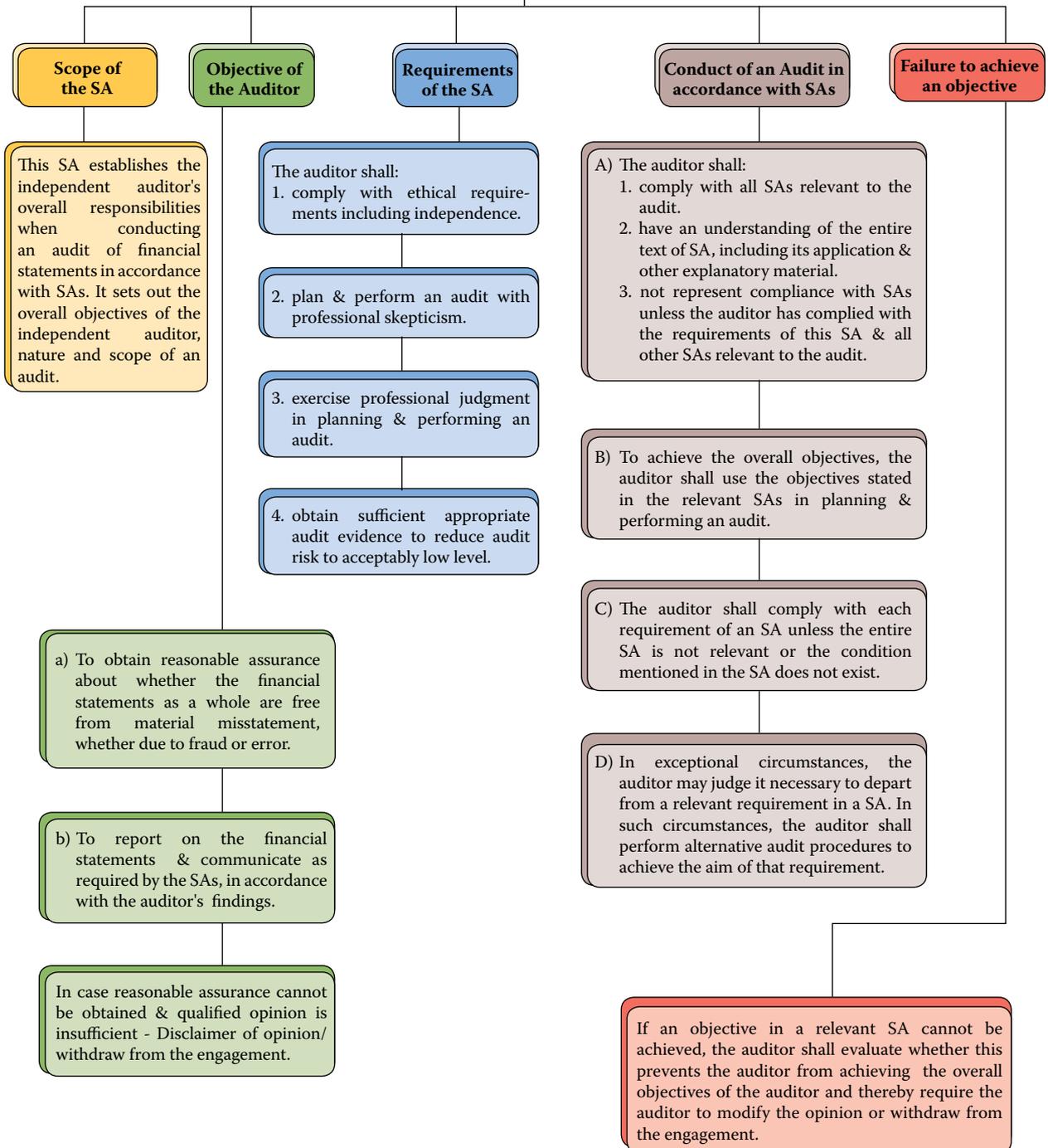
### Engagement & Quality Control Standards

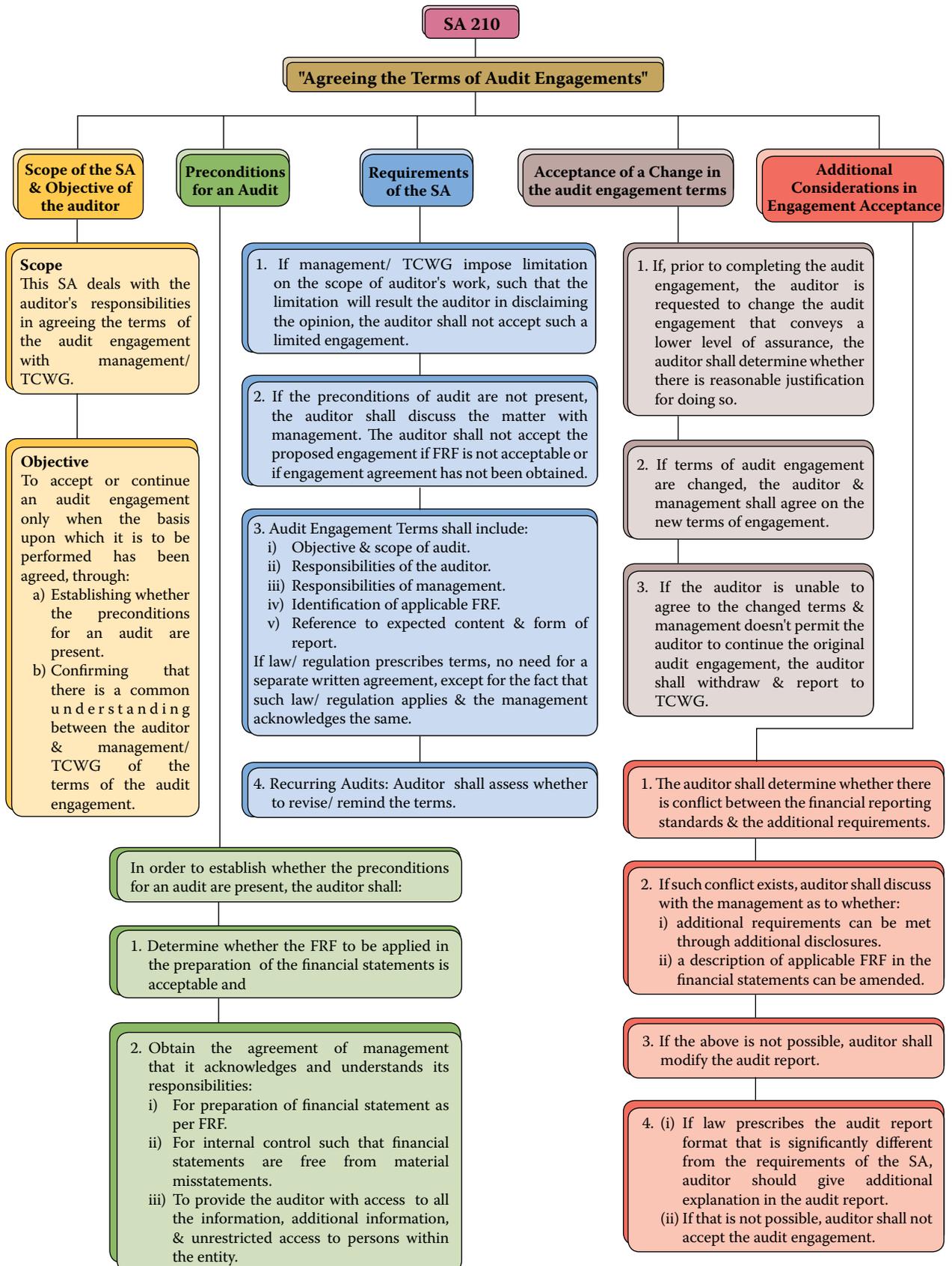


## SA 200 - 299 General Principles and Responsibilities

### SA 200

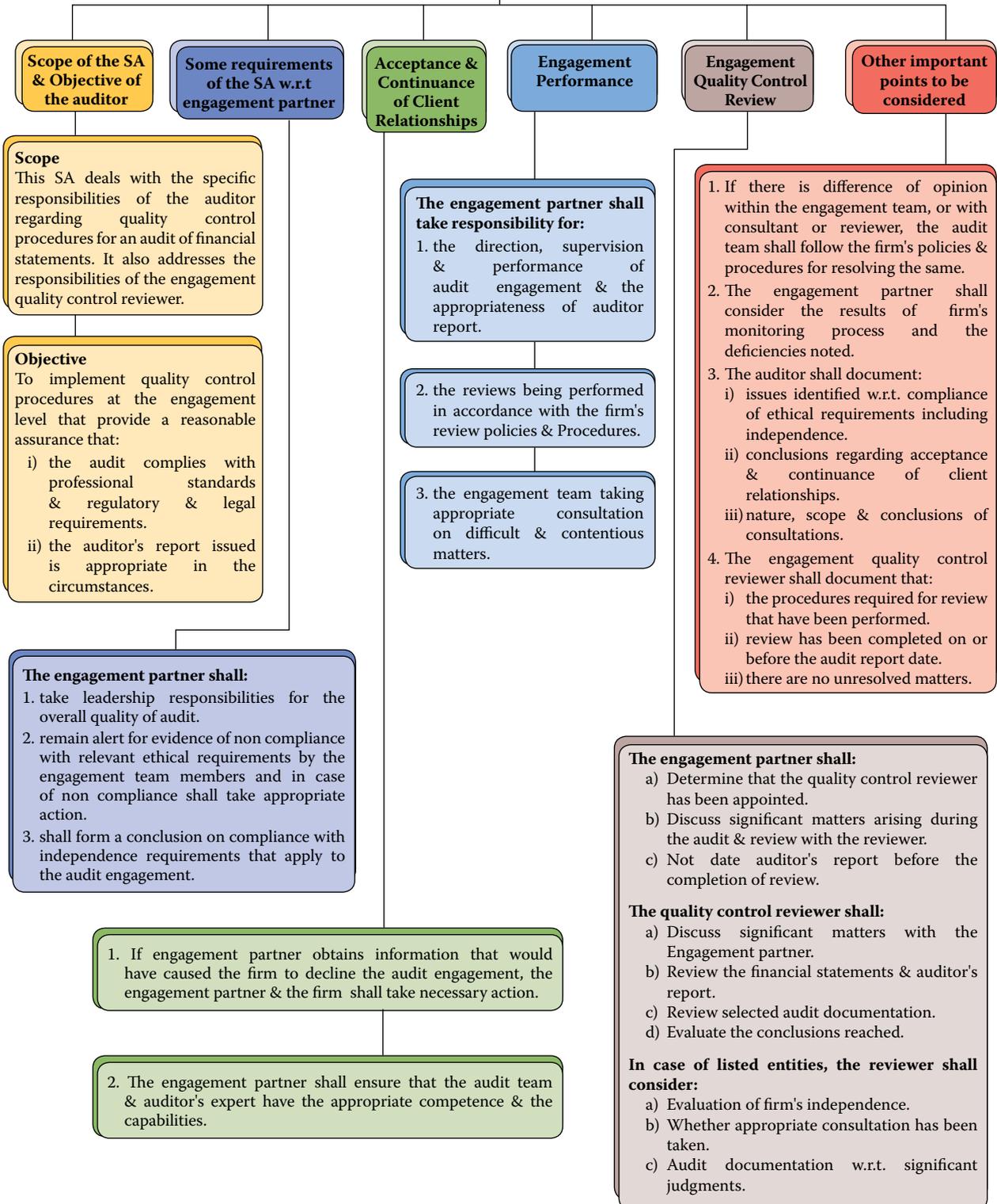
#### "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards in Auditing"

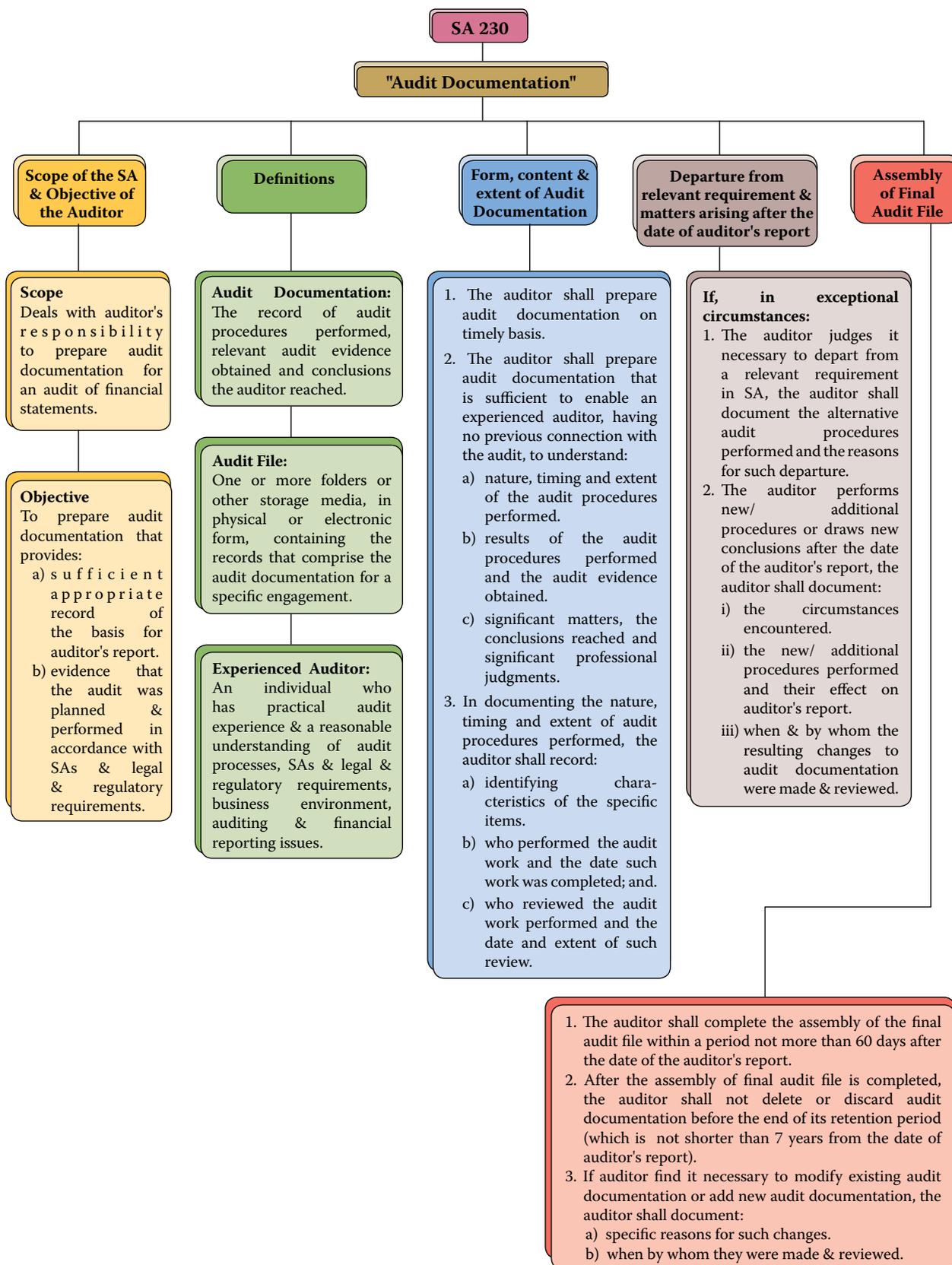




## SA 220

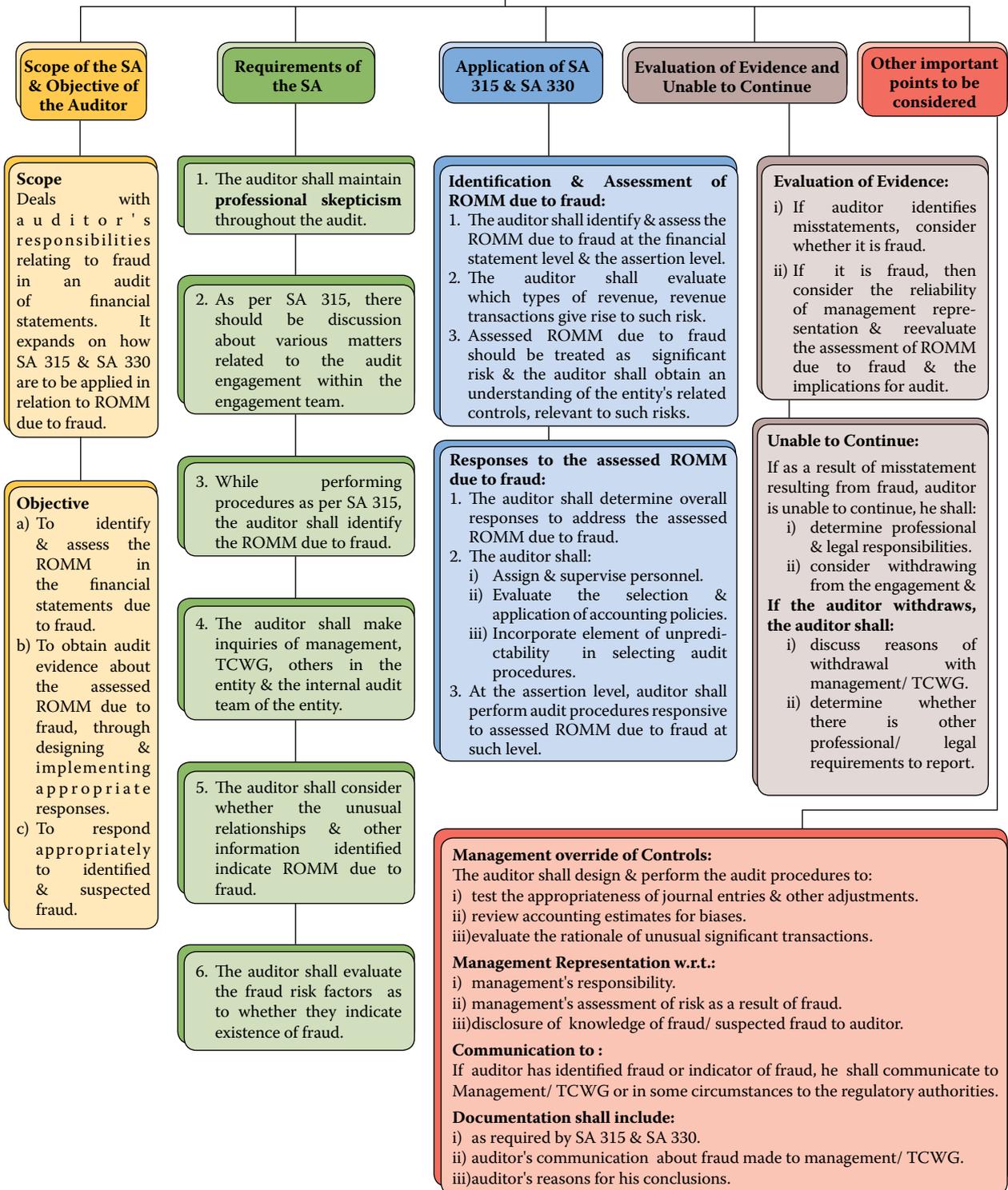
### "Quality Control for an Audit of Financial Statements"

