



Ethical Standards Board

E - News Letter 2021-2022

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COMPOSITION OF ETHICAL STANDARDS BOARD (ESB) 2021 - 22

CA. Prafulla P Chhajed
Chairman

CA. Kemisha Soni
Vice-Chairperson

CA. Nihar N Jambusaria
President (Ex-officio)

CA.(Dr.) Debashis Mitra
Vice-President (Ex-officio)

CA. Anil S Bhandari

CA. Tarun J Ghia

CA. Nandkishore C Hegde

CA. Chandrashekhar V Chitale

CA. Shriniwas Y Joshi

CA. Babu Abraham Kallivayalil

CA. G Sekar

CA. M P Vijay Kumar

CA. Ranjeet Kumar Agarwal

CA. Sushil Kumar Goyal

CA. Manu Agrawal

CA. Atul Kumar Gupta

CA. (Dr.) Sanjeev Kumar Singhal

CA. Charanjot Singh Nanda

CA. Durgesh Kumar Kabra

CA. Aniket S Talati

Adv. Vijay Kumar Jhalani

CO-OPTED MEMBERS

CA. Pushpendra Khandelwal

CA. Maitreyee Roy

CA Shreya Jagani

CA. Shailendra Solanki

CA. Sanjiv Kumar Chaudhary

CA. Mangesh Kinare

SPECIAL INVITEE

CA Sunil Bajaj

President's Message



CA. Nihar N. Jambusaria
President, ICAI

Values are the unarticulated beliefs that create the foundation for one's ethical conduct. The professional ethics is based on morality, and it interprets the compliance for the profession to achieve the mission of building the best social environment. As Chartered Accountants, one's responsibilities are not only exclusively to fulfil the requirement of an individual client or employing organization but also to act in the public interest and remain focused on their ethical responsibilities. Therefore, it is necessary to keep on reinforcing the idea of maintaining and observing the highest ethical standards repeatedly.

The Ethical Standards Board works continuously towards evolving a dynamic and contemporary Code of Ethics and ethical behaviour for members while retaining the long cherished ideals of 'excellence, independence, and integrity' to protect the dignity and interest of the members. I am happy to note that Ethical Standards Board is releasing the first issue of quarterly E-newsletter of the Board for the year 2021-2022.

While the e-newsletter has been issued with an objective to update members about various activities of the Board, I wish all the readers an enriching and erudite reading experience.

Vice-President's Message



CA. (Dr.) Debashis Mitra
Vice-President, ICAI

It is heartening to note that the Ethical Standards Board of the Institute of Chartered Accountants of India (ICAI) is coming out with the first edition of its quarterly e-Newsletter for the year 2021-22.

The Code of Ethics serve as the guiding force for the members, and it is indispensable to abide by the principles and rules of conduct stated therein for the effective discharge of their responsibilities. The E-Newsletter would provide an excellent opportunity to the members to receive regular updates on the best practices and latest ethical issues and keep themselves effectively abreast of the latest developments.

I hope that the newsletter shall be true to its purpose and would benefit the members.

Chairman Message



CA. Prafulla P Chhajed
Chairman

The medium of sharing of information are changing today and the new means are emerging in the world. E-Knowledge has taken a prominent position in recent time. I am happy to share that the Ethical Standards Board is releasing first issue of quarterly e-newsletter for the period April-June, 2021 covering various useful information on professional ethics. Beside various useful information and learning series, a quiz contest on ethical issues for member have also been introduced. This quiz contest will further evince the members interest on professional ethics. It is sincerely hoped that this will encourage members to enhance their ethics and get acquainted with the new knowledge and information. We are sure that this edition of the E-newsletter and the successive editions will help the members to deliver the best, through their professionalism and credibility.

Vice-Chairperson's Message



CA. Kemisha Soni
Vice-Chairperson

It gives me immense pleasure to share that Ethical Standards Board is coming up with quarterly e-newsletter for easy reference of members on matters of the professional Ethics. The Ethical Standards Board works continuously towards promoting public awareness and confidence in the fundamental principles for members. Way forward in this pursuit, the initiative of Ethical Standards Board to publish Ethics e-newsletter is welcome. This E-newsletter provide a brief of the activities of Board and includes recent important decisions of board on ethical issues, learning series on Volume-I and Volume-II of Code of Ethics and Quiz contest for members. I hope that members use the e-Newsletter and be greatly benefitted by it.

