



V'Smart Academy

CA FINAL AUDIT

FADU 2.0

Full

Audit

Delivered

Uniquely

CHART BOOK

AUDIT IN 100 PAGES (approx)

- ◆ Covers Each & every Concept of BHASKAR Regular Notes.
- ◆ Covers all Shortcuts
- ◆ Easy Flow for Better Retention
- ◆ Super Linking Feature
- ◆ 2nd edition Covers 85% of the chapters
- ◆ Hierarchy based flow charts
- ◆ Full Colourful Charts

CA RAVI TAORI

Auditguru.in

Associated Guest Faculty with



V'Smart Academy

WhatsApp Ravi Sir
Only for Study related doubts

9096 0000 33

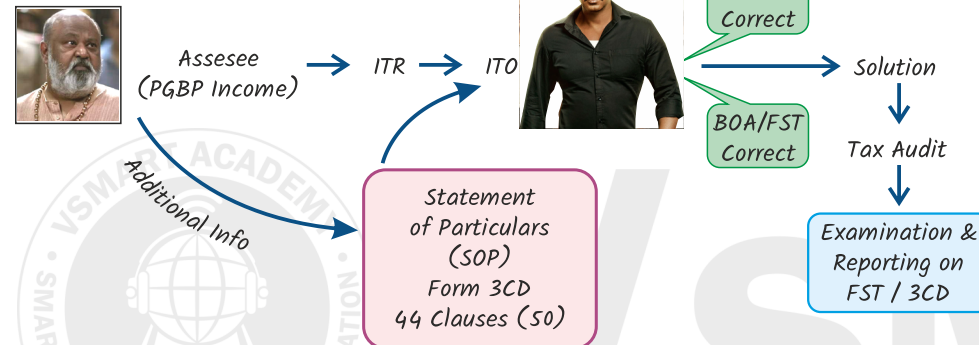


CNO—CAP.020

QNO—528,000

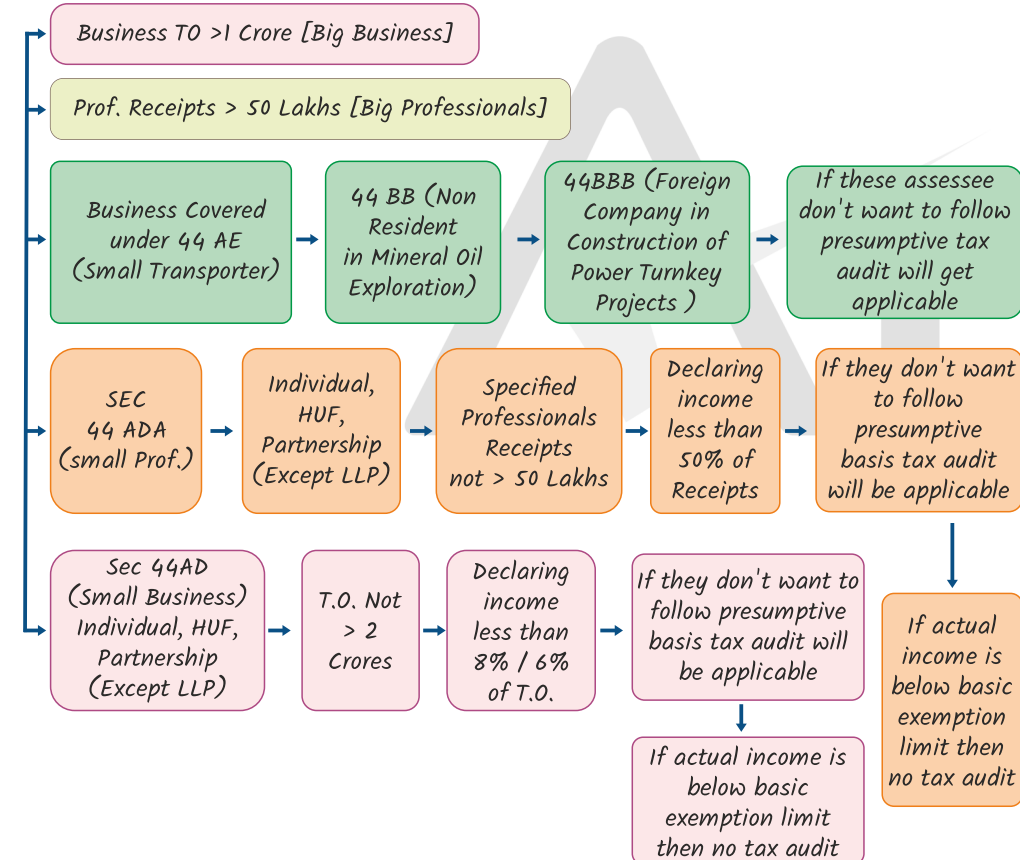
PART A - INCOME TAX AUDIT

Why TAX Audit?



CNO—CAP.020

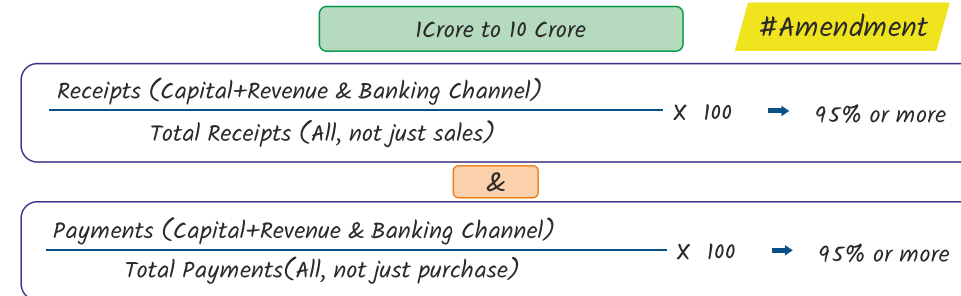
SEC 44 AB- APPLICABILITY OF TAX AUDIT



***Section 44AD not applicable to Commission/Brokerage/Agency Business
 ***If benefit of Sec 44 AD is taken then continue on presumption basis for next 5 A.Y., If not taken (Shifted to actual) no benefit for 5 A.Y. after default (No benefit under 44AD)

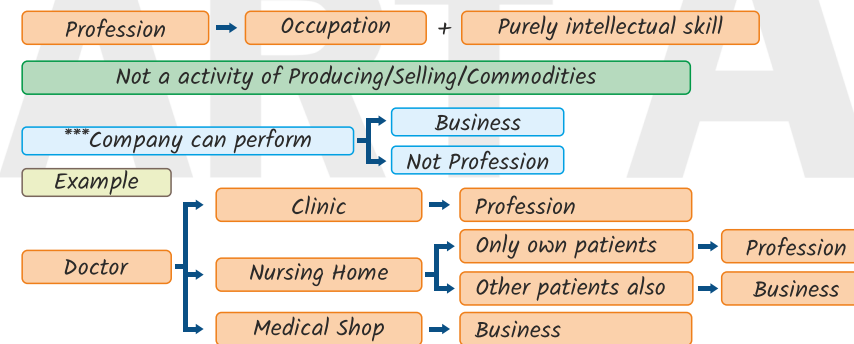
CNO—CAP.020

Conditional Increase in to limit of 44AB Clause(a)