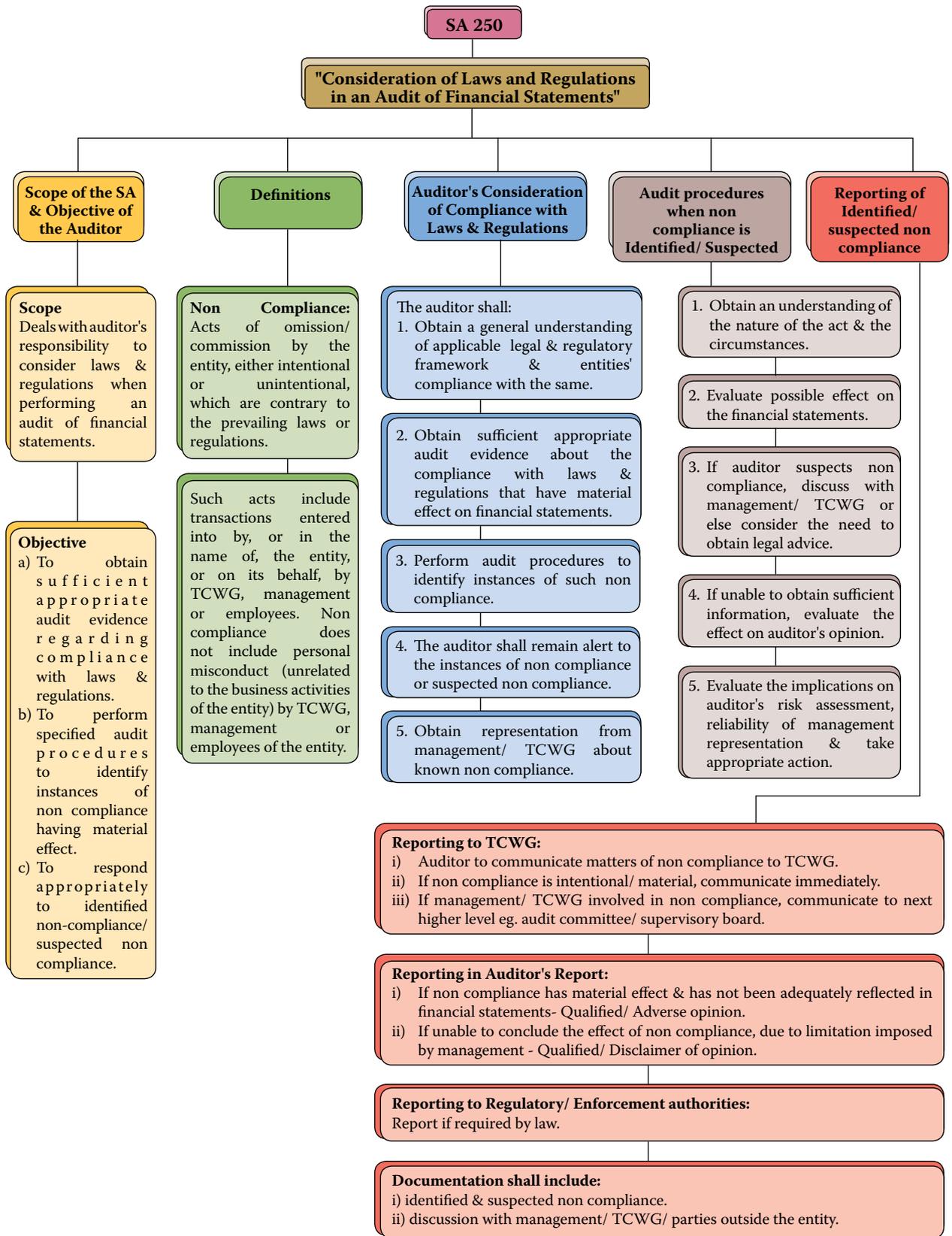




## SA 240

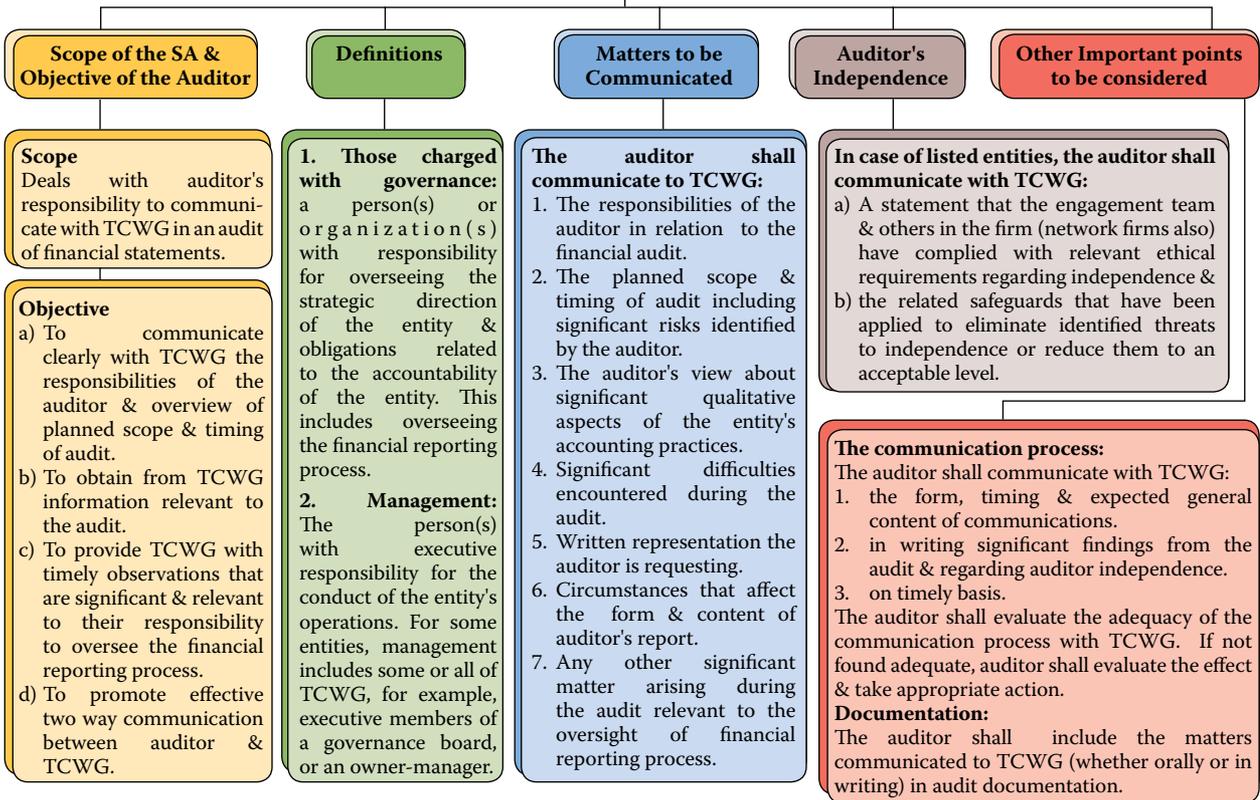
### "The Auditor's Responsibilities Relating to Fraud In an Audit of Financial Statements"





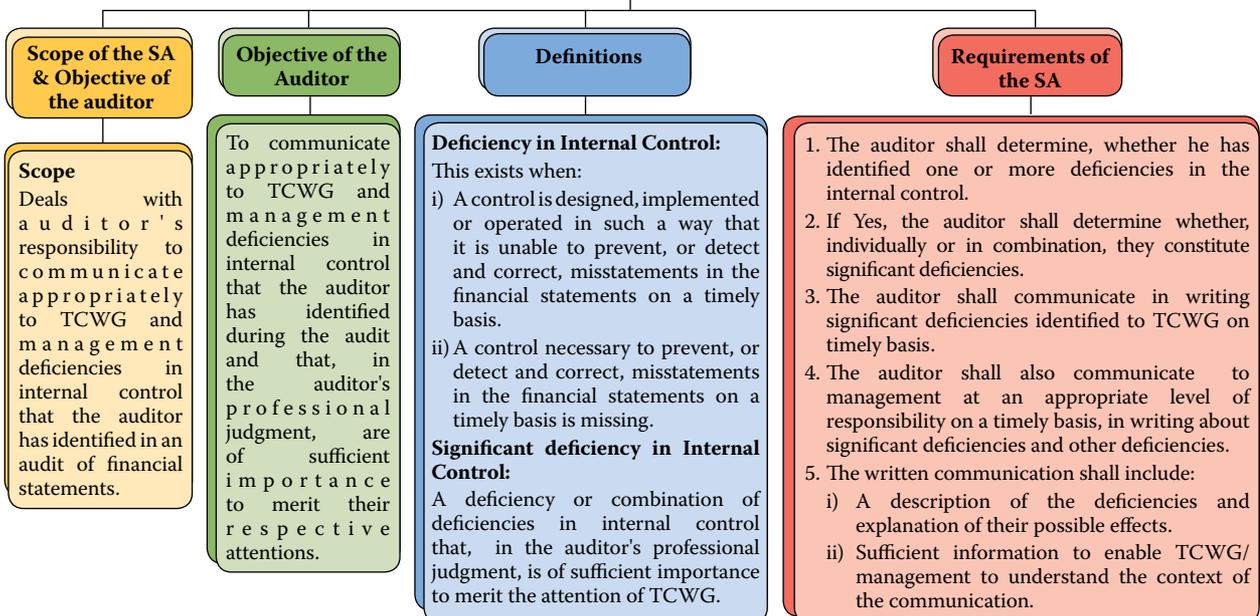
## SA 260

### "Communication with Those Charged with Governance"



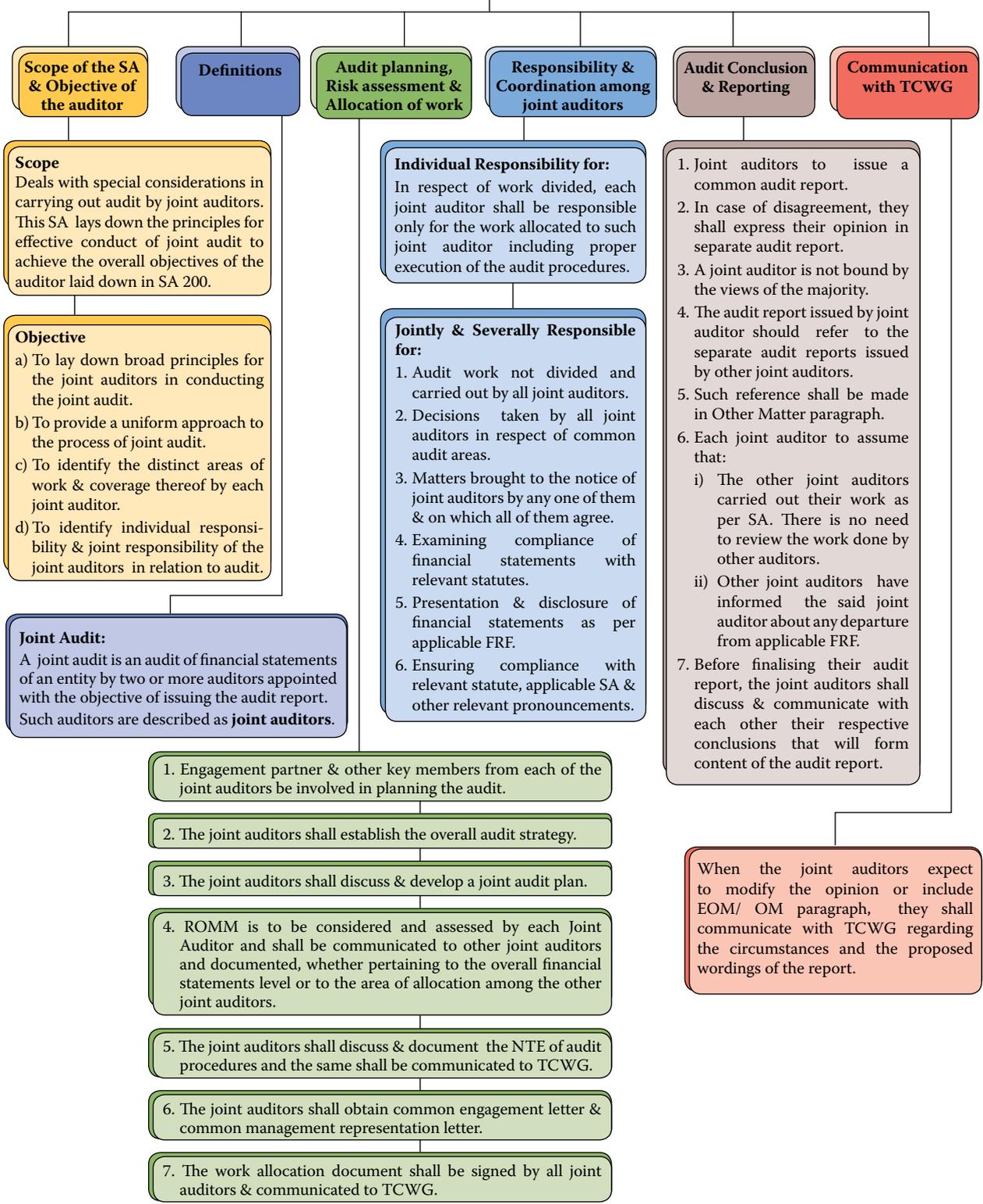
## SA 265

### "Communicating Deficiencies in Internal Control to Those Charged With Governance and Management"



SA 299

"Joint Audit of Financial Statements"

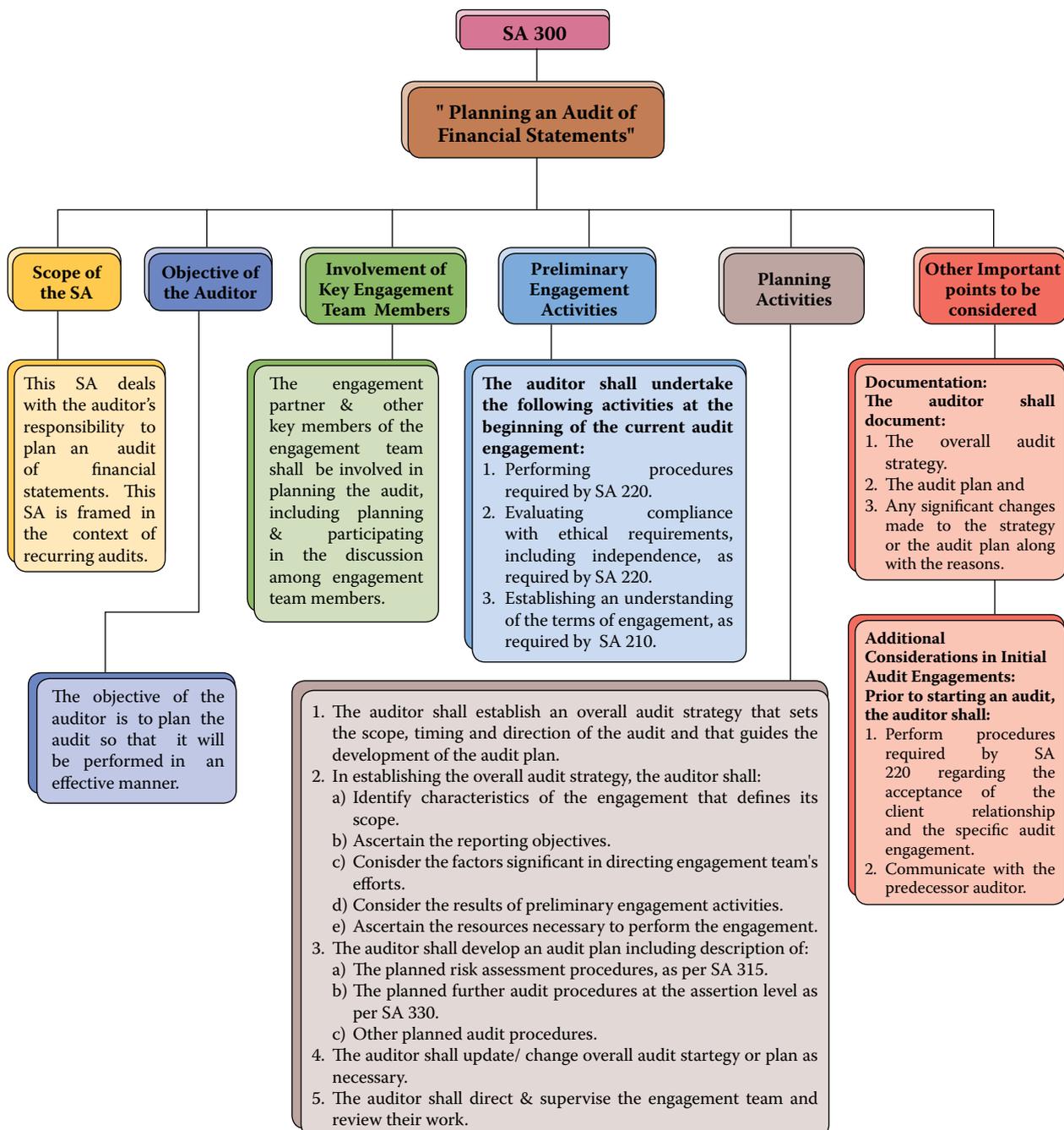


## CA FINAL - PAPER 3 - ADVANCED AUDITING AND PROFESSIONAL ETHICS

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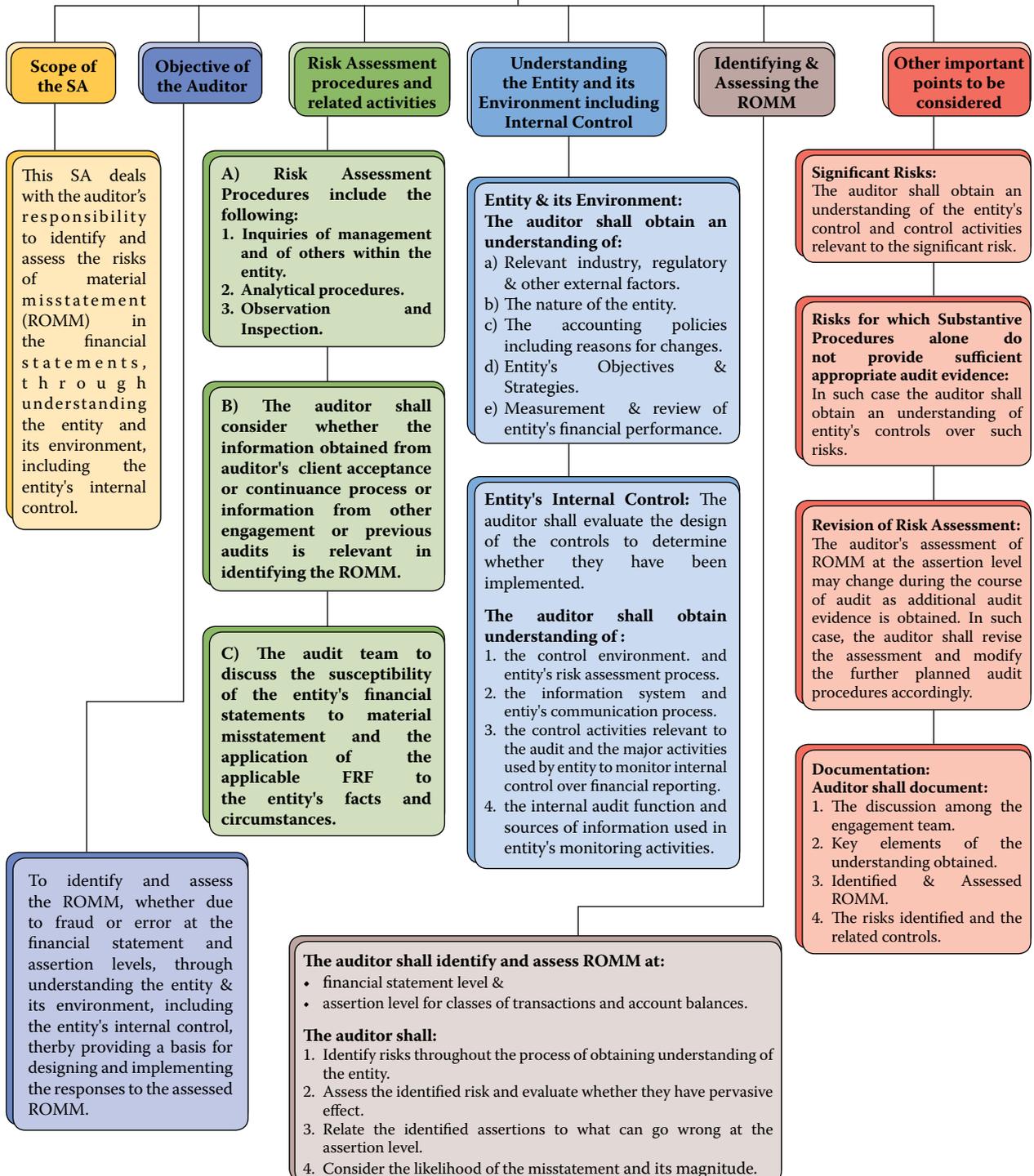
This series of capsules is on Paper 3: Advanced Auditing & Professional Ethics of Final Course. In this capsule we are covering Engagement and Quality Control Standards i.e. SA 300, 500 and 600 series (refer March 2019 edition for SA 540 and SA 600). It may be mentioned that this capsule is a tool for quick revision of some significant areas of Auditing subject, but this should not be taken as a substitute for the detailed study of the subject. Students are advised to refer to the relevant Study Material, Auditing Pronouncements and RTP for comprehensive study & revision.