ACTIVITIES OF BOARD

Revision of “FAQs on Ethical Issues”

The fourth edition of “FAQs on Ethical Issues”, publication of Ethical Standards Board has been issued. This is a revised edition of publication based on the provisions of 12th edition of Code of Ethics which was made applicable from 1st July, 2020. It contains updated questions and answers of professional interest to the members in line with the revised code of Ethics. Besides, it contains decisions of Council and clarifications given by Ethical Standards Board.

E-learning

Ethical Standard Board (ESB) has uploaded following at ESB page under ICAI’s Digital Learning Hub (<https://learning.icai.org/elearning>) platform to make the members aware about the provisions of Code of Ethics.

◆ Video on FAQs on Communication and changes in professional appointments

The video contains the frequently asked queries of members related to communication with the previous auditor and changes in professional appointments.

◆ Video on FAQs relating to professional ethics pertaining to Bank Assignments.

This video gives guidance to the members in their ethical dilemmas before accepting bank assignment or while conducting bank assignment, in the form of questions and answers.

◆ Video on Code of Ethics – The video highlights the amendments brought in 12th edition of Code of Ethics.

◆ Presentation on recent changes in Code of Ethics– The Presentation includes all significant changes in Volume-I and Volume-II of Code of Ethics with comparative position of existing provisions and newly incorporated provisions.

◆ E-book on Volume-I of Code of Ethics- The E-book is a web-based tool that delivers the Volume-I of Code of Ethics and related resources on a digital platform. Features of the E-book are such as bookmarking the content, add note to the content, advance search option, highlighting the content/paragraph/word & “export to pdf” etc.

Knowledge updation through Frequently Asked Questions and clarifications

The Board regularly issues clarifications and Frequently Asked Questions on various topics of Ethical issues. Recently Board has updated/ issued FAQs on the following topics.

- ◆ FAQs on Communication and changes in professional appointments
- ◆ FAQs relating to professional ethics pertaining to Bank Assignments
- ◆ FAQs on Books, Articles and Presentations by Members in Practice

Social Media Platform

The Board has presence on Twitter wherein important topics/matter covering the revised code of Ethics are being regularly shared for awareness of members. The objective behind this is to achieve optimum adoption and implementation of revised Code of Ethics by members.

Booklet on “Provisions relating to Director Simplificitor/ Independent Director vis-à-vis Members in Practice

Ethical Standards Board has issued a booklet on “Provisions relating to Director Simplificitor/ Independent Director vis-à-vis Members in Practice”. The Booklet contains relevant provisions of Companies Act, 2013, the Chartered Accountants Act, 1949, Code of Ethics, Frequently Asked Questions and the decisions of the Ethical Standards Board related to Director Simplificitor/Independent director.

RECENT DECISIONS OF ETHICAL STANDARDS BOARD

◆ 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.

◆ Concurrent Audit and the assignment of (quarterly) limited review of the same Bank cannot be undertaken simultaneously as the concurrent audit being a kind of internal audit and the quarterly limited review being a kind of statutory audit undertaken simultaneously are prohibited under the provisions 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.

◆ The concurrent Auditor of a Branch can undertake the assignment of LFAR only with respect to Branches which are not subject to Statutory Audit. With respect to Branches which are subject to Statutory Audit, the LFAR assignment shall be undertaken by the Statutory Auditor.

◆ Members in practice are allowed to accept a particular position e.g. Whole Time director / Managing Director in Companies registered under Section 8 of Companies Act, 2013 provided his position is honorary and the Companies falls under the category of charitable, educational, or other non-commercial.

◆ For the purpose of Appointment of an auditor when he is indebted to a concern, as dealt with under Chapter X of the Council General Guidelines, 2008, 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.

LEARNING SERIES ON VOLUME-I OF CODE OF ETHICS:

Q.1 Whether any threat to fundamental principles will be created when an individual is involved in an audit engagement over a long period of time?

Ans. When an individual is involved in an audit engagement over a long period of time, familiarity and self-interest threats might be created.

A. A familiarity threat might be created as a result of an individual's long association as an audit team member, although an understanding of an audit client and its environment is fundamental to audit quality.

B. A self-interest threat might be created as a result of an individual's concern about losing a longstanding client or an interest in maintaining a close personal relationship with a member of senior management or those charged with governance. Such a threat might influence the individual's judgment inappropriately.

