The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

Ethical Standards Board

Compilation of FAQs on Code of Ethics, 2026

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Issued by
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

This Booklet has been prepared in line with the decisions/clarifications of Council and Ethical Standards Board. This is however not a substitute of the Code of Ethics. Questions are illustrative only and not exhaustive. Members are advised to consult the relevant provisions of the Code of Ethics and decisions of the Courts/Council published from time to time for appropriate understanding of any ethical issue. Under no circumstances, reference to these Questions would absolve any member from the compliance of the provisions of the Code of Ethics and with other decisions/clarifications of Council and Ethical Standards Board.

Although due care and caution has been taken to avoid any mistakes or omissions while reproducing the provisions of the Chartered Accountants Act, 1949, and its regulations, the Code of Ethics, decisions of the Courts/Council in the FAQs as well as in the Appendices, Members are advised to verify the correctness respectively from the Act, Regulations, Code of Ethics and decisions of the Courts/Council published from time to time.

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President 's Message

The Chartered Accountancy profession derives its strength and credibility from the trust reposed in it by society. Such trust is earned and sustained through adherence to the highest standards of integrity, objectivity, professional competence and ethical conduct. The Code of Ethics sets out the principles and standards that guide members in discharging their professional responsibilities with independence, objectivity and due care.

I am pleased to note that the Ethical Standards Board (ESB) has brought out the Compilation of FAQs on Code of Ethics, 2026, incorporating guidance based on the Revised Code of Ethics effective from 1st April 2026. Presented in a simple question-and-answer format, this publication addresses practical concerns that members may encounter in course of their professional assignments and provides prompt guidance on ethical requirements.

I compliment the efforts of CA. Priti Paras Savla, Chairperson, ESB and CA. Dayaniwas Sharma, Vice-Chairman ESB, CA. Chandrashekhar Vasant Chitale, Immediate Past Chairman, ESB for bringing out this booklet. I also extend my sincere gratitude to CA. Charanjot Singh Nanda, Immediate Past President, ICAI for his valuable guidance and support in this endeavour.

I am confident that the booklet will serve as a useful and practical reference for members in their professional practice.

New Delhi | **CA. Prasanna Kumar D**
Date: 28.07.2026 | **President, ICAI**

Vice-President 's Message

Professional integrity and ethical conduct form the cornerstone of the Chartered Accountancy profession. As members undertake diverse professional responsibilities in an increasingly dynamic business environment, a sound understanding of the ethical principles governing the profession is essential to uphold public trust and maintain the highest standards of professionalism.

The Code of Ethics, 2026, effective from 1st April 2026, provides a comprehensive framework of the ethical requirements applicable to members of the Institute. To facilitate a clearer understanding and practical application of its provisions, the Ethical Standards Board has brought out the "Compilation of FAQs on Code of Ethics, 2026".

I compliment the Ethical Standards Board for this commendable initiative and am confident that this booklet will serve as a valuable reference for members, contributing to a better understanding and consistent application of the ethical provisions.

New Delhi | **CA. Mangesh Kinare**
Date: 28.07.2026 | **Vice-President, ICAI**

Chairperson's Message

Ethical conduct is the defining characteristic of the accountancy profession. While professional knowledge and technical competence enable a Chartered Accountant to perform effectively, it is integrity, objectivity and professional judgement that inspire confidence among clients, regulators and the public at large.

The Institute has revised the Code of Ethics to align with the latest international ethical standards and applicable domestic regulatory requirements. Effective 1 April 2026, the 13th Edition is divided into three volumes: domestic provisions (Volume I), the 2024 IESBA Code of Ethics (Volume II), and the International Ethics Standards for Sustainability Assurance (Volume III).

The Ethical Standards Board (ESB) has complied the *FAQs on Code of Ethics, 2026* to provide practical guidance on the revised Code of Ethics. this compilation is prepared in line with the revised Code and decisions of the Council and ESB. This will help members to understand the revised Code and uphold the highest standards of professional ethics.

I extend our deepest gratitude to CA. Prasanna Kumar D, President, ICAI and CA Mangesh Kinare, Vice-President, ICAI for their leadership, guidance and continued encouragement.

I appreciate the CA. Chandrashekhar Chitale, Imm. Past Chairman, ESB for his contribution. I sincerely thanks CA. Dayaniwas Sharma, Vice-Chairman, ESB for extending his wholehearted support. I express gratitude to members of the Council, coopted members, special invitees and reviewers. I acknowledge the efforts of CA Karishma Mavani, CA Ashish Bansal, CA Ayush Jain, CA Vinay Nayak and CA Shruti Dighe for their contribution in bringing out this booklet.

New Delhi | **CA Priti Paras Savla**
Date: 28.07.2026 | **Chairperson, ESB**

Vice-Chairman’s Message

Every Chartered Accountant strives to uphold the highest standards of professional conduct. While the Code of Ethics provides the principles that guide our profession, members often come across situations where they seek practical clarity on how these principles should be applied. Publications such as this FAQ booklet help address such questions and support members in making informed ethical decisions.

The Code of Ethics, 2026 applicable from 1st April 2026, marks an important milestone in strengthening the ethical framework of the profession. Keeping in view the practical challenges faced by members in interpreting and applying the provisions of the Code, the Ethical Standards Board has compiled this booklet on Compilation of FAQs on Code of Ethics, 2026. The objective of this publication is to provide practical guidance and enhance members' understanding of the revised Code through clear and concise responses to commonly raised ethical issues.

I am confident that this booklet will serve as a useful ready reckoner for members in their professional journey and assist them in applying the provisions of the Code of Ethics with greater clarity and confidence.

New Delhi	**CA Dayaniwas Sharma**
Date: 28.07.2026	**Vice-Chairman, ESB**

Message

The Ethical Standards Board has consistently endeavoured to strengthen the ethical framework of our profession and to equip members with the guidance needed to meet the highest standards of professional conduct. It is deeply gratifying to witness this continued commitment translate into meaningful initiatives that benefit the profession at large.

The comprehensive revision of the Code of Ethics, effective from 1st April 2026, represents years of thoughtful deliberation aimed at aligning our ethical standards with international benchmarks, while preserving the unique regulatory context of the profession in India. This landmark revision reaffirms the profession's enduring commitment to integrity, objectivity and public trust.

The present publication, *"Compilation of FAQs on Code of Ethics, 2026"*, will play a vital role in ensuring that these ethical standards are not only well understood but also applied effectively in day-to-day professional life. By addressing practical questions in a clear and accessible manner, it bridges the gap between principle and application.

I warmly congratulate the Ethical Standards Board on this valuable contribution and am confident that it will serve generations of members in their pursuit of ethical excellence. My best wishes to the entire team for their continued success in advancing the cause of professional ethics.

New Delhi **CA. Chandrashekhar Vasant Chitale**
Date: 28.07.2026 **Chairman, ESB (2025-26)**

Contents

Chapter 1

Statutory Changes and Code of Ethics

1. **What statutory changes have been incorporated in the Code of Ethics, 2026 Volume I?**

   The Code of Ethics, 2026 Volume I incorporates, *inter alia*, the amendments introduced through the Chartered Accountants, Cost and Works Accountants and Company Secretaries (Amendment) Act, 2022. All provisions that came into force on 10th May, 2022 have been duly incorporated into the Code.

2. **What statutory changes have been incorporated in the Code of Ethics, 2026 Volume II?**

   The Code of Ethics, 2026 Volume II (earlier as Volume I), which was converged with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics – 2018 Edition, has now been updated to converged with the IESBA Code of Ethics 2024 Edition.

3. **What are the key changes in Chapter 1 of the Code of Ethics, 2026 Volume I?**

   Chapter 1 of the Code of Ethics, 2026, Volume I has been updated to incorporate the revised "Clarification regarding Authority Attached to Documents Issued by the Institute." In addition, the chapter has been expanded to include references to various standards and pronouncements issued by the Institute over time, including:

   - Forensic Accounting and Investigation Standards (FAIS);
   - Standards on Internal Audit (SIA);
   - Accounting Standards for Local Bodies (ASLB); and
   - Standards on Sustainability Assurance (SSA) and Social Impact Assessment Standards (SIAS).

4. **What amendments have been made to the long title of the Act?** In the long title and preamble of the Act, the word “regulation” has been substituted with the words “regulation and development.” This

amendment is effective from 10th May 2022, as per the Notification dated 10.05.2022.

5. What amendments have been made to the Schedules of the Chartered Accountants Act, 1949 pursuant to the 2022 Amendment?

The following amendments have been introduced by the Chartered Accountants (Amendment) Act, 2022 in both the schedules:

- Clause (9) of Part I of the First Schedule- After the words "Companies Act, 1956", the words "or sections 139 to 141 of the Companies Act, 2013 or any other law pertaining to appointment of auditors for the time being in force" have been inserted.
- Clause (3) of Part I of the Second Schedule- After the word "he", the words "or his firm" has been inserted. (Not yet effective)
- Insertion of new Clause (5) in Part II of the Second Schedule- A clause has been inserted- Acts as an auditor of a company in contravention of the provisions of the Companies Act, 2013."

6. From which date are amendments relating to schedules of the Act are effective?

The amendments to Clause (9) of Part I of the First Schedule and the newly inserted Clause (5) of Part II of the Second Schedule came into force with effect from 10th May, 2022.

However, the amendment to Clause (3) of Part I of the Second Schedule has not yet been notified by the Central Government. Accordingly, it will come into force from the date notified by the Central Government.

7. What amendment has been made to Clause (9) of Part I of the First Schedule?

Clause (9) has been expanded to include compliance with sections 139 to 141 of the Companies Act, 2013 and any other law governing appointment of auditors, in addition to section 225 of the Companies Act, 1956 (139 and 140 of the Companies Act, 2013).

Revised Clause (9) is read as under:

A chartered accountant in practice shall be deemed to be guilty of professional misconduct if he accepts an appointment as auditor of a company without first ascertaining whether the requirements of section 225 of the Companies Act, 1956, or sections 139 to 141 of the Companies Act, 2013, or any other law pertaining to appointment of auditors for the time being in force have been duly complied with.

8. What changes have been made in the commentary to Clause (9) in the Code of Ethics, 2026?

The Code of Ethics, 2026 Volume-I includes the revised commentary to the clause which requires the incoming auditor to ensure:

- Compliance with section 141 (eligibility, disqualifications, limits, etc.) of the Companies Act, 2013; and
- Compliance with any other applicable law governing the appointment of auditors.

Earlier, the commentary was limited to ensuring compliance with Sections 139 and 140 of the Companies Act, 2013. The revised commentary broadens the scope by requiring compliance with Section 141 and other applicable legal provisions governing the appointment of auditors.

9. What is the incoming auditor's responsibility with respect to "any other law" governing appointment of auditors?

The incoming auditor of the Company shall ascertain whether any industry/sector specific legal provisions or regulatory frameworks are applicable to the appointment of auditor. Accordingly, the auditor shall ensure compliance with the relevant law, including the statute, Ordinance, order, bye-law, rule, regulation, notification, etc. governing the appointment. For example, where the appointment of auditors is with respect to listed companies, Auditor shall ensure compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other provisions regarding qualification and rotation etc.

10. What is the Clause (5) of Part II of the Second Schedule?

Clause (5) provides that a member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct if he acts as an auditor of a company in contravention of the provisions of the Companies Act, 2013.

11. What is the objective of the new Clause (5) of Part II of the Second Schedule?

The objective of this Clause is to uphold the sanctity of the audit process and the statutory obligations attached to the role of an auditor as mentioned under the Companies Act, 2013. Members are therefore required to exercise the highest degree of adherence to statutory requirements while discharging their audit responsibilities.

12. Does Clause (5) extend responsibility beyond acceptance of appointment?

Yes. As per the Clause (9) of Part-I of First Schedule to the Chartered Accountants Act, 1949, Auditor is required to verify that the appointment is valid and in accordance with the provisions of the Companies Act, 2013. This includes confirming eligibility, ensuring qualifications, and verifying the validity of the appointment contained in Section 139 to 141 of Companies Act, 2013.

As per the newly incorporated Clause (5), the member, after appointment as Auditor, shall perform duties in accordance with the provisions of the Companies Act, 2013.

13. What change has been made in the mode of communication in view of merger of registered post services by the postal department?

The commentary to Clause (8) of Part-I of First Schedule to the Act in Code of Ethics, 2026 Volume I has been revised to substitutes the term “Registered Acknowledgement Due” with “Registered/Speed Post with Acknowledgement Due” as a valid mode of communication under the aforesaid Clause.

14. What amendment has been made to Section 6 of the Chartered Accountants Act, 1949?

Section 6 of the Chartered Accountants Act, 1949 has been amended by substituting the existing subsection (2) with the following:

Revised Provision: "Every such member shall pay annual fee for the certificate as may be determined, by notification, by the Council, and such fee shall be payable on or before the 1st day of April each year."

Earlier Provision (now substituted): "Every such member shall pay such annual fee for his certificate as may be determined, by notification, by the Council, which shall not exceed rupees three thousand, and such fee shall be payable on or before the 1st day of April in each year:

Provided that the Council may, with the prior approval of the Central Government, determine the fee exceeding rupees three thousand, which shall not in any case exceed rupees six thousand."

15. What amendments introduce firm liability under the CA (Amendment) Act, 2022?

The Chartered Accountants (Amendment) Act, 2022 introduces provisions for holding a firm liable for professional or other misconduct committed by its partner or proprietor. These provisions are contained in Sections 21A(6) and (7), 21B(6) and (7), 22, and 22G of the Chartered Accountants Act, 1949. However, these provisions have not yet been notified by the Central Government and, therefore, are not yet in force.

16. What is the status of the newly inserted Chapter IVA and the amendments to Chapter V of the Act?

The new Chapter IVA, containing Sections 20A, 20B, 20C, and 20D, has not yet been notified by the Government and is therefore not in force at present. Similarly, the amendments introduced in Chapter V, including the revised Sections 21, 21A, 21B, 21D, and 22, are also yet to be notified. These provisions will come into effect only upon issuance of a notification by the Central Government.

17. What enhancement to the penalties has been made under Section 24 "Penalty for falsely claiming to be a member" of the Act pursuant to the Amendments in the Act?

Any person who not being a member of the Institute represents that he is a member of the Institute; or uses the designation Chartered Accountant; or a member of the Institute who does not hold a Certificate of Practice but represents himself as being in practice, or practises as a Chartered Accountant, shall be punishable—on first conviction—with a fine extending up to Rs. 1,00,000/- (earlier Rs. 1,000/-), and on any subsequent conviction, with imprisonment for a term extending up to six months or with a fine extending up to Rs. 5,00,000/- (earlier Rs. 5,000/-), or with both. These enhanced penalties are effective from 10th May, 2022.

18. What amendments has been made under Section 25 "Companies not to engage in accountancy" of the Act pursuant to the Amendments in the Act?

As per the Section 25 of the Act, no company, whether incorporated in India or elsewhere, shall practise as chartered accountants. If any company contravenes the provisions then, without prejudice to any other proceedings which may be taken against the company, every director, manager, secretary and any other officer thereof who is knowingly a party to such contravention shall be punishable with fine which shall not be less than two lakh rupees but which may extend on first conviction to ten lakh rupees (earlier Rs. 1000/-), and on any subsequent conviction with fine which shall not be less than four lakh rupees (earlier Rs. 5,000/-) but which may extend to twenty lakh rupees.

19. What amendments has been made under Section 26 "Unqualified persons not to sign documents" of the Act pursuant to the Amendments?

As per Section 26 of the Act, no person other than a member of the Institute shall sign any document on behalf of a chartered accountant in practice or a firm of such chartered accountants in his or its professional capacity. Any person who contravenes the provisions shall, without prejudice to any other proceedings, which may be taken against him, be punishable on first conviction with a fine not less than one lakh rupees (earlier Rs. 5,000/-) but which may extend to five lakh rupees (earlier Rs. 1 lakh), and in the event of a second or subsequent conviction with imprisonment for a term which may extend to one year or with fine not less two lakh rupees (earlier Rs. 10,000/-) but which may extend to ten lakh rupees (earlier Rs. 2 lakh) or with both.

Chapter 2

Management Consultancy and Other Services

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

   Yes. The services covered under the Management Consultancy and other services have been issued by the Council in pursuance to the Section 2(2)(iv) of the Chartered Accountants Act, 1949. The list of Management Consultancy and other services may be referred to in Code of Ethics, 2026 Volume I.

2. **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.

3. **Can a Chartered Accountant in practice provide `Portfolio Management Services' (PMS) as part of CA practice?**

   No, the Explanation to Clause (xix) of the definition of 'Management Consultancy and other Services' expressly bars the activities of broking, underwriting and Portfolio Management.

4. **Can a Chartered Accountant in practice work as a 'Collection Agent/Recovery Agent'?**

   No, a Chartered Accountant in practice cannot work as a Collection Agent. However, he can act as a Recovery Consultant in the Banking Sector as provided in 'Management Consultancy and other Services'.

5. **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?**

Yes. The expression "Management Consultancy and other Services" defined by the Council includes both personnel recruitment and selection and conducting training programmes and work-studies. Therefore, a Chartered Accountant in practice shall not commit any professional misconduct by rendering such services for and on behalf of the client.

6. Whether a member in practice can advise his clients on investment in securities or other financial instrument?

Yes, a member in practice is generally permitted to provide Investment counselling in respect of securities [as defined in the Securities Contracts (Regulation) Act, 1956] and other financial instruments in view of Management Consultancy and other Services u/s 2(2)(iv) of the Act. These services can only be advisory in nature.

7. Whether a member in practice can render the services of Forensic Accounting & Investigation?

Yes, Forensic Accounting and Investigation has been specifically included as a professional service under Management Consultancy and other services Section 2(2)(iv) of the Chartered Accountants Act, 1949. A member holding Certificate of Practice may render such service.

8. Whether a member in practice is allowed to become a Research Analyst?

Yes, a member in practice is allowed to become a Research Analyst recognised by a regulator in terms of Management Consultancy and other services under Section 2(2)(iv) of the Chartered Accountants Act, 1949.

Further, as per Appendix (9) to the Chartered Accountants Regulations, 1988, a member in practice is permitted to publish research report on his own behest.

9. Whether a member in practice is allowed to render administrative services? If yes, give some examples of administrative services.

Yes. A member in practice is allowed to render administrative services in terms of Management Consultancy and other services under Section 2(2)(iv) of the Chartered Accountants Act, 1949.Administrative services are provided in Sub-section 602 of Code of Ethics. Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature. Examples of administrative services include:

- Word processing services.
- Preparing administrative or statutory forms for client approval.
- Submitting such forms as instructed by the client.
- Monitoring statutory filing dates and advising an audit client of those dates.

10. Whether a member in practice can establish a Tax Information Network - Facilitation Centre (TIN-FC)? Whether he can be franchise for a TIN-FC?

A member in practice may establish a TIN-FC and as well establish a TIN-FC under franchise from the other entity which is already a TINFC.

11. Whether a member in practice can undertake assignments relating to data entry and maintenance of databases in respect of Unique Identity (UID) – Aadhaar under the Unique Identification Authority of India?

Yes. As per para 2.2.8 of the Volume-I of Code of Ethics read with entry (xviii) of Management Consultancy and other services, the Council has permitted members in practice to undertake assignments relating to data entry and maintenance of databases for UID–Aadhaar under UIDAI, subject to compliance with the Chartered Accountants Act, 1949, the Regulations made thereunder.

12. Whether members may engage in the assessment of Value Chain Partners to validate their conformance with the Code of Conduct developed by IAGES (Indian Association for Gold Excellence and Standards)

The members and firms are eligible to conduct assessment of value chain partners in conformance with the Code of Conduct, developed by IAGES, as the same will fall under the ambit of ‘Quality Audit’ appearing under services mentioned Management Consultancy and other services in Section-2(2)(iv) of the Chartered Accountants Act, 1949.

13. Whether members in practice can render the service of information System audit?

Yes, as per entry (xiv) of Management Consultancy and other services under Section 2(2) (iv) of Chartered Accountants Act, 1949, member or firm can render the service of Management and Operational audit including information System Audit.

14. Is Management Responsibility the same as Management Consultancy and other services?

Management Consultancy and other services is of the nature of distinct services permitted by the Council under Section 2(2) (iv) of Chartered Accountants Act, 1949. Accordingly, these are permitted to members in practice. However statutory auditor of a company should ensure the compliance of restriction imposed under section 144 of Companies Act,2013 while performing the services as mentioned under section 2(2)(iv) of Chartered Accountants Act, 1949.

As per Volume-II of Code of Ethics, Management responsibilities on the other hand involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources. Management Responsibilities is not of the nature of separate service, but rather an activity. The management responsibilities are not permitted along with Statutory Audit uniformly. E.g.- Hiring or dismissing employees.

15. Whether members in practice are allowed to carry out the assessment work under the Skill Development Council of Govt. of India?

The services of the assessment work under the Skill Development Council of Govt. of India fall under the following entries of section 2(2)(iv) of Management Consultancy and other services of Chartered Accountants Act, 1949:-

(xiv) "Management and operational audits

(xvii) Organisation structure and behaviour, development of human resources including design and conduct of training programmes, work study, job-description, job evaluation and evaluation of workloads.

(xxii) Quality Audit

Hence it is permissible to members in practice to engage in the services assessment/performance audit of the centers of skill development council of Government of India.

16. Whether member in practice can act as Insolvency Professional?

Yes, as per entry (xxvii) of Management Consultancy and other services under Section 2(2)(iv) of the Chartered Accountants Act, 1949. Member in practice can act as Insolvency professional in term of Insolvency and Bankruptcy Code 2016.

17. Whether Assessment and evaluation of Social Impact is permitted for a member in practice?

Member in practice and CA firms are permitted to undertake assessment and evaluation of Social Impact, CSR Impact, Business Responsibility and Sustainability Reporting, and the like, as per Entry No. (xxxi) of Management Consultancy and other services under Section 2(2)(iv) of the Chartered Accountants Act, 1949.

18. Whether Artificial Intelligence (AI) Consultancy is permitted to be rendered by member in practice?

Yes, a member in practice and a CA firm is permitted to provide Artificial Intelligence (AI) consultancy, in areas of services that can be rendered by a Chartered Accountant, as per Entry No. (xxxii) of Management Consultancy and other services under Section 2(2)(iv) of the Chartered Accountants Act, 1949.

19. Can a member be deemed to be in practice if he offers to render accounting services, even if he does not actually provide any such services?

As per para 2.2.5 of Volume-I of Code of Ethics, it is necessary to note that a member is deemed to be in practice not only when he is actually engaged in the practice of accountancy but also when he offers to render accounting services whether or not he in fact does so. In other words, the act of setting up of an establishment offering to perform accounting services would tantamount to being in practice even though no client has been served.

Chapter 3

Insolvency Professional Entities/ Registered Valuer Entities – Ethical Issues for Members

1. Whether an individual member in practice is permitted to engage as an Insolvency Professional under the Chartered Accountants Act, 1949?

Yes. An individual member in practice is permitted to engage as an Insolvency Professional in terms of entry (xxvii) of the Guidelines for Management Consultancy and Other Services issued under section 2(2)(iv) of the Chartered Accountants Act, 1949, "Acting as Insolvency Professional in terms of the Insolvency and Bankruptcy Code, 2016."

2. Whether an individual member in practice is permitted to engage as a Registered Valuer under the Chartered Accountants Act, 1949?

Yes. An individual member in practice is permitted to engage as a Registered Valuer in terms of entry (xv) of the Guidelines for Management Consultancy and Other Services issued under section 2(2)(iv) of the Chartered Accountants Act, 1949, "Valuation of shares and business and advice regarding amalgamation, merger and acquisition. Acting as Registered Valuer under the Companies Act, 2013 read with The Companies (Registered Valuers and Valuation) Rules, 2017".

3. Whether a member in practice, being an Insolvency Professional (IP) or Registered Valuer (RV), is permitted to become a partner in an Insolvency Professional Entity (IPE) or Registered Valuer Entity (RVE)?

Yes. A member in practice, being an Insolvency Professional or Registered Valuer, is permitted to become a partner in an IPE/RVE being a firm registered with the Insolvency and Bankruptcy Board of

India, consisting of professionals mentioned in Regulation 53B of Chartered Accountants Regulations, 1988.

4. Whether a member who is not holding a Certificate of Practice can become a partner in an Insolvency Professional Entity (IPE) or be involved in the services of an Insolvency Professional?

No. A member who does not hold a Certificate of Practice is not permitted to become a partner in an Insolvency Professional Entity, nor can such member be involved in the services rendered by Insolvency Professionals.

5. Whether members forming partnership in an Insolvency Professional Entity (IPE) / Registered Valuer Entity (RVE) are required to intimate the Institute?

Yes. The members forming such partnerships should send in writing to the Institute (Member and Student Section Directorate) for its records the details of such IPE/RVE and the fact of all members in such partnership holding Certificate of Practice.

6. What are the professional bodies whose members are eligible to form partnership under Regulation 53B of the Chartered Accountants Regulations, 1988?

For the purpose of entering into partnership, a Chartered Accountant in practice may form partnership only with members of the following professional bodies:

(a) Company Secretary, member, The Institute of Company Secretaries of India, established under the Company Secretaries Act, 1980;

(b) Cost Accountant, member, The Institute of Cost and Works Accountants of India established under the Cost and Works Accountants Act, 1959;

(c) Advocate, member, Bar Council of India established under the Advocates Act, 1961;

(d) Engineer, member, The Institution of Engineers, or Engineering from a University established by law or an institution recognized by law.

(e) Architect, member, The Indian Institute of Architects established under the Architects Act, 1972;

(f) Actuary, member, The Institute of Actuaries of India, established under the Actuaries Act, 2006.

7. Whether a member in practice can form a partnership in an IPE/RVE with professionals covered under IBC Regulations but not covered under Regulation 53B of the Chartered Accountants Regulations, 1988?

No. A member in practice is not permitted to form a partnership with professionals who, though recognised under IBC Regulations, do not fall within the professional prescribed under Regulation 53B of the Chartered Accountants Regulations, 1988.

8. Whether it is permissible for an Insolvency Professional Entity (IPE) to consist only of Chartered Accountants in practice as partners, and whether such IPE is required to be registered with ICAI?

It is permissible for an Insolvency Professional Entity to have only Chartered Accountants in practice as its partners, without inclusion of other professionals. Such an IPE is not required to be registered with ICAI, in order to maintain parity among all categories of Insolvency Professional Entities in which Chartered Accountants are partners, particularly since such entities are already registered with the Insolvency and Bankruptcy Board of India (IBBI).

9. Whether ICAI maintains records of members in practice who are partners in IPEs/RVEs?

Yes. The Members and Students Directorate of ICAI shall maintain records of members in practice who are partners in Insolvency Professional Entities.

10. Whether conversion of an existing Chartered Accountant firm into an Insolvency Professional Entity (IPE) is permissible?

No. The conversion of existing chartered accountant firm into Insolvency Professional Entities is not permissible.

IPEs / RVEs Constituted as Companies

11. Whether a member in practice can become a Whole-Time Director or Managing Director in an IPE/RVE constituted as a company?

A member in practice, being an Insolvency Professional or Registered Valuer, may become a Whole-Time Director or Managing Director in an IPE/RVE constituted as a body corporate within the meaning of the Companies Act, 2013, recognised by the Insolvency and Bankruptcy Board of India, after obtaining a specific and prior approval of the Council of ICAI.

12. Whether permission of the Council of ICAI is required in such cases?

Yes. The member in practice is required to obtain permission of the Council in terms of the provisions of Appendix (9) of Chartered Accountants Regulations, 1988.

13. Whether a member being a whole-time director/managing director in an IPE/RVE is entitled to perform attest functions?

Yes. Upon obtaining permission of the Council, the member shall be entitled to perform attest functions.

14. What is the procedure and what checks and balances are prescribed for granting permission to a member in practice to act as Whole-Time Director or Managing Director in an IPE/ RVE?

A request for permission shall be submitted by the member through the Self-Service Portal (SSP) of ICAI. The permission shall be granted by the Members and Students Directorate, after due verification of records. For the purpose of applying for such permission, the member shall be required to submit the following details:–

1. Registration Number of Insolvency Professional/Registered Valuer ……………………
2. Details of valid 'Authorisation for Assignment' issued by Insolvency Professional Agency/Registered Valuer Agency ……………………
3. Name of Insolvency Professional Entities (IPE)/ Registered Valuer Entities (RVE) ……………………

4. Registration Number of Insolvency Professional Entity (IPE)/ Registered Valuer Entity (RVE)……………………

5. Designation in Insolvency Professional Entity (IPE)/ Registered Valuer Entity (RVE)…………………

6. Number of shares held by member in practice in Insolvency Professional Entity (IPE)/ Registered Valuer Entity (RVE)…………………..

7. Details of other Whole time Director/Managing Director in Insolvency Professional Entities (IPE)/ Registered Valuer Entities (RVE) Name ……………………. Professional Qualification ……………………

15. Whether a Management Consultancy Company registered with ICAI under the Guidelines for Corporate Form of Practice is permitted to be registered as an Insolvency Professional Entity (IPE)?

No. Management Consultancy Companies registered with ICAI under the Guidelines for Corporate Form of Practice are not permitted to be registered or function as Insolvency Professional Entities.

Advertisement and Solicitation

16. Whether Clauses (6) and (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949, relating to solicitation and advertisement, are applicable to members engaged as Insolvency Professionals or Registered Valuers?

Clauses (6) and (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949, relating to solicitation and advertisement, shall be applicable to members in practice while engaged as Insolvency Professionals or Registered Valuers.

17. Whether an individual member being an IP/RV can include services of IPE/RVE in advertisements or websites?

Yes. An individual member being an IP/RV may include such services in 'write-up' or 'website of firm' in accordance with the Advertisement Guidelines/ Website Guidelines of ICAI. However, the name of the IPE/RVE shall not be mentioned in the write-up.

18. Whether a Firm of Chartered Accountants is permitted to advertise or solicit professional work of an IPE/RVE?

No. A Firm of Chartered Accountants, where a member is a partner or Director of an IPE/RVE, is not permitted to advertise or solicit professional work of such IPE/RVE.