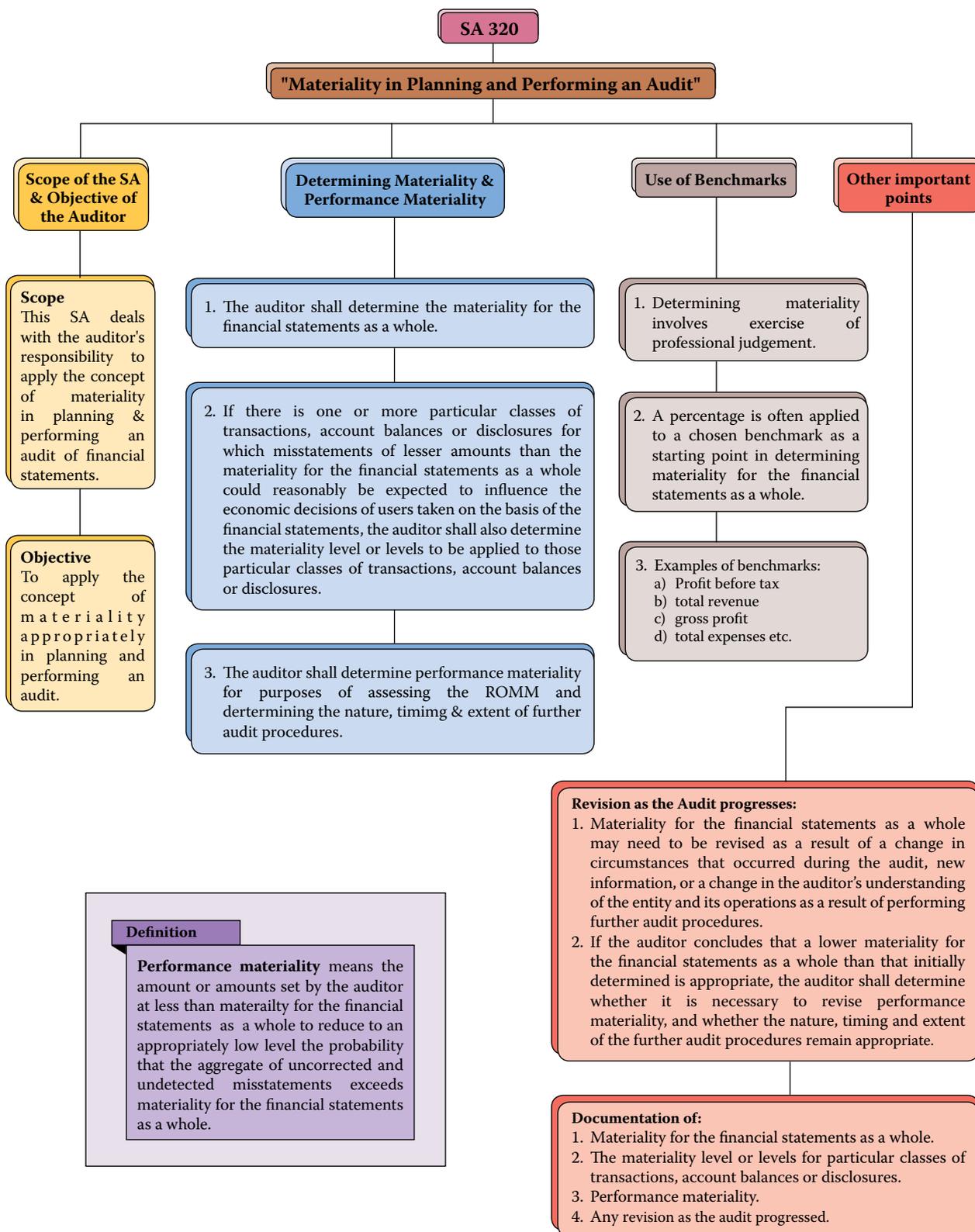
### SA 300 - 499: Risk Assessment and Response to Assessed Risks



## SA 315

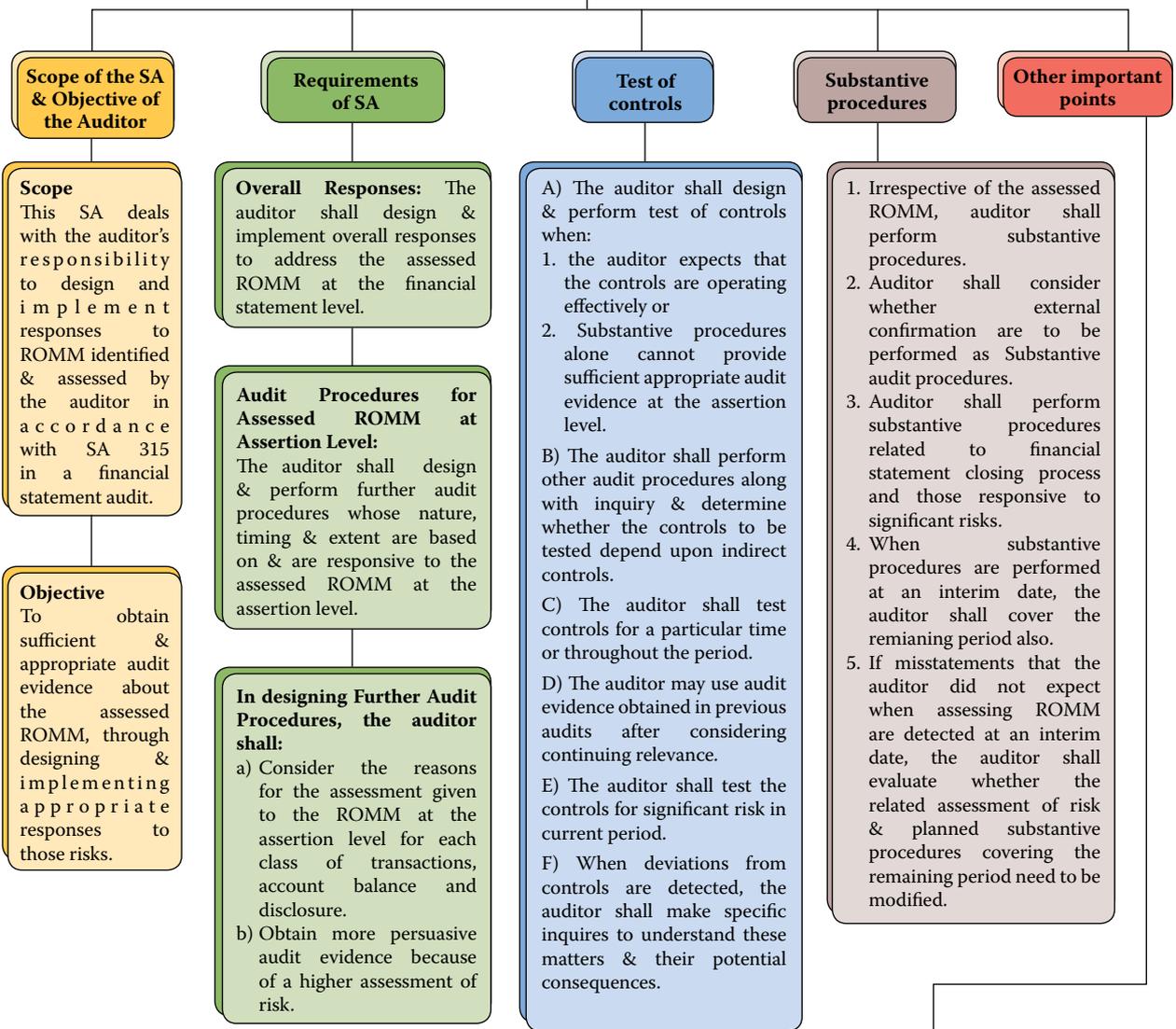
### " Identifying and Assessing the Risk of Material Misstatement through understanding the Entity and its Environment"





SA 330

**"The Auditor's Responses to Assessed Risks"**



**Scope of the SA & Objective of the Auditor**

**Scope**  
This SA deals with the auditor's responsibility to design and implement responses to ROMM identified & assessed by the auditor in accordance with SA 315 in a financial statement audit.

**Objective**  
To obtain sufficient & appropriate audit evidence about the assessed ROMM, through designing & implementing appropriate responses to those risks.

**Requirements of SA**

**Overall Responses:** The auditor shall design & implement overall responses to address the assessed ROMM at the financial statement level.

**Audit Procedures for Assessed ROMM at Assertion Level:**  
The auditor shall design & perform further audit procedures whose nature, timing & extent are based on & are responsive to the assessed ROMM at the assertion level.

**In designing Further Audit Procedures, the auditor shall:**

- a) Consider the reasons for the assessment given to the ROMM at the assertion level for each class of transactions, account balance and disclosure.
- b) Obtain more persuasive audit evidence because of a higher assessment of risk.

**Test of controls**

- A) The auditor shall design & perform test of controls when:
  1. the auditor expects that the controls are operating effectively or
  2. Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level.
- B) The auditor shall perform other audit procedures along with inquiry & determine whether the controls to be tested depend upon indirect controls.
- C) The auditor shall test controls for a particular time or throughout the period.
- D) The auditor may use audit evidence obtained in previous audits after considering continuing relevance.
- E) The auditor shall test the controls for significant risk in current period.
- F) When deviations from controls are detected, the auditor shall make specific inquires to understand these matters & their potential consequences.

**Substantive procedures**

1. Irrespective of the assessed ROMM, auditor shall perform substantive procedures.
2. Auditor shall consider whether external confirmation are to be performed as Substantive audit procedures.
3. Auditor shall perform substantive procedures related to financial statement closing process and those responsive to significant risks.
4. When substantive procedures are performed at an interim date, the auditor shall cover the remaining period also.
5. If misstatements that the auditor did not expect when assessing ROMM are detected at an interim date, the auditor shall evaluate whether the related assessment of risk & planned substantive procedures covering the remaining period need to be modified.

**Other important points**

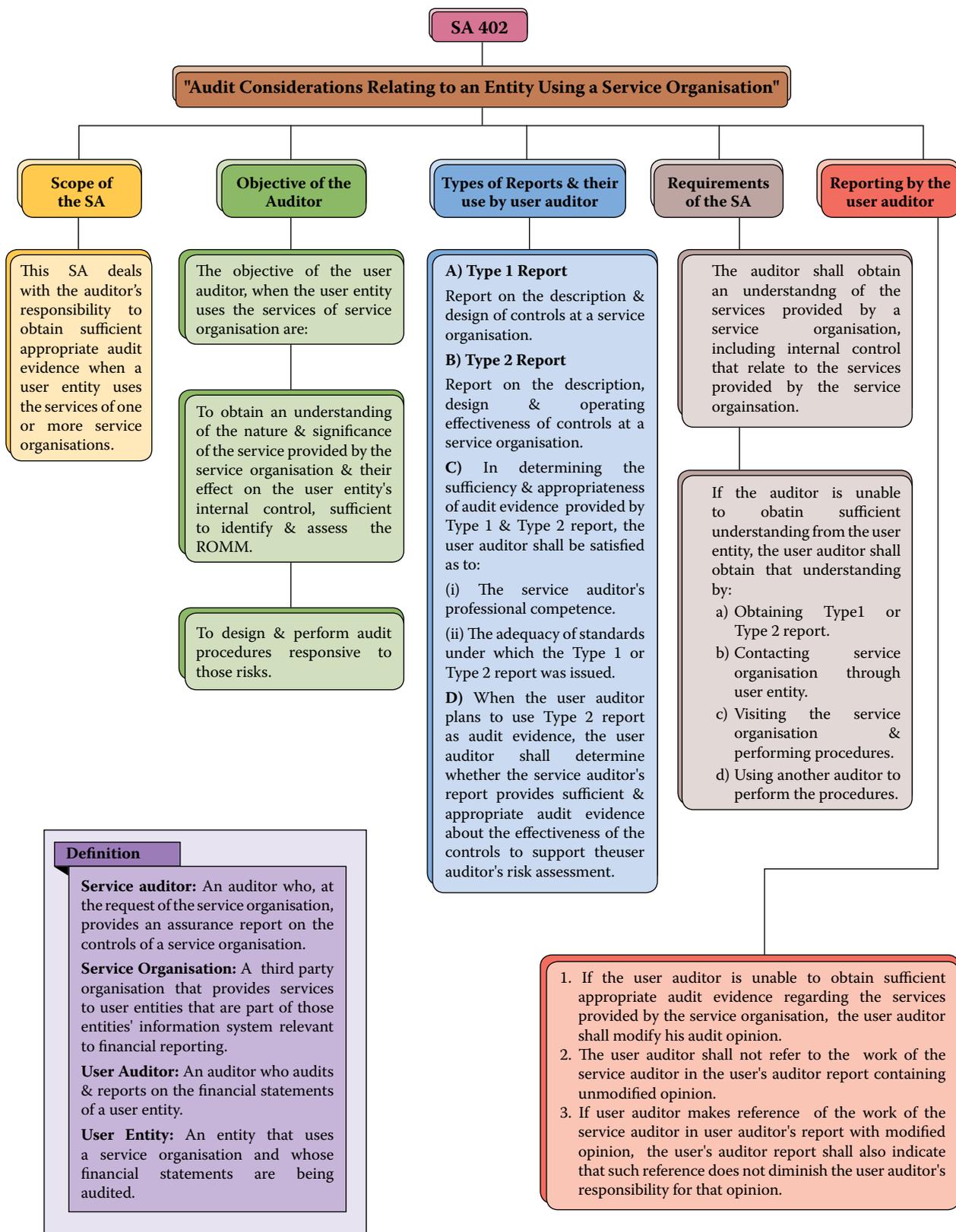
1. The auditor shall perform audit procedures to evaluate the adequacy of presentation & disclosures made in the financial statements.
2. The auditor shall evaluate the sufficiency & appropriateness of audit evidence.
3. The auditor shall document:
  - a) the overall responses and the nature , timing, extent of further audit procedures performed.
  - b) the linkage of those procedures with assessed risks at the assertion level.
  - c) the results of audit procedures.

**Definition**

**Substantive Procedure:**  
An audit procedure designed to detect material misstatements at the assertion level. It comprises of:

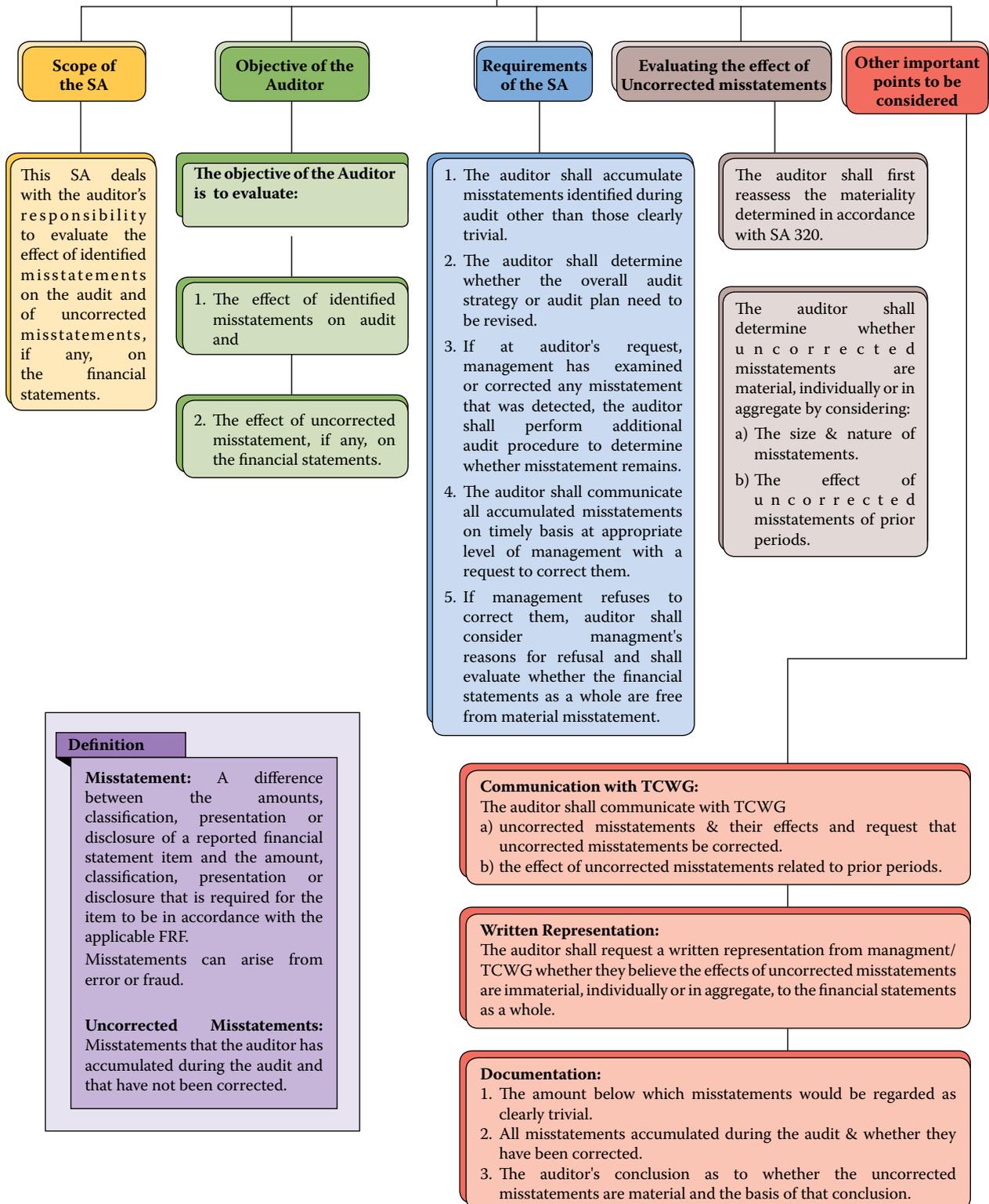
1. Test of details (of classes of transactions, account balances, & disclosures), &
2. Substantive analytical procedures.

**Test of Controls:**  
An audit procedure designed to evaluate operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level.

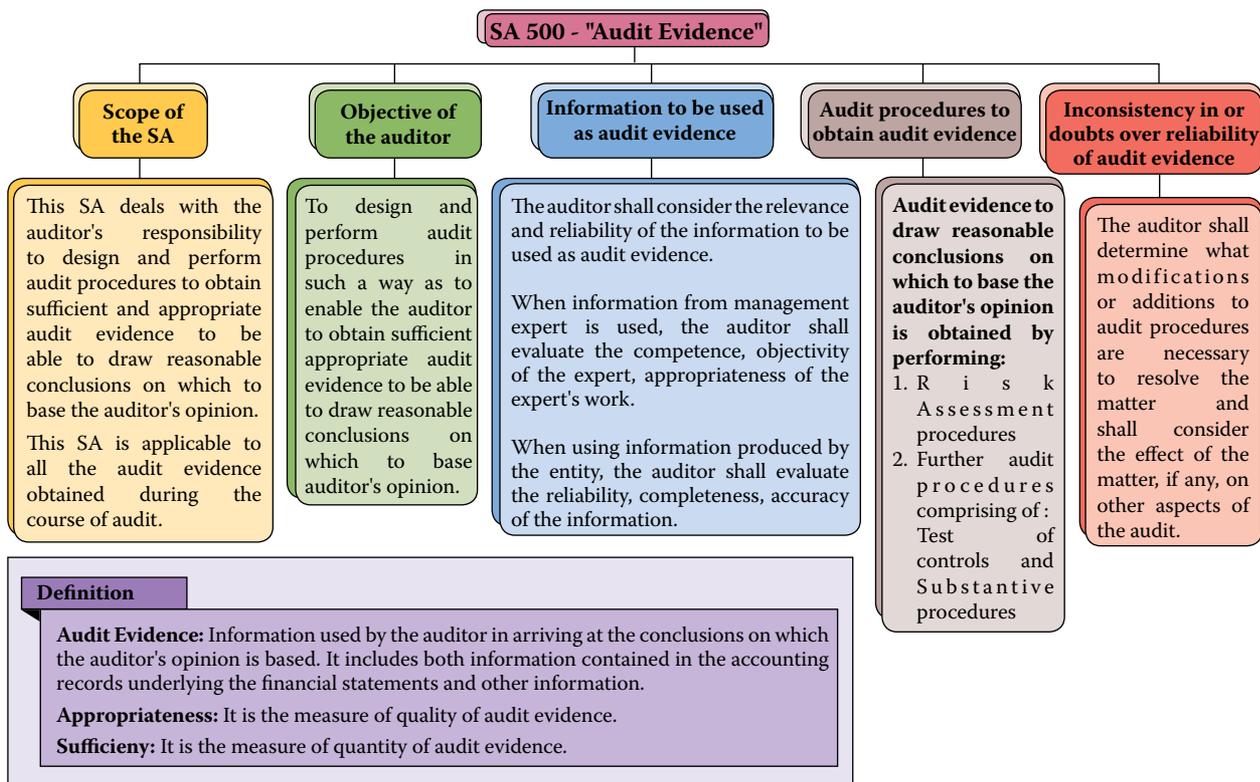


## SA 450

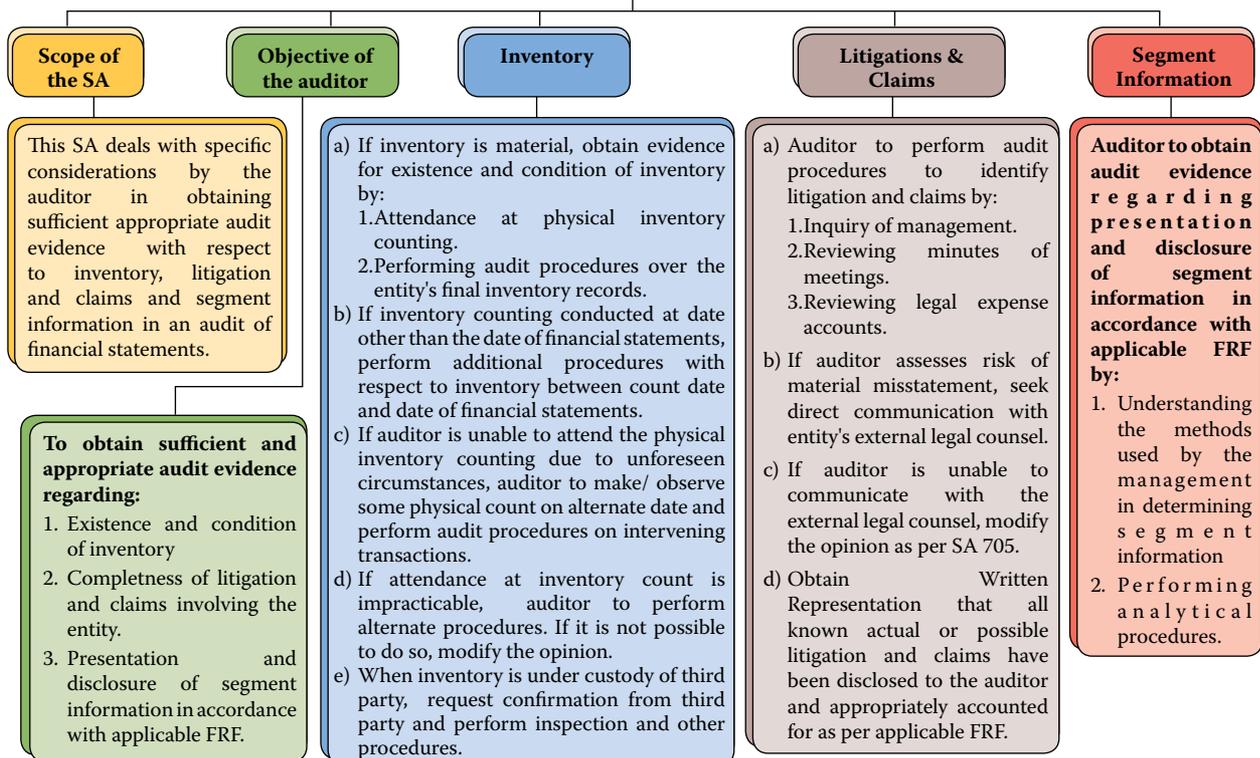
### "Evaluation of Misstatements Identified during the Audit"