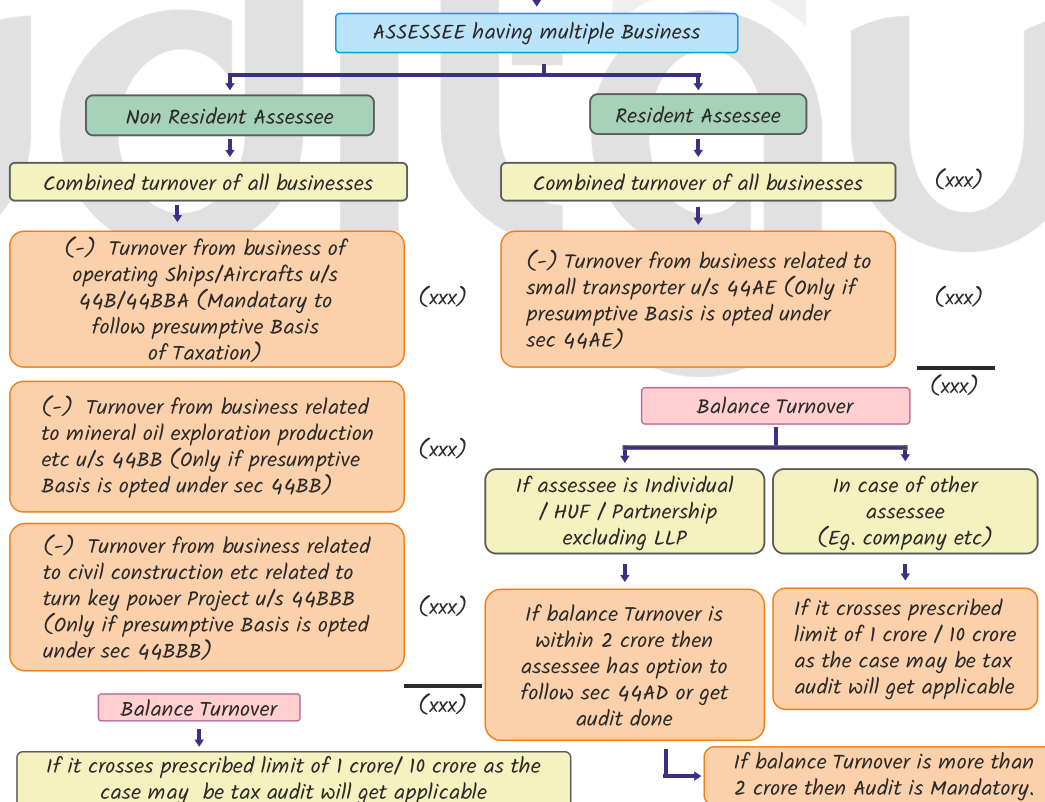
CNO—CAP.020

BUSINESS V/S PROFESSION



CNO—TAXAUD.040

TAX AUDIT APPLICABILITY U/S 44AB Multiple Business

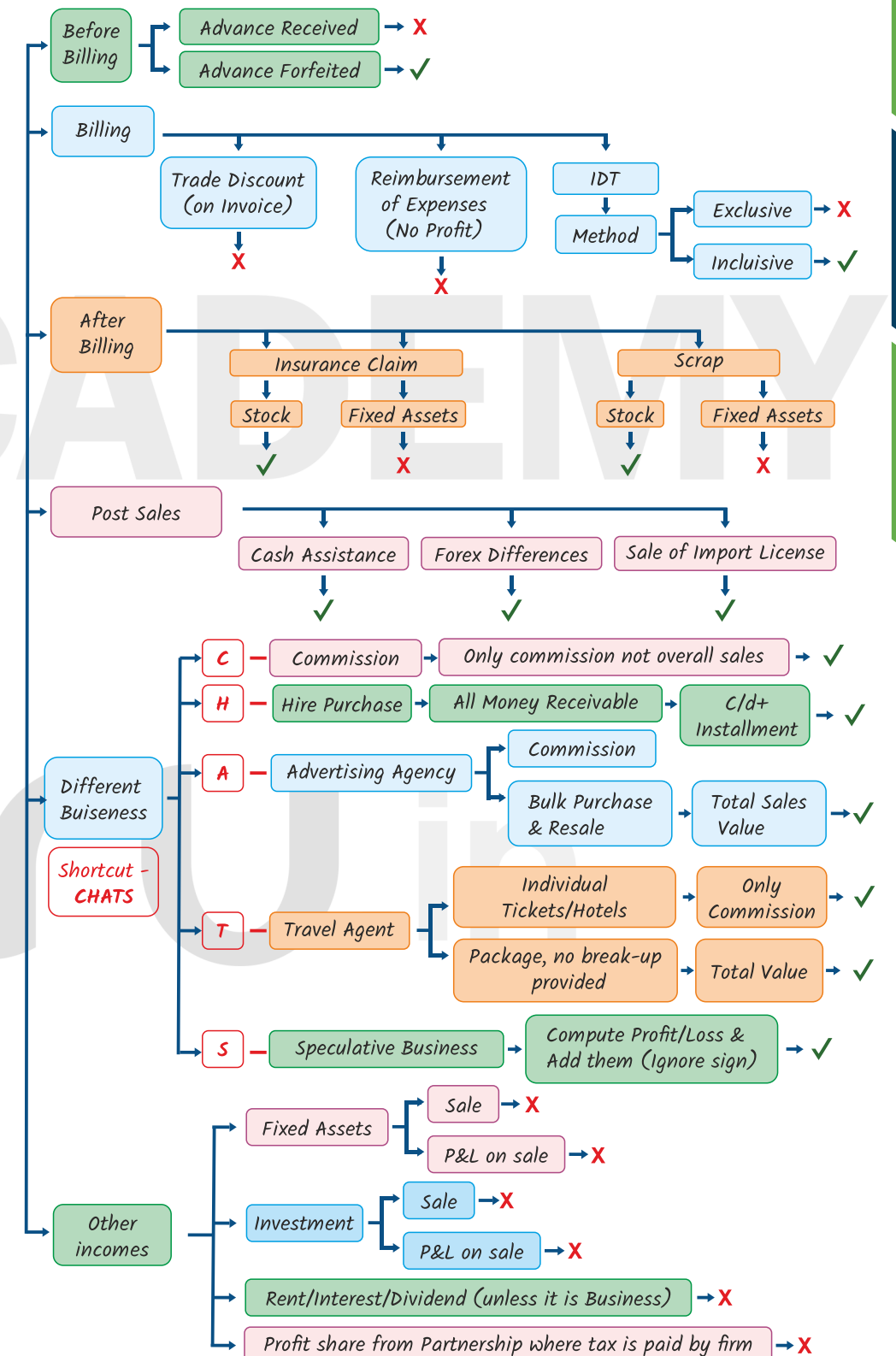


NOTE:- For Assessee involved in profession

- 1) If professional receipts exceeds 50 Lacs Then Tax Audit will get applicable
- 2) If professional receipts are below 50 lacs Then individual/HUF/Partnership (Excluding LLP) will have option to follow presumptive basis taxation or get audit done