19. Whether an IPE/RVE can advertise the professional services of the CA Firm associated with it?

No. a member in practice being a partner/Director in a IPE/RVE shall ensure that the IPE/RVE does not advertise the professional services of the CA Firm wherein he is partner/proprietor.

20. Whether separate visiting cards are required for IPEs/RVEs?

Yes. Separate visiting cards shall be printed for IPEs/RVEs and shall not be clubbed with the visiting cards of the CA Firm.

21. Whether separate stationery is required for Insolvency Professional Entities (IPEs) / Registered Valuer Entities (RVEs)?

Yes. Separate stationery shall be printed for IPEs/RVEs. Such stationery shall not contain any reference to, or details of, the Chartered Accountant firm(s) in which the member is a partner or proprietor.

22. Whether any reference of an Insolvency Professional Entity (IPE) / Registered Valuer Entity (RVE) is permitted on the visiting cards or stationery of a member or his Chartered Accountant Firm, and vice versa?

No. There should be no reference of IPE/RVE in any manner on cards/stationery of Member (or his CA Firm) and likewise no reference of Member (or his CA Firm) in any manner on cards/stationery of IPE/RVE.

23. Whether a member is permitted to use the prefix "CA" or the designation "Chartered Accountant" on the visiting cards or stationery of an IPE/RVE?

Yes. The prefix "CA" may be used before the name of the member. However, the designation "Chartered Accountant" shall not be used on the cards or stationery of the IPE/RVE.

24. Whether a member empanelled as an Insolvency Professional or Registered Valuer is permitted to mention "Insolvency Professional" or "Registered Valuer" on his visiting card and letterhead?

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

25. Whether use of the CA India Logo is permitted?

Use of CA Logo is permissible where the member is representing himself as an Insolvency Professional or Registered Valuer in individual capacity. IPEs/RVEs are not permitted to use the CA India Logo, as it is permitted only to members and firms of Chartered Accountants.

26. Whether separate signboards are required for an IPE/RVE and the Chartered Accountant Firm in which the member is a partner or proprietor

Yes. The Signboard of an IPE/RVE having a member of the Institute and signboard of the CA Firm in which such CA is partner/proprietor, should be distinctly separate.

27. Whether the office address of the CA Firm and IPE/RVE can be the same?

Yes. The office address of the CA Firm and the IPE/RVE may be the same.

28. What measures are required to be taken in respect of correspondence and communication where a member is a partner in a Chartered Accountant Firm and also a partner/Director in an IPE/RVE, and both entities have the same postal address?

Members who are partners in a CA Firm and also partner/Director in an IPE/RVE having same postal address should ensure that reference of CA Firm shall not be given while communicating to/from IPE/RVE (e.g. "care of M/s XYX Firm") and also vice versa.

Chapter 4

Fees, Commissions and Referral for Chartered Accountants

1. **Can a Chartered Accountant in practice pay to any person any share, commission or brokerage in the fees or profits of his professional business?**

   No, Clause (2) of Part-I of the First Schedule to the Chartered Accountants Act, 1949, prohibits a Chartered Accountant in practice from paying or allowing 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 the deceased partner or a member of any other professional body or with such other persons having such qualifications as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

2. **Can a Chartered Accountant in practice share his fees with the Government in respect of Government Audit?**

   The Institute came across certain Circulars/Orders issued by the Registrar of various State Co-operative Societies wherein it has been mentioned that certain amount of audit fee is payable to the concerned State Govt. and the auditor has to deposit a percentage of his audit fee in the State Treasury by a prescribed challan within a prescribed time of the receipt of Audit fee.

   In view of the above, the Council considered the issue and while noting that the Government is asking auditors to deposit such percentage of their audit fee for recovering the administrative and other expenses incurred in the process, the Council decided that as such there is no bar in the Code of Ethics to accept such assignment wherein a percentage of professional fees is deducted by the Government to meet the administrative and other expenditure.

3. **Can a member share profits with the widow of his deceased partner?**

Yes, when there are two or more partners and one of them dies, the widow of the deceased partner can continue to receive a share of the profit of the firm. A legal representative, say widow of a deceased partner, would be entitled to share the profits only where the partnership agreement contains a provision that on the death of the partner his widow or legal representative would be entitled to such payment by way of sharing of fees or otherwise for the specified period.

4. **Can there be any sharing of fees between the widow or the legal representative of the proprietor of a single member firm and the purchaser of the goodwill of the firm on the death of the sole proprietor of the firm?**

No, there could not be any sharing of fees between the widow or the legal representative of the proprietor of a single member firm and the purchaser of the goodwill of the firm on the death of the Sole proprietor of the firm. Payment of goodwill to the widow is permissible in such cases only for the goodwill of the firm and to enable such payments to be made in instalments provided the agreement of the sale of goodwill contains such a provision. These payments even if they are spread over the specified period should not be linked up with participation in the earnings of the firm.

5. **Can the goodwill of a proprietary firm of Chartered Accountant, after his death be sold/transferred to another eligible member of the Institute?**

The Council of the Institute considered the issue whether the goodwill of a proprietary firm of Chartered Accountant can be sold/transferred to another eligible member of the Institute, after the death of the proprietor concerned and came to the view that the same is permissible. Accordingly, the Council passed the following resolution with a view to mitigating the hardship generally faced by the families after the death of such proprietors:

"RESOLVED THAT the sale/transfer of goodwill in the case of a proprietary firm of Chartered Accountant to another eligible member of the Institute shall be permitted

(a) **in respect of cases where the death of the proprietor concerned occurred on or after 30.8.1998.**

Provided such a sale is completed/effected in all respects and the Institute's permission to practice in deceased's proprietary firm name is sought within three year of the death(earlier one year) of such proprietor concerned. In respect of these cases, the name of the proprietary firm concerned would be kept in abeyance (i.e. not removed on receipt of information about the death of the proprietor as is being done at present) only upto a period of three year (earlier one year) from the death of proprietor concerned as aforesaid:

(b) in respect of cases where the death of the proprietor concerned occurred on or after 30.8.1998 and there existed a dispute as to the legal heir of the deceased proprietor.

Provided the information as to the existence of the dispute is received by the Institute within three year (earlier one year) of the death of the proprietor concerned. In respect of these cases, the name of proprietary firm concerned shall be kept in abeyance till three year (earlier one year) from the date of settlement of dispute.

(c) in respect of cases where the death of the proprietor concerned had occurred on or before 29th August, 1998 (irrespective of the time lag between the date of death of the proprietor concerned and the date of sale/transfer of goodwill completed/to be completed).

Provided such a sale/transfer is completed/effected and the Institute's permission to practice in the deceased's proprietary firm name is sought for by 28th August, 1999 and also further provided that the firm name concerned is still available with the Institute."

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

6. What is the time limit for the transfer of goodwill of a proprietary firm of a deceased member?

The time limit for the transfer of goodwill of a proprietary firm of a deceased member is three years from the date of death of the member.

The Council of the ICAI has approved an increase in the time limit from one year to three years. Accordingly, the time limit of one year shall be read as three years in the provisions relating to goodwill appearing in the Code of Ethics, 2026, Volume I.

7. Can a Chartered Accountant in practice enter into partnership with a practicing Chartered Accountant of a recognized foreign professional body for sharing fee of their partnership within India?

Yes, Clause (4) of Part-I of First Schedule to the Chartered Accountants Act, 1949 permits partnership between members of the Institute and the members of the recognized foreign professional bodies either by the Central Government or the Council of the Institute by virtue of either under Section 29(2) of the Act or under Regulation 53B(2) of the CA Regulations, 1988 provided they share fees of the partnership business both within India and outside India.

8. Whether a member in practice can quote fees on percentage of utilization amount of an educational Institute for certifying the amount (utilization) spent by an educational Institute out of grant?

Yes, a member in practice can quote fees on percentage of utilization amount of an educational Institute for certifying the amount (utilization) spent by an educational Institute out of grant.

9. Whether a member in practice can become Financial Advisor and receive fees/commission from Financial Institutions such as Mutual Funds, Insurance Companies, NBFCs.?

No, it is not permissible for a member in practice to become Financial Advisor and receive fees/commission from Financial Institutions.

10. Can a member in service accept or agree 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?

No, Clause (2) of Part II of First Schedule to the Chartered Accountants Act, 1949 prohibits a member in service from accepting or agreeing 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.

11. Whether a member in practice will be held liable for failing to keep moneys of his client in a separate banking account or to use such moneys for purposes other than they are intended for?

Yes, as per Clause (10) of Part I of Second Schedule to the Chartered Accountants Act, 1949, a member in practice shall be deemed to be guilty of professional misconduct, if he fails to keep moneys of his client other than fees or remuneration or money meant to be expended in a separate banking account or uses such moneys for purposes other than they are intended for.

12. Can a Chartered Accountant receive his professional fees in advance partly or in full?

Yes, as such there is no bar in the Act or in the CA Regulations as well as Code of Ethics in taking the fees in advance.

13. Is there any recommended scale of fees chargeable for the work done by the members of the Institute?

The Institute has issued revised Minimum scale of Fees for the professional assignments of the members of ICAI. The recommended scale of Fees is to be charged as per the work performed for various professional assignments. The Fees has been recommended separately for Class-A, B and C cities.

Further, as per Chapter IX of Guidelines on Ethical Issues, 2026, appearing in Volume-I of Code of Ethics, 2026 a member of the Institute in practice shall not charge less than the minimum fees mandated by the Central or State government or a Regulator, or prescribed by the Council for any professional service prescribed under any law, rule or regulation for the time being in force.

14. Whether two or more members can collectively have joint training session for their clients on GST, and share the fees collected from the clients thereof?

It is permissible for two or more members collectively to have joint training session for their clients on GST, and share the fees collected from the clients thereof.

15. Whether a chartered accountant in practice may pay or receive a referral fees or commission?

As per Paragraph 2.14.1.3(ii) under Clause (3) of Part-I of First schedule to the Chartered Accountants Act, 1949, appearing in Volume-I of Code of Ethics, 2026 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.

The above should be read with the applicable provisions mentioned in Paragraph 330.5 A1 and A2 of Volume-II of Code of Ethics, which provide that a self-interest threat to compliance with the principles of objectivity and professional competence and due care is created if a chartered accountant pays or receives a referral fee relating to a client.

Examples of actions that might be safeguards to address such a self-interest threat include disclosing to clients any referral fees paid to, or received from, another professional accountant for recommending services might address a self-interest threat.

16. What kind of threat might be created in case of payment of fees by the assurance client?

As per Paragraph 905.3 A1 of the Volume-II of Code of Ethics, 2026 when fees are negotiated with and paid by an assurance client, this creates a self-interest threat and might create an intimidation threat to independence.

Further, as per Paragraph 905.3 A2 of Volume-II of Code of Ethics, before a firm accepts an assurance engagement for an assurance client, the firm determines whether the threats to independence created by the fees proposed to the client are at an acceptable level. The application of the conceptual framework also requires the firm to re-evaluate such threats when facts and circumstances change during the engagement period.

17. What are the factors that are relevant in evaluating the level of threats created when fees are paid by the assurance client?

As per Paragraph 905.3 A3 of the Volume-II of Code of Ethics, 2026 factors that are relevant in evaluating the level of threats created when fees are paid by the assurance client include:

- The level of the fees for the assurance engagement and the extent to which they have regard to the resources required, taking into account the firm's commercial and market priorities.
- The extent of any dependency between the level of the fee for, and the outcome of, the service.
- The level of the fee in the context of the service to be provided by the firm or a network firm.
- The significance of the client to the firm or partner.
- The nature of the client.
- The nature of the assurance engagement.
- The involvement of those charged with governance in agreeing fees.
- Whether the level of the fee is set by an independent third party, such as a regulatory body.

18. Whether a firm can charge contingent fees for assurance engagements?

As per Paragraph R905.6 of Volume-II of Code of Ethics, 2026 a firm shall not charge directly or indirectly a contingent fee for an assurance engagement.

Further, as per Paragraph R905.7 of Volume-II of Code of Ethics, 2026 a firm shall not charge directly or indirectly a contingent fee for a non-assurance service provided to an assurance client if the outcome of the non-assurance service, and therefore, the amount of the fee, is dependent on a future or contemporary judgement related to a matter that is material to the subject matter information of the assurance engagement.

19. What is contingent fees for the purpose of Paragraph R905.6 and R905.7 of Volume-II of Code of Ethics?

Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. A contingent fee charged through an intermediary is an example of an indirect contingent fee. In this section, a fee is not regarded as being contingent if established by a court or other public authority.

20. What are the possible safeguards to address the self-interest threat that might be created from entering into certain contingent fee arrangements with an assurance client?

As per Paragraph 905.7 A3 of Volume-II of Code of Ethics, examples of actions that might be safeguards to address such a self-interest threat include:

- Having an appropriate reviewer who was not involved in performing the non-assurance service review the relevant assurance work.
- Obtaining an advance written agreement with the client on the basis of remuneration.

21. Can a Chartered Accountant in practice charge fees on contingent basis for non-assurance services?

As per Regulation 192 of CA Regulations, 1988, a Chartered Accountant in practice shall not 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.

However, as per point (h) under Regulation 192, the Council decided that the Chartered Accountant in practice can charge the fees on contingent basis in case of Non-assurance services to a Non-Audit clients.

22. Can a chartered accountant exercise lien over the client documents and records until his fees is paid?

A chartered accountant cannot exercise lien over the client documents/records for non-payment of his fees unless it is required by any law for the time being in force or vide the order of a court of law.

23. Can a member or firms accept audit fees in cash?

In line with the policy of Government of India to promote digital economy, it has been recommended for the members or firms that they should accept audit fees only through digital modes or banking channels.

24. Can an auditor, in the case of a continuing audit of a Public Interest Entity (PIE), sign the audit report where the undisputed audit fee remains unpaid?

A member of the Institute in practice shall not sign the audit report of an entity being a public interest entity for carrying out the statutory audit under the Companies Act, 2013 or various other statutes, if the undisputed audit fee of the said entity for the immediately preceding year, having audited by him, has not been paid.

However, in the case of an entity which is not a public interest entity this prohibition shall apply if the undisputed audit fee of the said entity for the two immediately preceding years, has not been paid.

Further, in case of a company for which insolvency resolution process has been initiated and the Resolution Professional has been appointed, the above prohibition shall not apply. (See Chapter X of Guidelines on Ethical Issues, 2026 appearing in Volume-I of Code of Ethics, 2026).

Chapter 5

Communication with Previous Auditor

1. **What is the intention behind communicating with the retiring auditor?**

   As per Clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949 appearing in the Code of Ethics, professional courtesy alone is not the major reason for requiring a member to communicate with the existing accountant. The underlying objective is that the member may have an opportunity to know the reasons for the change in order to be able to safeguard his own interest, the legitimate interest of the public and the independence of the existing accountant. When making the enquiry from the retiring auditor, the one proposed to be appointed or already appointed should primarily find out whether there are any professional or other reasons why he should not accept the appointment.

2. **Whether a Chartered Accountant in practice can accept a position as auditor previously held by another Chartered Accountant without first communicating with him in writing?**

   No, a Chartered Accountant in practice cannot accept a position as auditor previously held by another Chartered Accountant without first communicating with him in writing. It will be in violation of Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949.

3. **Whether posting of a letter under "Certificate of Posting" is sufficient to establish communication with retiring auditor?**

   No, a mere posting of a letter "Under Certificate of Posting" is not sufficient to establish effective communication with the retiring auditor unless there is some evidence to show that the letter has in fact reached the person communicated with. Members should therefore communicate with a retiring auditor in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee. In the opinion of the Council, the following would in the normal course provide such evidence: -

(a) Communication by a letter sent through "Registered/ Speed Post with Acknowledgement due", or

(b) By hand against a written acknowledgement, or

(c) Acknowledgement of the communication from retiring auditor's vide email address registered with the Institute or his last known official email address, or

(d) Unique Identification Number (UDIN) generated on UDIN portal (subject to guidelines issued by the Council in this regard)

4. Whether a Chartered Accountant can accept appointment as an auditor after sending communication to the previous auditor through registered post/Speed Post without acknowledgment due?

No, a Chartered Accountant cannot accept an appointment as an auditor after sending communication to the previous auditor through registered post/Speed Post without acknowledgment due, as this may be tantamount to professional misconduct under clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949.

5. Who is "previous auditor" (or retiring auditor) for the purposes of communication to be made in terms of clause (8) of Part I of First Schedule to the Act?

The term "previous auditor" (or retiring auditor) refers to the immediately preceding auditor who held the same or similar assignment comprising same/ similar scope of work.

6. Whether communication on E-mail would satisfies the requirement of Clause (8) of Part-I of First schedule to The Chartered Accountants Act, 1949?

The requirement of communication under Clause (8) of Part-I of First Schedule to The Chartered Accountants Act, 1949 is deemed to be complete on the delivery of communication to the Retiring Auditor. Accordingly, members are required to communicate in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee.

With regard to communication through E-mail, the communication would be deemed as complete on receipt of acknowledgement from the Retiring Auditor's E-mail address registered with the Institute or his last known official E-mail address.

7. Has the communication vide E-mail replaced the other modes of communication?

No. The earlier modes of communication continue to be valid. The communication vide E-mail is only an additional alternative mode of communication. Accordingly, henceforth, the requirement of positive delivery of communication would be deemed to be fulfilled either by (i) a letter sent "Registered /Speed Post Acknowledgement due", or (ii) by hand against a written acknowledgement, or (iii) by Acknowledgement from retiring auditor's vide E-mail address registered with the Institute or last known official E-mail address.

8. How can the Incoming Auditor know the E-mail id. of Retiring Auditor?

The Incoming Auditor may seek the E-mail id. from the Retiring Auditor on phone, or from the client.

9. Which of the two email ids – registered with the Institute or last known official id. is preferable for communication?

The members may communicate on either of the two email ids – registered with the Institute or last known official id. There is no order of the preference.

10. What is the position if the incoming auditor sends an email but does not receive an acknowledgement from the previous auditor?

If the incoming auditor sends an email but does not receive any acknowledgement from the previous auditor, such communication would not be regarded as valid, as there is no positive evidence of its delivery. However, where the retiring auditor acknowledges receipt of the email through the **"Read Receipt"** feature, such acknowledgement would constitute positive evidence of delivery.

11. Whether communication on E-mail would be valid only where post offices or offices of CA Firms are not open?

No, the members may use the option of E-mail irrespective of opening of post office or CA Firm.

12. What kind of acknowledgment from the Retiring Auditor will be deemed as valid to qualify for positive evidence of delivery?

Any kind of acknowledgement would be deemed as positive evidence of delivery, e.g. writing "ok", "Received", etc.

13. Whether the Incoming Auditor can send request for acknowledgement of receipt of communication from the Retiring Auditor?

Yes, the Incoming Auditor can send request for acknowledgement of receipt of communication from the Retiring Auditor. However, it would be deemed as positive evidence of delivery only if the Retiring Auditor accepts the request and sends acknowledgement.

14. Whether the Incoming Auditor may commence the Audit immediately after receiving acknowledgement from the Retiring Auditor?

As communication through E-mail is instant, the receipt of acknowledgement will be a valid proof of delivery as well as entitlement to acceptance of the Audit, unless of course, the Retiring Auditor has raised some objection(s) to such change.

15. What are the professional reasons for not accepting Audit?

The professional reasons for not accepting an audit are:

(i) Non-compliance of the provisions of the Companies Act as mentioned in Clause (9);and

(ii) Non-payment of undisputed audit fees by auditees other than in case of sick units or of a company for which insolvency resolution process has been initiated and the Resolution Professional has been appointed; and

(iii) Issuance of a qualified report.

In the first two cases, an auditor who accepts the audit would be guilty of professional misconduct.

In the last case, however, he may accept the audit if he is satisfied that the attitude of the retiring auditor was not proper and justified. If, on the other hand, he feels that the Retiring auditor had qualified the report for good and valid reasons, he should refuse to accept the audit.

16. In case of appointments done by Government entities/ Companies/Banks or their Branches, the time for acceptance of audit is sometimes so little that there is no time to wait for the reply of the Retiring auditor. What should be the recourse in such case?

In case the time schedule given for the assignment is such that there is no time to wait for the reply from the Retiring auditor, the Incoming auditor may give a conditional acceptance of the appointment and commence the work which needs to be attended to immediately after he has sent the communication to the Retiring auditor in accordance with this clause. In his acceptance letter, he should make clear to the client that his acceptance of appointment is subject to professional objections, if any, from the Retiring auditor and that he will decide about his final acceptance after taking into account the information received from the Retiring auditor.

17. Whether communication with the Retiring Auditor is permissible vide sms or WhatsApp?

No, communication vide sms or WhatsApp is not permissible as evidence of communication being sent, as required under Clause (8) of Part-I of the First Schedule to the Chartered Accountants Act, 1949.

18. Whether a member of the Institute will be deemed to be guilty of professional misconduct if he accepts his appointment as an auditor immediately after intimating his appointment over the phone to the previous auditor?

Yes, the member would be held guilty of professional misconduct for the following reasons: (a) That he had failed to communicate with the retiring auditor in writing; and (b) That he did not wait for a reasonable length of time for a reply to be received from him.

19. Whether communication by the Incoming auditor is mandatory with the previous auditor in respect of various audit assignments,

like the concurrent audit, revenue audit, tax audit and special audits etc.?

Yes, the requirement for communicating with the previous auditor would apply to all types of audits viz., statutory audit, tax audit, GST audit, internal audit, concurrent audit or any other kind of audit. The Council has laid down detailed guidelines in this regard and the same are appearing in Paragraph 2.14.1.8(xiv) to 2.14.1.8(xvii) under Clause (8) of Part I of First Schedule to the Chartered Accountants Act, 1949 appearing in Volume II of the Code of Ethics. However, in case of assignments done by other professionals not being Chartered Accountants, it would also be a healthy practice to communicate.

20. Whether communication with previous auditor is necessary in case of appointment as statutory auditor by nationalized and other Banks?

Yes, Clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949 is equally applicable in case of nationalized and other Banks and also to Government agencies.

21. Whether a Chartered Accountant who is appointed as tax auditor for conducting special audit under the Income-tax Act by the IT Authorities is required to communicate with statutory auditor?

Yes, as per provision of Clause (8) of Part I of First Schedule to the Chartered Accountants Act 1949, appearing in the Code of Ethics, prescribes that it would be a healthy practice if a tax auditor appointed for conducting special audit under the Income-tax Act, 1961 communicates with the members who has conducted the statutory/tax audit.

22. Whether a Chartered Accountant in practice can accept audit in case the audit fee of the previous auditor remains unpaid?

No, in case the undisputed audit fees for carrying out the statutory audit under the Companies Act, 2013 or various other statutes have not been paid, the incoming auditor shall not accept the appointment unless such fees are paid. In respect of other dues, the incoming auditor should in appropriate circumstances use his influence in favour of his predecessor to have the dispute as regards the fees settled. The Council has taken the view that the provisions of audit fee made in accounts signed by both- the auditor and the auditee along with other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as 'undisputed' audit fees.

23. If any other firm of auditors is appointed to conduct a special audit is he required to communicate with the statutory firm of auditors in terms of clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949?

As per Code of Ethics it is not obligatory for the auditor appointed to conduct a special audit to communicate with the previous auditor who had conducted regular audit for the period covered by the special Audit.

24. How is the requirement of communication with the previous auditor under Clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949, to be complied with in case of death of the previous auditor?

In case of death of the previous auditor, no communication is required to be made under Clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949.

25. What recourse should be adopted to comply with the communication requirements under Clause (8) of Part I of the First Schedule to the Chartered Accountants Act, 1949, in a case of change of auditors where the previous auditor, being a partnership firm, has ceased to exist?

The requirement of communication under Clause (8) of Part-I of First Schedule to The Chartered Accountants Act, 1949 cannot be applied to a situation where a Chartered Accountants Firm, which was previous Auditor, does no longer exist. The incoming Auditor will however be required to confirm this fact from the Institute.

26. Whether Incoming Auditor may accept Audit if undisputed Audit Fees of previous auditor is pending, but the previous Auditor has communicated his no objection inspite of pending Fees?

The incoming auditor should verify with the client that undisputed audit fees of previous auditor is pending. In case of pending undisputed audit fees, incoming auditor shall not accept the audit even if previous auditor has given no objection on the same.

27. What are the duties of retiring auditor?

On the request of the Incoming Auditor to the retiring auditor for providing known information regarding any facts or other information of which, in the opinion of the retiring auditor, the Incoming auditor needs to be aware before deciding whether to accept the engagement, the retiring auditor shall provide the information diligently. Further, the paragraph R320.7 in the Code of Ethics provides that subject to provisions of Clause (8) of Part I of First Schedule of the Chartered Accountants Act, 1949, and Council directions thereunder, the existing or predecessor accountant, when asked to respond a communication from a proposed accountant, shall provide the information honestly and unambiguously to the proposed accountant.

Chapter 6

Guidelines on Ethical Issues, 2026

1. **Whether 'Guidelines on Ethical Issues, 2026' replaces the 'Council General Guidelines, 2008'?**

   Yes, the "Guidelines on Ethical Issues, 2026" shall replace the "Council General Guidelines, 2008 [Council Guidelines No.1-CA(7)/02/2008]". The "Guidelines on Ethical Issues, 2026" have been issued under Section 15 (2) (fa) of the Chartered Accountants Act, 1949.

2. **What is the effective date of applicability of Guidelines on Ethical Issues, 2026?**

   The Code of Ethics, 2026 is effective from April 01, 2026, therefore Guidelines on Ethical Issues will also be effective from that date.

   Further, the provisions of Council General Guidelines, 2008 shall continue to be valid till 31.3.2026.

3. **Whether a member of the Institute who is an employee will be held guilty of professional misconduct despite not being in practice if it does not exercise due diligence in the conduct of his duties?**

   Yes, chapter II of "Guidelines on Ethical Issues, 2026" specifies that a member of the Institute who is an employee shall be deemed to be guilty of professional misconduct if he does not exercise due diligence and being grossly negligent in the conduct of his duties.

4. **Whether a member of the Institute in practice is required to maintain books of accounts?**

   Yes, in the exercise of the powers conferred under Section 15 (2) (fa) of the Chartered Accountants Act, 1949, the Council of the Institute has issued Guidelines on Ethical Issues, 2026, Chapter III of which specifies that a member of the Institute in practice or the firm of Chartered Accountants of which he is a partner, shall maintain and keep in respect of his / its professional practice, proper books of account in electronic or physical form.

5. What are the specific minimum books of account which a member in practice or a firm of Chartered Accountants is required to maintain for his/ its professional practice?

Chapter III of Guidelines on Ethical Issues, 2026 specifies that a member in practice or a firm of Chartered Accountants is required to maintain the minimum requirements of books of account as under :-

(i) a Cash Book;

(ii) a Ledger.

(iii) Bill Register

6. Is there any ceiling on the number of tax audit assignments that can be taken up by a member in practice?

Yes, the Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025 specifies that a Chartered Accountant in practice shall not accept and sign, in a financial year, more than the "specified number of tax audit assignments" arising out of the requirements under clause (c), clause (d) and clause (e) of section 44AB. The number specified for tax audit assignments is 60.

7. Whether the audits conducted under Section 44AD, 44ADA and 44AE of the Income Tax Act, 1961 shall be taken into account for the purpose of reckoning the specified number of tax audit assignments?

No, the Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025, specifies that in relation to persons covered under section 44AE, 44ADA and 44AD, respectively, shall not be taken into account for the purpose of reckoning the "specified number of tax audit assignments" under these Guidelines.

8. Whether separate limit on tax audit assignments will be taken for a partner of a firm who is also a partner of another CA firm?

No, Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025, specifies that where any partner of the firm is also a partner of any other firm or firms of Chartered Accountants in practice, the number of tax audit assignments which may be taken for all the firms put together in relation to such partner shall not exceed the "specified number of tax audit assignments" in the aggregate.

It is further provided that where any partner of a firm of Chartered Accountants in practice accepts one or more tax audit assignments in his individual capacity, the total number of such assignments which may be accepted and signed by him shall not exceed the "specified number of tax audit assignments" in the aggregate.

9. What is the effective date of applicability of Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025?

The Chapter- VI of the Council General Guidelines, 2008 [Council Guidelines No.1-CA(7)/02/2008 dated 8th August, 2008]) shall continue to be valid till 31st March, 2026. From 1st April ,2026, it will be replaced with Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025 issued vide Notification dt. 25th July 2025 No. F.1-CA(7)/234/2025 and will be applicable from the said date.

10. Whether a Chartered Accountant in practice can accept audit in case the audit fee of the previous auditor remains unpaid?

No, in case the undisputed audit fees for carrying out the statutory audit under the Companies Act, 2013 or various other statutes have not been paid, the incoming auditor shall not accept the appointment unless such fees are paid. In respect of other dues, the incoming auditor should in appropriate circumstances use his influence in favour of his predecessor to have the dispute as regards the fees settled. The Council has taken the view that the provisions of audit fee made in accounts signed by both- the auditor and the auditee along with applicable taxes and other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as 'undisputed' audit fees. In this connection, attention of members is invited to the Chapter on 'Appointment of an Auditor in case of non-payment of undisputed fees' of Guidelines on Ethical Issues, 2026.

11. Whether the provisions of chapter on 'Appointment of an Auditor in case of non-payment of undisputed fees' of Guidelines on Ethical Issues, 2026 applies in case of a company for which insolvency resolution process has been initiated?

No, the provisions of Chapter IV on 'Appointment of an Auditor in case of non-payment of undisputed fees' of Guidelines on Ethical Issues, 2026 shall not apply in case of a company for which insolvency resolution process has been initiated and the Resolution Professional has been appointed. The prohibition on acceptance of audit in case of undisputed audit fee of another Chartered Accountant for carrying out the statutory audit under the Companies Act, 2013 or various other statutes has not been paid shall not apply in such case.

12. What constitutes the 'Undisputed Audit Fees' in relation to the provisions of Chapter on 'Appointment of an Auditor in case of non-payment of undisputed fees' of Guidelines on Ethical Issues, 2026?

For chapter IV on 'Appointment of an Auditor in case of non-payment of undisputed fees' of Guidelines on Ethical Issues, 2026, the provision for audit fee in accounts signed by both - the auditee and the auditor along with applicable taxes and other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as "undisputed audit fees".