## SA 500 - 599: Audit Evidence



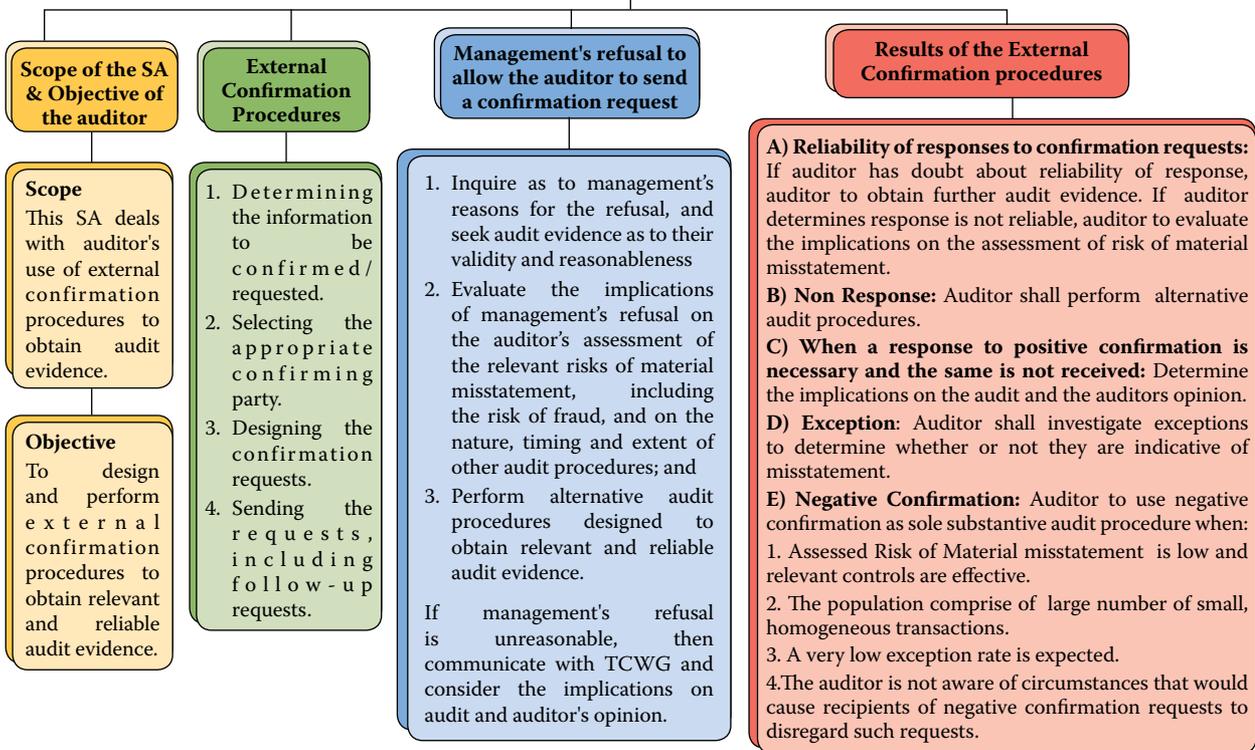
## SA 501 - "Audit Evidence- Specific Considerations for Selected Items"



# ADVANCED AUDITING AND PROFESSIONAL ETHICS

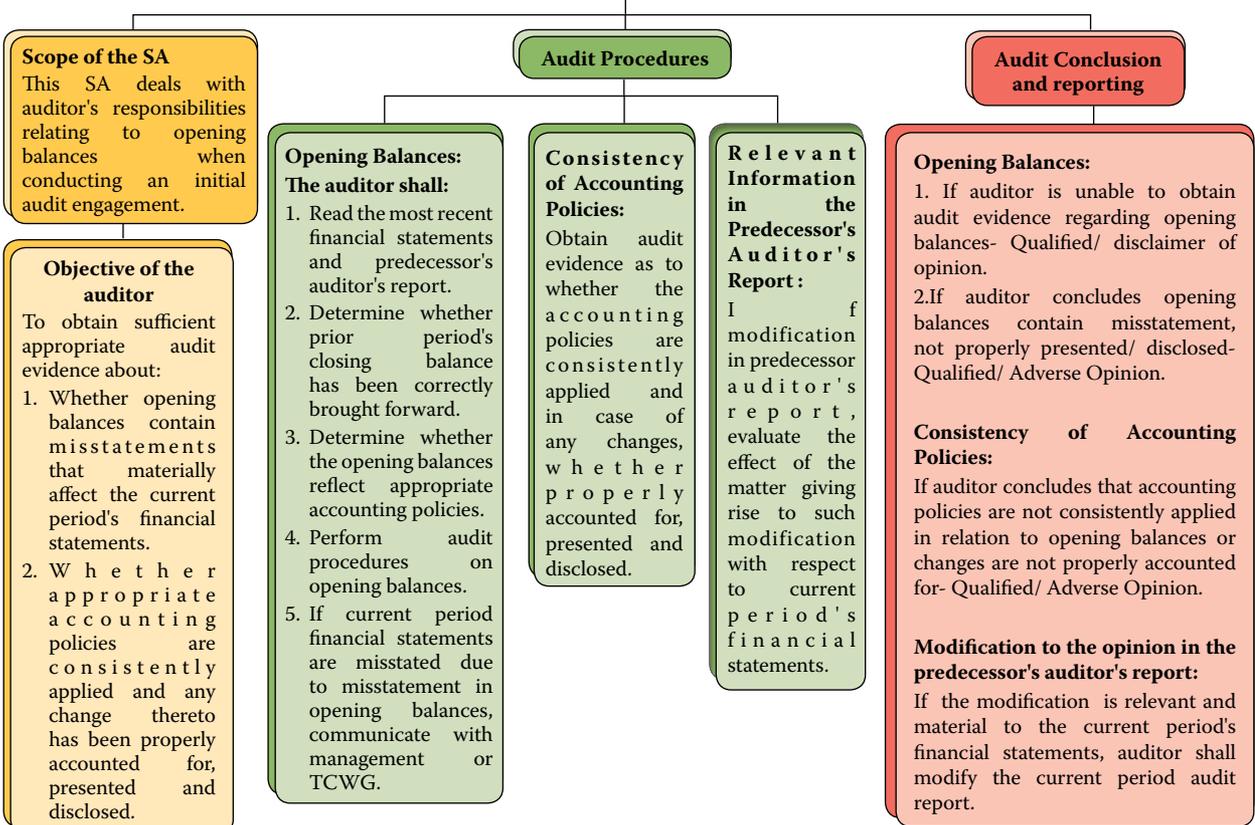
## SA 505 - "External Confirmations"