CNO—CAP.040

INCLUSION/ EXCLUSION FROM TURNOVER



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SECTION 238

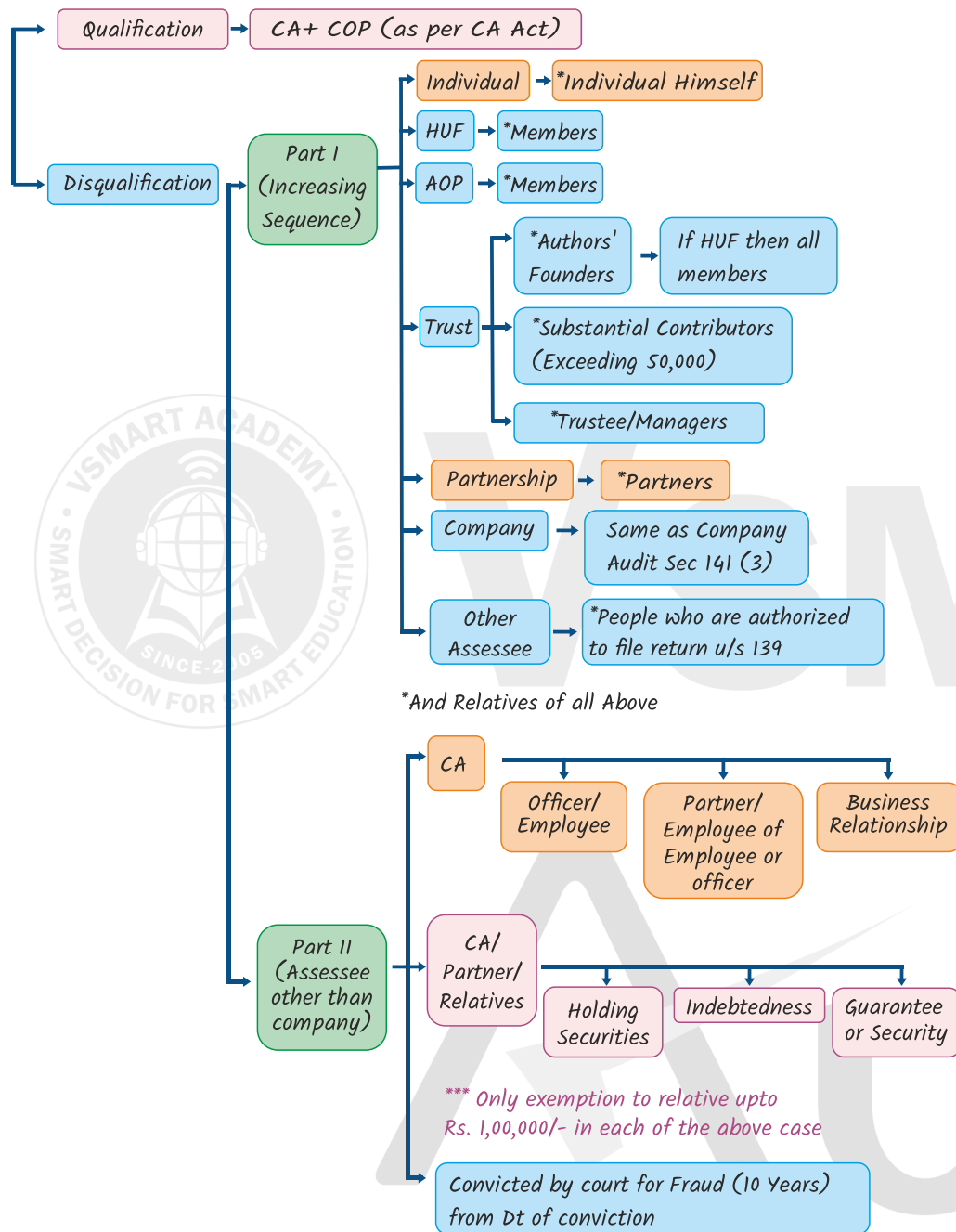
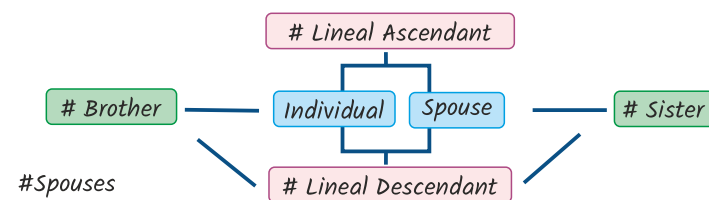
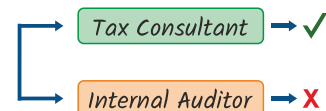