13. Whether a Chartered Accountant in practice can accept the internal audit of an entity in case the internal audit fees of the previous internal auditor are unpaid?

There is no bar to such acceptance subject to the compliance with the provisions of Clause (8), Part-I, First Schedule of the Chartered Accountants Act, 1949. As per the provisions of Chapter IV on 'Appointment of an Auditor in case of non-payment of undisputed fees' of Guidelines on Ethical Issues, 2026, a member of the Institute in practice shall not accept the appointment as auditor of an entity in case the undisputed audit fee of another Chartered Accountant for carrying out the statutory audit under the Companies Act, 2013 or various other statutes has not been paid.

14. Whether there is any ceiling on the number of Company audit (Statutory Audit) assignments that can be taken up by a member in practice or a Firm of Chartered Accountants?

Yes, in view of the Chapter on 'Specified number of audit assignments' of Guidelines on Ethical Issues, 2026, member in practice or a proprietary firm of Chartered Accountant can accept 40 audit assignments whether in respect of private Companies or other Companies, with the exception of one person Companies and dormant companies.

In the case of Chartered Accountants in practice, 40 audit assignments per partner in the firm, whether in respect of private Companies or other Companies, with the exception of One person Companies and dormant companies.

15. Whether the limit on the audit assignments as mentioned in Chapter on 'Specified number of audit assignments' of Guidelines on Ethical Issues, 2026 be applicable for Internal Audit as well?

No, the Chapter on 'Specified number of audit assignments of Guidelines on Ethical Issues, 2026 specifies that a member of the Institute in practice shall not hold at any time appointment of more than the "specified number of audit assignments" of Companies under Section 141 of the Companies Act 2013.

16. Whether a Chartered Accountant in practice can accept 45 statutory audit assignments which includes 4 one person companies and 1 dormant company?

Yes, the Specified number of audit assignments for the purpose Chapter on 'Specified number of audit assignments' of Guidelines on Ethical Issues, 2026 is 40. One person Companies and dormant companies are excluded in this limit.

17. Whether the ceiling on the number of Company audit (Statutory Audit) assignments reckons the audit of the head office and branch offices of a Company as different assignment?

No, in view of the Chapter on 'Specified number of audit assignments' of Guidelines on Ethical Issues, 2026, the audit of the head office and branch offices of a Company by one Chartered Accountant or firm of such Chartered Accountants in practice shall be regarded as one audit assignment.

Further, the audit of one or more branches of the same Company by one Chartered Accountant in practice or by firm of Chartered Accountants in practice in which he is a partner shall be construed as one audit assignment only.

18. Whether a part-time practicing partner is counted for computing the number of audit assignments in a firm?

No, a Chartered Accountant being a part time practicing partner of a firm shall not be taken into account for the purpose of reckoning the audit assignments of the firm.

19. Whether a member who is carrying out statutory audit and also rendering management consultancy services to his auditee clients can receive fees for such other services, which are in excess of the audit fees?

As per the provisions of Chapter on 'Appointment as Statutory auditor' a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts the appointment as statutory auditor of Public Sector Undertaking(s)/ Government Company(ies)/ Listed Company(ies) and other Public Company(ies) having turnover of Rs. 250 crores or more in a year where he accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/ Company(ies) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Provided that in case appointing authority(ies)/regulatory body(ies) specify(ies) more stringent condition(s)/restriction(s), the same shall apply instead of the conditions/restrictions specified under these Guidelines.

Explanation :

1. The above restrictions shall apply in respect of fees for other work(s) or service(s) or assignment(s) payable to the statutory auditors and their associate concern(s) put together.
2. For the above purpose;
   (i) the term "other work(s)" or "service(s)" or "assignment(s)" shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 but shall not include:-
      (a) audit under any other statute;
      (b) certification work required to be done by the statutory auditors; and

(c) any representation before an authority;

(ii) the term “associate concern” means any corporate body or partnership firm which renders the Management Consultancy and all other professional services permitted by the Council wherein the proprietor and/or partner(s) of the statutory auditor firm and/or their “relative(s)” is/are Director/s or partner/s and/or jointly or severally hold “substantial interest” in the said corporate body or partnership;

(iii) the terms “relative” and “substantial interest” shall have the same meaning as are assigned thereto under Appendix (9) to the Chartered Accountants Regulations, 1988.

3. In regard to taking up other work(s) or service(s) or assignment(s) of the undertaking/company referred to above, it shall be open to such associate concern or corporate body to render such work(s) or service(s) or assignment(s) so long as aggregate remuneration for such other work(s) or service(s) or assignment(s) payable to the statutory auditor(s) together with fees payable to its associate concern(s) or corporate body(ies) do/does not exceed the aggregate of fee payable for carrying out the statutory audit.

20. Whether the fee received from limited review/ quarterly Audit of the same undertaking/company under the listing regulations should be included in the fee received for carrying out the “statutory audit of the same undertaking/company”, while comparing the same with the fee from permissible non-audit services?

The exemptions to the general rule contained in Chapter on ‘Appointment as Statutory auditor’ of Guidelines on Ethical Issues, 2026 mention “audit under any other statute”. The limited/quarterly review would not be included in the same, as these are done in the same statute (i.e. Companies Act, 2013). Hence, limited Review/quarterly Audit may be deemed to be included in statutory Audit.

21. Whether fee from the professional services rendered for the Issuance of Accountant's Report under Income-tax Act, 1961, i.e. 3CEB report should be considered under exemption provided in Paragraph 6.2 (i) of Chapter on 'Appointment as Statutory auditor' of Guidelines on Ethical Issues, 2026, considering that such services are of the nature of assurance services?

Certification work required to be done by the statutory auditors is exempt from the general rule contained in Chapter on 'Appointment as Statutory auditor' of Guidelines on Ethical Issues, 2026 (Accordingly, the provisions of this Chapter will not apply to a certification which can be done by any CA in practice).

22. Whether the fee from the following audit related engagements are considered under exemption provided in 6.2 (i) of Chapter on 'Appointment as Statutory auditor' of Guidelines on Ethical Issues, 2026, considering such services are of the nature of audit services:

- **Group reporting carried out to another firm under SA 600**
- **Certification other than that required by the statutory auditor**

Group reporting/ Using the work of another Auditor as per SA 600 is part of professional standards of the Auditor (and not an "assignment"). Hence, it will not invoke the provision of Chapter on 'Appointment as Statutory auditor' of Guidelines on Ethical Issues, 2026.

As regards Certification - No, it will not be exempt from the general rule of Chapter, as it is clearly prohibited under the provisions of Chapter on 'Appointment as Statutory auditor' of Guidelines on Ethical Issues, 2026.

23. Whether "indebtedness" for the purposes of Chapter on 'Appointment of an auditor when he is indebted to a concern' of Guidelines on Ethical Issues, 2026 include loan taken by the member against a Fixed Deposit?

Yes, "indebtedness" for the purposes of Chapter on 'Appointment of an auditor when he is indebted to a concern' of Guidelines on Ethical Issues, 2026, includes loan taken by a member against Fixed Deposit.

Accordingly, it is not permissible for him to accept audit assignment of a bank in case he has taken loan against a Fixed Deposit held by him in that bank.

24. Whether for the purpose of Chapter on 'Appointment of an auditor when he is indebted to a concern' of Guidelines on Ethical Issues, 2026, internal auditor will be covered in case he is indebted to a concern?

No, the Council has decided that for the purpose of Appointment of an auditor when he is indebted to a concern, as dealt with under Chapter on 'Appointment of an auditor when he is indebted to a concern' of Guidelines on Ethical Issues, 2026, the term "auditor' shall not include internal auditor, concurrent auditor or an auditor giving report to the Management. In other words, the provision relating to criteria/limit of indebtedness shall apply only to statutory audits.

25. Whether a Chartered Accountant is permitted to accept appointment as auditor of a concern while he is indebted to the firm or has given any guarantee or provided any security in connection with the indebtedness of any third person to the concern?

As per Chapter on 'Appointment of an auditor when he is indebted to a concern' of which specifies that a member of the Institute in practice or a partner of a firm in practice or a firm, or a relative of such member or partner shall be deemed to be guilty of professional misconduct if he accepts appointment as auditor of a concern while indebted to the concern or given any guarantee or provided any security in connection with the indebtedness of any third person to the concern, for limits fixed in the statute and in other cases for amount exceeding Rs. 5,00,000/-

26. Whether a member in practice can charge fees lower than the minimum fees prescribed by the Central or State Government, a Regulator, or the Council for professional services?

In the exercise of the powers conferred under Section 15 (2) (fa) of the Chartered Accountants Act, 1949, the Council of the Institute has issued Guidelines on Ethical Issues, 2026, Chapter on 'Minimum Fee in respect of Professional Services' of which specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct if charge fees less than the minimum fees mandated by the Central or State government or a Regulator, or prescribed by the Council for any professional service prescribed under any law, rule or regulation for the time being in force.

27. Whether compliance with the minimum fee requirements as prescribed in Chapter on 'Minimum Fee in respect of Professional Services' of Guidelines on Ethical Issues, 2026 applies in case of fees for non-audit services as well?

Yes, Chapter on 'Minimum Fee in respect of Professional Services' of Guidelines on Ethical Issues, 2026 specifies that a member of the Institute in practice shall not charge fees less than the minimum fees mandated by the Central or State government or a Regulator, or prescribed by the Council for any professional service mandated under any law, rule or regulation for the time being in force.

28. Whether a member of the Institute in practice is liable for professional misconduct, if he does not follow the direction given, by the Council or an appropriate Committee or on behalf of any of them, to the incoming auditors not to accept the appointment as auditors, in the case of unjustified removal of the earlier auditors?

Yes in the exercise of the powers conferred under Section 15 (2) (fa) of the Chartered Accountants Act, 1949, the Council of the Institute has issued Guidelines on Ethical Issues, 2026, chapter on 'Directions in case of unjustified removal of auditors' of which specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he does not follow the direction given, by the Council or an appropriate Committee or on behalf of any of them, to the incoming auditors not to accept the appointment as auditors, in the case of unjustified removal of the earlier auditors.

29. Whether an auditor, in the case of a continuing audit of a Public Interest Entity (PIE), sign the audit report where the undisputed audit fee remains unpaid?

Chapter X on 'Non-payment of undisputed Audit fees' of which specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he sign the audit report of an entity being a public interest entity for carrying out the statutory audit under the Companies Act, 2013 or various other statutes, if the undisputed audit fee of the said entity for the immediately preceding year, having audited by him, has not been paid.

30. Whether the auditor can sign the audit report if audit fees, of an entity not being a public interest entity, for two immediately preceding year, having audited by him, has not been paid as per Chapter X on 'Non-payment of undisputed Audit fees' of Guidelines on Ethical Issues, 2026?

No. The provisions of Chapter X on 'Non-payment of undisputed Audit fees' of Guidelines on Ethical Issues, 2026, specifies that in the case of an entity which is not a public interest entity the prohibition of not signing the audit report shall apply if the undisputed audit fee of the said entity for the two immediately preceding years, has not been paid.

31. What is the meaning of Public Interest Entity for the purpose of Chapter on 'Non-payment of undisputed Audit fees' of Guidelines on Ethical Issues, 2026?

For the purpose of Chapter X on 'Non-payment of undisputed Audit fees' of Guidelines on Ethical Issues, 2026, the term 'public interest entity' shall have the same meaning as assigned to it under Volume-II of Code of Ethics, 2026 as under: -

(a) A listed entity; or

(b) An entity one of whose main functions is to take deposits from the public; or

(c) An entity:

  (i) Defined by regulation or legislation as a public interest entity; or

  (ii) Having borrowings of ₹500 crores of rupees or more (to be assessed at both the beginning and end of the year).

For purpose of this definition, it may be noted that Banks and Insurance Companies are to be considered as Public Interest Entities.

Other entities might also be considered by the Firms to be public interest entities, as set out in paragraph 400.13 and 400.14.

Chapter 7

Visiting Cards, Professional Documents and Logo

1. Can a temporary office be mentioned as the place of business on the letterheads, visiting cards, or other documents of a member or firm?

No, as per Section 27 of the Chartered Accountants Act, 1949 the temporary office should not be mentioned in the letter- heads, visiting cards or any other documents as a place of business of the member/firm.

2. Whether a Firm of Chartered Accountants can use catchwords / catchphrases on its Letter heads and visiting cards?

The mention of catchwords / catchphrases (for e.g., excellence in a particular area, Firm having professionals of integrity etc.) on Firm's website, Letter heads and visiting cards is not permissible in view of the provisions of Clauses (6) and (7) of Part-I of the First Schedule to Act. It may be noted that the above catch words are only indicative and not exhaustive.

3. Can a member/ Firm of Chartered Accountants print his/its vision and values behind the visiting cards?

No, since such printing of vision and values behind the visiting cards may result in solicitation and violation of the provisions of Clause (6) of Part-I of First Schedule to the Chartered Accountants Act, 1949, and accordingly not permissible.

4. Can a Chartered Accountant in practice advertise his professional attainments or services, or can he use any designation or expression other than Chartered Accountants on professional documents, visiting cards, letter heads or sign boards, etc.?

No, as per Clause (7) of Part I of the First Schedule to the Act, a Chartered Accountant shall be deemed to be guilty of professional misconduct, if he advertises his professional attainments or services, or uses any designation or expressions other than 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 recognized by the Central Government or a title indicating membership of the Institute of Chartered Accountants or of any other institution that has been recognized by the Central Government or may be recognized by the Council. However, the member in practice may advertise through a write-up setting out the services provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council.

5. If a member is a partner in more than one firm, is it permissible to print the names of all the firms on visiting cards, letter-heads, stationery etc.?

Yes, as per Clause (7) of Part I of the First Schedule to the Act. In case a member is a partner in more than one firm, it permissible to print the names of all the firms on visiting cards, letter-heads, stationery etc

6. Whether a member in practice/ Firm of Chartered Accountants is permitted to use logo on letter-heads, stationery, etc.?

No, 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, signboard by the members in practice and/or a firm of Chartered Accountants, is prohibited. Use/printing of member/firm name in any other manner tantamounting to logo/monogram is also prohibited. However, a common CA logo has been allowed to the members, provided it is used in the correct manner within terms of the Council guidelines.

7. Whether the office of a Chartered Accountant is permitted to go in for ISO certification or other similar certifications?

Yes, there is no bar for a member to go in for ISO certification or other similar certifications. However, the member cannot use the expression like “ISO Certified” on his professional documents, visiting cards, letter-heads or sign boards etc. As per provisions of the CA Act do not permit using any designation or expression other than that of a CA in documents.

8. If a member has passed any additional course of the ICAI, is he permitted to print such qualification on visiting cards, letter heads and other stationery?

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. E.g. DISA (ICAI).

9. Whether the members in practice can print their photograph on their visiting cards?

Yes, it is permissible for the members in practice to print their photograph on their visiting cards.

10. Can a member in practice print QR (Quick response) code on his visiting cards, facilitating easy access to information?

Yes, printing of QR Code on the visiting Cards is permissible, provided that it does not contain information that is not otherwise permissible to be printed on a visiting Card.

11. Which designation(s) can be mentioned by a member in practice empanelled as Insolvency Professional on his visiting cards, letter heads and other communication?

A member in practice empanelled as Insolvency Professional can mention "Insolvency Professional" on his visiting cards, letter heads and other communication, as this is recognized by the Central Government in terms of Clause (7) of Part –I of First Schedule to Act. Mention of any other nomenclatures/designations, including membership of any Insolvency Professional Agency is not allowed.

12. Whether a member in practice can mention services such as filing of Income tax return, GST return, Audit etc on professional documents, visiting cards, letter heads or sign boards, etc.?

No, in terms of the provisions of Clause (7) of Part-I of First Schedule to the Act, it is not permissible for a member in practice to mention services such as filing of Income tax return, GST return, Audit etc on professional documents, visiting cards, letter heads or sign boards, etc.

13. Whether members of the Institute can use common CA India logo?

Yes, the common CA logo can be used by all members, whether in practice or not.

14. Whether a Chartered Accountant in practice can use expression like Income Tax Consultant, Cost Accountant, Company Secretary, Cost Consultant or a Management Consultant?

No, Council direction under Paragraph 2.14.1.7(ii) of Clause (7) of Part I of the First Schedule to the Act, appearing in Volume-II of Code of Ethics, 2026 prescribes that it is improper for a Chartered Accountant to state on his professional documents that he is an Income-tax Consultant, Cost Accountant, Company Secretary, Cost Consultant or a Management consultant.

15. Can a Chartered Accountant in practice give the date of setting up the practice or date of establishment on the letterheads and other professional documents, etc.?

No, Council direction under Paragraph 2.14.1.7(iv) of Clause (7) of Part I of the First Schedule to the Act, appearing in Volume-II of Code of Ethics, 2026 prescribes that the date of setting up of the firm on the letterheads and the professional documents, etc. should not be mentioned. However, in the Website, the year of establishment can be given.

16. Can a Chartered Accountant in practice use/fix a monogram of the Institute on any column/wall located inside the office or on professional documents?

No, in view of the Council directions under Clause (7) of Part I of the First Schedule to the Act, a Chartered Accountant in practice is not permitted to use/fix a monogram of the Institute on any column/wall located inside the office or on any professional documents.

17. Whether a member is permitted to use the designation "Certified Fraud Examiner (CFE)" on visiting cards, letter-heads, or professional documents?

The use of the designation `CFE' is a personal attainment of the member and not be permitted to use the same on visiting cards, letter heads or professional documents.

18. Whether a member in practice is permitted to print rotary visiting cards and use the designation "District Governor" therein?

The member who is in practice cannot use the designation of 'District Governor' in his rotary visiting card along with the term 'Chartered Accountant'.

19. Whether a CA in practice, who is also the member of CFA (USA), can use the designation CFA (USA) on visiting cards and elsewhere.

As per provisions of Section 7 of the Chartered Accountants Act, 1949, a member is permitted to add any other description or letters to his name, if entitle thereto, to indicate membership of such other Institute of accountancy, whether in India or elsewhere, as may be recognized in this behalf by the Council. No such recognition of CFA (USA) has been accorded by the Council of ICAI. In view of this, a CA in practice, who is also the member of CFA (USA), is not permitted to use the designation CFA (USA).

20. Can a Chartered Accountant and a Company Secretary have a common visiting card, with details of CA and CS printed on the two sides of the card?

It is not permissible for a Chartered Accountant and a Company Secretary to have a common visiting card, with their details printed on the two sides of the card.

21. Whether a member's name can be mentioned on visiting card of a Law Firm?

No. It is not permissible for a member to allow his name to appear on the visiting card of a Law Firm.

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

Publishing of name and details of Management Consultancy Company on the backside of same visiting card of CA firm is not permitted as

Management Consultancy Company and CA firm are two independent entities, and that all Partners/Directors in these two entities may not necessarily be common also.

23. Whether a member in practice or a firm of Chartered Accountants is permitted to write or display the firm name in a stylish or decorative font or can write 1st initial of the name of the firm be written in a different style?

No, as per by Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949 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 is prohibited.

24. Whether member of ICAI practicing as an Advocate can use CA Logo on his professional stationary?

The CA Logo is recognized as a symbol of CA profession in India and it is to promote the brand of profession of Chartered Accountancy and for a member of ICAI (without holding COP) and practicing as an Advocate, it appears to be unethical to use the CA logo on his professional stationary. Therefore, it is not permissible for a member of ICAI practicing as an Advocate, to use the CA Logo on his professional stationary.

25. Can member Use of CA India logo in the stamp?

The use of CA India logo in the stamp is permissible, subject to CA India logo guidelines issued by the Institute.

26. Whether a firm of Chartered Accountants can print special words 'celebrating 75 years in the profession' on the letter heads and envelopes?

No, it is not allowed for firm of Chartered Accountant firm to print special words on their letter heads or envelopes, as it will lead to the solicitation of professional work and result in violation of clause (6) & (7) of Part I of First Schedule to the CA Act, 1949.

27. Whether a member in service can print his letter head for communication with ICAI or any other person?

Section 7 of the Chartered Accountant Act provides that every member of the Institute may use the designation 'Chartered Accountant'. It is permissible for a member in service to print his letter head for communication with the Institute or any other person. However, such Member, using the designation of 'Chartered Accountant' cannot use any other designation, whether in addition thereto or in substitution thereof.

28. Whether a member in practice allowed to use the designation of "Corporate Lawyer"?

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, so far as the designation "Corporate Lawyer" is concerned, the Council was of the view that as per the existing provisions of law, a Chartered Accountant in practice is not entitled to use the designation "Corporate Lawyer.

29. Whether a member can use the designation such as 'Member of Parliament', 'Municipal Councilor' nor any other functionary in addition to that of Chartered Accountant.

As per the provision of the Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949 a member is not allowed to use the designation such as 'Member of Parliament', 'Municipal Councilor' nor any other functionary in addition to that of Chartered Accountant.

30. Whether a member can mention the website address of the Firm and link of the social networking page on the visiting card?

Yes, it is permissible for a member to mention the website address of the Firm and link of social networking site of the Firm on the visiting card. An individual member may mention the link of personal account of social networking site on his individual visiting card.

Chapter 8

Advertisement and Website For Chartered Accountants

1. **Whether a member in practice can advertise his services on social networking websites?**

   Yes, a member in practice can 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-I of Code of Ethics, 2026.

2. **Whether a “write-up” in an Advertisement may contain information about an achievement or award given to a member?**

   Yes, a “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 such as ICAI.

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

   It is not permissible for members to list themselves with online Application based service provider Aggregators for services which are exclusively reserved for Chartered Accountants. However, there is no restriction on listing for non-exclusive services. Members may also list themselves on the listing platforms of the Government or Regulator for providing any professional services e.g., GeM portal. Further, members are encouraged to use the “CA Connect”, listing portal on the platform of the Institute.

4. **Whether the names of clients or fees charged be mentioned on the website of a Chartered Accountant or Chartered Accountants’ Firm?**

   Names of the client and nature of assignment handled, subject to permission of the client is permitted to be mentioned as per the Website Guidelines, appearing in Volume-I of Code of Ethics, 2026. However, for the purpose of services which are exclusively reserved for Chartered Accountants, only client name may be mentioned, subject to permission of the client. Adequate documentation should be maintained by the members in this regard.

However, fee charged cannot be given. The disclosure of fees charged may be made on the website where it is required by a regulator, whether or not constituted under a statute, in India or outside India, provided that such disclosure is only to the extent of requirement of the regulator and is made only till such period that the member works under the purview of such regulator/ such requirements of the regulator are in force. The fact that the disclosure is being made due to requirement of regulator has to be made below the disclosure itself.

5. Is a Chartered Accountant in practice permitted to mention the Peer Review status on the firm's website or the website of a Network or Alliance of firms registered with the ICAI?

Yes, as per the Website Guidelines, appearing in Volume-I of Code of Ethics, 2026 the Chartered Accountant in practice are allowed to mention the following on the firm's website or the website of a Network or Alliance of firms registered with the ICAI:

- Peer Review status;
- Audit Quality Maturity Model (AQMM) level, as reviewed by a Peer Reviewer/AQMM Reviewer; and
- Affiliation with a Network registered with the Institute.

6. Can a member mention positions held in ICAI as elected representative of Central Council, Regional Council and Branches?

Yes, as per the Website Guidelines appearing in Volume-I of Code of Ethics, 2026 a member may mention existing/past position(s) held in the Institute as elected representative of Central Council, Regional Council and Branches.

7. Whether a member in practice or a firm of Chartered Accountants is permitted to sponsor an event?

As per the Paragraph 2.14.1.6(iv)G in the commentary to Clause (6) of Part-I of First Schedule to the Chartered Accountants Act, 1949 appearing in Volume-I of Code of Ethics, 2026 a member in practice or a Firm of Chartered Accountants is not permitted to sponsor an event. However, the Council may approve sponsorship from members and firms in certain Continuing Professional Education (CPE) events. The members or firms may sponsor such CPE events.

8. Whether a Chartered Accountant in practice is permitted to conduct training courses, seminars or webcasts for his staff and invite staff of other Chartered Accountants and his clients?

As per the Paragraph 2.14.1.7(xii) in commentary to Clause (7) of Part-I of First Schedule to the Chartered Accountants Act, 1949 appearing in Volume-I, Code of Ethics, 2026 a Chartered Accountant in Practice holding training courses, seminars, webcast etc., for his staff may also invite the staff of other Chartered Accountants, clients and others to attend the same. However, undue prominence should not be given to the name of Chartered Accountant in any booklet or document issued in connection therewith.

9. Whether a member of the Institute is permitted to mention the description "Chartered Accountant" while writing articles or letters to the press on subjects connected with the profession?

As per the Paragraph 2.14.1.7(xiii) in commentary to Clause (7) of Part-I of First Schedule to the Chartered Accountants Act, 1949 appearing in Volume-I, Code of Ethics, 2026, members writing articles or letters to the Press on subjects connected with the profession may give their names and use the description Chartered Accountants as well as name of the firm in which he is a partner or proprietor.

10. Can Network of Chartered Accountant firms registered with the Institute have its own website?

The Volume-I, Code of Ethics, 2026 permits the networks registered with the Institute to have their own website as per the Council Advertisement Guidelines, 2008.

11. Can a Network of Chartered Accountant firms registered with the Institute mention name of network and names of firms being part of its network on all professional stationery?

The networks are now permitted to mention the name of network and names of firms being part of its network on all professional stationery as per the Paragraph 2.14.1.7(xvi) to Clause (7) of Part-I of First

Schedule to the Chartered Accountants Act, 1949 appearing in Volume-I, Code of Ethics, 2026.

12. Whether a member in practice can upload educational videos on internet?

Yes, as per paragraph 2.14.1.6(iv)Q under Clause (6) of Part-I of First schedule to the Act, appearing in Volume-I, Code of Ethics, 2026, the videos, audios, or podcasts of educational nature may be uploaded on the internet by members in practice, however, it should not contain website address. However, the designation "Chartered Accountant" and the contact details i.e., physical address, phone number and email id as well as the name of the firm, wherein the member is a partner/ proprietor may be mentioned.

13. Can a practicing Chartered Accountant solicit clients or professional work by, advertisement?

No, Clause (6) of Part-I of the First Schedule to the Act prohibits a practicing Chartered Accountant from soliciting clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means.

However, there are following exceptions to it: -

- A member can respond to tenders or enquiries issued by various users of professional services or organizations from time to time and securing professional work as a consequence. In this regard, attention is invited to Council Guidelines dated 7th April, 2016 which are appearing in Volume-I of Code of Ethics, 2026.
- A member may advertise changes in partnerships or dissolution of a firm, or of any change in the address of practice and telephone numbers, the advertisement being limited to a bare statement of facts and consideration given to the appropriateness of the area of distribution of newspaper or magazine and number of insertions.
- A member is permitted to issue a classified advertisement in the Journal/Newspaper of the Institute intended to give information for sharing professional work on assignment basis or for seeking professional work on partnership basis or salaried

employment in the field of accounting profession provided it only contains the accountant's name, address, telephone, mobile number, fax number, e-mail address, website address and address(es) of Social Networking Sites of members. However, mere factual position of experience and area of specialization, relevant to seek response to the advertisement, are permissible.

14. Whether a member in practice, engaged in Coaching/teaching activities in accordance with general and specific permission of the Council, may advertise such Coaching /teaching activities?

A member in practice, engaged in Coaching/teaching activities in accordance with general and specific permission of the Council should abstain from advertisement of such Coaching /teaching activities, as it 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, subject to the above, members engaging in teaching activities may display, outside their Coaching/teaching premises, sign board mentioning the name of Coaching/teaching Institute, contact details and subjects taught therein only. Please refer to paragraph 2.14.1.6 (iv) H under Clause (6) of Part I of First Schedule to the Chartered Accountants Act, 1949, appearing in Volume-I, Code of Ethics, 2026.

15. Whether a member in practice is permitted to have his name published in Telephone Directory?

The Volume-I, Code of Ethics, 2026 has repealed the separate guidelines for directory. The "directory" now finds mention in the definition of "Write-up" in the Council Guidelines for Advertisement, 2008. Accordingly, the member in practice is permitted to have his name published in the directory as per the Council General Guidelines for Advertisement, 2008 appearing in Volume-I, Code of Ethics, 2026.

16. Whether a member in practice can respond to Tenders, Advertisements and Circulars?

Yes, it is permitted as per proviso (ii) to Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949. Please refer to Paragraph 2.14.1.6(iv)C under Clause (6) of Part I of First Schedule to the Act, appearing in Volume-I, Code of Ethics, 2026. This should be read with the Council Guidelines dated 7th April, 2016 which are appearing in Volume-I, Code of Ethics, 2026.

17. Can a Chartered Accountant in practice solicit professional work by making roving enquiries?

No, it is not permissible for a member to address letters, emails or circulars to persons who are likely to require services of a Chartered Accountant. It would tantamount to advertisement as per Paragraph 2.14.1.6(iv)K under clause (6) of Part-I of the First Schedule to the Act, appearing in Volume-I, Code of Ethics, 2026.

18. Can a Management Consultancy Company advertise its services?

No, the Guidelines for Corporate Form of Practice, appearing in Volume-I, Code of Ethics, 2026, prohibit a Management Consultancy Company from advertising or using logo.

19. Can a Chartered Accountant in practice seek professional work from his professional colleagues?

Yes, in terms of proviso (i) of Clause (6) of Part-I of the First Schedule to the Act, a member is permitted to apply or request for or to invite or to secure professional work from another Chartered Accountant in practice.

The issue of advertisement or a circular by a Chartered Accountant, seeking work from professional colleagues on any basis whatsoever is in violation of Clause (6) of Part I of the First Schedule to the Act. However, classified advertisement in the Journal/Newsletter of the Institute is permissible in this regard. A member is permitted to issue a classified advertisement in the Journal/Newspaper of the Institute intended to give information for sharing professional work on assignment basis or for seeking professional work on partnership basis or salaried employment in the field of accounting profession provided it only contains the accountant's name, address, telephone, mobile number, fax number, e-mail address, website address and address(es) of Social Networking Sites of members. However, mere factual position of experience and area of specialization, relevant to seek response to the advertisement, are permissible.