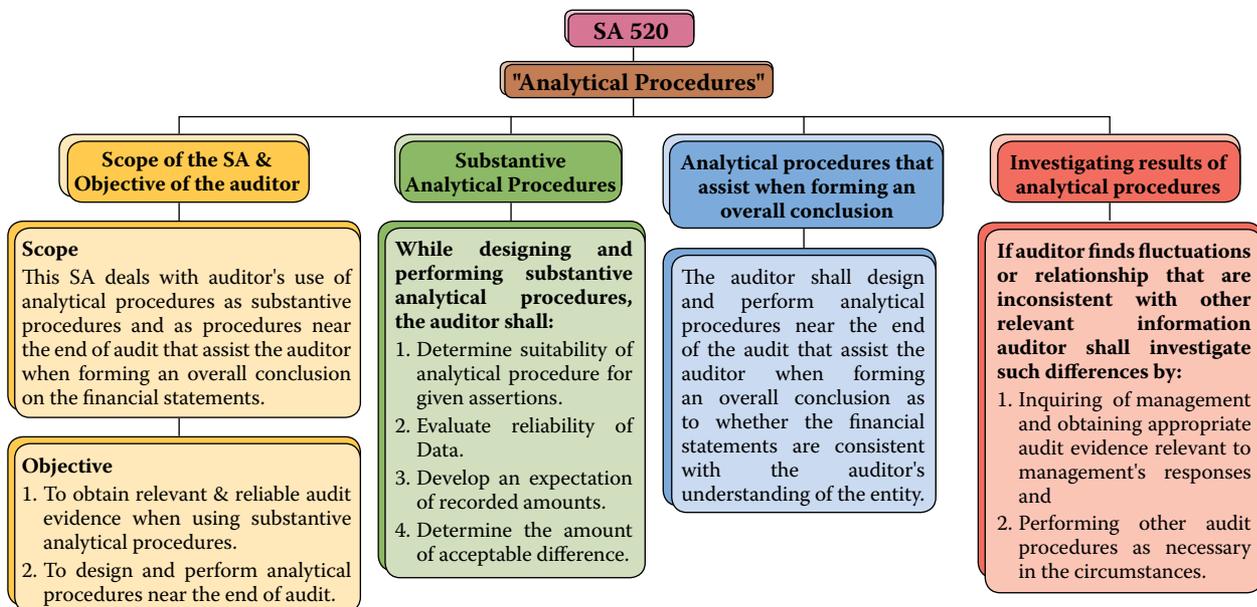
Refer page 17 for definition



## SA 510 - "Initial Audit Engagements- Opening Balances"

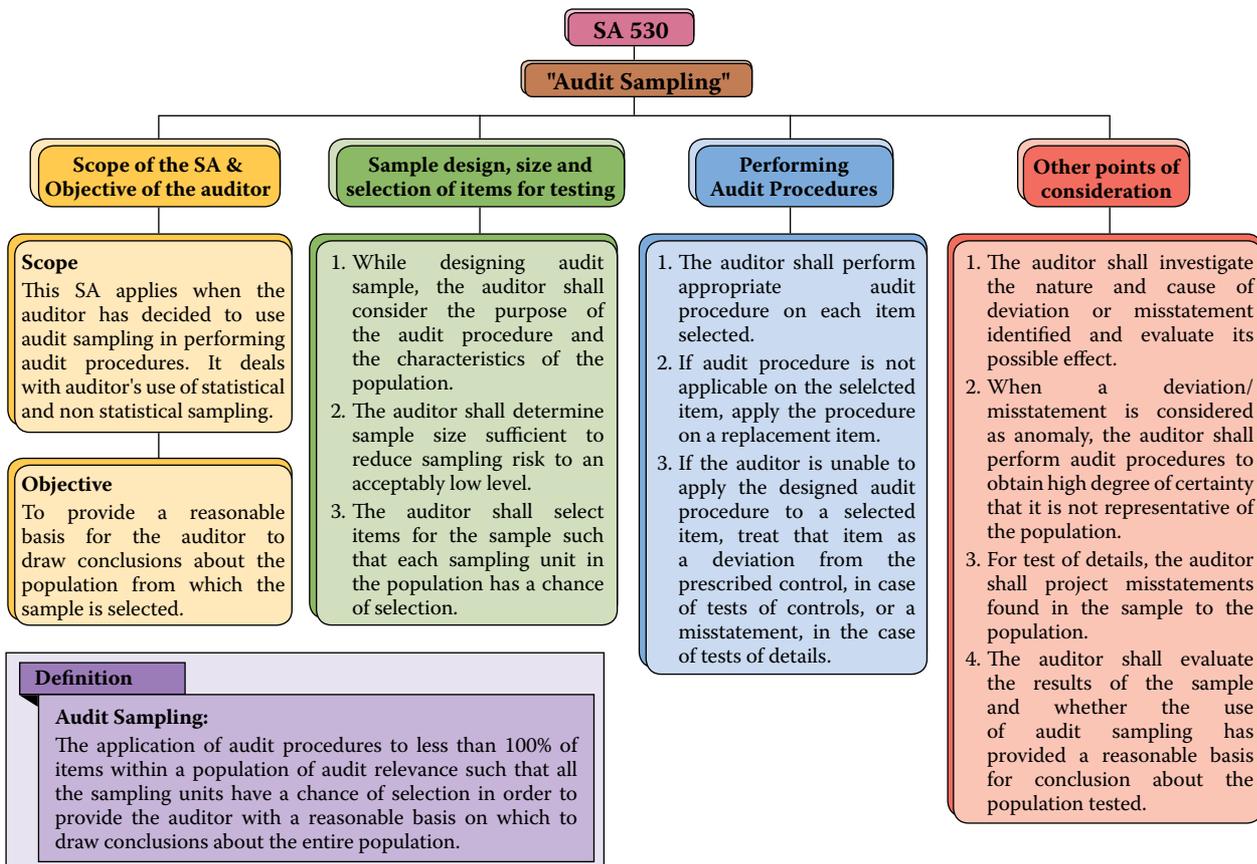
Refer page 18 for definition

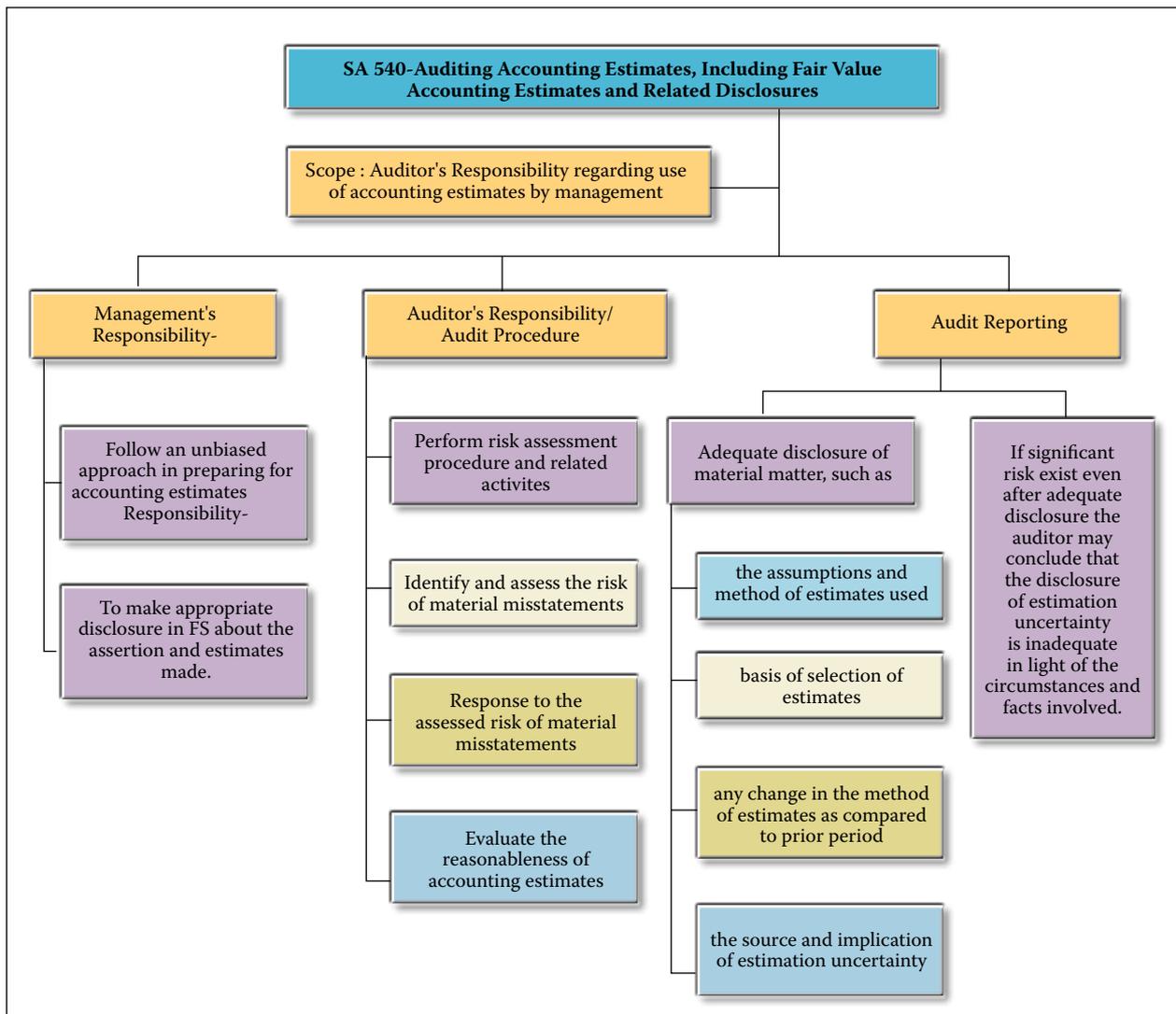


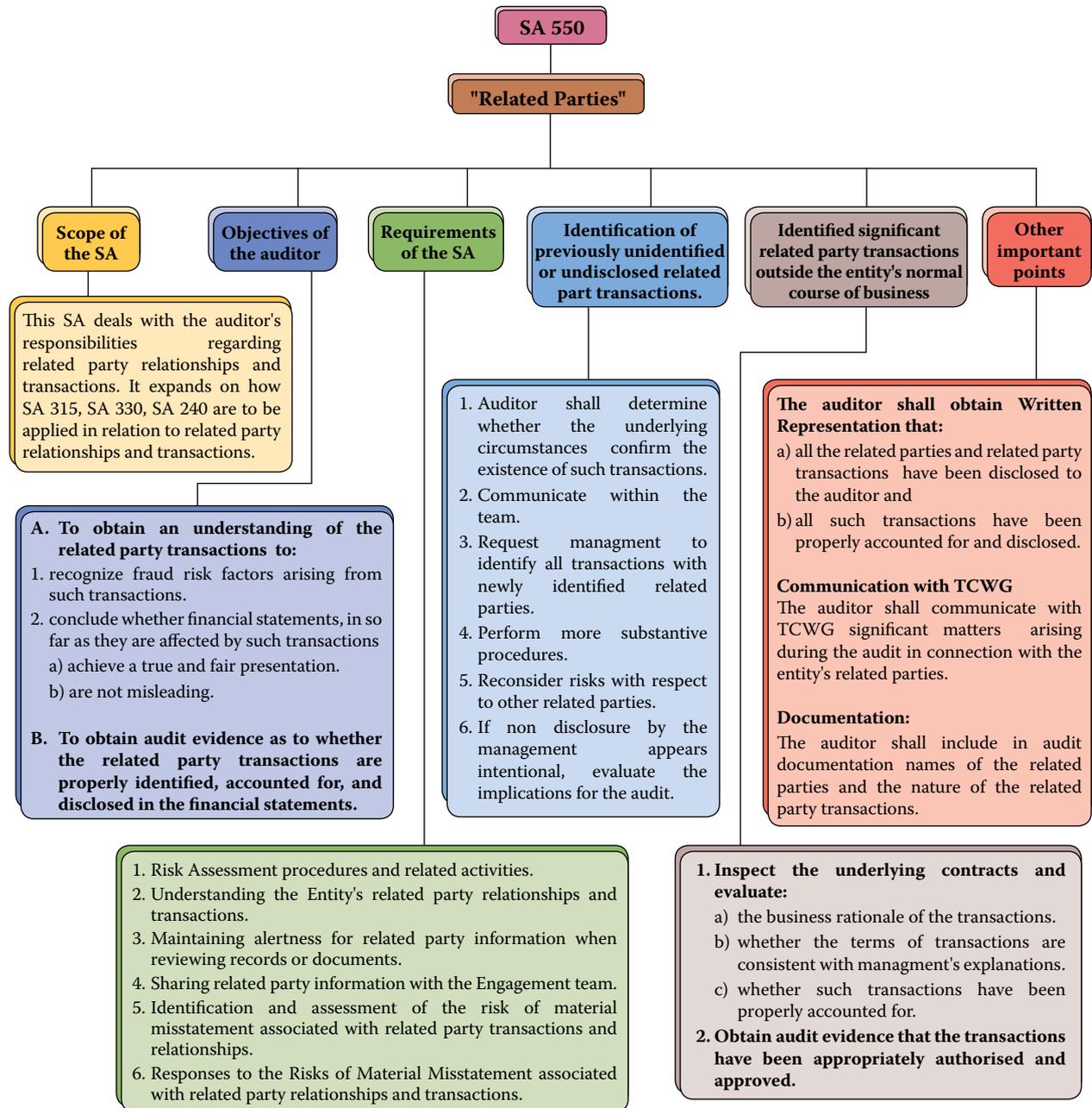


**Definition**

**Analytical Procedures** means evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.



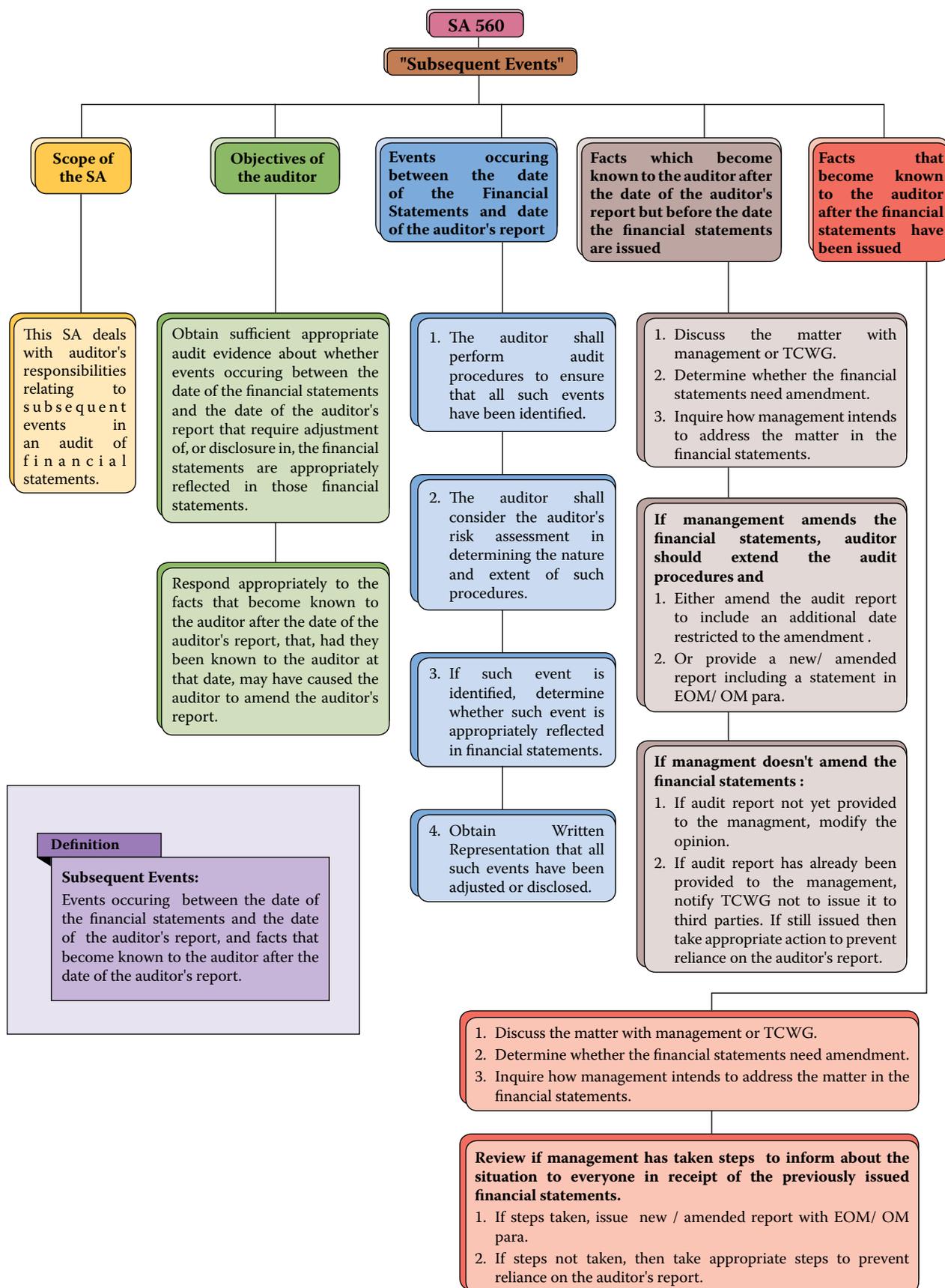


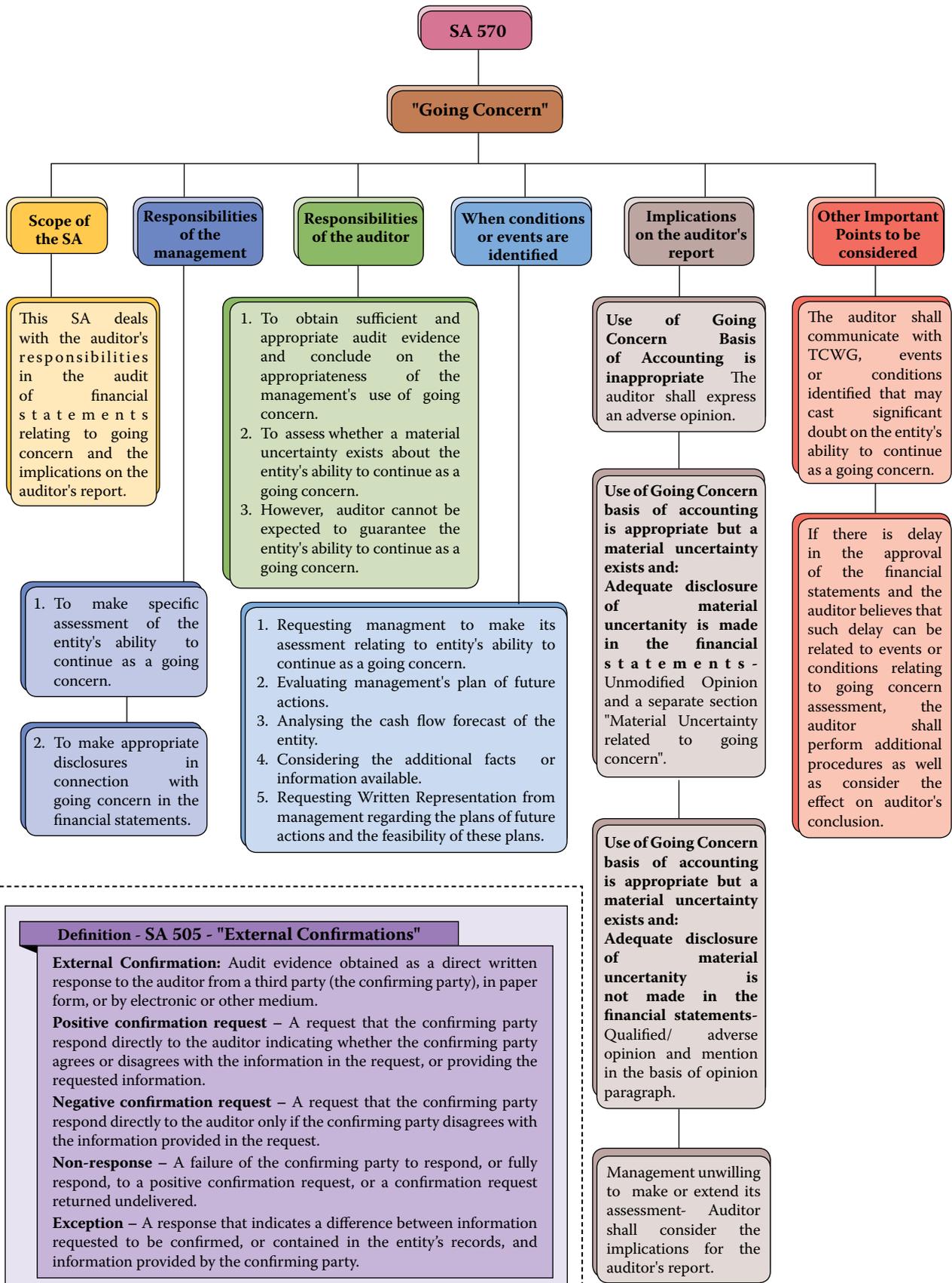


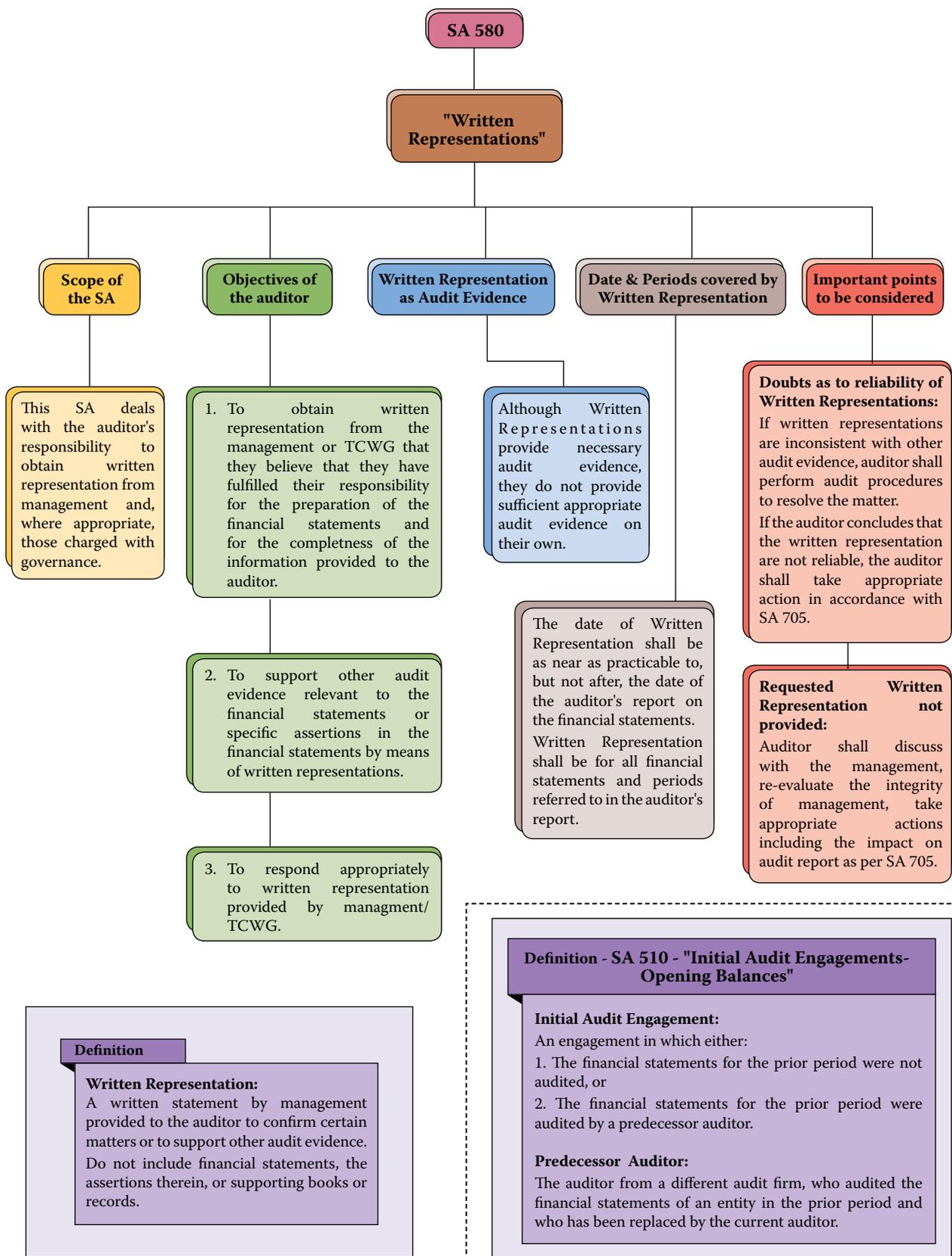
## Definition

Related party- A party that is either:

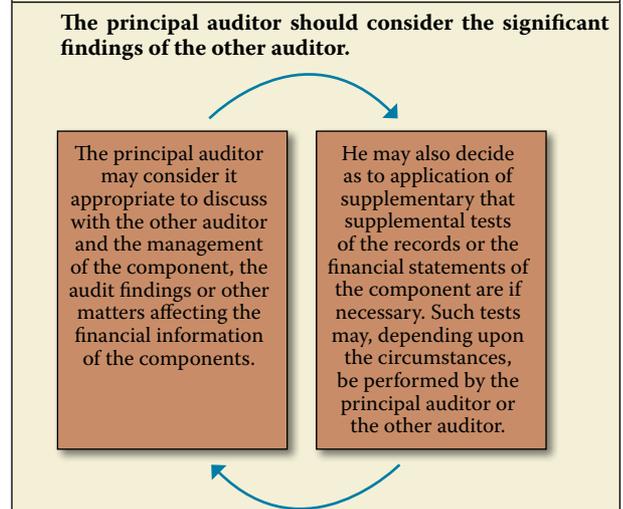
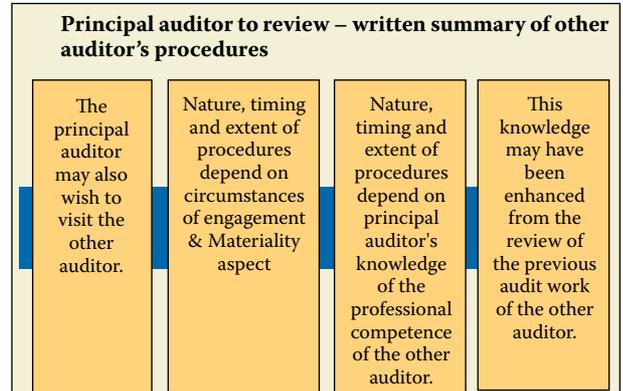
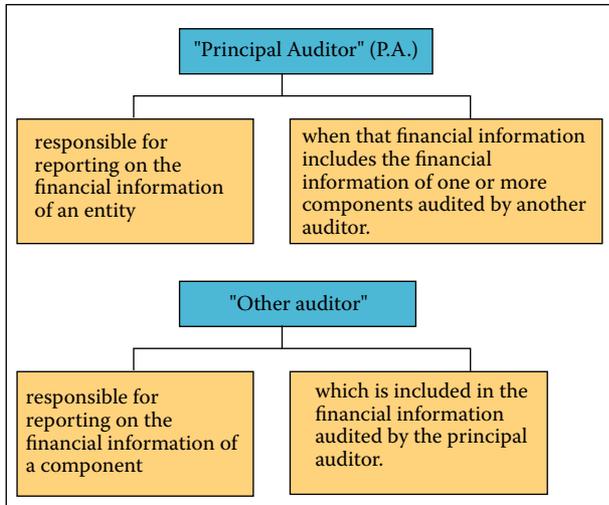
- i) a related party as defined in applicable FRF.
- ii) where applicable FRF establishes minimal or no related party requirements:
  - a) A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity,
  - b) Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or
  - c) Another entity that is under common control with the reporting entity through having:
    - common controlling ownership,
    - owners who are close family members, or
    - common key management.



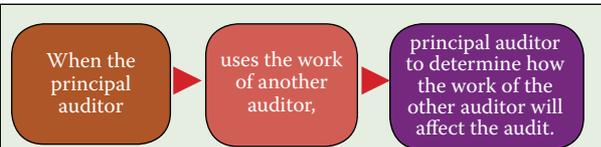




## SA 600 - USING THE WORK OF ANOTHER AUDITOR



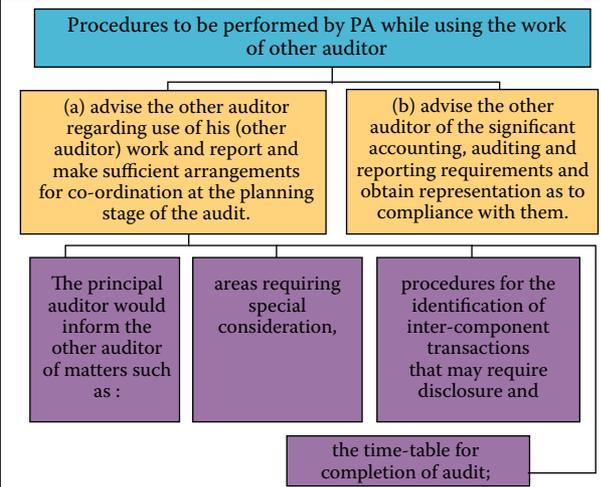
Where the other auditor's report is other than unmodified, the principal auditor should also document how he has dealt with the qualifications or adverse remarks contained in the other auditor's report in framing his own report.



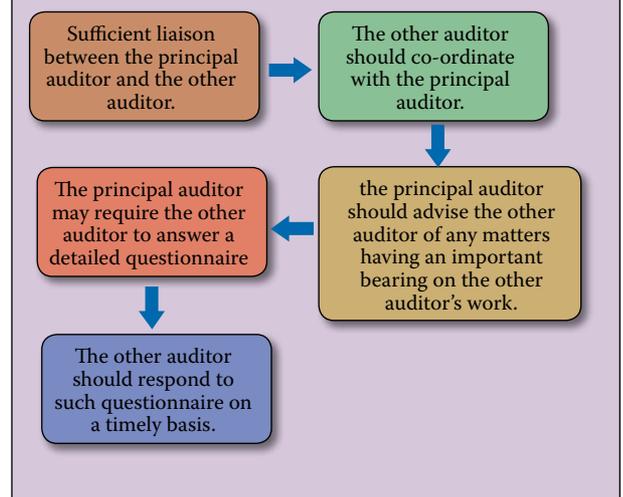
### I. Consideration by an auditor before acceptance as Principal Auditor:

- (a) the materiality of the portion of the financial information
- (b) degree of knowledge regarding the business of the components;
- (c) the risk of material misstatements in the financial information of the components audited by the other auditor; and
- (d) the performance of additional procedures as set out in this SA regarding the components audited by other auditor resulting in the principal auditor having significant participation in such audit.

### II. Procedures to be followed by P.A.



### III. Co-ordination Between Auditors



## IV Reporting Considerations

### 1. Principal auditor to express a qualified opinion or disclaimer of opinion in case of a limitation on the scope of audit.

When the principal auditor concludes, based on his procedures, that the work of the other auditor cannot be used and the principal auditor has not been able to perform sufficient additional procedures regarding the financial information of the component audited by the other auditor, the principal auditor should express a qualified opinion or disclaimer of opinion because there is a limitation on the scope of audit.

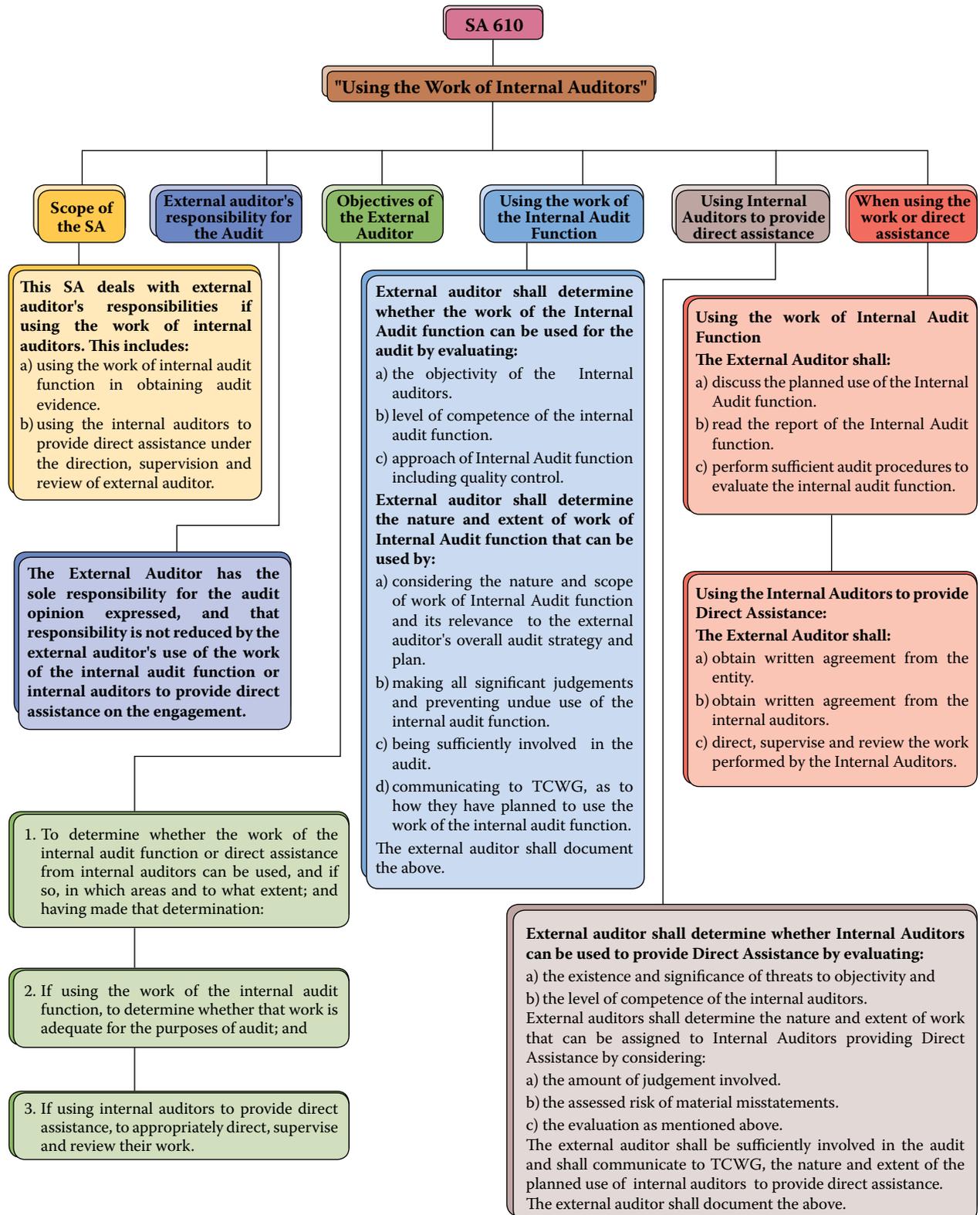
### 2. If the other auditor issues a Modified Report