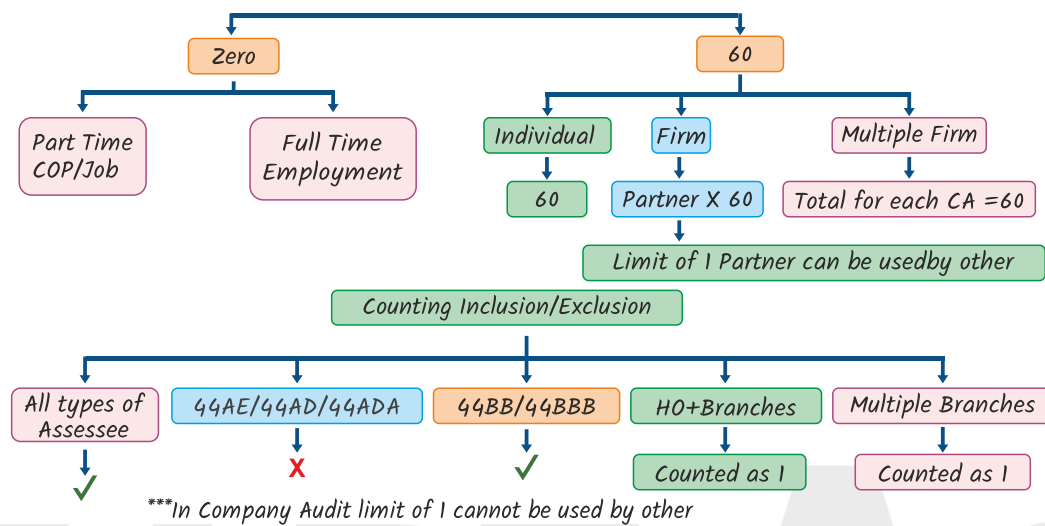
Chart on Definition of Relative



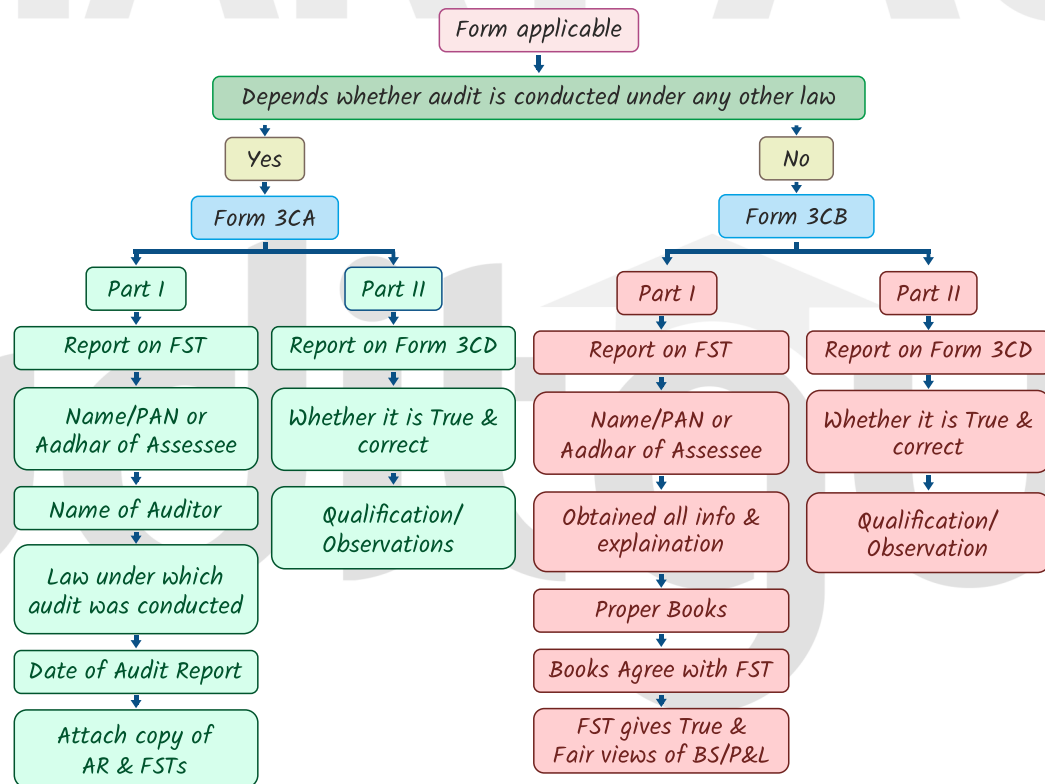
ELIGIBILITY OF CONSULTANTS & INTERNAL AUDITOR



CEILING LIMIT OF TAX AUDIT



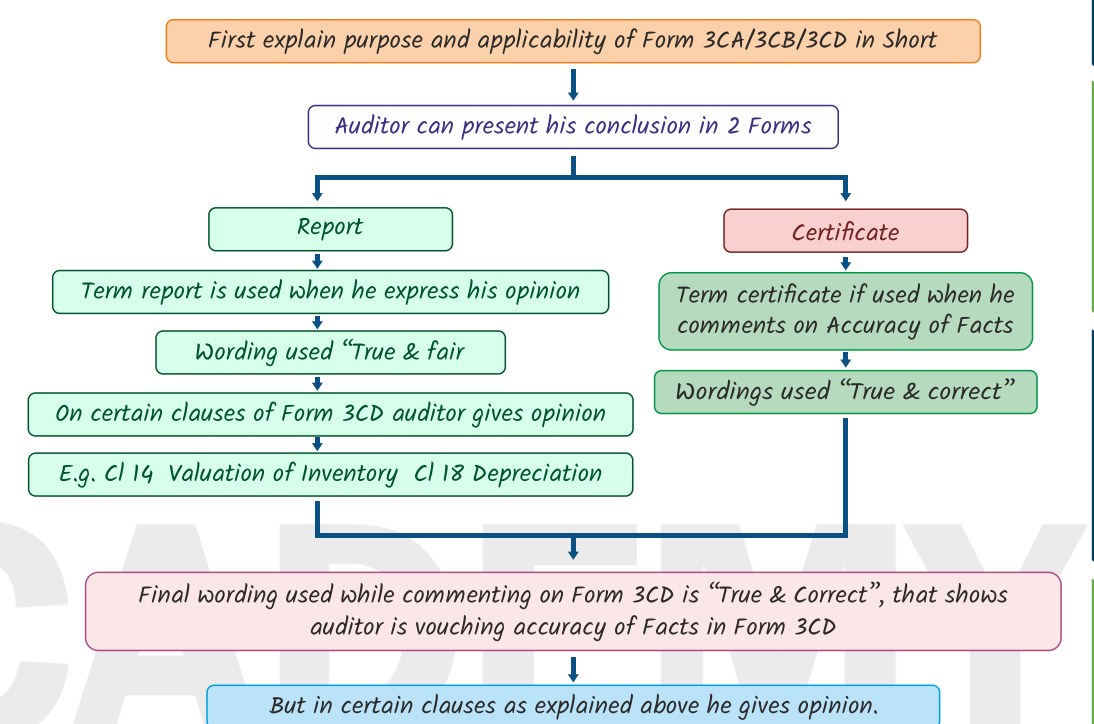
AUDIT REPORT UNDER TAX AUDIT



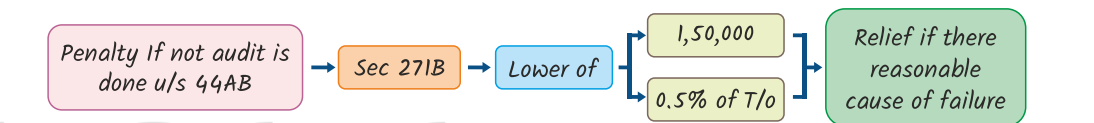
Situation where Form 3CB will be applicable, even where audit is applicable under other

1. Different Year:- Audit was conducted for the year Different from F.Y April-March
2. Auditor not appointed or conducted or report not available for any other reason