20. Whether sponsorship or prizes can be instituted in the name of Chartered Accountants or a firm of Chartered Accountants?

Yes, an individual Chartered Accountant or a firm of Chartered Accountants can institute or sponsor prizes, provided that the designation "Chartered Accountant", is not appended to the prize and the provisions of Clause (6) of Part-I of the First Schedule to the Act regarding advertisement and publicity is complied with.

21. Can a Chartered Accountants firm give advertisement in relation to Silver, Diamond, Platinum or Centenary celebration of the firm?

Yes, as per Paragraph 2.14.1.6(iv)F under Clause (6) of Part-I of First Schedule to the Act, appearing in Volume-I, Code of Ethics, 2026, considering the need of interpersonal socialization/relationship of the members through such get-together occasions, the advertisement for Silver, Diamond, Platinum and Centenary celebrations of the firms is permitted to be published in any newspaper or in the newsletters.

22. Whether the information contained in the website of the Chartered Accountants and/or Chartered Accountants' firms can be circulated on their own or through e-mail or by any other mode or technique?

Paragraphs 3.3.4 and 3.3.5 of the Council Guidelines for Advertisement, 2008, appearing in Volume-I, Code of Ethics, 2026 prescribe that the Chartered Accountants and/or Chartered Accountants' Firms or Network/Alliance of firms registered with ICAI should ensure that none of the information pertaining to services which are exclusively reserved for Chartered Accountants contained in the Website be circulated on their own or through E-mail or by any other mode or technique except on a specific "pull" request. The Chartered Accountants would also not issue any circular or any other advertisement or any other material of any kind whatsoever by virtue of which they solicit people to visit their website. The Chartered Accountants would, however, be permitted to mention their website address on their professional stationery, and email. The following summary may be referred to:

Nature of services / disclosure	Models now permitted
Services **exclusively reserved** for	Only '**pull'** model permitted

Chartered Accountants, namely audit and attest services	
Services which are **not exclusively reserved** for Chartered Accountants, for example consultancy services	**Both** Push and Pull models are permitted.
Disclosure in relation to area of **experience** of partners/ employees	**Both** Push and Pull models are permitted.
Disclosure in relation to **number** of articled students	**Both** Push and Pull models are permitted.
Dissemination of knowledge sharing material/ updates on matters of professional interest	**Both** Push and Pull models are permitted

23. Can a member put up his photograph on the website?

Yes, Paragraph 3.3.9 of Council Guidelines for Advertisement, 2008, appearing in Volume-I, Code of Ethics, 2026 provides that display of passport style photograph of persons associated with the Firm/Network/Alliance of firms registered with ICAI and photo gallery of professional event(s) organized by the firm/Network/Alliance of firms registered with ICAI or any professional events where lectures are delivered by the partners/proprietor of the Firm is permitted.

24. Whether a Firm of Chartered Accountants can provide facility to the client to access its documents through logging in on the Firm's website?

Paragraph 3.3.11 of the Council Guidelines for Advertisement, 2008, appearing in Volume-I, Code of Ethics, 2026 permit chat rooms can be provided which permit chatting amongst members of the ICAI and between Firms/ Network/Alliance of firms registered with ICAI and its clients. The confidentiality protocol would have to be observed. The Firms can provide document management facility with distinct log in and password facility to the clients to access copies of their documents on the Firm website.

25. Can a Chartered Accountant in practice/firm give advertisement in press?

Members in practice may advertise the services setting out the services provided by him or his firm, and particulars of his firm, through a `Write-Up', subject to Advertisement Guidelines issued by the Council.

26. Whether a member in practice or Firm of Chartered Accountants can mention Fees in an advertisement made through a write-up?

No, it is not permissible to a member in practice or Firm of Chartered Accountants to mention Fees (including free of charge), whatsoever, in any Advertisement of services or posting of particulars.

27. Whether Companies in which Chartered Accountants have been appointed as directors on their Board can publish description about the Chartered Accountant's expertise, specialization and knowledge in any particular field or add appellations or adjectives to their names in the prospectus or public announcements issued by these companies?

The Council's attention has been drawn to the fact that more and more companies are appointing Chartered Accountants' as directors on their Boards. The prospectus or public announcements issued by these companies often publish descriptions about the Chartered Accountants' expertise, specialization and knowledge in any particular field or add appellations or adjectives to their names. Attention of the members in this context is invited to the provisions of Clause (6) and (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949.

In order that the inclusion of the name of a member of the Institute in the prospectus or public announcements or other public communications issued by the companies in which the member is a director does not contravene the above noted provisions, it is necessary that the members should take necessary steps to ensure that such prospectus or public announcements or public communications do not advertise his professional attainments and also that such prospectus or public announcements or public communications do not directly or indirectly amount to solicitation of clients for professional work by the member. While it may be difficult to lay down a rigid rule in this respect, the members must use their good judgement, depending upon the facts and circumstances of each case to ensure that the above noted provisions are complied with both in letter and spirit.

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.

28. Whether it is permissible for a member in practice to publish an advertisement in the press for recruiting staff in the member's own office?

Yes, in terms of the provisions of Paragraph 3.7.1(a) of Council Guidelines for Advertisement, 2008, appearing in Volume-I, Code of Ethics, 2026, it is permissible for a member in practice to publish an advertisement in the press for recruiting staff in the member's own office provided that only the name and address of the member or that of his firm, with the description Chartered Accountant(s) is mentioned in such advertisement and the advertisement is not displayed more prominently than is usual for such advertisements or the name of the member or that of his firm with the designation Chartered Accountant(s) appears in type not bolder than the substance of the advertisement.

29. Whether display of sign board mentioning the services of the Firm of Chartered Accountants is permissible to be put inside the premises of the office of the said Firm?

Yes, it is permissible to mention services provided by the Firm of Chartered Accountants on sign board, which is inside the premises of the Firm, since it will not be advertisement to the world at large, but only depiction of services provided by the Firm, and accessible only to the clients/persons who are already voluntarily present inside the premises of the Firm.

30. Whether a Firm of Chartered Accountants can have vision and mission statement?

Yes, a firm of Chartered Accountants can have vision and mission statements provided it should not lead to advertisement or solicitation directly or indirectly. Firm is not permitted to publish its vision or mission statement on letter head, visiting card or stationery etc. The vision and mission statement may be printed on firm profile and may be provided in response to a specific request.

31. Whether a member in practice or a Firm may give link of its website on a social networking site?

Yes, a member in practice or a Firm may provide link of its webpage on Social Networking site. However, the members should not solicit people to visit or request to like their respective page(s) on such social Networking site.

32. Whether website of any Chartered Accountant can provide a link to the website of ICAI, its Regional Councils and Branches and also to the websites of Govt./Govt. Departments/Regulatory authorities and other professional bodies?

Yes, it is permitted that website may provide link to the website of ICAI, its Regional Councils and Branches and also to the websites of Govt./Govt. Departments/Regulatory authorities and other professional bodies.

33. Whether a member can use prefix "CA" with his name on his social media account profile?

Yes, it is permissible for a member to use prefix "CA" with his name on his social media account profile. A member in practice may have an account on Social Networking website(s) wherein he may represent himself as a proprietor or partner in a Firm. Further, a member, whether in practice or in service, may be maintaining an account on social networking website(s) in his personal capacity.

Please refer to the Advisory issued in this regard at: https://www.icai.org/post/use-of-designation-chartered-accountant-or-prefix-ca-by-members

34. Whether a member may put CA India Logo on his website on the same background colour as that of the website?

As per Logo Guidelines issued by ICAI, in the CA India Logo, the background colour of Logo has to be white. It is to be complied with accordingly, irrespective of the background colour of website.

35. Whether the members are required to intimate his website address to the Institute?

No, members are not required to intimate the Website address to the Institute. However, the Website has to comply with the Guidelines issued by the Institute.

36. Whether members in practice can have a website only for the purpose of Tax services and Consultancy?

Yes, however it will be governed only by the website Guidelines issued by ICAI, notwithstanding that only tax services and consultancy are being offered.

37. Can a member in practice indicate in a book or an article, published by him, or a presentation made by him, association with any firm of Chartered Accountants?

As per Paragraph 2.14.1.6 (iv) D under Clause (6) of Part I of First Schedule to the Act as appearing in Volume-I, Code of Ethics, 2026, a member is not permitted 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, he may indicate in a book, article, or presentation the designation "Chartered Accountant" as well as the name of the firm.

38. Whether the designation "Chartered Accountant" along with the name of Chartered Accountants Firm can be used on the greeting cards or invitations?

Yes, as per Paragraph 2.14.1.6(iv)E under Clause (6) of Part I of First Schedule to the Act, as appearing in Volume-I, Code of Ethics, 2026, 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.

39. Whether the words "Chartered Accountants" and name of city after the name of the members of the Institute can be mentioned in the articles contributed by such members and published in the Institute's Journal?

Yes, under Clause (6) of Part I of the First Schedule to the Act there is no restriction in the Code of Ethics for mentioning the word "Chartered Accountant" and also the name of city in an article contributed by a member in the Institute's Journal as well as in newspapers and other periodicals.

40. Can a Chartered Accountant in practice accept original professional work emanating from the client introduced to him by another member?

No, Paragraph 2.14.1.6(iv)N under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949, as appearing in Volume-I, Code of Ethics, 2026, prescribes 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.

41. Whether a Chartered Accountant in practice can give public interviews and also whether he can furnish details about himself or his firm in such interviews?

As per paragraph 2.14.1.6(iv)O under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949, appearing in Volume-I, Code of Ethics, 2026, a Chartered Accountant in practice can give public interviews. While doing so, due care should be taken to ensure that such interviews or details about the members or their firms are not given in a manner highlighting their professional attainments, any detail which is given must, in addition to meeting above requirements, be given only as a response to specific question, and of factual nature only.

42. Whether a member can appear on television, films, internet and broadcast in the Radio or give lectures at forums?

Yes, Council direction under Paragraph 2.14.1.7(x) under Clause (7) of Part I of the First Schedule to the Act, as appearing in Volume-I of Code of Ethics prescribes that a member may appear on television, films and internet and agree to broadcast in the Radio or give lectures at forums and may give his name and describe himself as chartered accountant. Special qualifications or specialized 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.

43. Whether it is permissible for a chartered accountant in practice to mention word like "Quality, Knowledge & Transparency, Integrity, etc. on websites, letter heads/ visiting cards?

The mention of catchwords / catchphrases (for e.g., excellence in a particular area, Firm having professionals of integrity etc.) on Firm's website, Letter heads and visiting cards is not permissible in view of the provisions of Clauses (6) and (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949. It may be noted that the above catch words are only indicative and not exhaustive.

44. Whether the write up can include any other categories of information other than that stated in Council Guidelines for Advertisement, 2008 appearing in Volume-I of Code of Ethics, 2026?

The Council Guidelines contains a list of details that can be included in a write-up. Flexibility has now been given to include any other factual details that the member/firm may wish to include in the write-up. Further, members can mention the details in contemporary form adopting modern and visual modes (diagrams, graphs, etc.) in the write-up. However, these additional details included must continue to comply with all provisions of Chartered Accountants Act, 1949, Chartered Accountants Regulations, 1988, Code of Ethics, 2026 or any Guideline of the Council. Members must exercise discretion in ensuring that this flexibility is not misused.

45. Whether the membership number / FRN is mandatory to be mentioned in the write-up?

As per para 3.1.3 of Council Guidelines for Advertisement, 2008 appearing in Volume-I, Code of Ethics, 2026, the membership number / FRN is no longer mandatory to be mentioned in the write-up.

46. Whether a firm can issue a periodic newsletter containing knowledge sharing material related to matters of professional interest, to clients and others?

It is permissible for firm to issue periodic newsletter containing knowledge sharing material related to matters of professional interest to clients and others either through website or other channels of communication (e.g. through email).

47. What are examples of activities that are permissible for a member/firm on social media platforms?

The following guiding principles should be kept in mind while carrying out the activities listed below on social media:

- No exaggerated claims for the services offered by, or the qualifications or experience of, the accountant
- No disparaging references or unsubstantiated comparisons to the work of others
- Not undertake any direct or indirect measures to advertise any professional/other facts which are in violation of the Guidelines issued by the Council, from time to time.

Examples of some of the activities that are permissible on social media platform by the member (including member in practice), proprietor or a firm of chartered accountants are as follows:

- Posting of photographs on the social networking websites taken during cultural programs, festivals etc. (e.g. celebrations of key milestones of staff/ firm, CA day, training workshops) organized by the Firm. Care should be exercised that these photographs should not tantamount to advertising professional attainments or solicitation of clients.

- Blogs, articles, professional information, bulletin boards, professional updates and other matters of larger importance or of professional interest
- Uploading videos, audios and podcasts of educational nature (however it should not contain the website address). The designation and the contact details i.e. physical address, phone number and email id as well as the name of the firm, wherein the member is a partner/ proprietor may be mentioned.
- Advertisement for professional services in the form of a write-up through social networking websites in accordance with the Council Guidelines for Advertisement
- Advertisement for recruitment of staff subject to the safeguards prescribed in the Code (e.g. expression such as "a well-known firm" may be avoided).

Members may refer to Appendix 1 which summarizes few of these requirements and provides a bird's eye view of the provisions. The enhancements made in the new Code of Ethics have also been highlighted in brief:-

Appendix 1 :

Activity	What is permitted	What is not permitted
Advertisement and note in the press	Requesting another CA in practice for professional work Changes in partnerships / dissolution / change in the address and telephone numbers. Classified advertisement in the CA Journal/ Newsletter **New** Classifieds can now include the web-site address	Circulating letters to possible clients. Personal canvassing or canvassing for clients of a previous employer
Application for empanelment for allotment of audit and other professional work	Where the existence of such a panel is within the knowledge of a member, writing to the panel to place his name on the panel. Quote fees on enquiries being received or respond to tenders from such organizations.	Making roving enquiries for having his name included in any such panel.
Responding to Tenders, Advertisement	Responding to tenders in the following scenarios: • where minimum fee	Responding to tenders for audit or attest services where no minimum fee has

and Circulars	of the assignment is prescribed in the tender document; issued by an organization or user of professional services in areas of services which are exclusively reserved for Chartered Accountants, such as audit and attestation services or • where the areas are open to other professionals along with the Chartered Accountants; or • quotations have been called through individual letters.	been prescribed.
Publication of Books, Articles or Presentation	Mentioning name with the prefix "CA" or the name of such Firm of Chartered Accountants.	Mentioning any professional attainment(s)
Issue of Greeting Cards or Invitations	Mentioning designation 'Chartered Accountant' / name of the firm in greeting cards, invitations for marriages and religious ceremonies and any similar invitations as long as sent to clients / relatives / friends	Mentioning professional designation, status and qualifications etc.
Advertisement for	Advertisement for Silver,	Advertising any non-CPE

Silver, Golden, Platinum or Centenary celebrations	Golden, Diamond, Platinum or Centenary celebrations of the Firms may be published in newspaper / newsletter.	events organised by the Firm
Sponsoring activities	Sponsoring activities relating to Corporate Social Responsibility and may mention only their individual name with the prefix "CA" without CA logo **New** Council may approve sponsorship from members/ Firms in certain Continuing Professional Education (CPE) events	Sponsoring any other event
Advertisement of Teaching/ Coaching activities by members	Putting outside their Coaching /teaching premises, sign board mentioning the name of Coaching/teaching Institute, contact details and subjects taught therein only.	advertising their association with Coaching /teaching activities through hoardings, posters, banners and by any other means,
Sharing Firm profile with prospective Client	Sharing Firm profile with a prospective Client in response to a proposed client's specific query	Sharing Firm profile without any request from prospective client.
Television or Movie credits	New It will now be permitted to mention credits at other places where	Exhibition of name should not be made differently as compared to other entries in the credits.

	credits to different disciplines are customarily mentioned.	
Soliciting professional work by making roving enquiries	-	Addressing letters, emails or circulars specifically to persons who are likely to require services of a Chartered Accountant
Acceptance of original professional work by a member emanating from the client introduced to him by another member	-	Accepting the original professional work emanating from a client introduced to him by another member.
Giving public interviews	Should be given only as a response to a specific question, and of factual nature only. For example name of the Firm in which the member is a Partner can be stated.	Details should not be given in a manner highlighting professional attainments
Members and/or firms who publish advertisements under box numbers	-	Inserting advertisements for soliciting clients or professional work under box numbers in the newspapers.
Educational videos	Uploading videos of educational nature on the Internet New Audios or podcasts are	Website address

	now permitted New Designation 'Chartered Accountant' as well as the name of the Firm may be mentioned New Contact details namely mobile number, email ID and physical address may be mentioned	
Other designations	A member empaneled as Insolvency Professional or Registered Valuer can mention "Insolvency Professional" or "Registered Valuer" respectively on his visiting card and letter head.	Stating that he is an Income-tax Consultant, Cost Accountant, Company Secretary, Cost Consultant, Management Consultant, Corporate Lawyer, Member of Parliament, Municipal Councilor or any other functionary.
Mentioning qualifications of certain Institutions	Mention membership of a foreign Institute of Accountancy which has been recognized by the Council New: Various other institutes have now been added	
Date of setting-up practice	-	The date of setting up the 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.
Practicing as advocate	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.	Should not use the designation 'Chartered Accountant' and 'Advocate' simultaneously.
Mention of Firm name	an individual member may use the prefix "CA" with his name.	Not to use the designation 'Chartered Accountant' other than on professional documents, visiting cards, letter heads or sign boards
Notice in the Press relating to the Success in an Examination	candidate's name and address, school and local background, examination passed with details of any prize or place gained, the name of the principal, firm and town in which the principal practices may be published	should not contain any element of undesirable publicity either in relation to the articled/audit assistant or an employee or the member or the firm with whom he was served.
Reports and Certificates	Should use letterhead of the Firm	-
Appearance on Electronic Media (including Internet)	May give their names and describe themselves as Chartered Accountants. Special qualifications or specialised knowledge directly relevant to the subject matter of the programme and Firm	Exaggerated claim or any kind of comparison is not permissible. Must not be promotional of him or his Firm

	name may also be given.	
Organising Training Courses, Seminars, Virtual Programmes, Webcasts, etc. for his staff	New: Permitted to invite others in addition to staff and clients for both physical as well as virtual programmes.	Undue prominence should not be given to the name of the Chartered Accountant in any booklet or document
Writing Articles or Letters to the Press	Giving names and use the description 'Chartered Accountants'. New: Writing name of Firm is permitted	
Sign Board	Exercise discretion and good taste	Use of glow signs or lights on large-sized Boards. Using name of Firm at place of his residence
Public Announcements with details of Directors	Use their good judgement, depending upon the facts and circumstances of each case Recommended that material pertaining to the member concerned should, as far as practicable be got approved by him.	Prospectus or public announcements or public communications should not advertise his professional attainments No direct or indirect solicitation Expertise, specialization and knowledge in any particular field or other appellations or adjectives not allowed Name of firm not allowed
Use of logo	Using CA India logo	Use of any other logo/monogram of any kind/form/style/design/colour etc. whatsoever on any

		display material or media
Website and write-up	write-up needs to comply with the conditions mentioned in the Guidelines New: Mentioning details in contemporary form Disclose any other relevant details in the write-up State client's name in the write-up after obtaining permission/ consent from the client.	no exaggerated claims - No disparaging references or unsubstantiated comparisons to the work of others. - Not bring the profession into disrepute - Not contain testimonials or endorsements concerning Member(s) or the fees charged. - Not contain any information about achievements - No use of monogram of any kind or use of any kind of catch words

Chapter 9

Ethical Provisions Governing Listing of Firms

A. Online Aggregators

1. **Can a member in practice list themselves on online application-based service-provider aggregators?**

   Yes. Chartered Accountants in practice, and their firms, may list themselves on online application-based service-provider aggregators for non-exclusive services only. Listing for exclusive services is not permitted.

2. **Can members in practice and their firm list themselves on an aggregator website where other professionals are also listed ?**

   Yes. Under the Volume-I of Code of Ethics, 2026, members in practice and their firm is permitted to list for non-exclusive services on online application-based aggregators that include other professionals or service providers.

3. **What is the meaning of "exclusive services" or "non-exclusive services"?**

   The services which are exclusively reserved for Chartered Accountants by statute viz. Audit and Attestation Services such as Audit under Companies Act 2013, Income Tax Act 1961, etc. are called exclusive services. The attest function is defined under the Appendix (9) of the Chartered Accountants Regulations, 1988 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."

4. **Can a member in practice include client testimonials or feedback on aggregator platforms?**

   No. Testimonials, ratings, feedback or reviews are not permitted to be mentioned on the aggregator platforms.

5. **Whether a member can share fees or commission through aggregator platforms?**

No. In terms of the provisions of Clause (2) and Clause (3) of Part-I of the First Schedule to the CA Act, 1949 it is not permitted to member in practice to share fees or commission to any person other than a member of the Institute or a member of any other professional body or with such other persons having such qualifications as may be prescribed under the Regulation 53A and 53B of the Chartered Accountants Regulations, 1988.

B. Government Platforms & GeM

6. **Whether a member in practice can list themselves on Government or regulator listing platforms for any professional services?**

Yes. Members in practice or firms may list themselves on Government or Regulator platforms for any professional services (exclusive or non exclusive).

7. **Whether member in practice / firms can register on the GeM (Government e-Marketplace) Portal?**

Yes. members in practice and firms are permitted to register on GeM portal for any professional services. All information published on the portal must comply with the Code of Ethics.

8. **Whether CAs in practice are required to follow ICAI tender guidelines for tenders floated through GeM?**

Yes. The ICAI Guidelines on Tenders dated 7th April, 2016 apply to tenders floated through GeM. As per the tender guidelines members should not respond to tenders in areas exclusively reserved for members. This restriction does not apply where minimum fee is prescribed in the tender document or where the areas are open to other professionals along with CAs.

C. CA Connect

9. **What is the CA Connect portal(caconnect.icai.org) and its objective?**

CA Connect Portal is an indigenous system of listing of CA Firms / Individual CA Practitioners on the platform of ICAI. This platform acts as a search engine, enabling clients to easily locate and connect with CA firms based on their specific service needs, such as auditing, taxation, corporate laws etc. The search functionality allows clients to find CA firms not only by the services they offer but also by their physical office location.

10. What are the benefits of using the CA Connect Portal?

Chartered Accountants and firms listed on CA Connect Portal are synchronized with ICAI databases, ensuring that the data is accurate and can be used without doubt by the clients. The role of ICAI is to provide the authentic listing of chartered accountants so that genuine, dependable and accountable services, including audit, are obtained by the clients. The Portal may be used by all clients, including the Government and Corporate Sector.

11. Who can enroll, and how does a member enroll on CA Connect?

Individual Practitioner/ Firm of Chartered Accountants can get themselves enrolled on the portal. They should mention their membership number/FRN number with Date of Birth/Constitution date respectively at CA Connect portal to get verified their numbers. On successful verification of Membership number/FRN, a pre-filled form shall appear for them. There will be additional optional fields for Members/firms to enter viz. Area of Expertise / Specialization, professional city of working, Website Address, Social Media.There shall be an online declaration which the firms/individual practitioner shall be required to agree and submit.

12. What are the search criteria available on the CA Connect portal?

Details of Members/CA Firms can be searched City-wise, where they are located and offering services, and by way of nature of services rendered by them.

13. Who is not permitted to enroll on the CA Connect portal?

Members who are not holding Certificate of practice, Networking firms and Companies registered under Corporate Form of Practice, are not permitted to get enrolled on portal.

D. Specialised / Telephone / Directories

14. Can a firm list themselves in specialised directories like “Who’s Who” publications?

Yes. Members or firm may list themselves in specialised directories. The name, description, and address of the member or firm may appear in a directory or list of members of a particular body where names are listed alphabetically.

15. Is it permissible to disclose names of clients in specialised directories like "Who's Who"?

No. Disclosure of client names is expressly prohibited in specialised directories like "Who's Who".

16. Whether a member can get their firm listed with a (telephonic) service provider, if the provider charges or does not charge for listing?

Yes. Members or firms may list with a telephone service provider, with or without payment.

17. Whether services can be listed by the firm in a directory listing?

A Directory entry now forms part of a "write-up" under the revised Council guidelines for Advertisement, 2008. The entry in a printed or electronic Directory is treated as advertisement and may include features permitted to a write-up (e.g., passport-style photographs, mention of services etc.).

18. Whether members or firms can list themselves in directories available in printed and electronic form?

Yes. Members in practice may list in printed or electronic directories, either by special request or by additional payment. The directories are governed by the Council guidelines for Advertisement, 2008. as appearing under Code of Ethics, Volume-I.

19. Is it permissible to display pictures/photos of partners on a directory profile of a firm?

Yes. Passport-style photographs of partners may be mentioned in the directory profile of a firm.

20. Is it permissible to highlight awards or recognitions in directory listings?

The awards given by the Central or State Governments or Regulatory bodies are permitted to mention. It should not contain any information about achievements /awards or any other position held , or accreditation(s) granted by any organisation.

21. Can a member in practice list themselves in a directory only under the category of "Chartered Accountants," or under any category?

As per the revised Council Guidelines for Advertisement, 2008, member in practice and their firms may list in a directory under any category. It is not necessary to list only under "Chartered Accountants".

Chapter 10

Permissible other Business/ Occupations for Chartered Accountants

1. **Whether a Chartered Accountant in practice can engage in any business or occupation other than the profession of Chartered Accountancy?**

   No, in terms of Clause (11) of Part I of First Schedule to the Chartered Accountants Act, 1949, in general a Chartered Accountant in practice is not permitted to engage himself in any business or occupation other than the profession of Chartered Accountants.

   However, there are following exceptions to it: -

   (i) A Chartered Accountant can be a Director of a Company (not being a Managing Director or Whole-Time Director), unless he or any of his partners is interested in such company as an auditor. [Proviso to Clause (11)]

   (ii) A Chartered Accountant in practice may engage in other business or occupation in pursuance of Regulation 190A of the Chartered Accountants Regulations, 1988.

2. **Whether a member in practice can provide equity research service, and publish retail research report?**

   A member in practice may be an equity research adviser and as per the entry appearing in Appendix (9) of CA regulations, 1988 a member in practice is permitted to publish research report on their own behest.

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

   No, members in practice 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.

However, member in practice may engage in Office of a Managing Director or a whole time Director of a body corporate within the meaning of the Companies Act, 2013, provided that the member and/or any of his relatives do not hold substantial interest in such concern, after obtaining a specific permission from the Institute. The member in practice will not be allowed to perform attest function after obtaining such specific permission.

4. Whether a Chartered Accountant in practice is entitled to accept teaching assignment?

Yes, a Chartered Accountant in practice is allowed to accept teaching assignment in university, affiliated colleges, educational institution, coaching organization, private tutorship, provided the direct teaching hours devoted to such activities taken together do not exceed 35 hours a week for entitlement of attest function with effect from 1.4.2026.

5. Whether a member in practice owning intellectual property rights of domain names sell these domain names to some entity for earning royalty on the same?

No, since the activity of selling domain names for earning royalty would amount to “other business/occupation”, which is prohibited under Clause (11) of Part-I of the First Schedule to the Chartered Accountants Act, 1949.

6. Whether members in practice are allowed to transact in commodity derivatives?

No, it is not permissible for members in practice to transact in commodity derivative transactions. However, as per the Volume-I of Code of Ethics, 2026 the members in practice are allowed to transact in commodity derivatives, which are settled on cash basis.

7. Whether a member in practice can engage in derivative transactions?

Yes, 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 (11) of Part-I of First Schedule to the Chartered Accountants Act, 1949.

8. Whether a member in practice will be entitled to perform attest functions in case he accepts a office of a Managing director or whole time director in a Company?

A member in practice will be entitled to perform attest functions in case he accepts office of a managing director, whole time director, executive director or manager of a body corporate within the meaning of the Companies Act, 2013, being a Management Consultancy Company registered with the Institute.

However, a member in practice will not be entitled to perform the attest functions in case he accepts a office of a managing director, whole time director of a body corporate within the meaning of the Companies Act, 2013, provided that a member and/or any of his relatives do not hold substantial interest in such concern, after obtaining a specific permission from the Institute.

9. Whether a member in practice is required to obtain prior permission to act as editor of journals?

As per the Appendix-F of Volume-I of Code of Ethics, 2026 a member in practice can engage in business of editorship of journals including professional journals without permission. However, for editorship of journals other than professional journals, the member in practice is required to obtain prior and specific permission from the Institute and will not be able to perform attest functions.

10. Whether a member in practice can become a Whole-Time Director or Managing Director in an IPE/RVE constituted as a company?

A member in practice, being an Insolvency Professional or Registered Valuer, may become a Whole-Time Director or Managing Director in an IPE/RVE constituted as a body corporate within the meaning of the Companies Act, 2013, recognised by the Insolvency and Bankruptcy Board of India after obtaining a specific and prior approval from the Council and will be able to perform attest functions.

11. Whether prior permission of the Council of ICAI is required if a member in practice becomes a Whole-Time director or Managing

director in an IPE/RVE constituted as a Body Corporate within the meaning of the Companies Act, 2013?

Yes, the member in practice shall be required to obtain specific and prior approval from the Council of ICAI, to become a Whole-Time director or Managing director in an IPE/RVE constituted as a Body Corporate within the meaning of the Companies Act, 2013.

12. Whether a member being a whole-time director/managing director in an IPE/RVE is entitled to perform attest functions?

Yes, after obtaining a specific and prior approval of the Council of ICAI, a member being a whole-time director/managing director in an IPE/RVE shall be entitled to perform attest functions.

13. Whether a member in practice can also practice simultaneously as an Actuary?

No, the members in practice have not been permitted by the Council to practice as Actuary simultaneously.

14. Whether a member in practice is permitted to be an athlete/ play tournaments simultaneously along with holding certificate of practice?

Since the activity of being an athlete/playing tournaments is not covered under the Appendix (9) to the CA Regulations, a member in practice may only be an amateur athlete; however, it is not permissible for him to be a professional athlete.

15. Can a member act as an Insurance Surveyor?

As per Appendix (9) of CA Regulations, 1988, a member of the Institute in practice is generally permitted to act as a Surveyor and Loss Assessor under the Insurance Act, 1938, provided he is otherwise eligible. Such a member can perform attest functions.