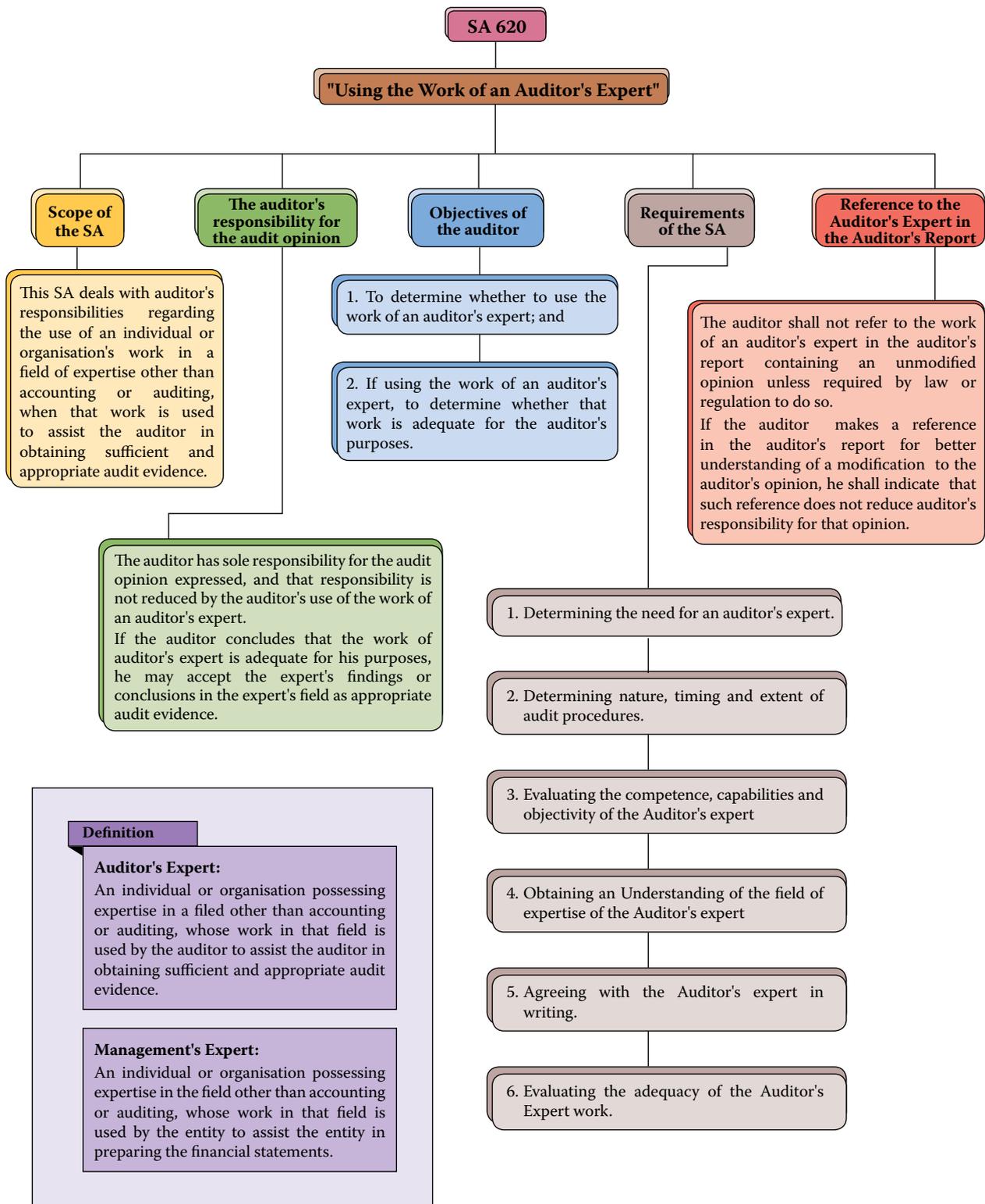
In all circumstances, if the other auditor issues, or intends to issue, a modified auditor's report, the principal auditor should consider whether the subject of the modification is of such nature and significance, in relation to the financial information of the entity on which the principal auditor is reporting that it requires a modification of the principal auditor's report.

## V. Division of Responsibility

When the principal auditor has to base his opinion on the financial information of the entity as a whole relying upon the statements and reports of the other auditors, his report should state clearly the division of responsibility for the financial information of the entity by indicating the extent to which the financial information of components audited by the other auditors have been included in the financial information of the entity, e.g., the number of divisions/branches/subsidiaries or other components audited by other auditors. However, if the Principal Auditor notices any material discrepancies the same has to be brought to the knowledge of other Auditor. This should be incorporated in the Audit Report.

## SA 600 - 699: Using Work of Others

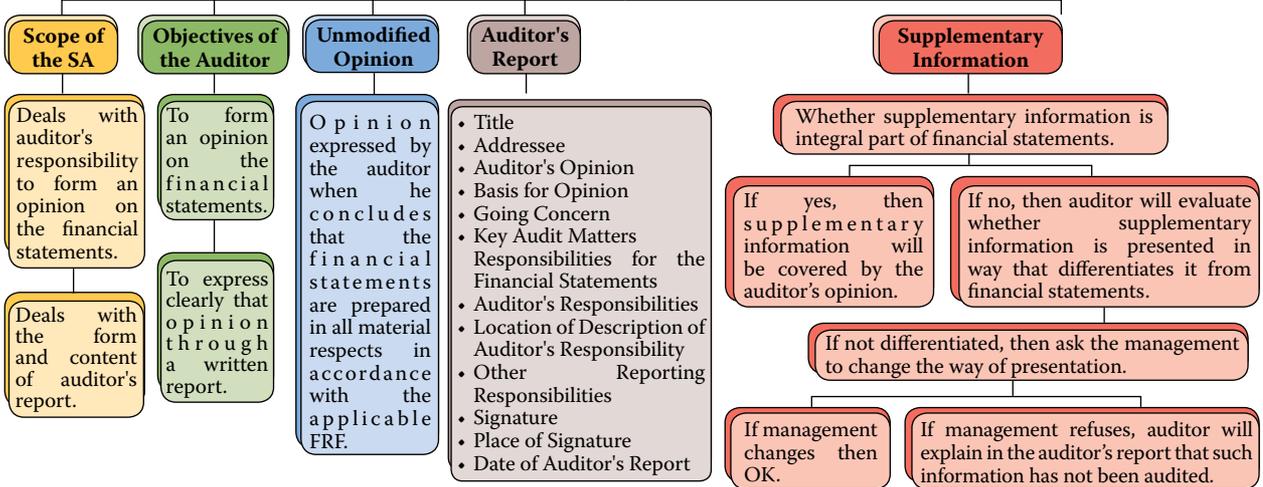




SA 700 - 799 Audit Conclusions and Reporting

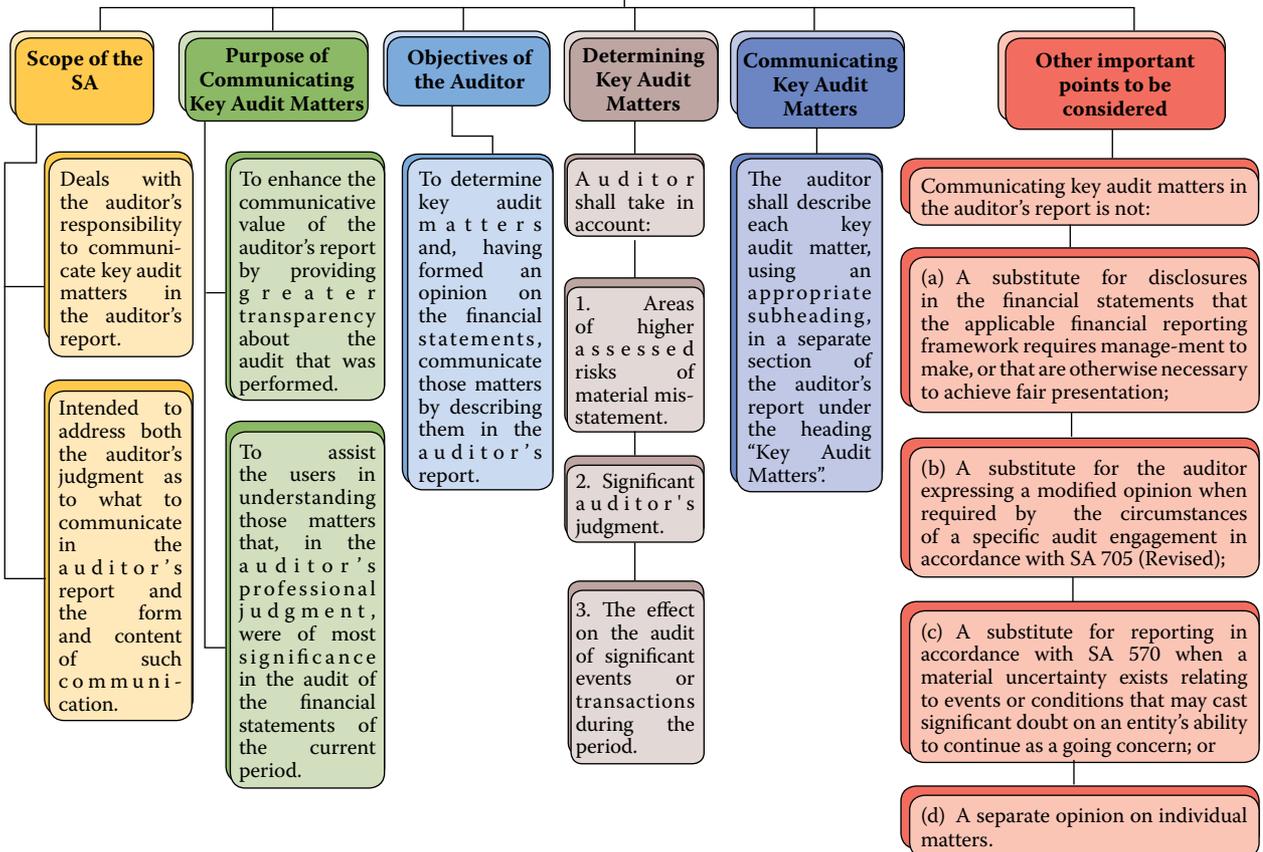
SA 700

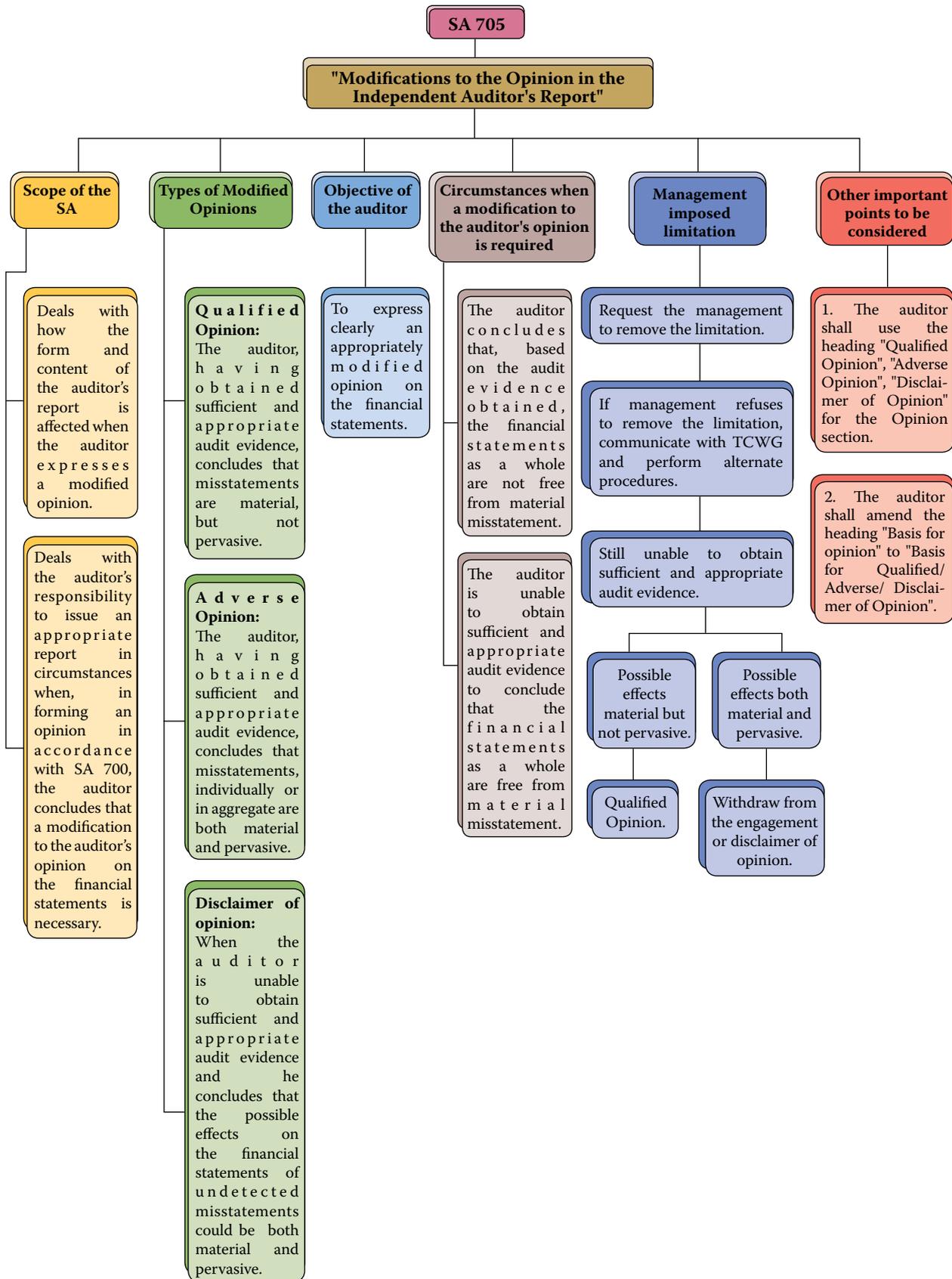
"Forming an Opinion and Reporting on Financial Statements"



SA 701

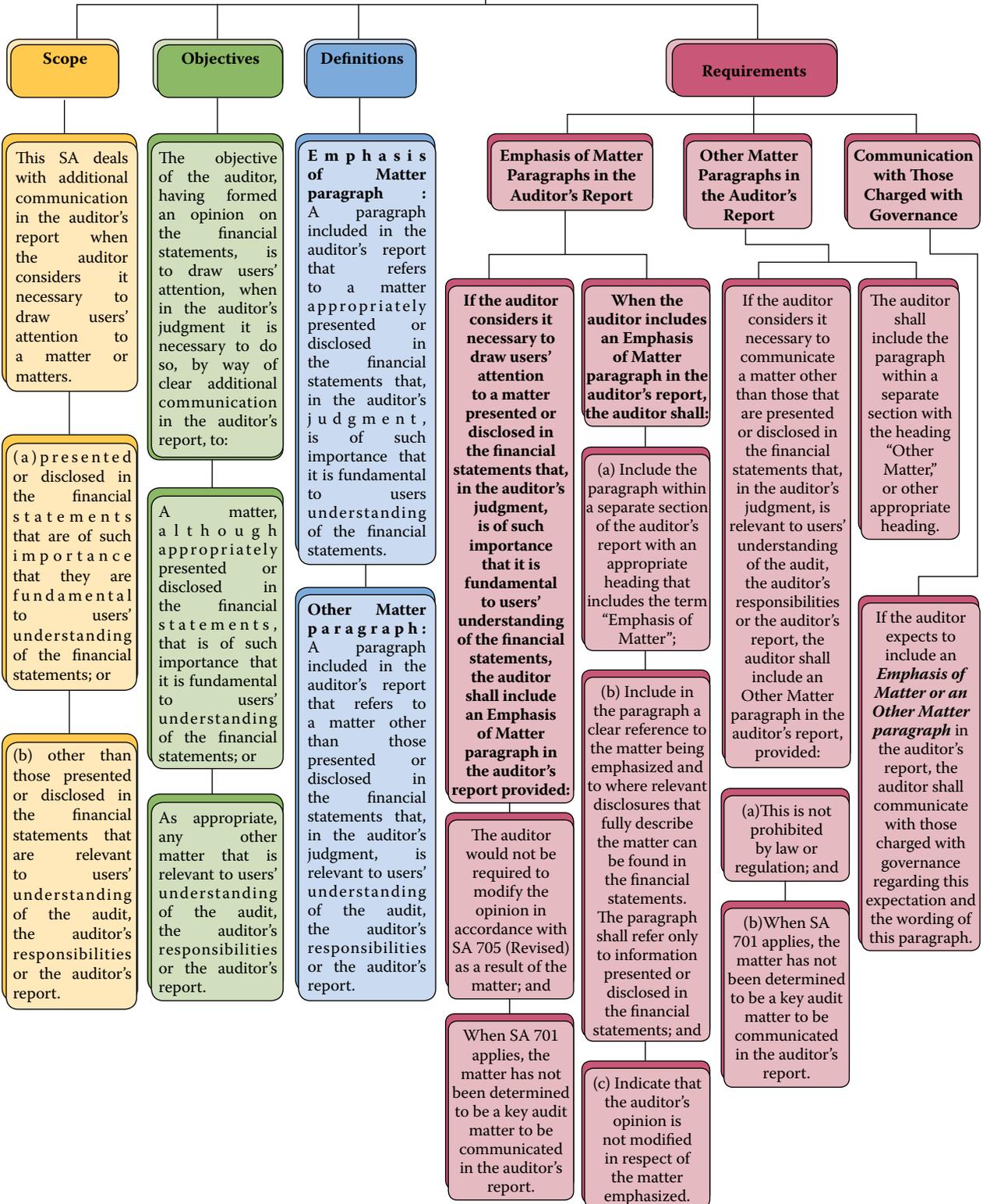
"Communicating Key Audit Matters in the Independent Auditor's Report"





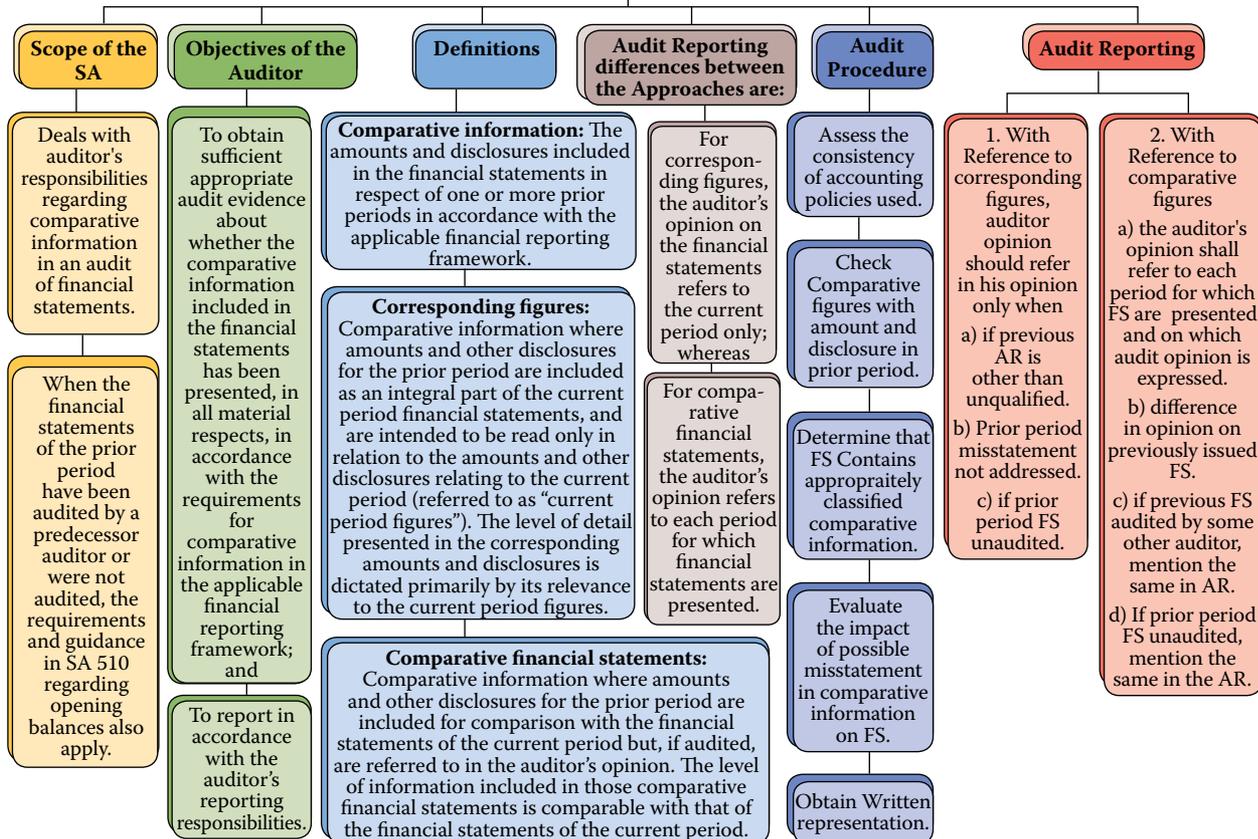
SA 706

**Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report**



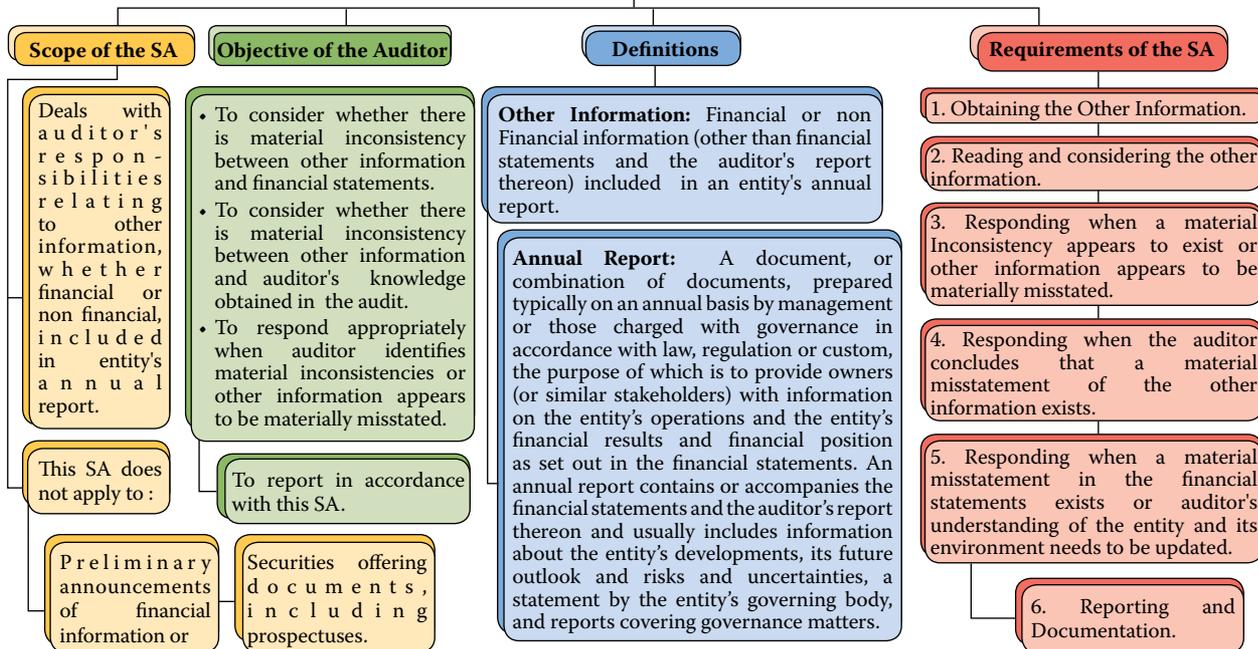
## SA 710

### "Comparative Information—Corresponding Figures & Comparative Financial Statements"



## SA 720

### "The Auditor's Responsibilities Relating to Other Information"



## CA FINAL - PAPER 3 - ADVANCED AUDITING AND PROFESSIONAL ETHICS

This Capsule on Paper 3: Advanced Auditing & Professional Ethics at Final Level covers selected Topics of Chapter 18 on Professional Ethics and this should not be taken as a substitute for the detailed study of the Chapter. Students are advised to refer to the relevant Study Material, MCQs & Case Scenarios Booklet and RTP for comprehensive study & revision.