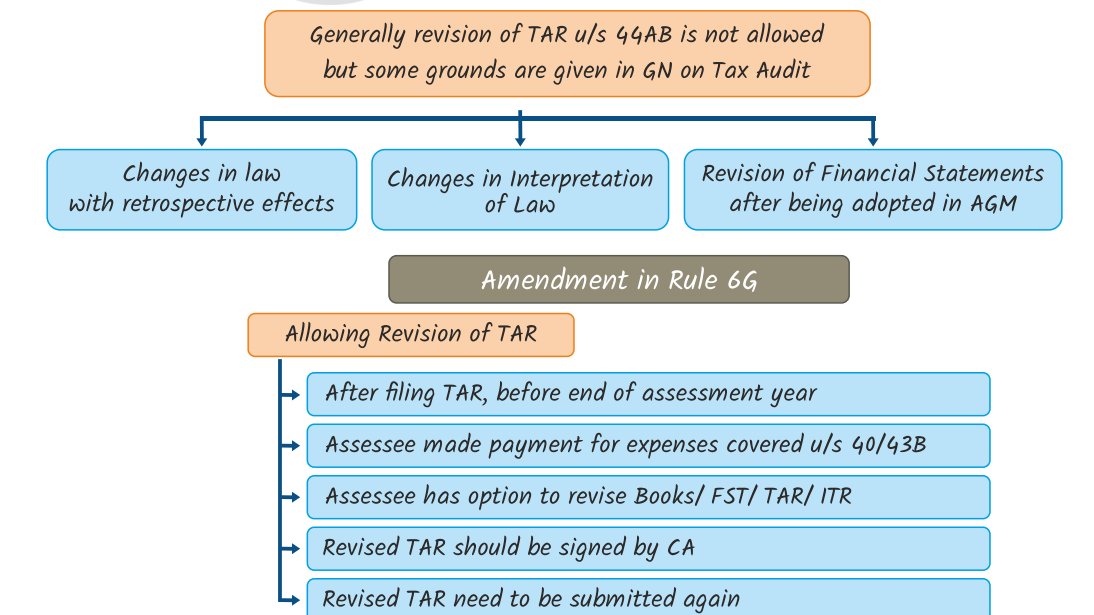
REPORT V/S CERTIFICATE



PENALTY



REVISION OF TAX AUDIT REPORT



SHORTCUT OF TAX AUDIT

Basic Information.

Identification of Assessee

Name (Clause 1)

Address (Clause 2)

PAN (Clause 3)

Registration No (Clause 4)

Basic tax Information

Status (Clause 5)

Previous Year (Clause 6)

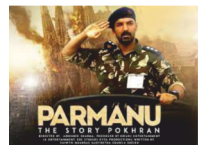
Assessment Year (Clause 7)

Relevant Clause (Clause 8)

Owners & Business

Partner (Clause 9)

Business (Clause 10)

BAHUBALI
Books of
AccountsPARMANU
Presumptive
IncomeMARY KOM
Method of
AccountingVICKY DONOR
Valuation of
CI StockCHENNAI
EXPRESS
Capital Asset
ConversionPOKEMON
P&L Not
CreditedTOM N JERRY
Transfer
of PropertyDOREAMON
DepreciationALLADIN
Admissible
AmountBHEEM
Bonus &
CommissionDEAD POOL
Debited But
Not AllowedIRON MAN
Interest Under
MSMEDPREDATOR
Payment To
RelativesDR STRANGE
Deemed IncomeCAPTION
AMERICA
Chargeable
Sec 41PARRIKAR
Payment Basis
(Sec 43B)CHIDAMBARAM
Cenvat CreditSMRITI IRANI
Shares receivedSONIA GANDHI
(2)
Shares IssuedHILLARY
CLINTON (3)
HundiLION
Loans &
DepositLEOPARD
LossesDOG
DeductionsTORTOISE
TDSGOAT
Goods QuantityDOLLAR (1)
Dividend
Distribution
TaxCANADIAN
DOLLAR
Cost Audit
ReportEURO
Excise Audit
ReportSHILLING
Service Tax
Audit ReportRUPEE
RatioDEUTSCHE
BANK
Demands &
RefundsSYNDICATE
BANK
Statement in
61/61ARBL BANK
Report U/s 286BANDHAN BANK
Breakup of Expenditure

CNO—TAXAUD.240

CLAUSE 1 TO 10

Clause 1 → Name of the assessee

Clause 2 → Address as communicated to tax department

Clause 3 → Pan Card Details

Clause 4 → Liable to pay indirect taxes? → If yes → Provide Registration number

Clause 5 → Status of the assessee → (Individual, HUF, company etc)

Clause 6 → Previous Year → Generally 1st April - 31st March → In case of amalgamation, merger, demerger, new business, starting / ending could be different

Clause 7 → Assessment Year

Clause 8 → Relevant clause of section 44AB under which audit is being conducted

#Amendment

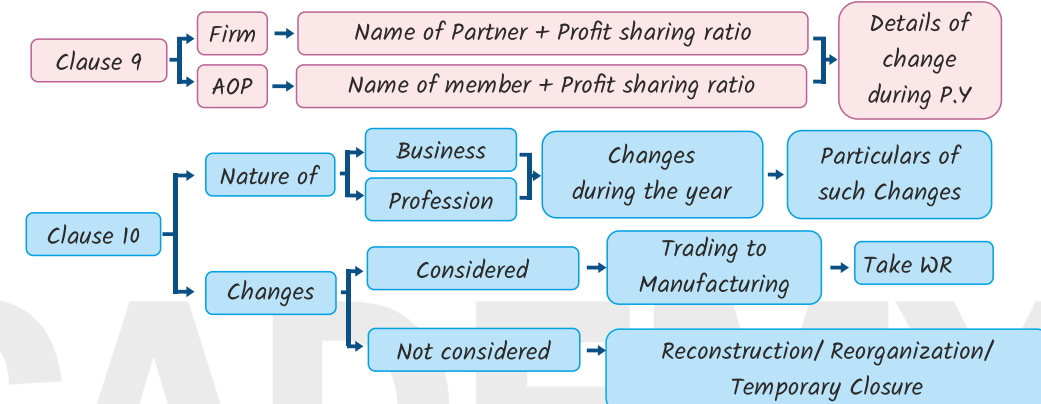
Clause 8A

Applicable
co/ Ind/HUF/CooperativeWhether Co has opted for concessional rate
of taxation under Sec 1
ISBA/IISBAA/IISBAB/IISBAC/IISBAD

Answer is "Yes" or "No"

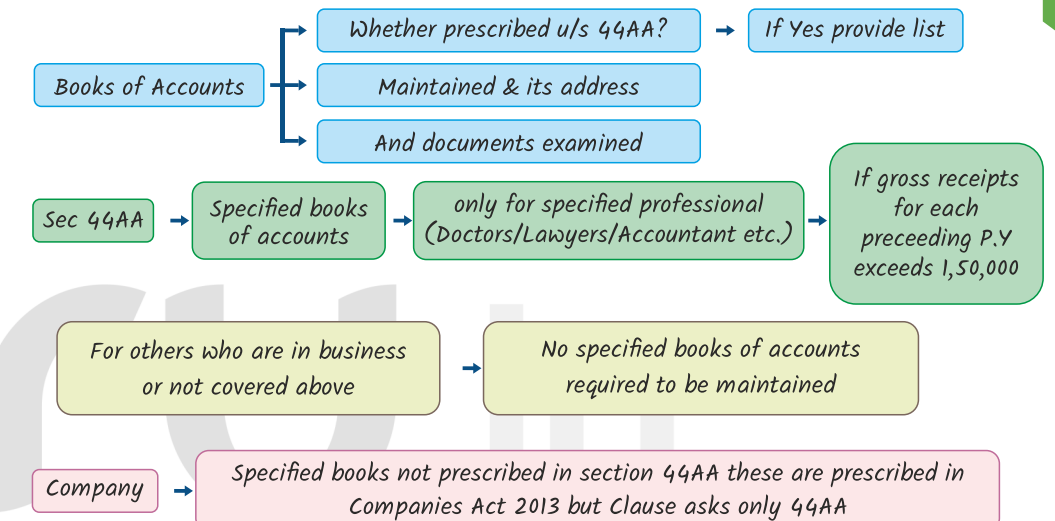
If yes Auditor will have to verify whether conditions are satisfied