16. Whether a member in practice can become a Mutual fund distributor?

No, it is not permissible for a member in practice to become Mutual fund distributor.

17. Can a member holding Certificate of Practice is entitled to own Agricultural land and continue agricultural activity?

Yes, member holding Certificate of Practice can own and hold agricultural land and continue agricultural activity.

18. Whether a member in practice is generally permitted to write script/story for a movie?

A script/story for a movie may be based on a Book written by a member in practice. However, merely writing a script/story for a movie would not fall within the general permission provided under the Appendix (9) to CA Regulations, 1988. Such a member would require permission of the Council in this regard.

19. Whether a member in practice can enter into transactions in securities?

Yes, as per Appendix (9) of CA Regulations, 1988, can enter into a transaction in securities provided in case of commodity derivatives, only such transactions which are settled on cash basis can be entered into.

20. Can a member in practice act as head examiner for any examination?

Yes, as per Appendix (9) of CA Regulations, 1988, a member in practice can be engaged in valuation of papers, acting as paper-setter, head-examiner or a moderator for any examination without taking permission and will continue to be able to perform attest functions.

21. For which business/occupation a member in practice will not be entitled to perform attest functions?

As per Appendix (9) of Chartered Accountants Regulations, 1988 appearing as Appendix – F of Volume-I of Code of Ethics, a member in practice shall not be entitled to perform attest function while engaging in following other business/occupation: -

- Employment under Chartered Accountants in practice or firms of such Chartered Accountants.
- 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 concerns.

- Office of a Managing Director or a whole time Director of a body corporate within the meaning of the Companies Act, 2013, provided that the member and/or any of his relatives do not hold substantial interest in such concern.
- 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.
- Interest in an educational institution.
- Editorship of journals other than professional journals.

22. Can a member in practice hold public elective offices such as M.P., M.LA. & M.L.C?

Yes, a member in practice can hold public elective offices such as M.P., M.L.A. & M.L.C as per Appendix (9) of CA Regulations, 1988.

23. What shall the "Attest function" include for the purpose of Appendix (9) of CA Regulations, 1988?

For the purpose of Appendix (9) of CA Regulations, 1988, 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.

24. Can a member in practice engage in full time or part time employment in business concerns?

A member in practice can engage in full time or part time employment in business or non-business concerns as per Appendix (9) of CA Regulations, 1988 after obtaining a specific and prior approval from the Council of ICAI and will not be able to perform attest functions. However, for engaging in full time or part time employment in business concerns, the member and/or his relatives should not hold substantial interest in such concerns.

Chapter 11

Members in Practice and Engagement in Business/Family Business

1. Whether a Chartered Accountant in practice can engage in any business or occupation other than the profession of Chartered Accountancy?

No, in terms of Clause (11) of Part I of First Schedule to the Act in general a Chartered Accountant in practice is not permitted to engage himself in any business or occupation other than the profession of Chartered Accountants. However, there are following exceptions to it :-

(i) A Chartered Accountant can be a Director of a Company (not being a Managing Director or Whole-Time Director), unless he or any of his partners is interested in such company as an auditor. [Proviso to Clause (11)]

(ii) A Chartered Accountant in practice may engage in any business or occupation with the permission granted in accordance with a resolution of the Council (Regulation 190A of Chartered Accountants Regulations, 1988). Appendix-9 to the CA Regulations contains the said resolutions under which for certain activity the members are permitted generally and for some activities the member shall be required to seek prior and specific permission from the Institute.

2. Whether a member in practice can acquire interest in family business concern?

In pursuance of Regulation 190A of the Chartered Accountants Regulations, 1988, Appendix (9) to the Chartered Accountants Regulations, 1988 has been issued by the Council. Item No. 6 under Appendix (9) of Chartered Accountants Regulations, 1988 (contained as Appendix 'F' in Volume-I of Code of Ethics) provides that members of the Institute in practice is permitted to acquire 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.

The member shall be required to take prior and specific permission from the Council. He will, however, not be entitled to do attest functions.

3. Whether a member in practice is permitted to acquire interest in interest in family business concern in the name and style of Hindu Undivided Family as its Karta or a member?

As per commentary to Clause (11) of Part-I of First Schedule to the Chartered Accountants Act, 1949 as appearing in Volume-I of Code of Ethics, Item No. 6 of the specific resolution of the Council under Appendix (9) of Chartered Accountants Regulations, 1988 would be equally applicable to member carrying out the activities referred to therein as representative provided, he is not actively engaged in carrying on such activities. The guidelines framed by the Council for the purpose of granting permission under this item is as under :-

A member of the Institute can acquire interest in family business in any of the following manner:

(i) as a proprietary firm

(ii) as a partnership firm

(iii) in the name and style of Hindu Undivided Family as its Karta or a member.

It would be necessary for the members to provide evidence that interest in the family business concern devolved on him as a result of inheritance/succession/partition of the family business. It is also necessary for the member to show that he was not actively engaged in carrying on the said business and that the family business concern in question was not created by himself.

4. Whether a member in practice can acquire interest in family business concern which is created by himself?

As per commentary 2.14.1.11(v) to Clause (11) of Part-I of First Schedule to the Chartered Accountants Act, 1949 as appearing in Volume-I of Code of Ethics read with item No. 6 under Appendix (9) of

Chartered Accountants Regulations, 1988, It would be necessary for the members to provide evidence that interest in the family business concern devolved on him as a result of inheritance/succession/partition of the family business. It is also necessary for the member to show that he was not actively engaged in carrying on the said business and that the family business concern in question was not created by himself.

5. **Whether a member in practice engaged as Karta of a HUF not doing business can make investments from the funds of HUF?**

As per commentary 2.14.1.11(vi) to Clause (11) of Part-I of First Schedule to the Chartered Accountants Act, 1949 as appearing in Volume-I of Code of Ethics, a member in practice engaged as Karta of a HUF not doing business and making investments from the funds pertaining to HUF shall not be impacted by the provisions of this Clause.

6. **Whether a member, who is the statutory auditor of a company, can let out property owned by his Hindu Undivided Family (HUF) to the said Company?**

HUF is treated as separate entity for the purposes of assessment under the Income Tax Act,1961; however, since the individual member and the Karta of the HUF are practically the same person, such a transaction should be avoided from an independence perspective.

7. **Can a member in practice be a sleeping partner in family business concern?**

Yes, a member in practice can be a sleeping partner in a family business concern provided the member shall be required take prior and specific permission from the Council under appendix (9) which is issued pursuant to regulation 190A of CA Regulations, 1988. He will, however, not be entitled to do attest functions.

8. **Whether a member in practice can acquire interest in family business concern, after obtaining permission from the Institute, in the management of which he is actively involved ?**

In view of the provisions of Clause (11) of part-I of First Schedule to the Chartered Accountants Act, 1949, a member a Chartered Accountant in practice is not permitted to engage himself in any business or occupation other than the profession of Chartered Accountants unless permitted by the Council.

Further in terms of Regulation 190A of Chartered Accountants Regulations, 1988, the Council has issued Appendix (9) of the said Regulations. Item No. 6 under Appendix (9) of Chartered Accountants Regulations, 1988 (contained as Appendix 'F' in Volume-I of Code of Ethics) provides that members of the Institute in practice is permitted to acquire 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 after taking prior and specific permission from the Council. He will, however, not be entitled to do attest functions.

However, a member in practice is not permitted to acquire interest in family business concern in the management of which he is actively involved.

9. Whether a member not in practice can acquire interest in family business concern?

As per the provisions of clause (11) of Part-I of First Schedule to the Chartered Accountants Act, 1949, a member in practice shall be deemed to be guilty of professional misconduct if he engages in any other business/occupation other than the profession of Chartered Accountancy, unless permitted by the Council.

However, there is no bar on member not in practice to engage in other business/occupation. Therefore, a member not in practice can acquire interest in family business concern and there is no requirement to intimate to the Institute in this regard.

10. Whether a member in practice can hold shares in a Company along with his relative?

Yes, a member in practice can hold shares in a Company as an Investment only irrespective of whether the relative is also holding shares in that company.

11. Whether a member in practice holding interest in family business concern can be appointed as statutory auditor of that concern?

No, as per Clause (4) of Part I of the Second Schedule to the Act, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he expresses his opinion on financial statements of any business or any enterprise in which he, his firm or a partner in his firm has substantial interest. `Substantial interest' here has the same meaning as contained in the resolution passed by the Council in pursuance to Regulation 190A of the CA Regulations.

Chapter 12

Chartered Accountants and Directorships

1. **Whether a member in practice can be a Director Simplicitor of a company?**

   Yes, as per the Provision of Clause (11) of Part I of the First Schedule to the Chartered Accountants Act, 1949, a member in practice is allowed to be a director of a company, provided he is not a managing director or a whole-time director.

   Based on the above, the Council has clarified that a member in practice may act as a Director Simplicitor. Director Simplicitor means an ordinary director who is neither a Managing Director nor a Whole-time Director. Such a director is required to attend only board meetings and does not receive any remuneration, except sitting fees for attending those meetings.

2. **Can a member in practice become an Independent Director of a company?**

   Yes, a member in practice is generally permitted to act as a Director Simplicitor, which includes an Independent Director. However, such a director must not be a Managing Director or a Whole-time Director. The member is required to attend only Board meetings and should not receive any remuneration, except sitting fees for attending those meetings. No permission from the Council is required for this.

3. **Whether a member in practice being a Director Simplicitor, or his relatives can hold substantial interest of the Company?**

   Yes, as per provisions of Clause (11) of Part-I of first Schedule of the Chartered Accountants Act and Code of Ethics, a member in practice being a Director Simplicitor and/ or his relatives can hold substantial interest in a Company.

4. **Whether a member in practice can become Director Simplicitor of a company, if he, or the Chartered Accountants Firm wherein he**

is a partner, or any of the partner of the said firm is interested in such Company as an auditor?

No, a member in practice cannot become Director Simplicitor of a company, if he, or the Chartered Accountancy Firm wherein he is a partner, or any of the partner of the said firm is interested in such Company as an auditor.

5. **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?**

   No, as per commentary under clause (4) of the part I of the second schedule of the Chartered Accountants Act, 1949 appearing in Code of Ethics, 2026 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.

6. **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 the 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.

7. **Whether a firm of Chartered Accountants can undertake the assignment of Management Consultancy Services of a company where a partner of the said firm is Director Simplicitor?**

   Yes, it is permissible for a Firm of Chartered Accountants to undertake the assignment of Management Consultancy Services of a company where a partner of the said firm is Director Simplicitor.

8. **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.

9. Whether a member in practice being a Director Simplicitor can participate in policy or financial decisions, of the company during meetings?

Yes, a member in practice being a Director Simplicitor can participate in policy or financial decisions of the company during meetings, but he should not execute the said decisions or get involved in business of the company.

10. Whether member in practice being a Director Simplicitor can sign the financial statement and other statutory documents of the company?

A member in practice being a director Simplicitor can sign the financial statement and other statutory documents of the company as required to be signed by the Director while discharging his statutory obligation.

11. Whether a member in practice can be a Director in Cooperative Bank?

Yes, a member in practice may be a Director-Simplicitor in a Co-operative Bank, provided he is not in charge of the executive functions. It is subject to the condition that he, or Chartered Accountancy Firm wherein he is a partner, or any of the partner of the said firm are not interested in the Bank as an auditor.

12. Can the company list firm's name when mentioning directorship?

The provisions of Code of Ethics, 2026 Volume-I provides that the Council's attention has been drawn to the fact that more and more Companies are appointing Chartered Accountants as Directors on their Boards. The prospectus or public announcements issued by these Companies often publish descriptions about the Chartered Accountant's expertise, specialisation and knowledge in any particular field or add appellations or adjectives to their names. Attention of the members in this context is invited to the provisions of Clause (6) and (7) of Part I of the First Schedule to the Chartered Accountants Act.

In order that the inclusion of the name of a member of the Institute in the prospectus or public announcements or other public communications issued by the Companies in which the member is a director does not contravene the above noted provisions, it is necessary that the members should take necessary steps to ensure that such prospectus or public announcements or public communications do not advertise his professional attainments and also that such prospectus or public announcements or public communications do not directly or indirectly amount to solicitation of clients for professional work by the member. While it may be difficult to lay down a rigid rule in this respect, the members must use their good judgement, depending upon the facts and circumstances of each case to ensure that the above noted provisions are complied with both in letter and spirit.

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.

13. Whether a member in practice can become director in a cooperative credit and thrift society under co-operative societies Act?

The member in practice is permitted to be "Director Simplicitor" in a co-operative credit and thrift society under co-operative societies Act provided he is not acting as its Auditor.

14. Whether a Chartered Accountant in practice may become member of "Board of Management" in Primary (Urban) Cooperative Banks (UCBs)?

Yes, it is permissible for a Chartered Accountant holding Certificate of Practice to become a member of the 'Board of Management' in Primary (Urban) Co-operative Banks.

The position of a member of 'Board of Management' in Primary (Urban) Co- operative banks (UCBs) and the role attached to that position is similar to that of a Director-Simiplicitor; where there is no involvement of a member in the day-to-day functioning/operations and not signatory etc. and only sitting fees for the services rendered are provided.

15. Is ICAI permission required before accepting directorship?

For Director Simplicitor role *no* prior permission is required if the member or his firm is not the auditor. However, for executive roles (for example, MD or Whole-time Director), the members are required to take a specific and prior approval of the Council of ICAI provided that the member and/or any of his relatives do not hold substantial interest in such concern and will not be able to perform a attest function.

Further, a member in practice can hold a office of a Managing Director, whole time Director, Executive Director or Manager of a body corporate within the meaning of the Companies Act, 2013, being a Management Consultancy Company registered with the Institute as per Appendix – 9 of CA Regulations, 1988.

16. Whether a member in practice can use the designation of director of a company?

No, as per commentary under section 7 of the Chartered Accountants Act, 1949 appearing in Volume I of Code of Ethics, the members of the Institute who are also Directors in Companies, are not permitted to mention these positions as these would be violative of the provisions of Section 7 of the Chartered Accountants Act, 1949.

17. Can a member in practice be Promoter/Promoter Director of the Company?

Yes, there is no bar for a member to be a promoter/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 permission of the Council in such cases.

18. Whether a member in practice, who is resident director, in terms of the provisions of Section 149(3) of the Companies Act, 2013, is covered under the scope of "Director Simplicitor"?

Resident Director, as contemplated within the provisions of section 149(3) of the Companies Act, 2013, would be within the scope of Director Simplicitor provided, he is a non –executive director required to attend the Board Meetings only, and not paid any remuneration except for attending such Board Meetings.

19. Whether a member in practice, who is Director Simplicitor may affix the common seal of the Company to any document or draw/ endorse cheque on the account of the company?

A member in practice is generally permitted to be Director Simplicitor in a Company. Director may affix the Common Seal of a Company if it is part of statutory requirement of the Director. However, such Director is not permitted to endorse/sign cheques on account of Company.

20. Whether member in practice being a director Simplicitor in a company can draw remuneration from the Company?

A member in practice being a director Simplicitor in a Company may receive remuneration for attending Board Meetings of the Company.

21. Whether a member in practice being a Director Simplicitor can operate the accounts of the company?

No, a member in practice being Director Simplicitor cannot operate the accounts of the company.

Chapter 13

Ethical Provisions and their Applicability on Public Interest Entities

1. Why are certain independence requirements in Part 4A of Volume II of the Code of Ethics, 2026 applicable only to the audit of financial statements of Public Interest Entities (PIEs)?

Certain independence requirements and application material in Part 4A of the Code of Ethics, 2026 (Volume II) apply only to the audit of financial statements of Public Interest Entities (PIEs) because there is significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders. (Paragraph 400.13 of Volume-II of Code of Ethics)

Further, stakeholders have heightened expectations regarding the independence of a firm performing an audit engagement for a public interest entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements and application material for public interest entities as described in paragraph 400.13 is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition. (Paragraph 400.15 of Volume-II of Code of Ethics)

2. What is the definition of 'Public Interest Entity' as per Code of Ethics, 2026?

The term 'Public Interest Entity' is defined in Volume-II of Code of Ethics, 2026 as:

(a) A listed entity; or

(b) An entity one of whose main functions is to take deposits from the public; or

(c) An entity:

(iii) Defined by regulation or legislation as a public interest entity; or

(iv) Having borrowings of ₹500 crores of rupees or more (to be assessed at both the beginning and end of the year).

For purpose of this definition, it may be noted that Banks and Insurance Companies are to be considered as Public Interest Entities.

Other entities might also be considered by the Firms to be public interest entities, as set out in paragraph 400.13 and 400.14.

3. What is covered by "Entity one of whose main functions is to take deposits from the public"?

Section 2(31) of the Companies Act defines deposit as " includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include such categories of amount as may be prescribed in consultation with the Reserve Bank of India". Further, the list of such exclusions is provided under the Companies (Acceptance of Deposits) Amendment Rules, 2020.

The term "one of whose main functions" is used in order to capture entities that have other main functions such as credit and lending. Further, the term also intends to exclude those entities for which deposit-taking is not a main function.

Some of the examples of such entities would be deposit-taking financial institutions such as banks, Non-Banking Finance Companies etc., which main function is to accept deposits from the public.

4. The new definition of 'Public Interest Entity (PIE)' provides that a firm shall treat an entity as PIE when entity one of whose main functions is to take deposits from the public. Whether Non-Banking Financial Company (NBFC) will be included in this definition?

Yes, Non-Banking Financial Company (NBFC) will be a Public Interest Entity, if one of whose main functions is to take deposits from the public.

5. Whether a listed entity which is having borrowings less than 500 crores of rupees will be included in the definition of 'Public Interest Entity (PIE)'?

Yes, paragraph R400.22 of Volume-II of Code of Ethics, provides that a firm shall treat an entity as a public interest entity if it is a listed entity. Accordingly, the borrowing limit will have no effect in case of an entity is a listed entity.

6. Whether a private company having borrowings of 500 crores of rupees or more, will be included in the definition of 'Public Interest Entity (PIE)'?

Yes, paragraph R400.22 of Volume-II of Code of Ethics, provides that a firm shall treat an entity having borrowings of 500 crores of rupees or more (to be assessed at both the beginning and end of the year).

7. Whether the borrowing limit of Rs 500 crores or more, is required to be evaluated based on standalone or consolidated financial statements of the entity for the purpose of determining PIE status of the entity?

Borrowing limit is required to be evaluated based on the standalone financial statements of the entity.

8. What would be covered within the purview of 'borrowings' for the purpose of definition of Public Interest Entity?

'Borrowings' for the purpose of definition of Public Interest Entity may be considered as 'public borrowings from financial institutions, banks and includes public deposits'.

9. As of which date are the borrowings thresholds required to be evaluated for determining the Public Interest Entity status of the audit client?

As per the revised definition of Public Interest Entity, borrowings are required to be assessed at both the beginning and end of the year.

10. If an entity becomes a Public Interest Entity (PIE), what are the examples of incremental requirements which become applicable under the Code of Ethics, 2026?

Following are examples of incremental requirement that become applicable under the Code of Ethics, 2026 once an entity becomes a PIE:

- Additional specific compliance requirements on provision of a non-assurance service by the firm or the network firm to an audit client that is a PIE if the provision of that service might create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion. (R400.32)
- Requirements on communication with Those Charged with Governance of a PIE entity regarding non-assurance services to entities within the corporate structure of which the PIE entity forms part. (R600.21 to R600.25, R600.26)
- Restriction on entering into employment with a PIE audit client by key audit partners and senior or managing partner (chief executive or equivalent) of the firm (R524.6 and R524.7)
- The thresholds for disclosure to the Institute for fees received from a PIE audit client are more stringent. (R410.18 and R 410.20)
- Specific rotation requirements of key audit partner roles on the audit of a PIE entity (Section 540).

11. What if an entity's borrowings exceed ₹500 crores only at the beginning or only at the end of the year?

The entity qualifies as a PIE only if borrowings are ₹500 crores or more both at the beginning and end of the year. Hence if the borrowings do not exceed this threshold at both the points, it will not be considered as a PIE.

12. Whether a private limited company would be considered as a PIE for the audit for the year ended 31 March 2026 in case the borrowings exceeded 500 crores both at the beginning (i.e. as on 1 April 2025) and the end of the year (i.e. as on 31 March 2026), considering the revised PIE definition?

The revised definition of Public Interest Entity as per the Code of Ethics, 2026 is applicable for period beginning on or after 1 April 2026. Accordingly, as per the revised definition of PIE, the assessment of the borrowings at both the beginning and at the end of the year would need to be evaluated for the first time for the financial year 2026-27 and then for each year, going forward. Hence, in the given case, the amount of borrowings for FY 2025-26 would not be relevant for the purposes of determination of PIE status of the audit client.

13. Whether a firm can accept appointment as auditor of a public interest entity to which the firm or the network firm has provided a non-assurance service during the period covered by the financial statements, prior to such appointment?

As per the provisions of Paragraph R400.32, subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations. etc.), a firm shall not accept appointment as auditor of a public interest entity to which the firm or the network firm has provided a non-assurance service prior to such appointment that might create a self-review threat in relation to the financial statements on which the firm will express an opinion unless:

(a) The provision of such service ceases before the commencement of the audit engagement period;

(b) The firm takes action to address any threats to its independence; and

(c) The firm determines that, in the view of a reasonable and informed third party, any threats to the firm's independence have been or will be eliminated or reduced to an acceptable level.

14. What actions may be taken to eliminate or reduce threats to an acceptable level created by the provision of non-assurance services to a public interest entity during the period covered by the financial statements, prior to appointment as auditor of that entity?

Subject to the applicable provisions of any other law(s) (such as the Companies Act 2013, RBI regulations), as per the provisions of Paragraph 400.32 A1, actions that might be regarded by a reasonable and informed third party as eliminating or reducing to an acceptable level any threats to independence created by the provision of non-assurance services to a public interest entity prior to appointment as auditor of that entity include:

- The results of the service had been subject to auditing procedures in the course of the audit of the prior year's financial statements by a predecessor firm.
- The firm engages a chartered accountant, who is not a member of the firm expressing the opinion on the financial statements, to perform a review of the first audit engagement affected by the self-review threat consistent with the objective of an engagement quality review.
- The public interest entity engages another firm outside of the network to:

  (i) Evaluate the results of the non-assurance service; or

  (ii) Re-perform the service, to the extent necessary to enable the other firm to take responsibility for the result of the service.

15. Under what circumstances does fee dependency on an audit client that is a Public Interest Entity requires a disclosure requirement to the Institute?

As per the provisions of paragraph R410.18 of Volume-II of Code of Ethics, where an audit client is a public interest entity and for two consecutive years, the total gross annual professional fees ("total fees") from the client and its related entities represent more than 20% of the total fees received by the firm expressing the opinion on the financial statements of the client, the firm shall disclose to the Institute the fact that for two consecutive years, the total of such fees represents more than 20% of the total fees received by the firm.

Provided that no such ceiling on the total fees of the firm shall be applicable where total fees of the firm does not exceed fifty lakhs of rupees in respect of a firm including fees received by the firm for other services rendered.

Provided further that no such ceiling on the total fees of the firm shall be applicable where total fees from any audit client and its related entities do not exceed twenty lakhs of rupees.

Further such ceiling on the total fees of a firm would not be applicable in the case of audit of government Companies, public undertakings, nationalized banks, public financial institutions or where appointments of auditors are made by the Government or Regulators.

16. Whether independence is affected if an individual who was a key audit partner of an audit client which is a Public Interest Entity (PIE) joins the audit client as a director or officer?

As per the provisions of paragraph R524.6 of Volume-II of Code of Ethics, subject to paragraph R524.8, if an individual who was a key audit partner with respect to an audit client that is a public interest entity joins the client as a director or officer or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, independence is compromised unless, subsequent to the individual ceasing to be a key audit partner:

(i) The audit client has issued audited financial statements covering a period of not less than twelve months; and

(ii) The individual was not an audit team member with respect to the audit of those financial statements.

17. Whether independence is affected if an individual who was the Senior or Managing Partner (Chief Executive or equivalent) of the firm joins an audit client that is a public interest entity joins the audit client as a director or officer?

As per the provisions of paragraph R524.7 of Volume-II of Code of Ethics, subject to paragraph R524.8, an individual who was the Senior or Managing Partner (Chief Executive or equivalent) of the firm joins an audit client that is a public interest entity as a director or officer or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, independence is compromised, unless twelve months have passed since the individual was the Senior or Managing Partner (Chief Executive or equivalent) of the firm.

18. What is the maximum period for which an individual can serve as engagement partner in respect of an audit of a Public Interest Entity (PIE)?

As per the provisions of paragraph R540.5 of Volume-II of Code of Ethics, subject to paragraphs R540.7 to R540.9, in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years (the "time-on" period):

(a) The engagement partner;

(b) The individual appointed as responsible for performing the engagement quality review; or

(c) Any other key audit partner role.

After the time-on period, the individual shall serve a "cooling-off" period in accordance with the provisions in paragraphs R540.11 to R540.19.

19. What is the cooling-off period after an individual completes seven cumulative years as Engagement Partner on for an audit client which is a Public Interest Entity?

As per the provisions of paragraph R540.11 of Volume-II of Code of Ethics, if the individual acted as the engagement partner for seven cumulative years, the cooling-off period shall be five consecutive years.

20. How is the cooling-off period determined when an individual has served in a combination of key audit partner roles and the engagement partner for four or more cumulative years?

As per the provisions of paragraph R540.15 of Volume-II of Code of Ethics, if the individual acted in a combination of key audit partner roles and served as the engagement partner for four or more cumulative years, the cooling-off period shall be five consecutive years.

21. An individual has undertaken a combination of key audit partner roles and served as the key audit partner responsible for the engagement quality review on the audit of a public interest entity during the seven-year time-on period. How should the cooling-off period be determined in those circumstances?

As per the provisions of paragraph R540.16 of Volume-II of Code of Ethics, subject to paragraph R540.17(a), if the individual acted in a combination of key audit partner roles and served as the key audit partner responsible for the engagement quality review for four or more cumulative years, the cooling-off period shall be three consecutive years.

As per the provisions of paragraph R540.17 of Volume-II of Code of Ethics, if an individual has acted in a combination of engagement partner and engagement quality reviewer roles for four or more cumulative years during the time-on period, the cooling-off period shall:

(a) As an exception to paragraph R540.16, be five consecutive years where the individual has been the engagement partner for three or more years; or

(b) Be three consecutive years in the case of any other combination.

As per the provisions of paragraph R540.18 of Volume-II of Code of Ethics, if the individual acted in any combination of key audit partner roles other than those addressed in paragraphs R540.15 to R540.17, the cooling-off period shall be two consecutive years.

22. After completing the time-on period as a key audit partner for a Public Interest Entity, what restrictions apply to the individual while serving the cooling-off period?

As per the provisions of paragraph R540.21 of Volume-II of Code of Ethics, for the duration of the relevant cooling-off period, the individual shall not:

(a) Be an engagement team member or perform an engagement quality review, or a review consistent with the objective of an engagement quality review for the audit engagement;

(b) Consult with the engagement team or the client regarding technical or industry-specific issues, transactions or events affecting the audit engagement (other than discussions with the engagement team limited to work undertaken or conclusions reached in the last year of the individual's time-on period where this remains relevant to the audit);

(c) Be responsible for leading or coordinating the professional services provided by the firm or a network firm to the audit client, or overseeing the relationship of the firm or a network firm with the audit client; or

(d) Undertake any other role or activity not referred to above with respect to the audit client, including the provision of non-assurance services that would result in the individual:

   (i) Having significant or frequent interaction with senior management or those charged with governance; or

   (ii) Exerting direct influence on the outcome of the audit engagement.

23. In determining the number of years that an individual has been a key audit partner, would time served on an engagement at prior firm be considered for determining the time-on period?

In determining the number of years that an individual has been a key audit partner as set out in paragraph R540.5, the length of the relationship shall, where relevant, include time while the individual was a key audit partner on that engagement at a prior firm.

24. A key audit partner has completed 7 years on audit of a private company till 31 March 2026. The private company's borrowings crossed the threshold of 500 crores as on 31 March 2026 and the outstanding borrowings continued to be more than 500 crores as at the end of the subsequent year (31 March 2027). Would the key audit partner be required to rotate off after the audit for the year ended 31 March 2026?

As per the revised definition of PIE, borrowings are required to be assessed at both the beginning and end of the year. Accordingly, in the given example, the private company has become a PIE since the borrowings were more than 500 crores both at the beginning and at the end of the year. Hence, the key audit partner would need to evaluate the applicability of rotation requirements. It may also be noted that as per R540.8, if the individual has served the audit client as a key audit partner for a period of six or more cumulative years when the company becomes a public interest entity, the individual may continue to serve in that capacity with the concurrence of those charged with governance for a maximum of two additional years before rotating off the engagement. Accordingly, in this case, the key audit partner would be able to serve two additional years (i.e. 31 March 2027 and 31 March 2028) with concurrence of those charged with governance before rotating off.

25. How should a firm determine whether providing a non-assurance service to an audit client might create a self-review threat? Whether a firm is permitted to provide a non-assurance service to an audit client that is a public interest entity if the provision of that service creates a self-review threat?

Subject to the applicable provisions of any other law(s) (such as the Companies Act 2013, RBI regulations), as per the provisions of paragraph R600.15 of Volume-II of Code of Ethics, before providing a non-assurance service to an audit client, a firm or a network firm shall determine whether the provision of that service might create a self-review threat by evaluating whether there is a risk that:

(a) The results of the service will form part of or affect the accounting records, the internal controls over financial reporting, or the financial statements on which the firm will express an opinion; and

(b) In the course of the audit of those financial statements on which the firm will express an opinion, the audit team will evaluate or rely on any judgments made or activities performed by the firm or network firm when providing the service.