### Ethics

means moral principles which govern a person's behaviour or the conducting of an activity.

### Professional Ethics

consist of personal, organisational and corporate standards of behaviour expected for professionals.

### Code of Ethics

A distinguishing feature of the accountancy profession is its acceptance of the responsibility to act in the public interest.

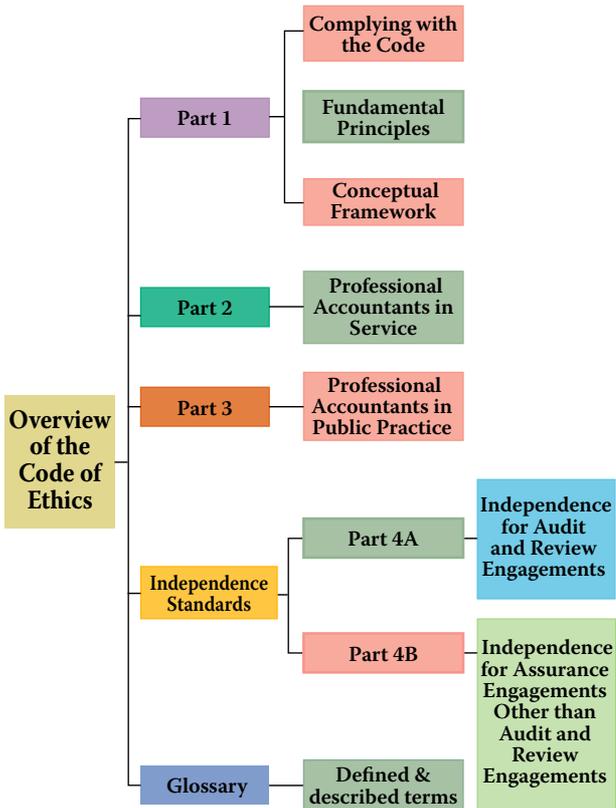
Code of Ethics seeks to protect the interests of the profession as a whole.

It is a shield that enables us to command respect.

The Code contains sections which address specific topics. Some sections contain subsections dealing with specific aspects of those topics. Each section of the Code is structured, where appropriate, as follows:

Introduction	Requirements	Application material
Sets out the subject matter addressed within the section and introduces the requirements and application material in the context of the conceptual framework.	Establish general and specific obligations with respect to the subject matter addressed.	Provides context, explanations, suggestions for actions or matters to consider illustrations and other guidance to assist in complying with the requirements.

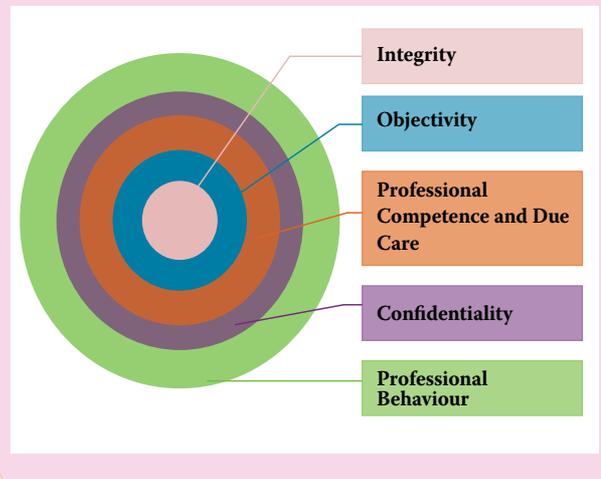
## OVERVIEW OF THE CODE OF ETHICS



**Introductory material** contains information, including an explanation of terms used, which is important to the understanding and application of each Part and its sections.

A professional accountant shall comply with the Code. 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.

**Fundamental Principles:** In order to achieve the objectives of the accountancy profession, professional accountants have to observe a number of prerequisites or fundamental principles.



## I. Integrity – Subsection 111: A professional accountant shall

Comply with the principle of integrity, which requires an accountant to be straightforward and honest in all professional and business relationships;

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

contains a materially false or misleading statement;

contains statements or information provided negligently; or

omits or obscures required information where such omission or obscurity would be misleading.

if the professional accountant, provides a modified report, it will not be considered to be in breach of matters mentioned above.

When a professional accountant becomes aware of having been associated with information described above, the accountant shall *take steps to be disassociated* from that information.

## II. Objectivity- Subsection 112: A professional accountant shall

comply with the principle of objectivity, which requires an accountant not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others.

not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity.

## III. Professional Competence and Due Care – Subsection 113: A professional accountant shall

comply with the principle of professional competence and due care, which requires an accountant to:

Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and

act diligently in accordance with applicable technical and professional standards.

## IV. Confidentiality- Subsection 114 : A professional accountant shall

comply with the principle of confidentiality, which requires an accountant to respect the confidentiality of information acquired as a result of professional and employment relationships.

An accountant shall:

Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member;

Maintain confidentiality of information within the firm or employing organisation;

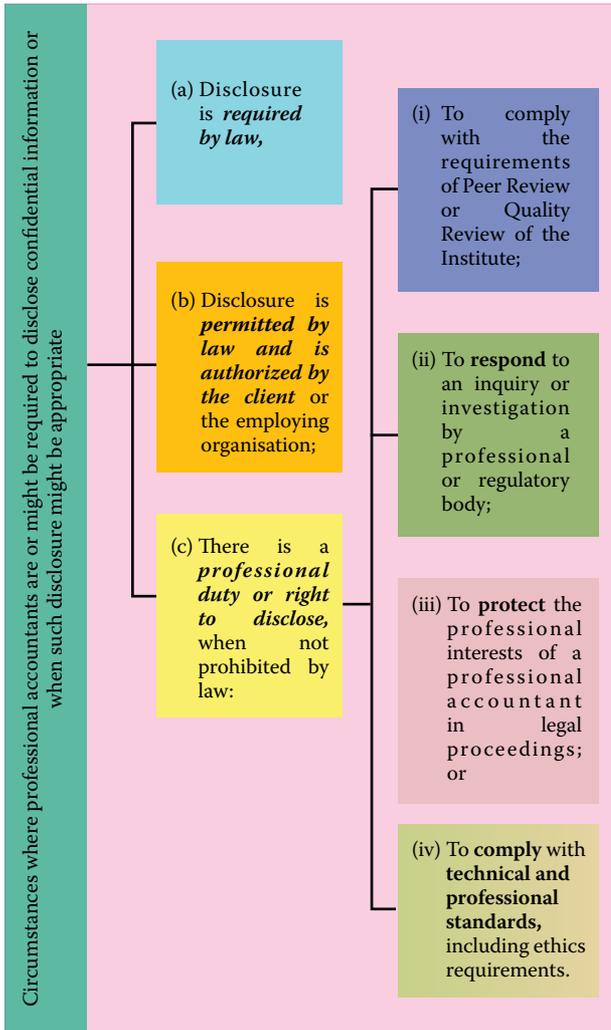
Maintain confidentiality of information disclosed by a prospective client or employing organisation;

Not disclose confidential information acquired as a result of professional and employment relationships outside the firm or employing organisation without proper and specific authority, unless there is a legal or professional duty or right to disclose;

Not use confidential information acquired as a result of professional and employment relationships for the personal advantage of the accountant or for the advantage of a third party;

Not use or disclose any confidential information, either acquired or received as a result of a professional or employment relationship, after that relationship has ended; and

Take reasonable steps to ensure that personnel under the accountant's control, and individuals from whom advice and assistance are obtained, respect the accountant's duty of confidentiality.



A professional accountant shall continue to comply with the principle of confidentiality even after the end of the relationship between the accountant and a client or employing organisation.

## V. Professional Behaviour Subsection 115: A professional accountant shall

comply with the principle of professional behaviour, which requires an accountant to comply with relevant laws and regulations and avoid any **conduct** that accountant knows or should know might discredit the profession.



A professional accountant shall comply with each of the fundamental principles.

The fundamental principles of ethics establish the standard of behaviour expected of a professional accountant.

The conceptual framework establishes the approach which an accountant is required to apply to assist in complying with those fundamental principles.

A professional accountant might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles. In such a situation, the accountant might consider consulting, with:



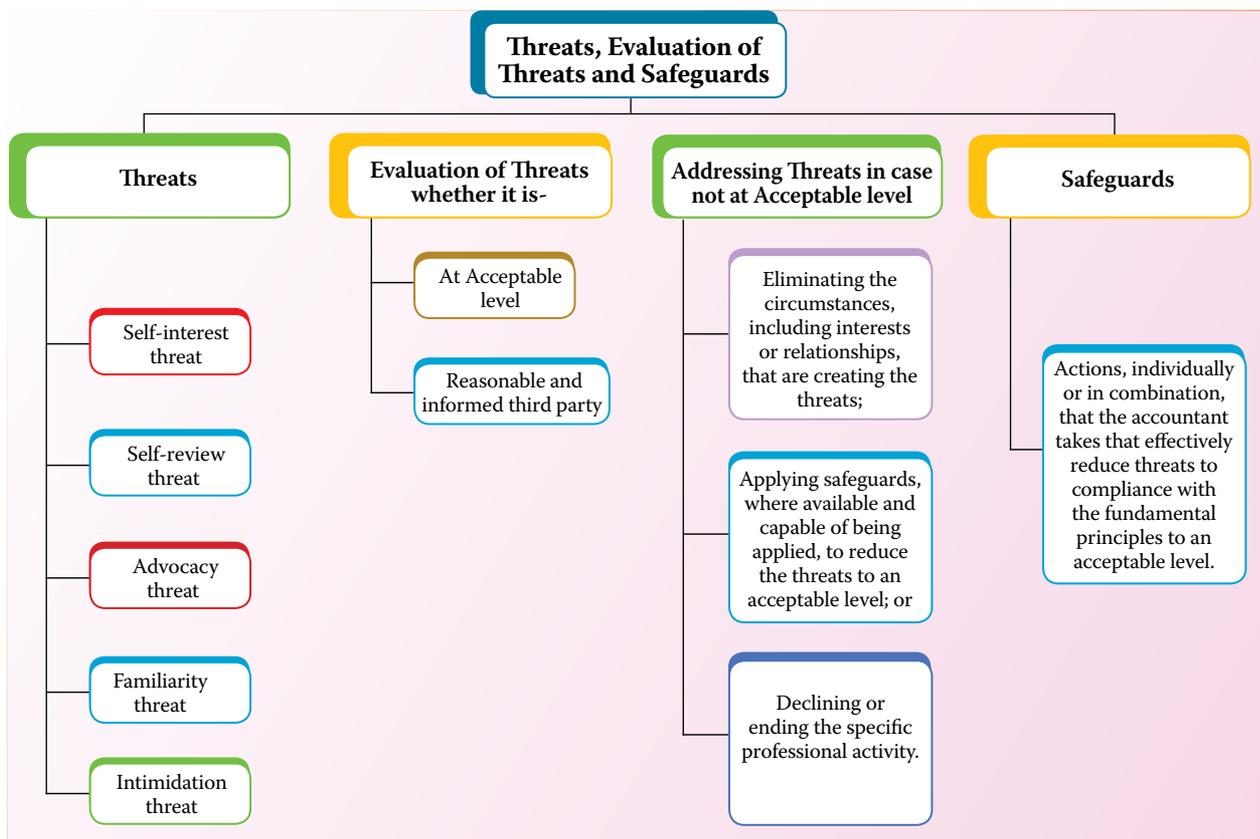
However, such consultation does not relieve the accountant from the responsibility to exercise professional judgment to resolve the conflict or, if necessary, and unless prohibited by law or regulation, disassociate from the matter creating the conflict.

The professional accountant is encouraged to document the substance of the issue, the details of any discussions, the decisions made and the rationale for those decisions.

### Whether to disclose confidential information, professional accountants should consider:

(a) Whether the interests of any party, including third parties whose interests might be affected, could be harmed if the client or employing organisation consents to the disclosure of information by the professional accountant;	(b) Whether all the relevant information is known and substantiated, to the extent it is practicable; and
(c) The proposed type of communication, and to whom it is addressed;	(d) Whether the parties to whom the communication is addressed are appropriate recipients.

**Threats, Evaluation of Threats and Safeguards : The conceptual framework specifies an approach for a professional accountant to:**

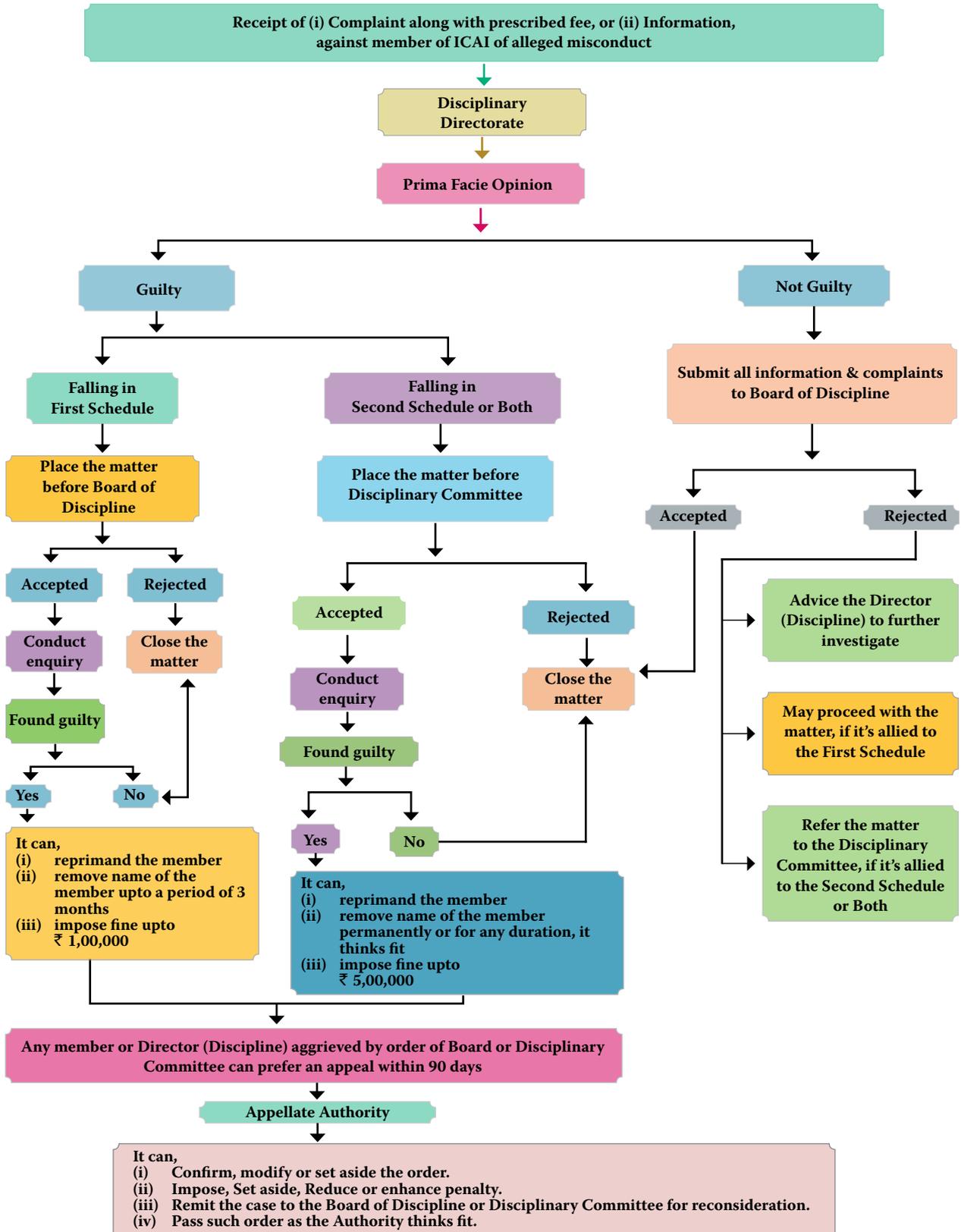


## SCHEDULES TO THE ACT :

### Types of Schedules

First Schedule				Second Schedule		
<b>Part I:</b> Professional misconduct in relation to Chartered Accountants in practice	<b>Part II:</b> Professional misconduct in relation to Members of the Institute in service	<b>Part III:</b> Professional misconduct in relation to Members of the Institute generally	<b>Part IV:</b> Other misconduct in relation to Members of the Institute generally	<b>Part I:</b> Professional misconduct in relation to Chartered Accountants in practice	<b>Part II:</b> Professional misconduct in relation to Members of the Institute generally	<b>Part III:</b> Other misconduct in relation to Members of the Institute generally
No. of Clauses: 12	No. of Clauses: 2	No. of Clauses: 3	No. of Clauses: 2	No. of Clauses: 10	No. of Clauses: 4	No. of Clause: 1

FLOW CHART OF DISCIPLINARY PROCEDURE MECHANISM

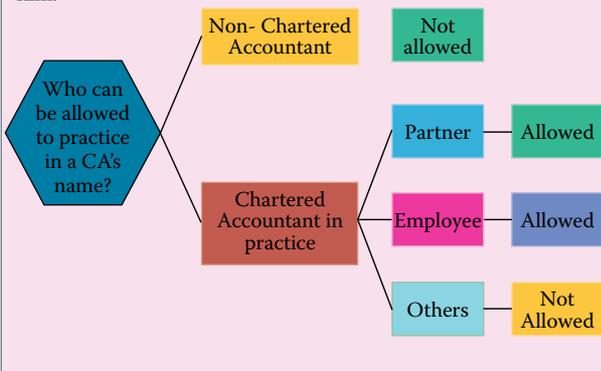


**THE FIRST SCHEDULE:** Where the Director (Discipline) is of the opinion that member is guilty of any professional or other misconduct mentioned in the First Schedule; he shall place the matter before the Board of Discipline.

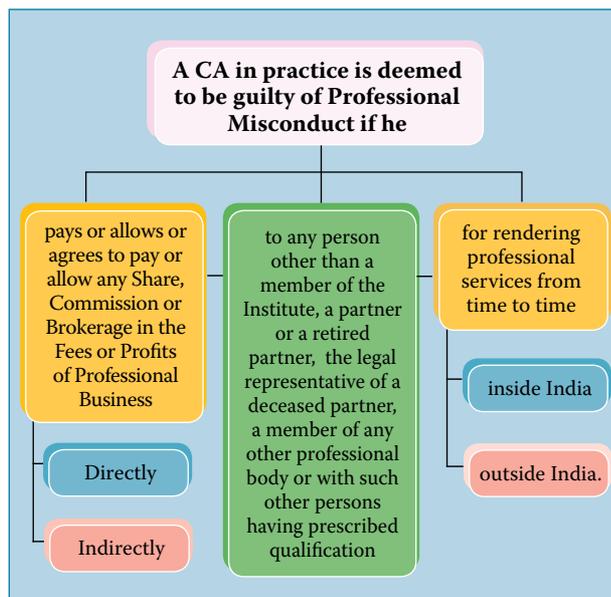
## PART I - Professional misconduct in relation to Chartered Accountants in practice

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

**Clause (1)** Allows any person to practice in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by him.



**Clause (2)** Pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner, or a member of any other professional body or with such other persons having such qualification as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.