Copy of form 10-1A/10-1B/10-1C/10-1D/10-1E/10-1F



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CLAUSE 11



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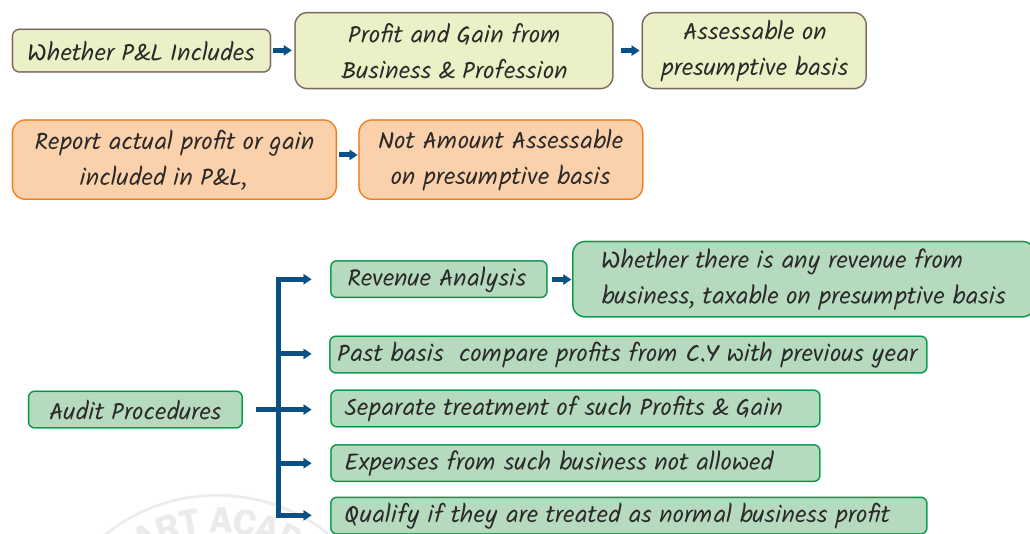


Doubts

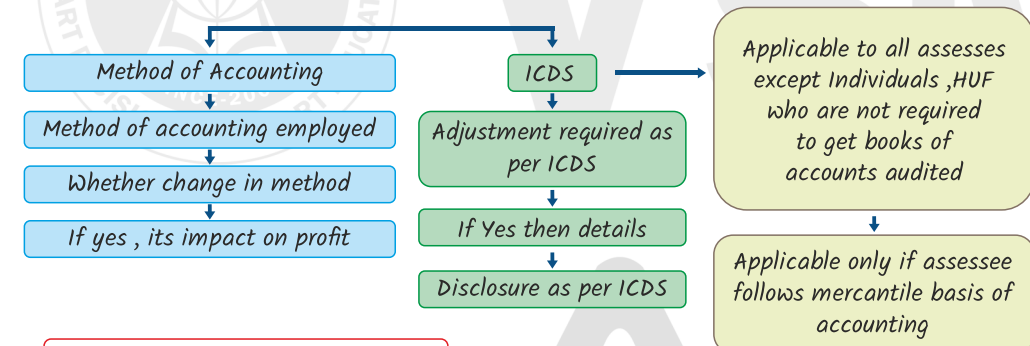


Telegram

CLAUSE 12



CLAUSE 13



Shortcut to remember ICDS

Ajay Devgan white colour ki

Van leke

Construction site pe pahuch tha hai,
Waha ke logo se puch tha hai kitna

Revenue kamte ho, fir bolta hai jinke pass

Fixed assets nahi hai aur

Foreign exchange nahi unki list banao, List
le jata hai aurGovernment grant mangta hai, jab tak
government grant nahi deti khudka ghar as