When the audit client is a public interest entity, stakeholders have heightened expectations regarding the firm's independence. These heightened expectations are relevant to the reasonable and informed third party test used to evaluate a self-review threat created by providing a non-assurance service to an audit client that is a public interest entity. (Paragraph 600.16 A1)

Where the provision of a non-assurance service to an audit client that is a public interest entity creates a self-review threat, that threat cannot be eliminated, and safeguards are not capable of being applied to reduce that threat to an acceptable level. (Paragraph 600.16 A2)

As per the provisions of paragraph R600.17 of Volume-II of Code of Ethics, a firm or a network firm shall not provide a non-assurance service to an audit client that is a public interest entity if the provision of that service might create a self-review threat in relation to the audit of the financial statements on which the firm will express an opinion.

26. Is a firm allowed to provide advice and recommendations to an audit client that is a public interest entity in relation to information or matters arising in the course of an audit?

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R600.18 of Volume-II of Code of Ethics, as an exception to paragraph R600.17, a firm or a network firm may provide advice and recommendations to an audit client that is a public interest entity in relation to information or matters arising in the course of an audit provided that the firm:

(a) Does not assume a management responsibility (Ref: Para.R400.20 and R400.21); and

(b) Applies the conceptual framework to identify, evaluate and address threats, other than self-review threats, to independence that might be created by the provision of that advice.

27. Is a firm required to communicate with those charged with governance before a firm that audits the financial statements of a public interest entity accepts an engagement to provide a non-assurance service to that Entity?

As per the provisions of paragraph R600.22 of Volume-II of Code of Ethics, before a firm that audits the financial statements of a public interest entity, or a network firm accepts an engagement to provide a non- assurance service to:

(A) That public interest entity;

(B) Any entity that controls, directly or indirectly, that public interest entity; or

(C) Any entity that is controlled directly or indirectly by that public interest entity, the firm shall, unless already addressed when establishing a process agreed with those charged with governance:

(a) Inform those charged with governance of the public interest entity that the firm has determined that the provision of the service:

  (i) Is not prohibited; and

  (ii) Will not create a threat to the firm's independence as auditor of the public interest entity or that any identified threat is at an acceptable level or, if not, will be eliminated or reduced to an acceptable level; and

(b) Provide those charged with governance of the public interest entity with information to enable them to make an informed assessment about the impact of the provision of the service on the firm's independence.

28. What is the impact on auditor independence when an audit client later becomes a Public Interest Entity (PIE) and the firm has provided non-assurance services to the client which were permissible while the audit client was not a PIE, during the period covered by the financial statements?

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R600.26 of Volume-II of Code of Ethics, a non-assurance service provided, either currently or previously, by a firm or a network firm to an audit client compromises the firm's independence when the client becomes a public interest entity unless:

(a) The previous non-assurance service complies with the provisions of this section that relate to audit clients that are not public interest entities;

(b) Non-assurance services currently in progress that are not permitted under this section for audit clients that are public interest entities are ended before or, if that is not possible, as soon as practicable after, the client becomes a public interest entity; and

(c) The firm and those charged with governance of the client that becomes a public interest entity agree and take further actions to address any threats to independence that are not at an acceptable level.

29. Whether providing valuation services to an audit client which is a Public Interest Entity is permitted?

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R603.5 of Volume-II of Code of Ethics, a firm or a network firm shall not provide a valuation service to an audit client that is a public interest entity if the provision of such valuation service might create a self-review threat.

30. Can safeguards be applied to address advocacy threats arising from valuation services provided to a PIE audit client?

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph 603.5 A1 of Volume-II of Code of Ethics, an example of an action that might be a safeguard to address an advocacy threat created by providing a valuation service to an audit client that is a public interest entity is using professionals who are not audit team members to perform the service.

31. What is meant by tax calculation services for the purpose of preparing accounting entries, and what independence threat do they create for an audit client?

Tax calculation services involves the preparation of calculations of current and deferred tax liabilities or assets for the purpose of preparing accounting entries supporting tax assets or liabilities in the financial statements of the audit client.

As per the provisions of paragraph 604.8 A1 of Volume-II of Code of Ethics, preparing tax calculations of current and deferred tax liabilities (or assets) for an audit client for the purpose of preparing accounting entries that support such balances creates a self- review threat.

32. What is meant by tax advisory and tax planning services when provided by a firm and what threats arises from the provision of tax advisory and tax planning services to an audit client?

Tax advisory and tax planning services comprise a broad range of services, such as advising the audit client how to structure its affairs in a tax efficient manner or advising on the application of a tax law or regulation.

As per the provisions of paragraph 604.12 A1 of Volume-II of Code of Ethics, providing tax advisory and tax planning services to an audit client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat.

As per Para 604.12 A2, providing tax advisory and tax planning services will not create a self- review threat if such services:

(a) Are supported by a tax authority or other precedent;

(b) Are based on an established practice (being a practice that has been commonly used and has not been challenged by the relevant tax authority); or

(c) Have a basis in tax law that the firm is confident is likely to prevail.

33. Whether a firm or network firm can prepare tax calculations of current and deferred tax liabilities or assets for an audit client that is a Public Interest Entity?

As per the provisions of paragraph 604.10 of Volume-II of Code of Ethics, a firm or a network firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for an audit client that is a public interest entity.

34. Whether a firm or network firm is permitted to provide tax advisory and tax planning services for an audit client that is a Public Interest Entity?

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R604.15 of Volume-II of Code of Ethics, a firm or a network firm shall not provide tax advisory and tax planning services to an audit client that is a public interest entity if the provision of such services might create a self-review threat. However, as per the provisions of paragraph 604.15 A1, in case of advocacy threat created by providing such services to an audit client that is a public interest entity, actions that might be safeguards to address such threat include:

- Using professionals who are not audit team members to perform the service.

35. What type of independence threats may arise when a firm provides a valuation for tax purposes to an audit client? And whether a firm or a network firm is permitted to perform a valuation for tax purposes for an audit client that is a Public Interest Entity?

Providing a valuation for tax purposes to an audit client might create a self-review threat when there is a risk that the results of the service will affect the accounting records or the financial statements on which the firm will express an opinion. Such a service might also create an advocacy threat.

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R604.19 of Volume-II of Code of Ethics, a firm or a network firm shall not perform a valuation for tax purposes for an audit client that is a public interest entity if the provision of that service might create a self-review threat.

However, as per the provisions of paragraph 604.19 A1, in case of advocacy threat created by providing such services to an audit client that is a public interest entity, actions that might be safeguards to address such threat include:

- using professionals who are not audit team members to perform the service.

36. Providing assistance in the resolution of a tax dispute to an audit client might create a self- review threat when there is a risk that the results of the service will affect the accounting records or the financial statements on which the firm will express an opinion. Whether a firm or a network firm is permitted to provide such service for an audit client that is a Public Interest Entity?

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R604.24 of Volume-II of Code of Ethics, a firm or a network firm shall not provide assistance in the resolution of tax disputes to an audit client that is a public interest entity if the provision of that assistance might create a self-review threat. Such a service might also create an advocacy threat. As per paragraph 604.24 A1, an example of an action that might be a safeguard to address an advocacy threat for an audit client that is a public interest entity is using professionals who are not audit team members to perform the service.

37. Whether a firm or network firm can provide IT system services, such as designing and developing of an IT system when they form part of or affect an audit client's accounting records or system of internal control over financial reporting, to an audit client that is a public interest entity?

Providing IT systems services to an audit client might create a self-review threat when there is a risk that the results of the services will affect the audit of the financial statements on which the firm will express an opinion.

As per the provisions of paragraph R606.4 A3 of Volume-II of Code of Ethics, IT system services, such as designing and developing of an IT system when they form part of or affect an audit client's accounting records or system of internal control over financial reporting create self-review threat.

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R606.6 of Volume-II of Code of Ethics, a firm or a network firm shall not provide IT systems services to an audit client that is a public interest entity if the provision of such services might create a self-review threat.

38. Whether a firm can provide advice to an audit client that is Public Interest Entity, in connection with a legal proceeding, if the outcome of the service affects the quantification of any provision or other amount in the financial statements on which the firm will express an opinion?

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R607.6 of Volume-II of Code of Ethics, a firm or a network firm shall not provide litigation support services to an audit client that is a public interest entity if the provision of such services might create a self-review threat. Such services might also create an advocacy threat. As per 607.6 A2, an example of an action that might be a safeguard to address an advocacy threat created by providing a litigation support service to an audit client that is a public interest entity is using a professional who was not an audit team member to perform the service.

39. Under what circumstances a firm can act for an audit client that is a public interest entity as an expert witness in a matter?

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R607.9 of Volume-II of Code of Ethics, a firm or a network firm, or an individual within a firm or a network firm, shall not act for an audit client that is a public interest entity as an expert witness in a matter unless the circumstances set out in paragraph 607.7 A3 apply.

As per the provisions of paragraph 607.7 A3 of Volume-II of Code of Ethics, the advocacy threat created when acting as an expert witness on behalf of an audit client is at an acceptable level if a firm or a network firm is:

(a) Appointed by a tribunal or court to act as an expert witness in a matter involving a client; or

(b) Engaged to advise or act as an expert witness in relation to a class action (or an equivalent group representative action) provided that:

 (i) The firm's audit clients constitute less than 20% of the members of the class or group (in number and in value);

 (ii) No audit client is designated to lead the class or group; and

 (iii) No audit client is authorized by the class or group to determine the nature and scope of the services to be provided by the firm or the terms on which such services are to be provided.

40. Whether a firm can provide legal advice to an audit client that is a public interest entity?

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R608.7 of Volume-II of Code of Ethics, a firm or a network firm shall not provide legal advice to an audit client that is a public interest entity if the provision of such a service might create a self-review threat. Further, negotiating on behalf of an audit client might create an advocacy threat or might result in the firm or network firm assuming a management responsibility. As per paragraph 608.8 A1, considerations in paragraphs 608.5 A1 and 608.5 A3 to 608.6 A1 are also relevant to evaluating and addressing advocacy threats that might be created by providing legal advice to an audit client that is a public interest entity.

41. Whether a firm can provide corporate finance services to an audit client that is a Public Interest Entity the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion?

Providing corporate finance services to an audit client might create a self-review threat when there is a risk that the results of the services will affect the accounting records or the financial statements on which the firm will express an opinion. Such services might also create an advocacy threat.

Subject to the applicable provisions of any other law(s) (such as, the Companies Act 2013, RBI regulations, etc.), as per the provisions of paragraph R610.8 of Volume-II of Code of Ethics, a firm or a network firm shall not provide corporate finance services to an audit client that is a public interest entity if the provision of such services might create a self-review threat.

Chapter 14

Independence and Conflict of Interest

1. What is Independence?

As per the paragraph 120.5 A1 of Volume-II of Code of Ethics, Chartered accountants in practice are required by Independence Standards to be independent when performing audits, reviews, or other assurance engagements. Independence is linked to the fundamental principles of objectivity and integrity. It comprises:

(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's or an audit or assurance team member's integrity, objectivity or professional skepticism has been compromised.

2. What is the principle of objectivity under Subsection 112 of the ICAI Code of Ethics and what restrictions does it place on a chartered accountant?

As per the provisions of paragraph 112.1 of Volume-II of Code of Ethics, a chartered accountant shall comply with the principle of objectivity, which requires an accountant to exercise professional or business judgment without being compromised by:

(a) Bias;

(b) Conflict of interest; or

(c) Undue influence of, or undue reliance on, individuals, organizations, technology or other factors.

Further paragraph R112.2 of Volume-II of Code of Ethics, a chartered accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity.

3. In which scenarios a conflict of interest for a chartered accountant in practice might arise?

As per the provisions of paragraph 310.2 of Volume-II of Code of Ethics, a conflict of interest creates threats to compliance with the principle of objectivity and might create threats to compliance with the other fundamental principles. Such threats might be created when:

(a) A chartered accountant provides a professional service related to a particular matter for two or more clients whose interests with respect to that matter are in conflict; or

(b) The interests of a chartered accountant with respect to a particular matter and the interests of the client for whom the accountant provides a professional service related to that matter are in conflict.

Section 310 sets out specific requirements and application material relevant to applying the conceptual framework to conflicts of interest. When a chartered accountant provides an audit, review or other assurance service, independence is also required in accordance with Independence Standards. (Paragraph 310.3 of Volume-II of Code of Ethics)

4. What steps is a chartered accountant required to take for identifying conflicts of interest before accepting a new client relationship or engagement?

As per the provisions of paragraph R310.5 of Volume-II of Code of Ethics, Before accepting a new client relationship, engagement, or business relationship, a chartered accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles. Such steps shall include identifying:

(a) The nature of the relevant interests and relationships between the parties involved; and

(b) The service and its implication for relevant parties.

An effective conflict identification process assists a chartered accountant when taking reasonable steps to identify interests and relationships that might create an actual or potential conflict of interest, both before determining whether to accept an engagement and throughout the engagement. Such a process includes considering matters identified by external parties, for example clients or potential clients. The earlier an actual or potential conflict of interest is identified, the greater the likelihood of the accountant being able to address threats created by the conflict of interest. (Paragraph 310.5 A1 of Volume-II of Code of Ethics)

5. What is the fundamental requirement for a firm performing an audit engagement?

It is in the public interest and required by the Code that chartered accountants in practice be independent when performing audit or review engagements in accordance with the requirements of the Code along with any additional requirements. Such requirements may be prescribed from time to time under the Chartered Accountants Act, 1949, the Chartered Accountants Regulations, 1988, Council guidelines, Companies Act 2013, or by other Regulators such as the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory Development Authority (IRDA) etc. (Paragraph 400.1 of Volume-II of Code of Ethics)

As per the provisions of paragraph R400.18 of Volume-II of Code of Ethics, a firm performing an audit engagement shall be independent. Further as per paragraph R400.19, a firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an audit engagement.

6. During which period is independence required to be maintained in an audit engagement as per R400.30 of the ICAI Code of Ethics?

As per the provisions of paragraph R400.30 of Volume-II of Code of Ethics, Independence, as required by this Part, shall be maintained during both:

(a) The engagement period; and

(b) The period covered by the financial statements.

The engagement period starts when the engagement team begins to perform the audit. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report. Where the audit client is a statutory audit client under the Companies Act, 2013, the engagement period shall be determined in accordance with the provisions of Section 139 of the Companies Act, 2013. (Paragraph 400.30 A1 of Volume-II of Code of Ethics)

7. What is the definition of Audit client?

In Volume-II of Code of Ethics, the term audit client is defined as - An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, in accordance with paragraphs R400.22 and R400.23, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control. (See also paragraph R400.27 of Volume-II of Code of Ethics)

In Part 4A, the term "audit client" applies equally to "review client."

8. What is meant by management responsibility and why a firm or a network firm is not permitted to assume a management responsibility for an audit client?

Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

Paragraph R400.20 of Volume-II of Code of Ethics provides that a firm or a network firm shall not assume a management responsibility for an audit client.

When a firm or a network firm assumes a management responsibility for an audit client, self- review, self-interest and familiarity threats are created. Assuming a management responsibility might also create an advocacy threat because the firm or network firm becomes too closely aligned with the views and interests of management. (Paragraph 400.20 A2 of Volume-II of Code of Ethics).

9. What steps must a firm take to ensure that it does not assume management responsibility when performing professional activities for an audit client?

Paragraph R400.21 of Volume-II of Code of Ethics provides that when performing a professional activity for an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

(a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:

(i) The objectives, nature and results of the activities; and

(ii) The respective client and firm or network firm responsibilities.

However, the individual is not required to possess the expertise to perform or re-perform the activities.

(b) Provides oversight of the activities and evaluates the adequacy of the results of the activities performed for the client's purpose.

(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

10. Whether a firm is required to document that the firm have complied with independence requirements for audit and review engagements?

Paragraph R400.60 of Volume-II of Code of Ethics provides that a firm shall document conclusions regarding compliance with Part 4A, and the substance of any relevant discussions that support those conclusions. In particular:

(a) When safeguards are applied to address a threat, the firm shall document the nature of the threat and the safeguards in place or applied; and

(b) When a threat required significant analysis and the firm concluded that the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.

Documentation provides evidence of the firm's judgments in forming conclusions regarding compliance with this Part. However, a lack of documentation does not determine whether a firm considered a particular matter or whether the firm is independent. (Paragraph 400.60 A1 of Volume-II of Code of Ethics)

11. Whether a firm, network firm or an audit team member can accept gifts and hospitality from an audit client?

As per the provisions of paragraph 420.2 of Volume-II of Code of Ethics, accepting gifts and hospitality from an audit client might create a self-interest, familiarity or intimidation threat. This section sets out a specific requirement and application material relevant to applying the conceptual framework in such circumstances.

As per the provisions of paragraph R420.3 of Volume-II of Code of Ethics, a firm, network firm or an audit team member shall not accept gifts and hospitality from an audit client, unless the value is trivial and inconsequential.

12. Whether an audit team member's individual's immediate family is permitted to hold direct financial interest or a material indirect financial interest?

Paragraph R510.4 of Volume-II of Code of Ethics provides that subject to paragraph R510.5, a direct financial interest or a material indirect financial interest in the audit client shall not be held by:

(a) The firm or a network firm;

(b) An audit team member, or any of that individual's immediate family

(c) Any other partner in the office in which an engagement partner practices in connection with the audit engagement, or any of that other partner's immediate family; or

(d) Any other partner or managerial employee who provides non-audit services to the audit client, except for any whose involvement is minimal, or any of that individual's immediate family.

It may be noted that if the audit client is a statutory audit client under Companies Act, 2013, in accordance with Section 141 (3)(d) (i) of the Companies Act, 2013, an individual practitioner, sole proprietor or partner (as the case may be) or his relatives shall not hold any security of or interest in such Company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company. However, the relative (who is not otherwise covered as immediate family under any of the clauses specified in 510.4) may hold security or interest in the company of face value not exceeding rupees one lakh, or such other sum as may be prescribed from time to time;

Paragraph R510.5 of Volume – II of Code of Ethics provides that as an exception to paragraph R510.4, an immediate family member identified in subparagraphs R510.4 (c) or (d) may hold a direct or material indirect financial interest in an audit client, provided that:

(a) The family member received the financial interest because of employment rights, for example through pension or share option plans, and, when necessary, the firm addresses the threat created by the financial interest; and

(b) The family member disposes of or forfeits the financial interest as soon as practicable when the family member has or obtains the right to do so, or in the case of a stock option, when the family member obtains the right to exercise the option.

The above is subject to any additional restrictions applicable to a relative under Companies Act, 2013, where applicable.

13. Whether a firm, or a network firm, or an audit team member can hold financial interests in an entity which is common with the Audit Client?

As per Paragraph R510.8 of Volume – II of Code of Ethics, a firm, or a network firm, or an audit team member, or any of that individual's immediate family shall not hold a financial interest in an entity when an audit client also has a financial interest in that entity, unless:

(i) The financial interests are immaterial to the firm, the network firm, the audit team member and that individual's immediate family member and the audit client, as applicable; or

(ii) The audit client cannot exercise significant influence over the entity.

Before an individual who has a financial interest described in paragraph R510.8(a) can become an audit team member, the individual or that individual's immediate family member shall either:

(i) Dispose of the interest; or

(ii) Dispose of enough of the interest so that the remaining interest is no longer material

14. Under what circumstances can a firm or audit team member make or guarantee a loan to an audit client without impairing independence?

As per Paragraph R511.4 of Volume – II of Code of Ethics, a firm, a network firm, an audit team member, or any of that individual's immediate family shall not make or guarantee a loan to an audit client unless the loan or guarantee is immaterial to the firm, the network firm or the individual making the loan or guarantee, as applicable; and the client.

For the purpose of this subsection, "immaterial" shall refer to an amount not exceeding Rs. 5 lakhs.

15. What are the examples of Close Business Relationships arising from a commercial relationship or common financial interest?

As per paragraph 520.3 A2 of Volume-II of Code of Ethics, examples of a close business relationship arising from a commercial relationship or common financial interest include:

- Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of the firm or a network firm with one or more services or products

of the client and to market the package with reference to both parties.

16. Whether a firm or an audit team member is permitted to have a business relationship with an audit client as per the provisions of Code of Ethics and Companies Act, 2013?

As per Paragraph R520.4 of Volume – II of Code of Ethics, a firm, a network firm or an audit team member shall not have a close business relationship with an audit client or its management unless any financial interest is immaterial and the business relationship is insignificant to the client or its management and the firm, the network firm or the audit team member, as applicable.

The above is subject to additional restrictions under Companies Act, 2013, where applicable. As per section 141(3)(e) of Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, a firm, an individual practitioner, sole proprietor or partner (as the case may be) shall not, whether directly or indirectly, have business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed.

The term "business relationship" shall be construed as any transaction entered into for a commercia– purpose, except -

(i) commercial transactions which are in the nature of professional services permitted to be rendered by an auditor or audit firm under the Companies Act, 2013 and the Chartered Accountants Act, 1949 or any other Act and the rules or the regulations made under those Acts;

(ii) commercial transactions which are in the ordinary course of business of the company at arm's length price - like sale of products or services to the auditor, as customer, in the ordinary course of business, by companies engaged in the business of telecommunications, airlines, hospitals, hotels and such other similar businesses

Further as per paragraph 520.4 A1 of Volume-II of Code of Ethics, a self-interest or intimidation threat might be created if there is a close business relationship between the audit client or its management and the immediate family of an audit team member.

17. Whether a firm or an audit team member hold a common interest with an audit client in a closely-held entity?

As per Paragraph R520.5 of Volume – II of Code of Ethics, a firm, a network firm, an audit team member, or any of that individual's immediate family shall not have a business relationship involving the holding of an interest in a closely-held entity when an audit client or a director or officer of the client, or any group thereof, also holds an interest in that entity, unless:

(a) The business relationship is insignificant to the firm, the network firm, or the individual as applicable, and the client;

(b) The financial interest is immaterial to the investor or group of investors; and

(c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.

18. Whether an individual can participate as an audit team member when that individual's immediate family is holding position of director in the audit client?

As per Paragraph R521.5 of Volume – II of Code of Ethics, an individual shall not participate as an audit team member when any of that individual's immediate family:

(a) Is a director or officer of the audit client;

(b) Is an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion; or

(c) Was in such position during any period covered by the engagement or the financial statements.

Additionally, under Companies Act, 2013, where applicable, as per Sec 141 (3)(f) of the Act an individual practitioner, sole proprietor or the firm is ineligible from being appointed as an auditor of a Company where relative of an individual practitioner, sole proprietor or partner (as the case may be) is a director or is in the employment of the company as a director or key managerial personnel as defined under the Companies Act, 2013.

19. Whether an Individual who served as a director or officer of the audit client during period covered by the audit report be included in the audit team?

As per Paragraph R522.3 of Volume – II of Code of Ethics, the audit team shall not include an individual who, during the period covered by the audit report:

(a) Had served as a director or officer of the audit client; or

(b) Was an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

20. Whether any threats is created when a firm include in the audit team an individual who served with the audit client as a director or officer prior to the period covered by the audit report, and if yes, what safeguards are required?

As per the provisions of paragraph 522.4 A1 of Volume-II of Code of Ethics, a self-interest, self-review or familiarity threat might be created if, before the period covered by the audit report, an audit team member:

(a) Had served as a director or officer of the audit client; or

(b) Was an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion.

For example, a threat would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current audit engagement.

Factors that are relevant in evaluating the level of such threats include the position the individual held with the client, the length of time since the individual left the client or the role of the audit team member. (Paragraph 522.4 A2)

As per the provisions of paragraph 522.4 A3 of Volume-II of Code of Ethics, an example of an action that might be a safeguard to address such a self-interest, self-review or familiarity threat is having an appropriate reviewer review the work performed by the audit team member.

21. Whether a partner or employee of a firm can hold the position of director or officer in an audit client company?

As per the provisions of paragraph 523.3 of Volume-II of Code of Ethics, a partner or employee of the firm or a network firm shall not serve as a director or officer of an audit client of the firm.

Further, as per Section 141(3) (b) of the Companies Act, 2013, an officer or employee of the company or a person who is a partner, or who is in the employment, of an officer or employee of the company, shall not be eligible for appointment as an auditor of a company.

22. Whether a firm or network firm can loan personnel to an audit client?

As per the provisions of paragraph R525.4 of Volume-II of Code of Ethics, a firm or network firm shall not loan personnel to an audit client unless the firm or network firm is satisfied that:

(a) Such assistance is provided only for a short period of time;

(b) Such personnel will not assume management responsibilities and the audit client will be responsible for directing and supervising the activities of the personnel.

(c) Any threat to the independence of the firm or network firm arising from the professional services undertaken by such personnel is eliminated or safeguards are applied to reduce such threat to an acceptable level; and

(d) Such personnel will undertake only the services permissible under section 2(2) of the Chartered Accountants Act, 1949. They will not undertake or be involved in professional services that the firm or network firm is prohibited from performing by the Code or any other law.

23. Whether a Chartered Accountant who is appointed as a Liquidator of a Company can do the audit of that company?

As per Paragraph 2.15.1.4 (v) under Clause (4) of Part II of Second Schedule to the Act as appearing in Volume-I of the Code of Ethics, member must take care to see that they do not land themselves in situations where there could be conflict of interest and duty. Where a Chartered Accountant is appointed the Liquidator of a Company, he should not qua a Chartered Accountant himself, audit the Statement of Accounts to be filed under Section 348(1) of the Companies Act, 2013. The audit in such circumstances should be done by a Chartered Accountant other than the one who is the Liquidator of the Company.

24. Can a Chartered Accountant, who is a member of a Trust, be the auditor of the said trust?

Yes, there is no conflict of interest in a Chartered Accountant, who is a member of a Trust, being the auditor of the said trust. It is subject to the exception where a particular statute governing a Trust prescribes prohibition on the member of the Trust to be its Auditor or otherwise where there is conflict of interest as per the provisions of Code of Ethics.

25. Whether a member in practice express his opinion on financial statements of any business or enterprises in which he, his relative, his firm or a partner in his firm has a substantial interest?

No, as per Clause (4) of Part I of the Second Schedule to the Act, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he expresses his opinion on financial statements of any business or any enterprise in which he, his firm or a partner in his firm has substantial interest. `Substantial interest' here has the same meaning as contained in the resolution passed by the Council in pursuance to Regulation 190A of the CA Regulations.

However, in case of a company, under Section 141(3)(d)(i) of the Companies Act, 2013, a member cannot accept audit even if he or his partner holds a single share.

Further, in case of a company, under Section 141(3)(d)(i) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the relative of an auditor cannot hold security or interest in the company of face value in excess of one lac rupees.

In case of entities other than companies, the criteria laid down for relatives in Regulation 190A of the CA Regulations may be referred.

26. Whether the Chartered Accountant will be guilty of professional misconduct, if he: (i) accepts the auditor ship of a college, if he is working as a part-time lecturer in the college. (ii) accepts the auditor ship of a trust where his partner is either an employee or a trustee of the trust.

Yes, the Chartered Accountant will be guilty of professional misconduct in both the above referred circumstances.

27. Whether a member can accept audit of a company where the relative of the member is a director in the company?

No, since a member is not eligible for appointment as an auditor of a company as per Section 141 (3) (f) of Companies Act, 2013, if his relative is a director, or is in the employment of the Company as a director, or key managerial person.

28. Can an auditor write the books of accounts of the auditee?

No, Council directions under Paragraph 2.15.1.4(xi) under Clause (4) of Part I of the Second Schedule to the Act , appearing in Volume-I of Code of Ethics prescribe that an auditor is not permitted to write the books of accounts of his auditee clients.

Further section 144 of the Companies Act, 2013 bars the auditor of a company to directly or indirectly render accounting and book keeping services to the said company, or its holding company or subsidiary company.

29. Can a member act as a Tax Auditor and Internal Auditor of an entity?

No, an internal auditor of an assessee, whether working with the organization or an independently practicing Chartered Accountant being an individual chartered accountant or a firm of chartered accountants, cannot be appointed as his tax auditor.

30. Can a member act as a Statutory Auditor and Internal Auditor of the same entity?

An Auditor appointed by an entity under the Companies Act or any other statute shall not be the Internal Auditor of the same entity.

31. Whether a Chartered Accountant is qualified to be appointed as statutory auditor of one associate company when he is the internal auditor of another fellow associate company?

Yes, the statutory auditor of one associate company can accept internal audit of the fellow associate company, because there is no holding-subsidiary relation between such companies, and therefore there is no violation of provisions of Companies Act, 2013.

32. Whether a member who is Director Simplicitor in a Company can such member audit the accounts of a Company?

In case the member who is Director Simplicitor (general permission) in a Company, the Council has prohibited such member from auditing the accounts of a Company, whether or not he holds substantial interest in the Company.

33. Whether a member in practice is permissible to undertake the assignment of certification, wherein the client is relative of the member?

It is not permissible for a member to undertake the assignment of certification, wherein the client is relative of the member. The "relative" for this purpose would refer to the definition mentioned in Appendix (9) to the Chartered Accountants Regulations, 1988 (See Appendix 'F' of Volume-I of Code of Ethics).

34. Whether a member can accept the audit of a company after one year from his tenure as Director of the said company?

No, Council directions under Paragraph 2.15.1.4((xv) under Clause (4) of Part I of the Second Schedule to the Act , appearing in Volume-I of Code of Ethics prescribe that, member shall not accept the assignment of audit of a Company for a period of two years from the date of cessation of his tenure as Director, of the said Company.

35. Whether a member can be appointed as auditor of a company if his/ her relative is holding security or interest in that Company?

Section 141(3)(d) (i) of Companies Act, 2013, read with Rule 10 of Companies (Audit and Auditors) Rules, 2014 bars a person from being auditor of a Company, if his relative holds security or interest in the Company, or its subsidiary, or holding or associate company or a subsidiary of such holding Company of face value exceeding Rupees One Lakh.

36. Whether a member can be appointed as auditor of a company if his/her relative is a director or is in the employment of that company?

Section 141 (3) (f) of Companies Act, 2013 bars a person from accepting audit of a Company where the relative of the member is director or is in the employment of the Company as a director or key managerial person.

37. Whether a statutory auditor can accept the system audit of same entity?

Yes, the statutory auditor can accept the assignment of a system audit of the same entity, provided it did not involve any scrutiny/review of financial data and information

38. Whether partner of a Firm of Chartered Accountants doing audit of an Insurance company can accept the assignment of surveyor of the said Company?