### 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.

**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.

**Clause (4)** Enters into partnership, in or outside India, with any person other than Chartered Accountant in practice or such other person who is a member of any other professional body having such qualifications as may be prescribed, including a resident who but for his residence abroad would be entitled to be registered as a member under clause (v) of sub-section (1) of section 4 or whose qualifications are recognised by the Central Government or the Council for the purpose of permitting such partnerships.

A Chartered Accountant in practice is not permitted to enter into partnership with any person other than a Chartered Accountant in practice or such other persons as may be prescribed by the Council from time to time. The members may, however, take note of the fact that they cannot form Multi-Disciplinary partnerships till such time that Regulators of such other professionals also permit partnership with chartered accountants, and guidelines in this regard are issued by the Council.

**Clause (5)** Secures either through the services of a person who is not an employee of such Chartered Accountant or who is not his partner or by means which are not open to a Chartered Accountant, any professional business. Provided that nothing herein contained shall be construed as prohibiting any agreement permitted in terms of item (2), (3) and (4) of this part.

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

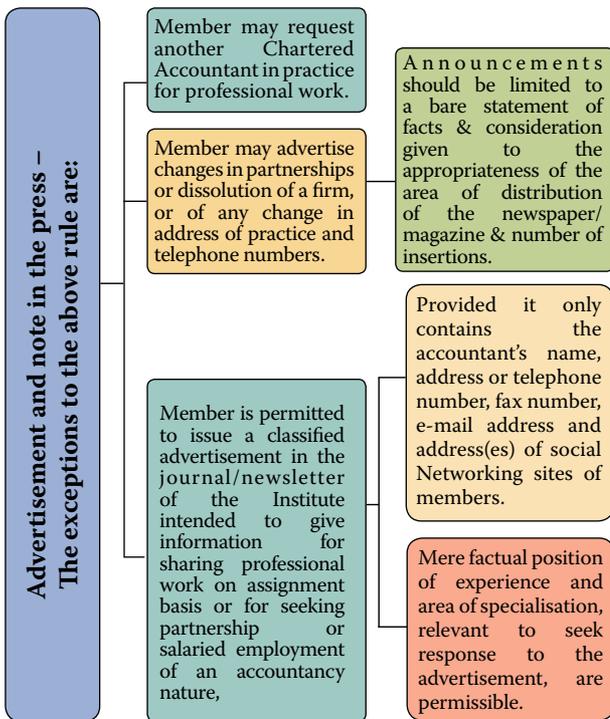
**Clause (6)** Solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means.

Provided that nothing herein contained shall be construed as preventing or prohibiting -

- (i) Any Chartered Accountant from applying or requesting for or inviting or securing professional work from another chartered accountant in practice; or
- (ii) A member from responding to tenders or enquiries issued by various users of professional services or organisations from time to time and securing professional work as a consequence.

Further, keeping in view the broad purview of Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949, an advertisement of Coaching/teaching activities by a member in practice may amount to indirect solicitation, as well as solicitation by any other means, and may therefore be violative of the provisions of Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949.

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



**Responding to Tenders, Advertisements and Circulars:** The Council has issued Guidelines which stipulate that a member of the Institute in practice shall not respond to any tender issued by an organisation or user of professional services in areas of services which are exclusively reserved for Chartered Accountants, 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 Chartered Accountants. The 'minimum fee' for this purpose should be such that it commensurates with size, value, volume, manpower requirement and nature of work.

**Application for empanelment for allotment of audit and other professional work—to make roving enquiries by applying to any such organisation for having his name included in any such panel is prohibited.** It is permissible to quote fees on enquiries being received from such bodies, which maintain such panel.

**Publication of Books, Articles or Presentation:** It is **not permissible** 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 of chartered accountants, with which he is associated. However, **designation 'Chartered Accountant' as well as the name of the firm may be indicated in the same.**

**Issue of Greeting Cards or Invitations:** The Council is of the view that the designation 'Chartered Accountant' as well as the name of the firm may be used in greeting cards, invitations for marriages and religious ceremonies and any invitations for opening or inauguration of office of the members, change in office premises and change in telephone numbers, **provided that such greeting cards or invitations etc. are sent only to clients, relatives and friends of the members concerned.**

**Advertisement for Silver, Golden, Platinum or Centenary celebrations** is not permitted. However, considering the need of interpersonal socialisation/relationship of the members through such get-together occasions, the advertisement for Silver, Golden, Diamond, Platinum or Centenary celebrations of the Chartered Accountants Firms may be published in newspaper or newsletter.

**Advertisement of Teaching/Coaching activities by members:** The members engaged in teaching /coaching activities, while advertising such teaching /coaching activities, shall comply with the Regulation 190A of the Chartered Accountants Regulations, 1988.

An advertisement of Coaching/teaching activities by a member in practice may amount to indirect solicitation, as well as solicitation by any other means, and may therefore be violative of the provisions of Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949.

However, 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. As regards the size and type of sign board, the Council Guidelines as applicable to Firms of Chartered Accountants would apply.

**Sharing Firm Profile with prospective Client** is not permitted unless it is in response to a proposed client's specific query, and otherwise not prohibited to be used by the client.

While sharing 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.

**Soliciting professional work by making roving enquiries** is not permissible.

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

Scope of representation which an auditor is entitled to make under Section 225(3) of the Companies Act, 1956 (Section 140(4) of the Companies Act, 2013). The wording of his representation should be such that, apart from the opportunity not being abused to secure needless publicity, it does not tantamount directly or indirectly to canvassing or soliciting for his continuance as an auditor.

*The letter should merely set out in a dignified manner, how he has been acting independently and conscientiously through the term of office and may, in addition, indicate if he so chooses, his willingness to continue as auditor if reappointed by the shareholders.*

The Council has decided that a member should not accept the original professional work emanating from a client introduced to him by another member. If any professional work of such client comes to him directly, it should be his duty to ask the client that he should come through the other member dealing generally with his original work.

The members should ensure that giving public interviews, should not result in publicity, highlighting their professional attainments.

**Members and/or firms who publish advertisements under Box numbers:** Members/Firms are prohibited from inserting advertisements for soliciting clients or professional work under box numbers in the newspapers. This practice is in violation of this clause.

**Educational Videos** may be uploaded on the internet by members, and 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.

**Clause (7)** Advertises his professional attainments or services, or uses any designation or expressions other than the Chartered Accountant on professional documents, visiting cards, letter heads or sign boards unless it be a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of the Institute of Chartered Accountants or of any other institution that has been recognised by the Central Government or may be recognized by the Council.

Provided that a member in practice may advertise through a write up, setting out the service provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council.

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

**Date of setting-up practice** by a member or the date of establishment of the firm on the letter heads and other professional documents etc. should not be mentioned.

**Practice as Advocate:** Members of the Institute in practice who are otherwise eligible may practise as advocates subject to the permission of the Bar Council but in such case, they should not use designation 'Chartered Accountant' in respect of the matters involving the practice as an advocate.

In respect of other matters they should use the designation 'Chartered Accountant' but they should not use the designation 'Chartered Accountant' and 'Advocate' simultaneously.

**Practice as Company Secretary/Cost Management Accountant:** Members of the Institute in practice who are otherwise eligible may also practice as Company Secretaries and/or Cost Management Accountants. Such members shall, however, not use designation/s of the aforesaid Institute/s simultaneously with the designation 'Chartered Accountant'.

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

**Mention of Firm name except on Professional Documents:** It is not proper for a Firm of Chartered Accountants to use the designation 'Chartered Accountant' except on professional documents, visiting cards, letter heads or sign boards and under the circumstances clarified under Clause (6). However, an individual member may use the prefix "CA" with his name.

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

## Other Designation

Chartered Accountant in practice not to state on his professional documents that he is an Income-taxw Consultant, Cost Accountant, Company Secretary, Cost Consultant or a Management Consultant.

Members are allowed to appear before the various authorities including Company Law Board, Income Tax Appellate Tribunal, Sales Tax Tribunal where the law has permitted the same, a Chartered Accountant in practice is not entitled to use the designation 'Corporate Lawyer'.

A member must not use the designation such as 'Member of Parliament', 'Municipal Councillor' nor any other functionary in addition to that of Chartered Accountant.

Members are permitted to mention a title on their visiting cards to indicate membership of a foreign Institute of Accountancy, which has been recognised by the Council e.g. South African Institute of Chartered Accountants (SAICA), Institute of Certified Public Accountants (CPA Ireland) and Institute of Chartered Accountants in England and Wales (ICAEW).

**Reports and Certificates :** The reports and certificates issued by a Chartered Accountant bring him to the notice of the public in a greater or lesser degree. It is therefore incumbent upon him to ensure that the extent and manner of publication of certificates are limited to what is necessary to enable the report or certificate to serve its proper purpose.

*The members, may, however note that they should use letterhead of their Firm for issuing reports and certificates.*

**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.

What he may say or write must not be promotional of him or his firm but must be an objective professional view of the topic under consideration.

**However, reference to the professional firm of the member should not be given.**

**Organising Training Courses, Seminars etc. for his staff:** may also invite the staff of other Chartered Accountants and clients to attend the same. **However, undue prominence should not be given to the name of the Chartered Accountant in any booklet or document issued in connection therewith.**

**Members writing articles or letters to the Press on subjects connected with the profession may give their names and use the description Chartered Accountants.**

**Size of Signboard:** With regard to the size of signboard for his office that a member can put up, it is a matter in which the members should exercise their own discretion and good taste while keeping in mind the appropriate visibility and illumination (limited to the sake of visibility).

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

A 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 the firm

**Public Announcements with details of Directors:** It is advisable for a member that as soon as he is appointed as a director on the 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. The use of the expression 'Chartered Accountant' is permissible.

However, the member must ensure that descriptions about his expertise, specialisation and knowledge in any particular field or other appellations or adjectives are not published with his name. Particulars about directorships held by the member in other Companies can, however, be given, but the name of the firm of Chartered Accountants in which the member is a partner, should not be given.

**Network Firms and Networking Guidelines :** *The Council has permitted Network amongst the Firms registered with the Institute. A member of the Network may advertise to the extent permitted by the Advertisement Guidelines issued by Institute.*

**Use of Logo:** For use of logos by Members on letter heads, visiting cards, etc. the Council had decided that the logos unconnected with the first letter of the name of the firm or its partners or proprietors would not be permitted.

The members/firms by themselves or through engineered name had been seeking to obtain firm name approval based on the name of the partner/s selected in the manner that logo of the firm would be identical to the firm name which would have not otherwise been permissible as firm name under Regulation 190.

In order to ensure compliance with the Regulations, the Council decided that the 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, by the members in practice and/or the firm of Chartered Accountants, be prohibited. Use/printing of member/ firm name in any other manner tantamounting to logo/monogram was also prohibited.

**Common CA Logo :** The logo consists of the letters 'CA' with a tick mark (upside down) inside a rounded rectangle with white background. The letters 'CA' have been put in blue, the corporate colour which not only stands out on any background but also denotes creativity, innovativeness, knowledge, integrity, trust, truth, stability and depth. The upside down tick mark, typically used by the chartered accountants, has been included to symbolise the wisdom and value of the professional. The green colour in the tick mark signifies growth, prosperity, harmony and freshness. Members are encouraged to use this logo. The Council has decided that use of CA logo in the stamp is permissible, subject to CA logo guidelines.

**Clause (8) Accepts a position as auditor previously held by another chartered accountant or a certified auditor who has been issued certificate under the Restricted Certificate Rules, 1932 without first communicating with him in writing.**

**Important Highlights:**

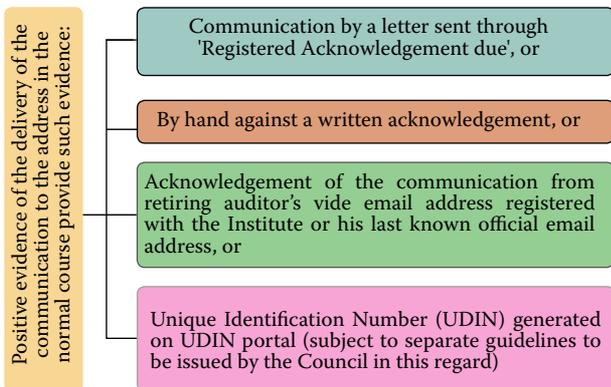
The professional reasons for not accepting an audit would be:

**Non-compliance of the provisions of Sections 139 and 140 of the Companies Act, 2013 as mentioned in Clause (9) of the Part - I of First Schedule to The Chartered Accountants Act, 1949 ; and**

**Non-payment of undisputed Audit Fees by auditees other than in case of Sick Units for carrying out the Statutory Audit under the Companies Act, 2013 or various other statutes; and**

**Issuance of a qualified report.**

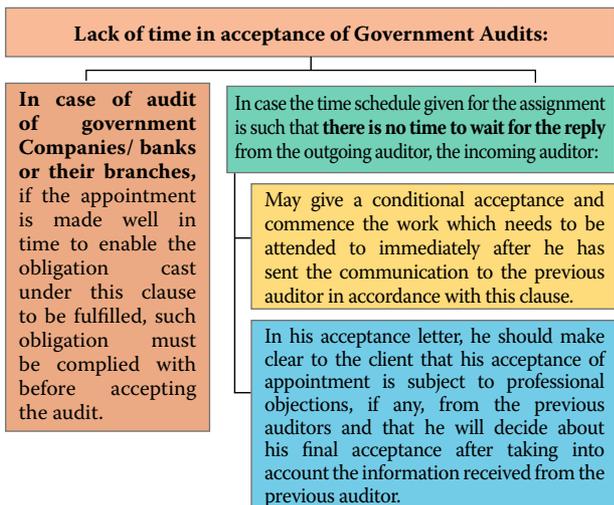
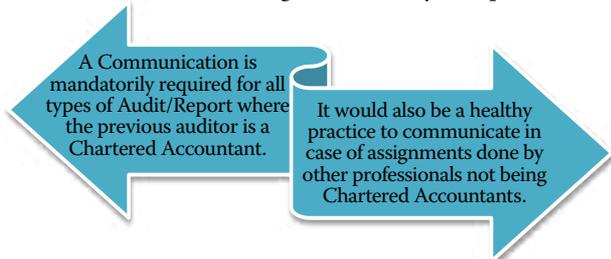
# ADVANCED AUDITING AND PROFESSIONAL ETHICS



<b>Premises found Locked</b>	<b>Firm not found at the given Registered address and the address of communication is the same as registered with the Institute on the date of dispatch</b>	<b>Special Audit under Income Tax Act, 1961</b>
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.	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.	It would be a healthy practice if a Tax Auditor appointed for conducting special audit as per Income Tax Act communicates with the member who has conducted the Statutory Audit.

Communication required for all kinds of audit such as Statutory Audit, Tax Audit, Internal Audit, Concurrent Audit or any other kind of audit.

Communication in case of Assignments done by other professionals:



**Clause (9) Accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956 (1 of 1956), in respect of such appointment have been duly complied with;**

In other words, Clause (9) of Part I of the First Schedule to Chartered Accountants Act, 1949 provides that a member in practice shall be deemed to be guilty of professional misconduct if he accepts an appointment as auditor of a Company without first ascertaining from it whether the requirements of Sections 139 and 140 of the Companies Act, 2013, in respect of such appointment have been duly complied with. Under this clause it is obligatory on the incoming auditor to ascertain from the Company that the appropriate procedure in the matter of his appointment has been duly complied with so that no shareholder or retiring auditor may, at a later date, challenge the validity of such appointment.

**Clause (10) Charges or offers to charge, accepts or offers to accept in respect of any professional employment fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulations made under this Act.**

The Council of the Institute has, however, framed Regulation 192 which exempts members from the operation of this clause in certain professional services. The said Regulation 192 is reproduced -

**Regulation 192. Restriction on fees -** No Chartered Accountant in practice shall charge or offer to charge, accept or offer to accept, in respect of any professional work, fees which are based on a percentage of profits, or which are contingent upon the findings or results of such work, provided that:

In the case of a receiver or a liquidator, the fees may be based on a percentage of the realisation or disbursement of the assets;

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

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

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

In case of certain fund raising services, the fees may be based on a percentage of the fund raised;

In case of debt recovery services, the fees may be based on a percentage of the debt recovered;

In case of services related to cost optimisation, the fees may be based on a percentage of the benefit derived; and

Any other service or audit as may be decided by the Council including

- Acting as Insolvency Professional;
- Non-Assurance Services to Non-Audit Clients

**Clause (11)** Engages in any business or occupation other than the profession of chartered accountant unless permitted by the Council so to engage.

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

The Council, on a very careful consideration of the matter, has formulated Regulation, 190A and 191 which are reproduced below, specifying the activities with which a member in practice can associate himself with or without the permission of the Council.

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

**Regulation 191. Part-time employment a Chartered Accountant in practice may accept:** "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 Government or a State Government or a court of law or any other legal authority or may act as a Secretary in his professional capacity, provided his employment is not on a salary-cum-full-time basis".

## General Resolution (generally permitted to engage-no specific permission from the Council would be necessary)

Employment under Chartered Accountants in practice or firms of such chartered accountants.

Private tutorship.

Authorship of books and articles.

Holding of Life Insurance Agency License for the limited purpose of getting renewal commission.

Attending classes and appearing for any examination.

Holding of public elective offices such as M.P., M.L.A. and M.L.C.

Honorary office leadership of charitable-educational or other non-commercial organisations.

Acting as Notary Public, Justice of the Peace, Special Executive Magistrate and the like.

Part-time tutorship under the coaching organisation of the Institute.

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

Editorship of professional journals.

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

Acting as recovery consultant in the banking sector

Owning agricultural land and carrying out agricultural activity (w.e.f. August 9th, 2008).

## Specific Resolution - ( may engage after obtaining the specific and prior approval of the Council )

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.

Full-time or part-time employment in non-business concern.

Office of managing director or a whole-time director of a body corporate within the meaning of the Companies Act, provided that the member and/or any of his relatives do not hold substantial interest in such concern.

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

Interest in an educational institution.

Part-time or full-time lectureship for courses other than those relating to the Institute's examinations conducted under the auspices of the Institute or the Regional councils or their branches.

Part-time or full-time tutorship under any educational institution other than the coaching organisation of the Institute.

Editorship of journals other than professional journals.

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

**Clause (12)** Allows a person not being a member of the institute in practice or a member not being his partner to sign on his behalf or on behalf of his firm, any balance sheet, profit and loss account, report or financial statements.

The Council has clarified that the power to sign routine documents on which a professional opinion or authentication is not required to be expressed may be delegated in the following instances and such delegation will not attract provisions of this clause:

Issue of audit queries during the course of audit.	Asking for information or issue of questionnaire.	Letter forwarding draft observations/ financial statements.
Initiating and stamping of vouchers and of schedules prepared for the purpose of audit.	Acknowledging and carrying on routine correspondence with clients.	Issue of memorandum of cash verification and other physical verification or recording the results thereof in the books of the clients.
Issuing acknowledgements for records produced.	Raising of bills and issuing acknowledgements for money receipts.	Attending to routine matters in tax practice, subject to provisions of Section 288 of Income Tax Act.
Any other matter incidental to the office administration and routine work involved in practice of accountancy.		

It is also clarified that where the authority to sign documents given above is delegated by a chartered accountant or by a firm of chartered accountants the fact that the documents have not been signed by a chartered accountant is not a defence to him or to the firm in an enquiry relating to professional misconduct.

However, the Council has decided that where a Chartered Accountant while signing a report or, a financial statement or any other document is statutorily required to disclose his name, the member should disclose his name while appending his signature on the report or document. Where there is no such statutory requirement, the member may sign in the name of the firm.

It may be noted that the revised SA 700 mandates mentioning of Membership No. and Firm Registration No. Members' attention is also drawn towards UDIN Guidelines of the Institute in 2018.

## PART II - Professional misconduct in relation to members of the Institute in service

A member of the Institute (other than a member in practice) shall be deemed to be guilty of professional misconduct, if he being an employee of any company, firm or person:

Clause (1) pays or allows or agrees to pay directly or indirectly to any person any share in the emoluments of the employment undertaken by him.

Clause (2) accepts or agrees to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification.

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

## PART III - Professional misconduct in relation to members of the Institute generally

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

Clause (1) not being a fellow of the Institute, acts as a fellow of the Institute.

Clause (2) does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority.

Clause (3) while inviting professional work from another chartered accountant or while responding to tenders or enquiries or while advertising through a write up, or anything as provided for in items (6) and (7) of Part I of this Schedule, gives information knowing it to be false.

## PART IV - Other misconduct in relation to members of the Institute generally

A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he:

Clause (1) - is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term not exceeding six months.

Clause (2) - in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work.

Clause (1) & (2) are self explanatory and any of the member of the Institute is found guilty by any civil or criminal court and prosecuted for an imprisonment in an offence involving moral turpitude or his acts bring disrepute to the profession or the Institute, irrespective of the fact whether such acts are related to profession or not, such member will be deemed to be guilty of other misconduct in Part IV of Schedule I.

The important point to note is that if imprisonment tenure exceeds six months, this case will be covered in the clause of Part III of Schedule II.