Security jama karta hai

Borrowing cost aur

Provision khud bear karta hai

ICDS I-Accounting Policy

ICDS II-Valuation of Inventory

ICDS III-Construction contract

ICDS IV-Revenue recognition

ICDS V-Tangible Fixed Assets

ICDS VI-Changes in Foreign
Exchange Rate

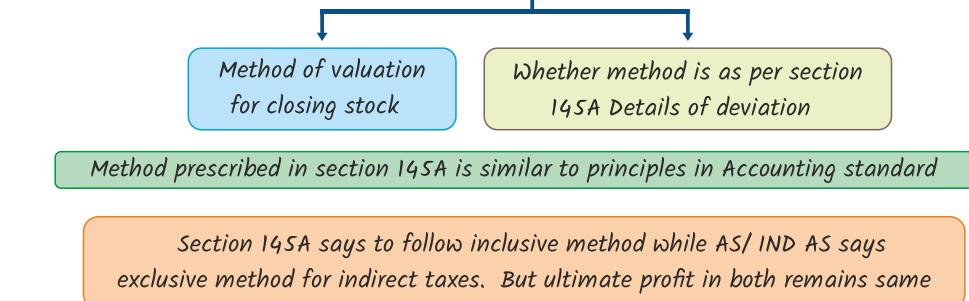
ICDS VII-Governemnt grants

ICDS VIII-Securities

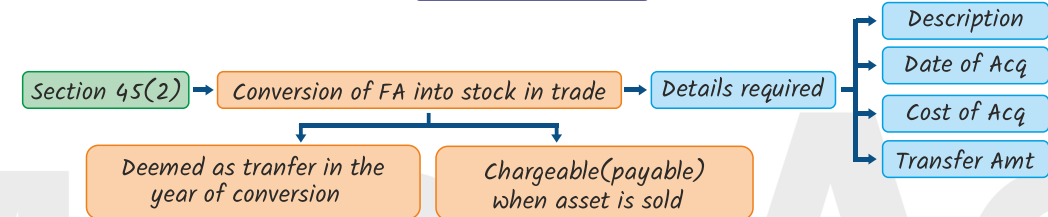
ICDS IX-Borrowing cost

ICDS X-Provisions, Contingent
liabilities and Contingent Assets

CLAUSE 14

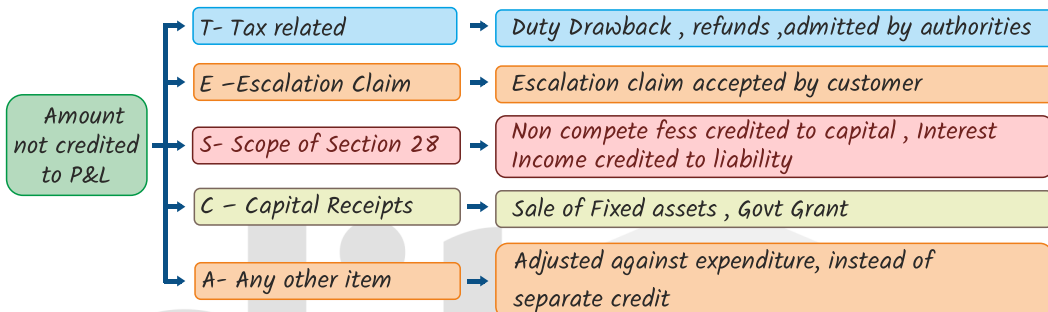


CLAUSE 15



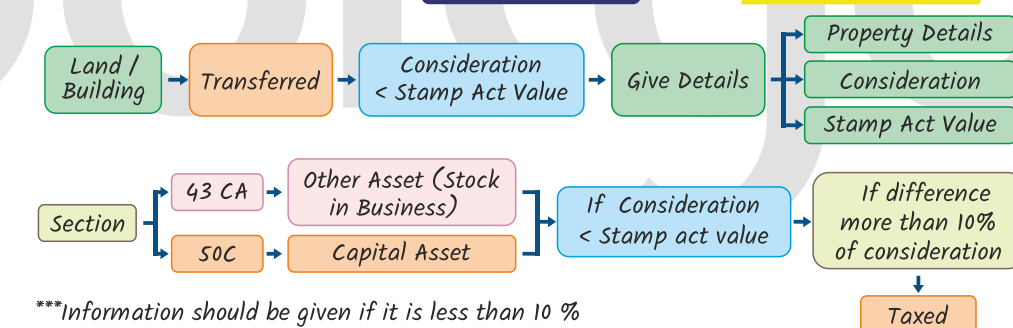
CLAUSE 16

Shortcut - TESCA



CLAUSE 17

#Amendment

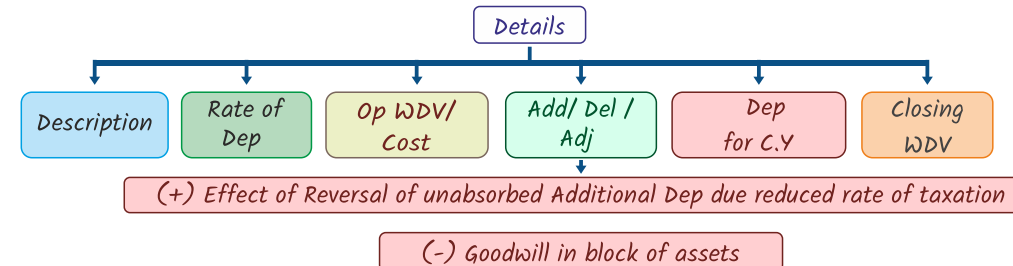


***Information should be given if it is less than 10 %

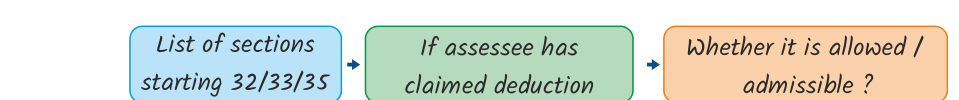
20% - If Sale by builder to first owner + Residential unit + unto 2 crores + 20th Nov 20 to 30th Jun 21