Q.2 How to address the threat created due to audit engagement over a long period of time?

Ans. If a firm decides that the level of the threats created can only be addressed by rotating the individual off the audit team, the firm shall determine an appropriate period during which the individual shall not:

Be a member of the engagement team for the audit engagement;

Provide quality control for the audit engagement; or

Exert direct influence on the outcome of the audit engagement.

The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed. In the case of a public interest entity, paragraphs R540.5 to R540.20 of Volume-I of Code of Ethics also apply.

Q.3 In respect of an audit of a public interest entity, what are the cooling-off periods of partner rotation?

Ans. There are different cooling-off periods depending on the role of the key audit partner as summarized below:

S. No	Role	Cumulative year of service and cooling-off periods
1	Engagement partner	- Maximum 7 cumulative years - Cooling off period 5 consecutive year

2	Individual responsible for the engagement quality control review	- Maximum 7 cumulative years - cooling-off period 3 consecutive year
3	Other key audit partners	- Maximum 7 cumulative years - cooling-off period 2 consecutive years

If rotation of partners for an audit client has been stipulated vide any industry/Sector specific provisions contained in a statute, the said provisions shall be applicable with regard to such industry/Sector.

LEARNING SERIES ON VOLUME-II OF CODE OF ETHICS:

Q.1 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.?

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

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

Ans. 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.

Q.3 Can a member in practice print QR (Quick response) code on his visiting cards, facilitating easy access to information?

Ans. 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

Q. 4 Can a member/ Firm of Chartered Accountants print his/its vision and values behind the visiting cards?

Ans. 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.

Q. 5 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. A member empanelled as Insolvency Professional or Registered Valuer can mention "Insolvency Professional" or "Registered Valuer" respectively on his visiting card and letter head and other communication. Mention of any other nomenclatures/designations, including membership of any IPA is not allowed.

QUIZ TIME!

Quiz for Members: The Quiz contains 10 questions based on the provisions of Volume-I and Volume-II of Code of Ethics. Questions will be in the form of multiple choice, yes/no statement etc. Selection will be based on the first come - first served basis and the first 10 members to send correct answers will be winners; and names of such members will be published in the next issue of quarterly e-newsletter.

Members may send their answers by email at esb.ethicshelpdesk@icai.in by writing the appropriate choice of answers as 'A' or 'B' or 'C' or 'D' against of each question numbers. In other words, members are not required to repeat the question. Members are requested to mention their name, membership number, email id and contact details in the email communication.

Q. 1 Volume-I of Code of Ethics is converged with which edition of IESBA Code of Ethics ?

- A. IESBA Code 2018
- B. IESBA Code 2009
- C. IESBA Code 2019
- D. IESBA Code 2020

Q. 2 Which threats will be created if a professional accountant lobbying in favor of legislation on behalf of a client ?

- A. Self-review Threats
- B. Advocacy Threats
- C. Self-interest Threats
- D. Intimidation Threats

Q. 3 In which circumstances Intimidation threats will create?

- A. An audit team member having a long association with the audit client.
- B. A professional accountant having a direct financial interest in a client.

- C. A professional accountant promoting the interests of, or shares in, a client.
- D. A professional accountant being threatened with dismissal from a client engagement or the firm because of a disagreement about a professional matter.

Q. 4 What is self interest threat ?

- A. the threat that a financial or other interest will inappropriately influence a professional accountant's judgment or behaviour;
- B. the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made;
- C. the threat that a professional accountant will promote a client's or employing organization's position to the point that the accountant's objectivity is compromised;
- D. the threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures,

Q. 5 Which part of Volume- I of Code of Ethics is applicable to Professional Accountants in Service?

- A. Part-2
- B. Part-3
- C. Part-4A
- D. Part-4B

Q. 6 Whether a messaging application can be used by a member in practice to send messages to make people aware about their new practice and mention the services provided therein?

- A. Yes
- B. No

Q. 7 Whether a member in practice or a Firm may give link of its website on a social networking site?

- A. Yes
- B. No

Q. 8 Whether members in practice can list themselves with online Application based service provider Aggregators?

- A. Yes
- B. No

Q. 9 Whether a practicing Chartered Accountant can be a partner or designated partner in a Limited Liability Partnership , which is not doing professional work, but is in the commercial activities?

- A. Yes
- B. No

Q. 10 Whether a member in practice can act as a liquidator?

- A. Yes
- B. No