No, it is not permissible for a partner of a Firm of Chartered Accountants doing audit of an Insurance company to accept the assignment of surveyor of the said Company, as it is likely to impact independence as auditor.

39. Whether a member in practice who is the statutory auditor of a bank can accept Stock audit/Inspection Audit of the same bank?

No, it is not permissible since stock audit/inspection audit is kind of management function, which cannot be done simultaneously with the statutory audit.

40. Whether a Statutory Auditor can engage in assignment of compilation of financial statements (conducted under SRS-4410) of the same Company for the same financial year?

No, it is not permissible for Statutory auditor of an entity to engage in assignment of compilation engagement, of that entity as per SRS 4410.

41. Whether Auditor of a Provident Fund and Pension Fund Trust can provide investment advisory services to the trust?

No, the Auditor of a Provident Fund and Pension Fund Trust should not provide investment advisory services to the said trust since the Audit of trust requires the auditor to comment on how funds have been utilized/invested by the trust.

42. Whether a member in practice being a Concurrent Auditor of a Bank can undertake the assignment of Quarterly Review of the same Bank?

Concurrent Audit and the assignment of Quarterly Review of the same Bank cannot be undertaken simultaneously as the concurrent audit being a kind of internal audit and the Quarterly Review being a kind of Statutory Audit undertaken simultaneously are prohibited under the provision of Code of Ethics.

It may however be noted that the Concurrent Auditor of a Branch of a Bank may be required to submit a specific Review Report to the Management on quarterly basis, such assignment of specific review may be undertaken by the Concurrent Auditor of the Bank.

Please refer to the clarification in this regard at: https://resource.cdn.icai.org/63252esbcca-new.pdf.

Chapter 15
Fees Dependency

1. Whether the total gross annual professional fees from the Audit client be considered inclusive of statutory taxes & levies for the purpose of determining threshold percentage?

No. For determining threshold percentages, the total annual gross professional fees ("total fees") from the client will be considered exclusive of all statutory taxes & levies.

2. Whether out of pocket expenses/reimbursement from the Audit client be included in the total fees from such Audit client for the purpose of determining threshold percentage?

No. For determining threshold percentages, out of pocket expenses/reimbursement from the Audit client cannot be included.

3. Whether the total fees from the Audit client includes fees received for other services also?

Yes. All fees received from the Audit client and its related entities, including fees for the audit of the financial statements and for services other than audit, are included in the total fees from the Audit client.

4. Whether the provisions of fee-relative size will be applicable in case of internal audit?

No. The provision of this section is applicable to Audit engagement which refers to reasonable assurance engagement in which a chartered accountant in practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation.

5. Whether audit fees and other ancillary fees received from the subsidiary company of the Audit client will be included in the total fees from the client for determining threshold percentage?

Yes. The total gross annual professional fees ("total fees") includes the audit fees and fees for other services received from the subsidiary company of the Audit client for determining threshold percentage.

6. When determining the fee dependence, which period should be reckoned to determine the fees charged to the Audit client?

The Fees charged during the financial year covered by the audit of financial statements for the said year will be reckoned for the purpose of the calculating the threshold percentage.

7. How to determine total gross professional fees of the firm for the purpose of calculating percentage of dependence to the Audit client?

The total fees of the firm including the audit fees and other professional fees from all the clients of the firm as per their books of account in the financial year preceding the financial year for which the re-appointment has been made shall be calculated to determine total gross professional fees of the firm.

e.g. When re-appointment is made as statutory auditor for the financial year 2025-2026; one has to calculate percentage of total fees received from that client and it's related entities for the financial year 2023-2024 and 2024-2025. If such percentage exceeds the threshold percentage, then the provisions of fees-relative size will be applicable.

8. Is there a particular method a firm should use to determine fee received from an Audit client (e.g., fee quoted, charged, or paid)

Fees received from the Audit client as appearing in the Books of Account of the Firm for a financial year will be taken into accounts.

9. Whether the fees received from the exempted entities will be included for calculation of total fees of the firm.

Yes. The audit fees and fees from other services received (as per the books of accounts) from the audit of government Companies, public undertakings, nationalised banks, public financial institutions or where appointments of auditors are made by the Government or Regulators will be included in determining the total fees of the firm.

10. Does the provision require the disclosure to the Institute only in the third/ sixth financial year of the fee dependency in case of an audit client which is a PIE / Non-PIE respectively?

Yes, the disclosure to the Institute is required from third/sixth financial year onwards if the fees continue to exceed prescribed threshold percentage after two/five years in case of an audit client which is **a PIE/ Non-PIE respectively**. The firm shall each year, made disclosure to the Institute to this effect.

11. If threshold percentage continues to exceed for two/five years, when the disclosure shall be made to the Institute?

The firm after receipt of appointment letter for 3rd/6th (for PIE/Non-PIE respectively) year of audit engagement shall make disclosure to the Institute within nine months from commencement of the relevant financial year during which the disclosure is to be made i.e., upto 31st December of the 3rd/6th year.

12. Whether the disclosure should be made even if there could be possibility that in third/sixth year, the threshold may not be breached?

Yes. The disclosure is a self-declaration to ensure audit quality and independence for the third/sixth year (for PIE/Non-PIE respectively) and thereafter.

13. What further action is required in case fees dependence continue for another two years after reporting to the Institute?

If the fees dependence to Audit client continues for another two years after reporting to the Institute, then the Institute shall after consideration of the facts may recommend suitable measures to be adopted.

14. Whether there is bar on members on acceptance of audit if fee dependence continues for more than two years from an Audit client being a Public Interest Entity?

There is no bar in the Code of Ethics on acceptance of audit if fees dependency continues for more than two years from an Audit client being a Public Interest Entity. There is only requirement of disclosure to the Institute, where an audit client is a public interest entity and for two consecutive years, the total gross annual professional fees ("total fees") from the client and its related entities represent more than 20% of the total fees received by the firm expressing the opinion on the financial statements of the client.

Accordingly, the Audit may be continued while taking safeguards as mentioned in the provisions in Code of Ethics related to Fee dependence.

15. Under what conditions a firm must disclose to the Institute in case where the gross annual professional fees from an Audit client which is not a public interest entity exceeds the prescribed threshold percentage?

The firm is required to disclose to the Institute under following circumstances, as per the total fees dependency provisions contained in paragraph R410.15 of Volume-II of Code of Ethics:

For Audit Clients that are not Public Interest Entities:

Where an audit client is not a public interest entity and for five consecutive years, the total gross annual professional fees ("total fees") from the client and its related entities represent more than 40% of the total fees received by the firm expressing the opinion on the financial statements of the client, the firm shall disclose to the Institute the fact that for five consecutive years, the total of such fees represents more than 40% of the total fees received by the firm.

16. Under what conditions a firm must disclose to the Institute in case where the gross annual professional fees from an Audit client which is a public interest entity exceeds the prescribed threshold percentage?

The firm is required to disclose to the Institute under following circumstances, as per the fees-relative size provisions contained in Volume-II of Code of Ethics:

For Audit clients that are Public Interest Entities (Paragraph R410.18):

Where an audit client is a public interest entity and for two consecutive years, the total gross annual professional fees ("total fees") from the client and its related entities represent more than 20% of the total fees received by the firm expressing the opinion on the financial statements of the client, the firm shall disclose to the Institute the fact that for two consecutive years, the total of such fees represents more than 20% of the total fees received by the firm.

17. What are the exemptions from the rule of fee disclosure under the fees-relative size provisions contained in Volume-II of Code of Ethics?

The exemptions from the rule of fee disclosure under the fees-relative size provisions contained in Volume-II of Code of Ethics are as follows:

- No such ceiling on the total fees of the firm shall be applicable where total fees of the firm does not exceed fifty lakhs of rupees in respect of a firm including fees received by the firm for other services rendered.

  Provided further that no such ceiling on the total fees of the firm shall be applicable where total fees from any audit client and its related entities do not exceed twenty lakhs of rupees.

- No such ceiling on the total fees of a firm would be applicable in the case of audit of government Companies, public undertakings, nationalised banks, public financial institutions or where appointments of auditors are made by the Government or Regulators.

18. What are the safeguards to reduce self-interest and intimidation threats created when the total fees generated from an audit client by the firm expressing the audit opinion represent a large proportion of the total fees of that firm?

As per the provisions of Volume- II of Code of Ethics, the examples of actions that might be safeguard to address such threats:

- Having an appropriate reviewer who is not a member of the firm review the audit work.
- Reducing the extent of services other than audit provided to the audit client.
- Increasing the client base of the firm to reduce dependence on the client.

- Increasing the extent of services provided to other clients.

19. Whether any threat is created when the fees generated by a firm from an audit client represent a large proportion of the revenue of one partner of the firm?

Yes, a self-interest or intimidation threat is created when the fees generated by a firm from an audit client represent a large proportion of the revenue of one partner or one office of the firm. The applicable safeguards must be applied in such case.

20. Paragraph 410.14 A4 states that where a firm has fee dependence with respect to an audit client, one possible safeguard is to have an appropriate reviewer who is not a member of the firm review the audit work. In contrast, paragraph 410.14 A7 provides that where fee generated from an audit client represent a large proportion of the revenue of a partner or an office of the firm, a possible safeguard is to have an appropriate reviewer who was not involved in the audit engagement review the audit work. Why are different safeguards applicable in these two cases?

In the case of fee dependence for a firm (paragraph 410.14 A1), a review performed by an appropriate reviewer who is not a member of such firm could be a safeguard capable of reducing the self-interest and intimidation threats to an acceptable level. This is because any member of the firm is likely to have a self-interest in the firm's financial position.

However, in the case of fee dependence for a partner or an office of the firm, the appropriate reviewer may be a member of the firm provided that they were not involved in the same audit engagement. This is because the level of self-interest in a partner's or an office's financial position might differ from member to member.

21. To whom the disclosure is to be made in the Institute as prescribed in Paragraph R410.15 to R410.20 of Volume-II of Code of Ethics?

As per provisions of Paragraph R410.15 to R410.20, disclosure to be made to the Peer Review Board of the Institute. The Code of Ethics, 2026 is effective from 01.04.2026 and thus disclosure requirement as per the earlier provisions under paragraph 410.3 to 410.6 is to be made to the Ethical Standards Board of the Institute up to 31.03.2026.

22. Whether firm is required to disclose to the Institute as per the provisions of paragraph R410.15 if total fees of firm is Rs. 40 lakhs but the firm is receiving Rs. 25 lakhs from a single audit client which is not a public interest entity?

Yes, although total fees of the firm is below Rs.50 lakhs, the second condition required for exemption from the provision is not satisfied since fees from a single audit client exceeds Rs.20 lakhs.

As the exemption under paragraph R410.15 provides that no such ceiling on the total fees of the firm shall be applicable where total fees of the firm does not exceed fifty lakhs of rupees in respect of a firm including fees received by the firm for other services rendered. Provided further that no such ceiling on the total fees of the firm shall be applicable where total fees from any audit client and its related entities do not exceed twenty lakhs of rupees.

23. Whether the disclosure is required to be made in case there is fee dependence as per the prescribed threshold for an audit client which is a public interest entity in the first year of audit however in the second year there was no fee dependence for that client and in the third year again there was fee dependence for that client?

No, the applicability of this provision is there when for two consecutive years, the total of such fees received from an audit client which is a public interest entity represents more than 20% of the total fees received by the firm.

Accordingly in this case fees dependency did not exist for two consecutive years.

24. Whether disclosure is required where an audit client which is not a public interest entity contributes 55% of total fees of the firm fees for four years?

No, as per the provisions of paragraph R410.15 of Volume-II of Code of Ethics, disclosure is required to make only if for five consecutive years, the total gross annual professional fees (“total fees”) from the client and its related entities represent more than 40% of the total fees received by the firm expressing the opinion on the financial statements of the client .

25. Whether exemption to the requirement of disclosure applies where total fees of the firm fees is Rs. 48 lakhs and fees from an audit client which is a public interest entity is Rs.19 lakhs?

Yes, the exemption will be applicable in such case since total fees of the firm do not exceed Rs. 50 lakhs and further fees from a single audit client do not exceed Rs. 20 lakhs.

26. Whether the dependence on an audit client can be reduced by increasing the client base of the firm?

Yes, the paragraph 410.14 A4 provides that increasing the client base of the firm to reduce dependence on the client might be safeguards to address self-interest threat and an intimidation threat created when the total fees generated from an audit client by the firm expressing the audit opinion represent a large proportion of the total fees of that firm.

27. Whether ensuring that a partner's compensation is not significantly influenced by fees from an audit client, reducing the extent of non-audit services provided to that client, and increasing the client base of the partner constitute adequate safeguards to address threats created when the fees generated by a firm from an audit client represent a large proportion of the revenue of one partner or one office of the firm?

Yes, as per the provisions of paragraph 410.14 A7 of Volume-II of Code of Ethics, below are the Examples of actions that might be safeguards to address such self-interest or intimidation threats include:

- Having an appropriate reviewer who was not involved in the audit engagement review the audit work.
- Ensuring that the compensation of the partner is not significantly influenced by the fees generated from the client.
- Reducing the extent of services other than audit provided by the partner or office to the audit client.
- Increasing the client base of the partner or the office to reduce dependence on the client.

- Increasing the extent of services provided by the partner or the office to other clients.

28. A firm reduces fee -dependence from the threshold limit from an audit client which is not a public interest entity by increasing the extent of services provided to other clients in the sixth year. Does it still need to disclose to the Institute?

Yes, as pe the provisions of paragraph R410.15 of Volume-II of Code of Ethics, disclosure is required to make to the Institute where an audit client is not a public interest entity and for five consecutive years, the total gross annual professional fees ("total fees") from the client and its related entities represent more than 40% of the total fees received by the firm.

However, disclosure will not be required in next year if fee dependency is not continued.

29. A firm is auditor of a public interest entity which has several subsidiaries. Fees from the parent company i.e. the audit client alone are below the threshold, but combined fees exceed the prescribed threshold. Does it still need to disclose to the Institute?

Yes, paragraph **R410.18** of Volume-II of Code of Ethics requires disclose to the Institute where an audit client is a public interest entity and for two consecutive years, the total gross annual professional fees ("total fees") from the client and its related entities represent more than 20% of the total fees received by the firm expressing the opinion on the financial statements of the client.

30. When the fee-dependence threshold is created only in the fifth year, while the first four years were below the limit. Does paragraph R410.15 apply?

No, as per the provisions of paragraph R410.15 of Volume-II of Code of Ethics, disclosure is required to make to the Institute where an audit client is not a public interest entity and for five consecutive years, the total gross annual professional fees ("total fees") from the client and its related entities represent more than 40% of the total fees received by the firm.

Chapter 16

Chartered Accountants and NOCLAR

1. What is Responding to Non-Compliance with Laws & Regulation (NOCLAR) and what is its objective?

In the course of providing a professional service or activity, a chartered accountant may come across an instance of NOCLAR or suspected NOCLAR committed or about to be committed by the client or employing organisation.

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

When responding to non-compliance or suspected noncompliance, the objectives of the chartered accountant are:

(a) To comply with the principles of integrity and professional behavior.

(b) By alerting management or, where appropriate, those charged with governance of the client or employing organisation, to seek to:

   (i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected noncompliance; or

   (ii) Deter the commission of the non-compliance where it has not yet occurred; and

(c) To take such further action as appropriate in the public interest.

2. What are the examples of laws and regulations in NOCLAR?

The examples mentioned under NOCLAR includes those laws and regulations which deal with:

- Fraud, corruption and bribery.
- Money laundering, terrorist financing and proceeds of crime.

- Securities markets and trading.
- Banking and other financial products and services
- Data protection.
- Tax and pension liabilities and payments.
- Environmental protection.
- Public health and safety.

Chartered Accountants in Service (Section-260)

3. What is the meaning of "Listed entities" for the purpose of Section 260?

"Listed Entities" refers to an entity whose shares, stock or debt are quoted or listed on a recognized stock exchange or are marketed under the regulations of a recognized stock exchange or other equivalent body.

4. Does Section 260 of Volume II of Code of Ethics, 2026 apply to all employees in Chartered Accountants Firms?

No. The provision of this section is applicable to Chartered Accountants being a Key Managerial Personnel in service of Listed entities only.

5. Paragraph 260.3 of Volume-II of Code of Ethics, 2026 indicates that a Chartered Accountant might encounter or be made aware of NOCLAR or suspected NOCLAR in the course of carrying out professional activities. What is the significance of distinguishing between encountering NOCLAR or suspected NOCLAR and being made aware of it?

The Code recognizes that a Chartered Accountant might encounter (i.e., come upon unexpectedly) NOCLAR or suspected NOCLAR while carrying out the Chartered Accountant's duties with the employing organization. It also recognizes that another party might bring the matter to the Chartered Accountant's attention, for example, another employee of the organization or an external contractor used by the organization. Section 260 covers both circumstances.

6. A Chartered Accountant being a Key Managerial Personnel in service becomes aware of a breach of a law by an entity with

which he has no employment relationship, whether contractual or otherwise. Does he has any responsibility to respond to the matter under Section 260 of the Code?

No. As the Chartered Accountant being a Key Managerial Personnel in service has no employment relationship with the entity and is otherwise not working under the direction of the entity, Section 260 does not apply.

7. **Does Chartered Accountant require to respond to acts of NOCLAR committed by contractors or agents working for the employing organization, or by non-executive directors of the employing organization?**

   Yes. Paragraph 260.5A1 of Volume-II of Code of Ethics, 2026 defines NOCLAR to include acts committed by individuals working for or under the direction of the employing organization which are contrary to prevailing laws or regulations. Contractors, agents and non-executive directors are examples of parties who work for or under the direction of an employing organization. In the context of responding to NOCLAR under the Code, it is not necessary that there be a formal employment relationship between the party that has committed the act of NOCLAR and the organization, as might be established through an employment contract.

8. **Do Chartered Accountants require to detect acts of NOCLAR within the employing organization?**

   No. The Code does not impose any additional responsibility on Chartered accountants in this regard beyond the responsibility they already have, if they are in a management role, to ensure that the employing organization's business activities are conducted in accordance with laws and regulations. This management responsibility includes identifying and addressing any instances of NOCLAR.

9. **Whether the chartered accountants to be able to identify non-compliance with laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements?**

   The chartered accountants are expected to have level of understanding of laws and regulations greater than that which is required for the role within the employing organization. Chartered accountants who work in a particular field within the employing organization (for example, corporate taxation or finance) need an understanding of laws and regulations relevant to that field sufficient knowledge to competently carry out their employment duties. In those circumstances, chartered accountants are expected to be able to recognize NOCLAR or suspected NOCLAR related to the nature of their particular work if information concerning the matter comes to their attention.

The chartered accountant is not expected to recognize NOCLAR or suspected NOCLAR in areas beyond those in which the chartered accountant is trained or for which the duties for the employing organization require the application of specialized skills. However, acts of NOCLAR may be concealed. The Code does not require chartered accountants to search for NOCLAR.

10. If a chartered accountant being a Key managerial personnel in service becomes aware of NOCLAR or suspected NOCLAR committed by the employing organization in circumstances other than through carrying out the employment duties (for example, by coming across the matter on the internet or hearing about it from someone at a social event), is he is required to take action, such as obtaining an understanding of the matter or discussing it with management or those charged with governance (TCWG)?

Paragraph 260.12 of Volume-II of Code of Ethics, 2026 requires the chartered accountant being a Key managerial personnel in service to obtain an understanding of the matter (assuming it is not clearly inconsequential) regardless of the source of the information or how the chartered Accountant became aware of it. This understanding includes an understanding of the nature of the matter and its potential consequences. If based on this understanding, he suspects an instance of NOCLAR, Section 260 requires the chartered accountant to discuss the matter with the immediate superior, if any, in order to determine how to address it. If the immediate superior may be implicated, paragraph 260.13 of Volume-II of Code of Ethics, 2026 requires to discuss the matter with a more senior person who is not implicated. This discussion is subject to any internal protocols and procedures regarding how information concerning identified or suspected NOCLAR is to be raised internally. Section 260 also requires to bring the matter to the attention of TCWG (Those charged with Governance) in order to agree an appropriate response and to enable them to fulfill their own responsibilities.

11. If a chartered accountant being a Key managerial personnel in service and TCWG are unwilling to address the identified or suspected NOCLAR, does this mean that the chartered accountant has no further responsibilities with respect to the matter under the Code?

No. Part of the response framework under Section 260 involves the chartered accountant being a key managerial personnel in service assessing the appropriateness of the response of the chartered accountants' superiors, if any, and TCWG to the matter. If the superiors and TCWG do not address the matter, this would be grounds for the chartered accountant to conclude that their response is not appropriate. In those circumstances, Paragraph R260.17 of Volume-II of Code of Ethics, 2026 requires the chartered accountant to determine if further action is needed in the public interest. Paragraph 260.17A1 sets out various factors for the chartered accountant to consider in making this determination, including the nature and extent of any such further action.

12. Chartered accountant who is not a chartered accountant being a key managerial personnel in service becomes aware of information suggesting that an act of NOCLAR might have been committed by the employing organization. What is the chartered accountant required to do under the Code in these circumstances?

The provisions of responsibilities of chartered accountant other than chartered accountant being Key managerial personnel in service have not been made applicable as of now. However, if the chartered accountant identifies or suspects that the NOCLAR has occurred, he may consider to raise the matter through the organization's internal protocols and procedures addressing NOCLAR or escalate it to the immediate superior.

Chartered Accountants in Practice (Section-360)

13. Are the chartered accountants in practice required to comply with the provisions of NOCLAR with regard to all professional assignments?

The provisions of NOCLAR from the standpoint of chartered accountants in practice are applicable to Audit engagements of listed entities and their material subsidiaries. Thus, a chartered accountant in practice has to comply with the provisions of NOCLAR with respect to such Audit assignments.

14. Are the provisions of NOCLAR applicable in case of tax audit under Income Tax Act, 1961 or any other law?

No, the provisions of NOCLAR are applicable to Statutory Audit under the Companies Act, 2013 only.

15. Does the term "During the course of audit engagement" refers to the period of the audit engagement or period covered by the audit of financial statement?

"During the course of audit engagement" refers to the both engagement period and the period covered by the audit of financial statements when a chartered accountant encounters or be made aware of non-compliance or suspected non-compliance.

16. Does the Code require chartered accountants to detect acts of NOCLAR or investigate at their clients?

No, the Code does not require chartered accountants to perform procedure to identify acts of NOCLAR at their clients when providing professional services to the clients. It requires a response from chartered accountants in accordance with provision of NOCLAR provisions when they become aware of NOCLAR or suspected NOCLAR at their clients.

17. Which laws and regulations, a Chartered Accountant needs to consider determining and assess the implication of the matter?

As per Section 360 of Volume-II of Code of Ethics, 2026, Chartered Accountant in assessing the implication of the matter when responding to non-compliance or suspected non-compliance with: -

(i) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the client's financial statements; and

(ii) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the client's financial statements, but compliance with which might be fundamental to the operating aspects of the client's business, to its ability to continue its business, or to avoid material penalties.

Therefore, a Chartered Accountant when encountering or becoming aware of NOCLAR is required to assess the laws and regulations that generally have financial impact as well as laws and regulations that are related to operations of the Audit client.

18. If there is a change of auditor but the predecessor auditor is aware of an act or suspected act of NOCLAR that has not yet been addressed, does the predecessor auditor have to communicate information concerning the NOCLAR to a proposed auditor?

Yes, predecessor auditor on request by the proposed accountant pursuant to paragraph R320.8 Volume-II of Code of Ethics, 2026, shall provide all relevant facts and other information concerning the identified or suspected noncompliance to the proposed accountant. Further, the requirements set out in Paragraph R360.22 with respect to communication with proposed accountant shall also apply.

19. Is the group engagement partner required to take action to address any identified or suspected NOCLAR communicated by those performing work at components for purposes of the audit of the consolidated financial statements, including in circumstances where the components are based in another jurisdiction?

Section 360 of Volume-II of Code of Ethics, 2026 requires a response from the group engagement partner. This response includes, at a minimum, obtaining an understanding of the matter.

However, if the matter is clearly confined to, and is being addressed at, a particular component or components and it has no other implications for the group and its stakeholders, the group engagement partner need not take any further action.

If the component is based in another jurisdiction, then group engagement partner need not take any steps. The provision is applicable to the component listed in India.

20. During the audit of an entity's financial statements, an auditor becomes aware of suspected NOCLAR committed by the entity. Management, however, disagrees with the auditor regarding the evidence concerning the matter. Does this mean that the auditor need not pursue the matter further under the Code?

No, the fact that management disagrees with the auditor regarding the evidence concerning the matter is not sufficient ground for the auditor to automatically stop pursuing the matter. The auditor needs to be satisfied that management's explanations adequately dispel the auditor's suspicion. If they do not, the auditor may consider other courses of action, which will depend on the complexity of the matter and extent of judgment involved. These courses of action include, for example, consulting with others within the firm, obtaining advice from the auditor's legal counsel, consulting on a confidential basis with the Institute.

21. An auditor becomes aware of an instance of NOCLAR shortly before the signing the auditor's report on the entity's financial statements. How does the timing of finalization of the auditor's report affect the auditor's responsibilities under Section 360?

The auditor's responsibilities under Section 360 of Volume-II of Code of Ethics, 2026 are separate and distinct from the auditor's responsibilities under applicable auditing standards as these relate to the performance of an audit. The timing of finalization of the auditor's report therefore does not affect the auditor's responsibilities under Section 360. The auditor must still respond to the NOCLAR in accordance with the provisions of Section 360. This includes complying with applicable auditing standards, which may stipulate specific audit procedures with respect to finalization of the auditor's report in these circumstances. Applicable auditing standards may, in particular, require the auditor to consider any implications for the financial statements or the auditor's report.

22. If management and TCWG (those charged with governance) are unwilling to address the identified NOCLAR or suspected

NOCLAR, does this mean that the Chartered Accountant has no further responsibilities with respect to the matter?

No. Part of the response framework under Section 360 involves assessing the appropriateness of the response of management and, where applicable, TCWG to the matter. If management and TCWG do not address the matter, this would be grounds for the auditor to conclude that their response is not appropriate. In these circumstances, paragraph R360.20 of Volume-II of Code of Ethics, 2026 requires the auditor to determine if further action is needed in the public interest. Paragraph 360.20 sets out various factors for the auditor to consider in making this determination, including the nature and extent of any such further action.

23. Does the Code impose any responsibilities on the auditor to rectify, remediate or mitigate the adverse consequences of identified or suspected NOCLAR or to deter the commission of NOCLAR?

No. Rectifying, remediating, or mitigating the adverse consequences of identified or suspected NOCLAR or deterring the commission of NOCLAR are the sole responsibility of management, with oversight from TCWG (those charged with governance). Paragraph R360.13 of Volume-II of Code of Ethics, 2026 only requires the auditor to advise them to take appropriate and timely actions in that regard if they have not already done so.

24. When a Chartered Accountant has determined that further action is needed in the particular circumstances, to whom NOCLAR must be reported?

If Chartered Accountant believes that management is involved in NOCLAR or suspected NOCLAR, Chartered Accountant shall discuss the matter with TCWG (as per Section R360.12). In case TCWG is involved, the reporting authority is the relevant regular regulating the subject matter of NOCLAR provided such disclosure is required by law.

25. What are responsibilities of Chartered Accountant in practice in audit of financial statements?

When a Chartered Accountant in practice becomes aware of an non-compliance or suspected non-compliance, the following steps are to be taken:

- When chartered accountants might encounter or to be made aware of non-compliance or suspected non-compliance during the course of Audit Engagements (see it, but do not seek it)
- He shall Obtain an understanding of the matter of legal or regulatory provisions governing such non-compliance or suspected non-compliance (nature of the act and the circumstance) and discuss with management, may seek legal counsel.
- Addressing the matter- he shall advise the management to TCWG to take timely action (rectify, remediate, mitigate, deter, disclose)
- Communication with respect to groups (for financial statement audit)- Where a chartered accountant becomes aware of non-compliance or suspected non- compliance in relation to a component of a group, he shall communicate the matter to the group engagement partner unless prohibited from doing so by law or regulation.
- Determine whether further action is needed- He shall assess the appropriateness of the response of management and, where applicable, those charged with governance (timely response, appropriate steps taken by entity etc consider withdrawing from engagement)
- Determine whether to disclose the matter to appropriate authority if there is legal requirement for the same.
- Documentation – the matter, result of discussion with management or those charged with governance action taken.

26. What is the purpose of the documentation requirements on Section 360?

Documentation provides a number of general benefits, including facilitating review of engagement team members' work, enhancing the quality of the professional judgement made through documentation of the thought process, and retaining a record of matters of continuing significance to future engagements. Importantly, the requirement to document the matters helps the Chartered Accountant to demonstrate compliance with Section 360, including retaining a record of the professional judgement made and action taken given the information available to the Chartered Accountant at the time. Since the non-compliance with the provisions have repercussion under the Chartered Accountants act, 1949, the proper documentation with the provisions provides the necessary evidence of compliance.

27. Is there an expectation for an auditor to disclose any identified or suspected NOCLAR to an appropriate authority if management and TCWG have not appropriately addressed the matter?

The provisions that address disclosure to an appropriate authority (paragraph 360.25 A1 – R360.26 of Volume-II of Code of Ethics, 2026) apply to instances of NOCLAR or suspected NOCLAR where there is credible evidence of actual or potential substantial harm to the entity or its stakeholders, including the general public (paragraph 360.20 A1). In other words, such disclosure only becomes a consideration in cases that the auditor determines, based on the particular facts and circumstances at the time and applying appropriate professional judgement, are "serious". Disclosure of the matter to an appropriate authority should be taken recourse if there is legal requirement for the same.

28. Does the Code require Chartered Accountant to respond to acts of NOCLAR committed by contractors or agents working for the clients, or by non-executive directors of the clients?

Yes, paragraph 360.5 A1 of Volume-II of Code of Ethics, 2026 defines NOCLAR to include acts committed by individuals working for or under the direction of a client which are contrary to prevailing laws or regulations. Contractors, agents and non-executive directors are example of the parties who work for or under the directions of a client. In the context of responding to NOCLAR under the Code, it is not necessary that there be a formal employment relationship between the party that has committed the act of NOCLAR and the client, as might be established through an employment contract.

29. Paragraph 360.3 of Volume-II of Code of Ethics, 2026 indicates that a chartered accountant might encounter or be made aware of NOCLAR or suspected NOCLAR in the course of providing a professional service to a client. What is the significance of distinguishing between encountering NOCLAR or suspected NOCLAR and being made aware of it?

Chartered Accountant might encounter (i.e., come upon unexpectedly) NOCLAR or suspected NOCLAR while performing an audit engagement or providing a professional service. It also recognizes that another party might bring the matter to the chartered accountant's attention, for example, another chartered accountant or an employee of the client. Section 360 of Volume-II of Code of Ethics, 2026 covers both circumstances.

30. Is a Chartered Accountant expected under the Code to have specialized legal knowledge and skills unrelated to the engagement?

No. Chartered Accountant is only expected under the Code to have a level of knowledge of laws and regulations necessary for the professional service for which he was engaged.

31. What is meaning of "listed entities" for the purpose of section 360?

"Listed Entities" refers to an entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

For the purpose of Section 360, the term "Listed Entity" shall also include its Material Subsidiary(ies).

32. What does "Material Subsidiary" mean for the purpose of Section 360?

"Material Subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

33. What is the meaning of "Audit engagement" for the purpose of Section 360?

In Section 360, "Audit" or "Audit engagement" shall mean a reasonable assurance engagement in which a chartered accountant in practice expresses an opinion whether financial statements give a true and fair view in accordance with an applicable financial reporting framework.

34. During the audit of an entity's financial statements, an auditor becomes aware of suspected NOCLAR committed by the entity. Management, however, disagrees with the auditor regarding the evidence concerning the matter. Does this mean that the auditor need not pursue the matter further under the Code?

No, the fact that management disagrees with the auditor regarding the evidence concerning the matter is not sufficient ground for the auditor to automatically stop pursuing the matter. The auditor needs to be satisfied that management's explanations adequately dispel the auditor's suspicion. If they do not, the auditor may consider other courses of action, which will depend on the complexity of the matter and extent of judgment involved. These courses of action include, for example, consulting with others within the firm, obtaining advice from the auditor's legal counsel, consulting on a confidential basis with the Institute.

35. Under what exceptional circumstances is a Chartered Accountant permitted to disclose information to an appropriate authority despite the duty of confidentiality?

As per paragraph R260.22 of Volume-II of Code of Ethics, 2026, In exceptional circumstances, where a Chartered Accountant becomes aware of actual or intended non-compliance with laws or regulations that is imminent and likely to cause substantial harm to investors, creditors, employees, or the general public, the accountant, after considering whether to discuss the matter with management or those charged with governance, shall exercise professional judgement to determine whether immediate disclosure to an appropriate authority is necessary to prevent or mitigate such harm.

Chapter 17

Non-Assurance Services and The Auditor

1. Which activities are considered as Management Responsibility?

As per requirement under paragraph R400.20 of Volume-II of Code of Ethics, a firm or a network firm shall not assume a management responsibility for an audit client. As per paragraph R400.20 A3 of Volume-II of Code of Ethics, the activities that would be considered a management responsibility include:

- Setting policies and strategic direction.
- Hiring or dismissing employees.

Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.

- Authorizing transactions.
- Controlling or managing bank accounts or investments.

Deciding which recommendations of the firm or network firm or other third parties to implement.

- Reporting to those charged with governance on behalf of management.
- Taking responsibility for:
- The preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- Designing, implementing, monitoring or maintaining internal control.

2. What are an Administrative Services? What are the examples of Administrative Services?

As per paragraph 602.2 A1 of Volume-II of Code of Ethics, Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations.

Examples of administrative services include:

- Word processing or document formatting.
- Preparing administrative or statutory forms for client approval.
- Submitting such forms as instructed by the client.
- Monitoring statutory filing dates and advising an audit client of those dates.

3. Whether auditor can provide administrative service to an audit client?

Providing administrative services to an audit client does not usually create a threat when such services are clerical in nature and require little to no professional judgment. Members are expected to take note of sub section 602 of Volume-II of Code of Ethics regarding providing ‘Administrative Services’ to Audit clients.

4. What kind of services are covered under the “Tax Services”?

As per paragraph 604.2 A1 of Volume-II of Code of Ethics, Tax services comprise a broad range of services, such as:

- Tax return preparation.
- Tax calculations for the purpose of preparing the accounting entries.
- Tax advisory services
- Tax planning services.
- Tax services involving valuations.
- Assistance in the resolution of tax disputes.

5. Whether it is permissible for an erstwhile statutory auditor of a listed Company to provide Management Services to the Company during his cooling off period.

It is permissible to provide non-assurance services during the cooling off period (for e.g. during the five-year cooling off period as prescribed under section 139 of the Companies Act, after rotation as auditors). This is with exception to those cases where there is prohibition to undertake non-assurance services during particular period of time from the completion of the audit assignment under any law or regulation. For instance, one should not undertake non-assurance services (including management consultancy services) for one year in case of C&AG from the completion of the audit assignment.

6. Whether a firm or a network firm is permitted to provide the litigation support services to an audit client that is a Public Interest entity?

As per Paragraph R607.6 of the Volume-II of Code of Ethics, a firm or network firm shall not provide litigation support services to an audit client that is a Public Interest Entity if the provision of such services might create a self-review threat (Paragraph R600.15 and R600.17).

7. Apart from Section 600, what other provisions of the Code of Ethics apply when a firm provides Non-Assurance Services (NAS) to an audit client?

In addition to Section 600 (Revised), firms and network firms are required to comply with Part 1, Part 3, and Part 4A of the Code of Ethics. Accordingly, firms shall comply with the fundamental principles and the conceptual framework and shall not provide Non-Assurance Services that involve assuming management responsibilities or that create threats to independence which are not at an acceptable level and cannot be eliminated or reduced to an acceptable level by the application of safeguards, where available. The specific requirements and prohibitions relating to Non-Assurance Services are contained in Section 600 and Sections 601 to 610.

8. The conceptual framework in Section 120 of the Code of Ethics specifies the approach for identifying, evaluating and addressing threats to (i) compliance with the fundamental principles and (ii) in the case of audit, review and other assurance and related services engagements, compliance with the independence requirements. Do firms and network firms still need to apply the conceptual framework when providing Non-Assurance Services (NAS) to a Public Interest Entity (PIE) audit client?

Yes, even where a Non-Assurance Service (NAS) is not expressly prohibited, a firm or network firm is required to apply the conceptual framework under paragraph 950.11 A1, irrespective of whether the audit client is a PIE or non-PIE.

This is because the provision of NAS may create threats to the fundamental principles and to independence that must be identified, evaluated and addressed. The conceptual framework, involving the exercise of professional judgment, an inquiring mind, and the reasonable and informed third party test, assists in determining whether such threats are at an acceptable level. Further, consistent with paragraph R120.10, the revised NAS provisions emphasize that safeguards may not always be available to reduce threats to independence to an acceptable level.

9. What are the examples of IT systems services that will be considered as Management responsibility?

As per Paragraph 606.3 A1 of Volume-II of Code of Ethics, the examples of IT systems services that result in the assumption of a management responsibility include where a firm or a network firm:

- Stores data or manages (directly or indirectly) the hosting of data on behalf of the audit client. Such services include:
- Acting as the only access to a financial or non-financial information system of the audit client.
- Taking custody of or storing the audit client's data or records such that the audit client's data or records are otherwise incomplete.
- Providing electronic security or back-up services, such as business continuity or a disaster recovery function, for the audit client's data or records.
- Operates, maintains, or monitors the audit client's IT systems, network or website.

Further, as per paragraph 606.3 A2, the collection, receipt, transmission and retention of data provided by an audit client in the course of an audit or to enable the provision of a permissible service to that client does not result in an assumption of management responsibility.

10. What are the threats that might be created when a Chartered Accountant provides a Information technology systems services to an Audit client?

As per Paragraph 606.4 A1 of the Volume-II of Code of Ethics, providing IT services to an audit client might create a self review threat when there is a risk that the results of the services will affect the audit of the financial statements on which the firm will express an opinion.

Further, as per Paragraph 606.4 A3, examples of IT systems services that create a self review threat when they form part of or affect an audit client's accounting records or system of internal control over financial reporting include: -

- Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems, including those related to cybersecurity.
- Supporting an audit client's IT systems, including network and software applications.
- Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm.

11. What actions might be a safeguard to address an advocacy threat created by providing a litigation support services to an audit client?

As per paragraph 607.6 A2 of Volume-II of Code of Ethics, an example of an action that might be a safeguard to address an advocacy threat created by providing a litigation support service to an audit client that is a public interest entity is using a professional who was not an audit team member to perform the service.

12. Can a firm or a network firm act in a advocacy role for an audit client?

As per paragraph R608.10 of Volume-II of Code of Ethics, a firm or a network firm shall not act in an advocacy role for an audit client in resolving a dispute or litigation when the amounts involved are material to the financial statements on which the firm will express an opinion.

Chapter 18

Technology and Code of Ethics

1. **What technology related revisions have been introduced in the Code of Ethics, 2026 Volume II?**

   The Code of Ethics, 2026 Volume II incorporates several technology-related revisions which will guide the ethical mindset and conduct of chartered accountants both in practice and in services as they take advantage of the opportunities created by technology and adapt to new technology. The revision strengthen the Independence Standards by providing clearer guidance on circumstances in which firms and network firms may or may not provide technology related non-assurance services NAS to audit clients.

2. **How does the principle of objectivity apply when a Chartered Accountant uses technology?**

   A chartered accountant shall comply with the principle of objectivity, which requires an accountant to exercise professional or business judgment without being compromised by Undue influence of, or undue reliance on, individuals, organizations, technology or other factors.

3. **What is automation bias and why is it relevant to Chartered Accountants under the Code of Ethics? (Paragraph reference-120.12 A2)**

   Automation bias is a type of bias introduced in the Code of Ethics, 2026, Volume-II. It refers to the tendency to favor outputs generated by automated systems, even when human reasoning or contradictory information raises questions about whether such outputs are reliable or fit for purpose.

   This is significant because bias—whether conscious or unconscious—can affect professional judgment when identifying, evaluating, and addressing threats to compliance with the fundamental principles.

4. **What does the Code mean by "using the output of technology" for chartered accountant in service? (Paragraph reference- R220.8)**

A Chartered Accountant in service who intends to use the output of technology, whether that technology was developed internally or provided by third parties, shall exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfill the responsibilities for preparing or presenting information.

5. What factors to be considered before relying on technology outputs by chartered accountants in service? (Paragraph reference- 220.8 A1)

Factors to consider when a chartered accountant intends to use the output of technology include:

- The nature of the activity.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the accountant has the ability, or has access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.
- Oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use.
- The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology.

6. What should a Chartered Accountant in service consider before using the work of others or technology outputs? (Paragraph reference- 220.12 A4)

When a chartered accountant is considering using the work of others or the output of technology, a consideration is whether the accountant is in a position within the employing organization to obtain information in relation to the factors necessary to determine whether such use is appropriate.

7. Why is continuing professional development important for maintaining professional competence in technology-related areas?

Maintaining professional competence requires a chartered accountant to have a continuing awareness and understanding of technical, professional, business and technology-related developments relevant to the professional activities undertaken by the accountant. Continuing professional development enables an accountant to develop and maintain the capabilities to perform competently within the professional environment.

8. Do confidentiality obligations apply to digital data?

Yes. Maintaining the confidentiality of information acquired in the course of professional and business relationships involves the chartered accountant taking appropriate action to protect the confidentiality of such information in the course of its collection, use, transfer, storage or retention, dissemination and lawful destruction.

9. In what circumstances can a firm or employing organization seek authorization to use or disclose confidential information? (Paragraph reference- 114.3 A3)

A firm or employing organization may seek authorization to use or disclose confidential information in situations such as:

- When the information is to be used for training purposes.
- For development of products or technology.
- In research activities.
- As source material for industry benchmarking data or studies.

Such authorization may be general (e.g., for internal training or quality enhancement initiatives) or specific to a particular activity.

10. What considerations should be communicated when obtaining authorization to use or disclose confidential information? (Paragraph reference- 114.3 A3)

When seeking authorization from the individual or entity that provided the information, the following points should preferably be communicated in writing:

- Nature of the information to be used or disclosed.
- Purpose for which the information will be used (e.g., technology development, research, benchmarking).
- Identity of the individual or entity undertaking the activity.
- Whether the identity of the source or related parties will be identifiable in the output of the activity.

11. What are examples of self-interest threats relating to the use of technology that might create risks for a chartered accountant when undertaking a professional activity? (Paragraph reference-300.6A2)

The examples of facts and circumstances that may create self-interest threats when undertaking a professional activity include:

- The data available might not be sufficient for the effective use of the technology.
- The technology might not be appropriate for the purpose for which it is to be used.
- The accountant might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.

12. What is an example of a fact or circumstance that may create a self-review threat when using technology? (Paragraph reference-300.6A2)

A self-review threat might create when technology used by an audit client was designed or developed using the knowledge, expertise, or judgment of the accountant or the firm.

13. How can the work environment and operating environment of a firm impact a chartered accountant's evaluation of threats associated with the use of technology (Paragraph reference-300.7 A6)

The chartered accountant's evaluation of the level of a threat associated with the use of technology might also be impacted by the work environment within the accountant's firm and its operating environment. For example:

- Level of corporate oversight and internal controls over the technology.
- Assessments of the quality and functionality of technology that are undertaken by a third-party.
- Training that is provided regularly to all relevant employees so they obtain and maintain the professional competence to sufficiently understand, use and explain the technology and its appropriateness for the purpose intended.
- What should a chartered accountant in practice consider when using the output of technology in a professional activity?
- When a chartered accountant in practice intends to use the output of technology in the course of undertaking a professional activity, the accountant shall determine whether the use is appropriate for the intended purpose.

14. What factors to consider when a chartered accountant in practice or firm intends to use the output of technology?

Factors to consider when a chartered accountant intends to use the output of technology include:

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the accountant has the ability, or access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.

- The firm's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures for authorizing user access to the technology and overseeing such use.

The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology

15. What should a chartered accountant consider when using the work of experts or the output of technology?

When a chartered accountant is considering using the work of experts or the output of technology, a consideration is whether the accountant is in a position within the firm to obtain information in relation to the factors necessary to determine whether such use is appropriate.

16. How should a firm approach provide non-assurance services to an audit client when there are no specific requirements in the Code of Ethics?

New business practices, evolving financial markets, and technological advancements make it impractical to create an exhaustive list of non-assurance services that firms or network firms might offer to audit clients. In such cases the conceptual framework and provisions in Section 600 apply when a firm proposes to provide a non-assurance service for which there are no specific requirements or application material. If the service involves the use of technology, the requirements and application material in Section 600 be followed.

17. Does purchasing licensing technology from an assurance client create a threat to independence?

Generally, the purchase of goods or services, including licensing of technology, by a firm, an assurance team member, or any of that individual's immediate family does not create a threat to independence if the transaction is in the normal course of business, and It is conducted at arm's length. However, if such transactions are of a significant nature or magnitude, they may create a self-interest threat.

In such cases, the firm should evaluate the threat and apply appropriate safeguards to maintain independence.

18. What should a sustainability assurance provider consider when using technology outputs during an engagement?

When a sustainability assurance provider intends to use the output of technology in the course of performing a professional activity for a sustainability assurance client, the practitioner must determine whether the use of that technology output is appropriate for the intended purpose.

19. What are the services included in the information technology system services? (Subsection 606)

IT systems services comprise a broad range of services including:

- Designing or developing hardware or software IT systems.
- Implementing IT systems, including installation, configuration, interfacing, or customization.
- Operating, maintaining, monitoring, updating or upgrading IT systems.
- Collecting or storing data or managing (directly or indirectly) the hosting of data.

20. Are all IT systems services relevant to the audit of financial statements? (Subsection 606)

The IT systems might:

(a) Aggregate source data;

(b) Form part of the internal control over financial reporting; or

(c) Generate information that affects the accounting records or financial statements, including related disclosures.

However, the IT systems might also involve matters that are unrelated to the audit client's accounting records or the internal control over financial reporting or financial statements.

21. What responsibilities must an audit client acknowledge when a firm provides IT systems services? (Subsection 606)

Under Paragraph R400.20, a firm or network firm is prohibited from assuming any management responsibility. Therefore, when providing IT systems services to an audit client, the firm must ensure that the client:

- Acknowledges responsibility for establishing and monitoring a system of internal controls.
- Through a competent individual (preferably senior management), makes all management decisions related to the design, development, implementation, operation, maintenance, monitoring, updating, or upgrading of the IT systems.
- Evaluates the adequacy and results of the IT system's design, development, implementation, and ongoing operations.
- Takes responsibility for operating the IT system and for the data it generates and uses.

22. What are examples of IT systems services that result in assuming a management responsibility? (Subsection 606)

Examples of IT systems services that would cause a firm or network firm to assume a management responsibility (and therefore are prohibited) include:

- Storing data or managing the hosting of data on behalf of the audit client, such as:
- Acting as the only access point to a financial or non-financial information system of the audit client.
- Taking custody of or storing the audit client's data or records so that the client's records are otherwise incomplete.
- Providing electronic security or backup services, including business continuity or disaster recovery functions for the client's data or records.
- Operating, maintaining, or monitoring the audit client's IT systems, network, or website.

23. Can a firm or network firm provide IT systems services to an audit client that is a Public Interest Entity (PIE)? (Subsection 606)

No. Under R606.6 of the Code of Ethics, a firm or a network firm shall not provide IT systems services to an audit client that is a Public Interest Entity (PIE) if the provision of such services might create a self-review threat.

24. Can a statutory auditor provide services of design or implement financial information systems for their audit client? (Subsection 606)

No. Section 144 of the Companies Act, 2013 prohibits a statutory auditor from providing services related to the design or implementation of any financial information system for their audit client, including its holding or subsidiary companies.

25. Does handling client data during an audit or for a permissible service create a management responsibility?

No. The collection, receipt, transmission, and retention of data provided by an audit client in the course of an audit or to enable the provision of a permissible service does not result in the assumption of a management responsibility.

26. What factors are relevant in identifying and assessing the level of such a threat?

Factors that are relevant in identifying a self-review threat created by providing an IT systems service to an audit client, and evaluating the level of such a threat include:

- The nature of the service.
- The nature of the client's IT systems and the extent to which the IT systems service impacts or interacts with the client's accounting records, internal controls over financial reporting or financial statements.
- The degree of reliance that will be placed on the particular IT systems as part of the audit.

When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R606.6 applies.

27. What are the examples of IT systems services create a self-review threat for an audit client as per Code of Ethics, Volume II? (Subsection 606)

IT systems services that form part of or affect an audit client's accounting records or internal control over financial reporting can create a self-review threat. Examples include:

- Designing, developing, implementing, operating, maintaining, monitoring, updating, or upgrading IT systems, including those related to cybersecurity.
- Supporting an audit client's IT systems, such as network and software applications.
- Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm.

Chapter 19

Ethics Standards for Sustainability Assurance

1. What ethical standards apply to chartered accountants providing sustainability assurance engagements?

In terms of the provisions of Section 2(2)(iv) of the Chartered Accountants Act, 1949, the Chartered accountants in practice are permitted to provide services of "*Assessment and evaluation of Social Impact, CSR Impact, Business Responsibility and Sustainability Reporting, and the like*".

While performing sustainability-related services, members acting as sustainability assurance providers shall comply with the provisions of Code of Ethics and the ethics standards for sustainability assurance. The Code of Ethics, 2026 Volume-III is a Ethics standards for sustainability assurance (including independence):

(a) Sections 5100 to 5350 which set out ethics standards for all sustainability assurance engagements (including those within the scope of the Independence Standards in this Part) and other professional services performed for sustainability assurance clients; and

(b) Sections 5400 to 5600 which set out independence standards for sustainability assurance engagements that are within the scope of the Independence Standards in this Part as set out in paragraphs 5400.3a and 5400.3b.

2. How to use the "Ethics Standards for Sustainability Assurance"?

Code of Ethics, Volume III has been converged with the International Ethics Standards for Sustainability Assurance (including International Independence Standards) issued by IESBA. The provisions which are requirements, denoted with the prefix 'R' and provisions which are application material, denoted with "A".

3. What is a sustainability assurance engagement?

An engagement in which a sustainability assurance provider aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users about the sustainability information.

A sustainability assurance engagement can be either a:

Reasonable assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion; or

Limited assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the sustainability information is materially misstated.

4. Who is a sustainability assurance provider?

The individual(s) conducting a sustainability assurance engagement (usually the engagement leader or other members of the engagement team, or, as applicable, the firm). It may also be referred to "sustainability assurance practitioner" or "assessment or assurance provider".

5. What is the obligation on sustainability assurance providers when laws, regulations, or industry-specific provisions differ from the requirements of the provisions Code of Ethics, 2026 Volume III?

Where laws or regulations preclude a sustainability assurance provider from complying with certain provisions of this Part, those laws or regulations shall prevail. In such cases, he shall comply with all other applicable provisions of this Part. Further, where any industry or sector-specific provisions prescribe requirements that are more stringent or additional to those in this Part, such provisions shall apply in respect of that industry or sector.

6. If an entity has voluntarily engaged a Sustainability assurance provider (SAP) to perform Sustainability Assurance Engagement

on the entity's sustainability information prepared in accordance with a general-purpose framework and which is publicly disclosed, is that SAE within the scope of the Ethics Standards?

Yes. The scope criteria in the Code of Ethics specify that the independence standards apply to an SAE where the sustainability information on which the SAP expresses an opinion is required to be provided in accordance with law or regulation, or is publicly disclosed to support decision-making by investors or other users (see paragraph 5400.3b(b)(i) and (ii)). Therefore, it applies to a voluntary SAE on sustainability information prepared in accordance with a general-purpose framework and the sustainability information is publicly disclosed.

7. **The independence standards apply to SAEs on sustainability information developed in accordance with a general purpose framework. What is the meaning of 'general purpose framework'?**

The Glossary to the Code defines a general purpose framework as a reporting framework designed to meet the common information needs of a wide range of users.

This framework may be a fair presentation framework or a compliance framework. The term "fair presentation framework" is used to refer to a reporting framework that requires compliance with the requirements of the framework and:

(a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the reported information, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or

(b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the reported information. Such departures are expected to be necessary only in extremely rare circumstances.

8. **During which periods is independence required to be maintained in a sustainability assurance engagement?**

Independence is required to be maintained during both the engagement period and the reporting period for the engagement. The engagement period begins when the engagement team starts performing the sustainability assurance work and ends when the sustainability assurance report is issued. In the case of recurring engagements, the engagement period ends at the later of either the notification by the firm or the client that the professional relationship has ended, or the issuance of the final sustainability assurance report.

9. Is the reporting period same or different from the period covered by sustainability information?

The reporting period for the engagement might be the same as the period covered by the financial statements. The reporting period for the engagement does not refer to the period covered by the sustainability information from the start of historical information to the end of any forward-looking information.

10. How should a sustainability assurance provider address conflicts of interest, particularly in relation to other services provided to the entity?

Sustainability assurance provider shall ensure that there is no conflict of interest while providing sustainability assurance engagement. Where any regulator prescribes conditions or restrictions that prohibit the Sustainability assurance provider from providing other services in specified circumstances, the Sustainability assurance provider shall not undertake such services.

11. Are contingent fees permitted for sustainability assurance engagements?

No. A firm is prohibited from charging contingent fees, whether directly or indirectly, for a sustainability assurance engagement. Contingent fees are those that are calculated based on a predetermined outcome or the result of the services performed, including fees charged through intermediaries. However, fees established by a court or other public authority are not regarded as contingent fees for this purpose.

12. Does the obligation of confidentiality continue after a sustainability assurance engagement has ended?

Yes. A sustainability assurance provider is required to continue complying with the principle of confidentiality even after the professional relationship with a sustainability assurance client has ended. While a practitioner may draw on general experience gained from prior engagements when accepting a new client, they shall not use or disclose any confidential information acquired during a previous professional or business relationship.

13. With whom should a sustainability assurance provider communicate when dealing with those charged with governance?

A sustainability assurance provider is required to determine the appropriate individual or individuals within the client's governance structure with whom to communicate. Where communication is made with only a subgroup of those charged with governance, the practitioner shall consider whether it is also necessary to communicate with all those charged with governance to ensure they are adequately informed.

14. Is communication with individuals who have both management and governance responsibilities sufficient?

Communication with individuals who hold both management and governance responsibilities may be sufficient, provided the sustainability assurance provider is satisfied that such communication adequately informs all those in a governance role with whom the practitioner would otherwise be required to communicate.

15. What responsibilities does a sustainability assurance provider have when using non-assurance work performed by another practitioner?

When a sustainability assurance provider intends to use non-assurance work performed by another practitioner for a sustainability assurance engagement, the provider shall exercise professional judgment to determine the appropriate steps required, if any, to meet their responsibilities.

16. What steps should a sustainability assurance provider take to identify conflicts of interest before accepting a new client or engagement?

Before accepting a new sustainability assurance client relationship, engagement, or business relationship, a sustainability assurance provider is required to take reasonable steps to identify any circumstances that may create a conflict of interest and pose a threat to compliance with the fundamental principles. This includes identifying the nature of relevant interests and relationships between the parties involved, as well as assessing the service to be provided and its implications for the relevant parties.

17. What is the purpose of the conceptual framework?

The conceptual framework is used to identify, evaluate, and address threats to compliance with the fundamental principles. It provides a structured approach to ethical decision-making. Sustainability assurance providers are required to apply it in all relevant circumstances.

18. What are a sustainability assurance provider's responsibilities when communicating with an existing or predecessor practitioner?

When a practitioner proposes to accept an engagement that involves an existing or predecessor sustainability assurance provider, the proposed practitioner will usually need the client's permission—preferably in writing—to initiate discussions with that practitioner. If the proposed practitioner is unable to communicate with the existing or predecessor practitioner, they are required to take other reasonable steps to obtain information about any possible threats, in order to assess whether it is appropriate to accept the engagement.

19. What are the responsibilities of an existing or predecessor practitioner when responding to a proposed practitioner?

When asked to respond to a communication from a proposed sustainability assurance practitioner, the existing or predecessor practitioner shall comply with all relevant laws and regulations governing the request. Additionally, they are required to provide information honestly and unambiguously to ensure the proposed practitioner can make an informed assessment regarding the engagement.

20. What steps should a sustainability assurance provider take when requesting information from an existing or predecessor practitioner?

Before accepting a sustainability assurance engagement within the scope of the Independence Standards, a proposed practitioner should request the existing or predecessor practitioner to provide any known facts or information that the proposed practitioner needs to be aware of before deciding whether to accept the engagement.

- If the client consents to the disclosure, the existing or predecessor practitioner shall provide the information honestly and unambiguously.
- If the client refuses or fails to grant permission, the existing or predecessor practitioner shall inform the proposed practitioner of this, and the proposed practitioner should carefully consider such refusal when deciding whether to accept the engagement.

21. What considerations should a sustainability assurance provider make when using the output of technology?

When a sustainability assurance provider intends to use the output of technology during a professional activity for a sustainability assurance client, the practitioner shall assess whether the use of that output is appropriate for the intended purpose. This ensures that reliance on technology supports accurate, reliable, and relevant conclusions in the engagement.

22. How is quality ensured in sustainability assurance engagements?

Quality in sustainability assurance engagements is achieved by properly planning and performing the engagement and reporting in accordance with applicable professional standards, as well as legal and regulatory requirements. Firms are responsible for establishing and maintaining a system of quality management, as set out in SQM 1 issued by the Institute, which requires firms to identify and address quality risks related to engagement performance. This includes designing and implementing appropriate responses, such as policies and procedures for conducting engagement quality reviews in accordance with SQM 2 issued by the Institute.

23. Who may act as an engagement quality reviewer?

An engagement quality reviewer may be a leader, partner, other individual in the firm, or an external individual appointed by the firm. The reviewer is responsible for performing the engagement quality review.

24. What should a firm consider if a significant portion of sustainability assurance fees remains unpaid?

If a significant part of the fees due from a sustainability assurance client remains unpaid for a long time, the firm shall assess:

- Whether the overdue fees could be considered equivalent to a loan to the client, in which case the requirements in Section 5511 would apply.
- Whether it is appropriate for the firm to be re-appointed or to continue the sustainability assurance engagement, taking into account the potential threat to independence and objectivity.

25. Can a sustainability assurance provider accept gifts or hospitality from a client?

A firm, network firm, or member of the sustainability assurance team shall not accept gifts or hospitality from a sustainability assurance client, except when the value is trivial and inconsequential.

26. Are loans or guarantees allowed between a sustainability assurance provider and a client?

A firm, network firm, sustainability assurance team member, or any immediate family member of such an individual shall not make or guarantee a loan to a sustainability assurance client, unless the loan or guarantee is immaterial both to the provider (or individual) and to the client.

27. Can a statutory auditor prepare a BRSR study for their audit clients?

It is not permissible for member in practice being a statutory auditor to prepare Business Responsibility & Sustainability Reporting (BRSR) study to Audit Clients. However, he may provide advisory services on the same.

It is permissible for member in practice being a statutory auditor to be "Assurance provider of BRSR core" (Ref. SEBI circular dt. 12.07.2023) for the same client.

28. What is meant by a "Group Entity" in the context of sustainability assurance?

A "Group Entity" refers to the holding company, subsidiaries, associates and joint ventures of the listed entity.

29. Can a firm assume management responsibilities for a sustainability assurance client?

No. A firm or network firm shall not assume any management responsibilities for a sustainability assurance client. All judgments and decisions that are the proper responsibility of client management shall remain with the client.

30. How should a firm document compliance with independence requirements in sustainability assurance engagements?

A firm shall document its conclusions regarding compliance with the Independence Standards, along with the substance of any discussions supporting those conclusions. Specifically:

1. **Safeguards Applied:** If safeguards are implemented to address a threat, the firm should document the nature of the threat and the safeguards in place or applied.
2. **Significant Threat Analysis:** If a threat required significant analysis but was concluded to be at an acceptable level, the firm should document the nature of the threat and the rationale for reaching that conclusion.