In Last Column = Specify whether 20% benefit taken Yes / No

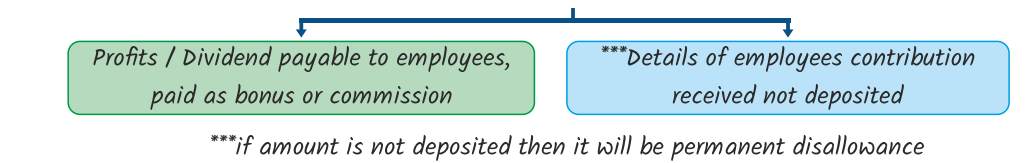
CLAUSE 18



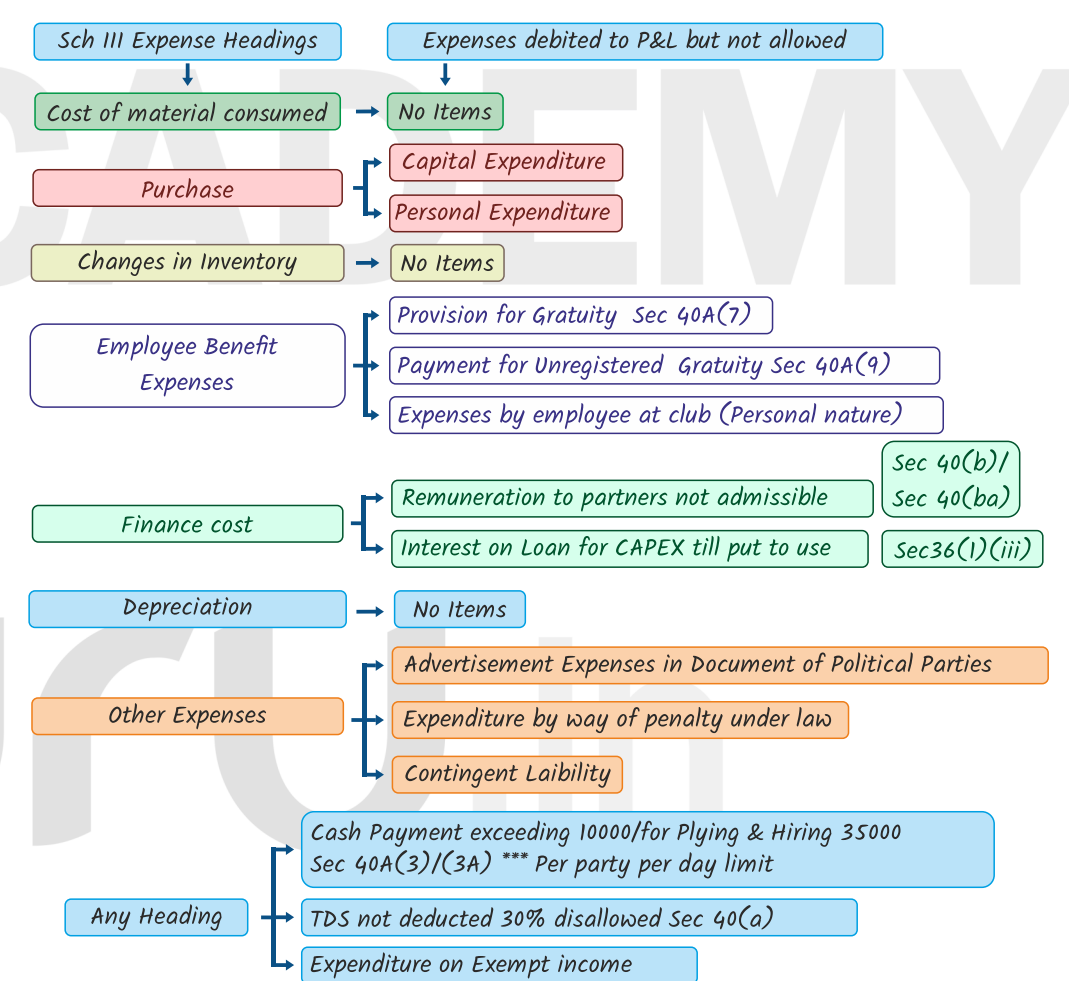
CLAUSE 19



CLAUSE 20

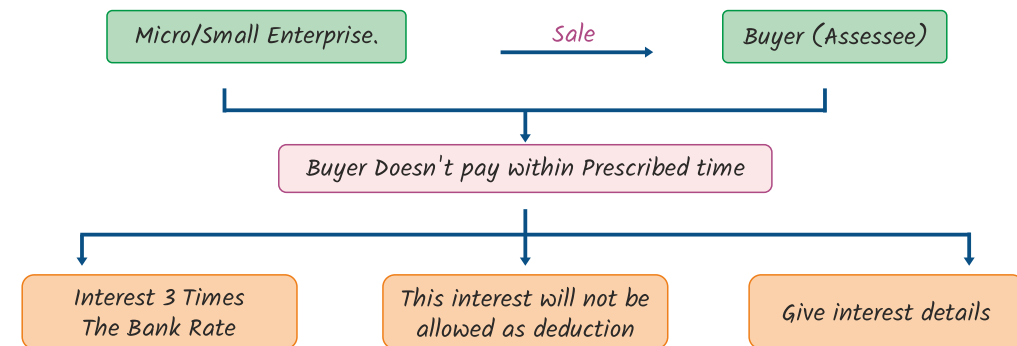


CLAUSE 21



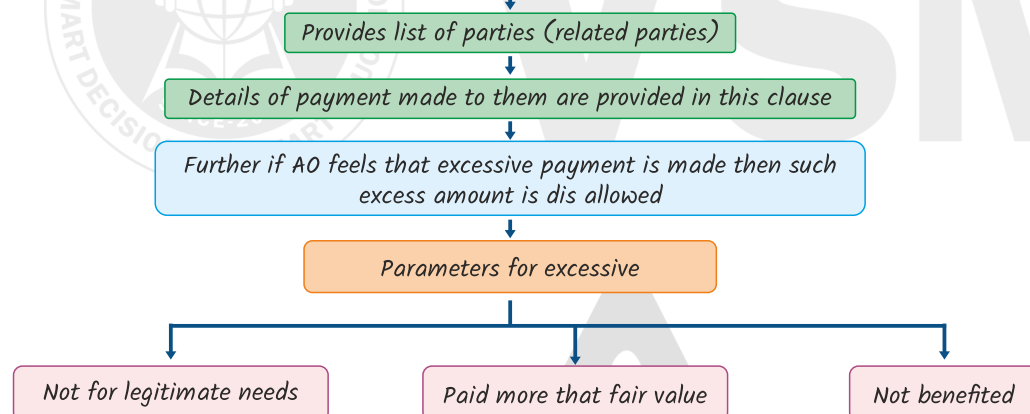
CLAUSE 22

Section 23 MSMED Act



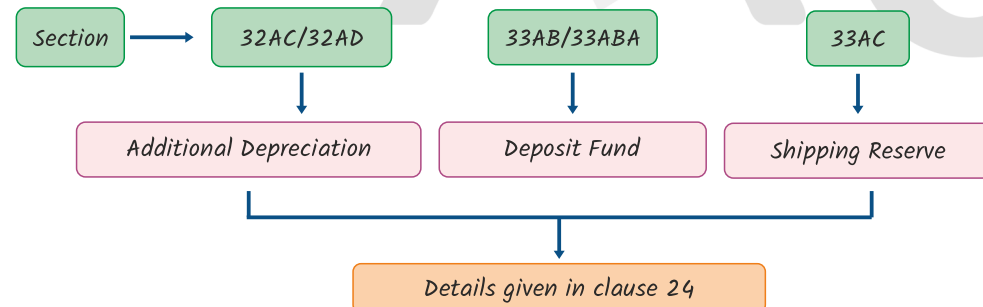
CLAUSE 23

Section 40 A (2) (b)



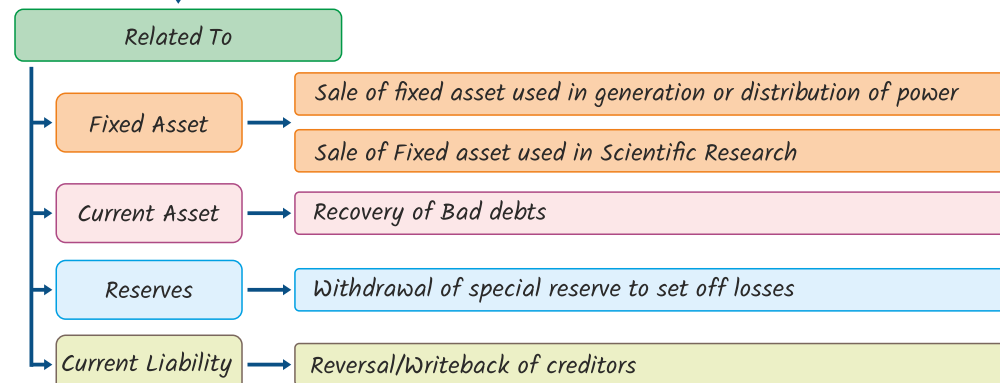
CLAUSE 24

Deemed Profit If Conditions Are Broken For



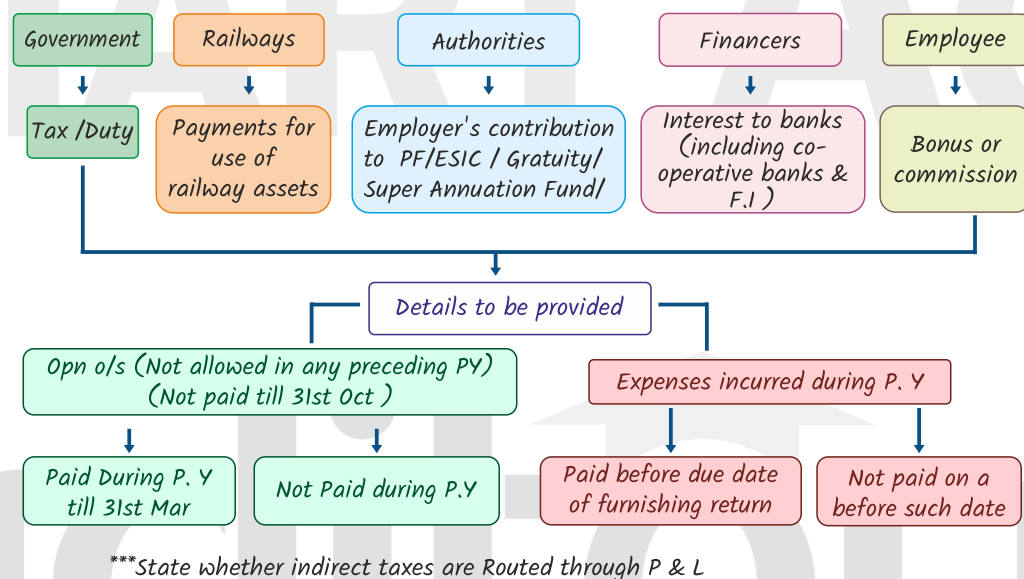
CLAUSE 25

Chargeable to tax under section 41



CLAUSE 26

Sec 43B Payment Basis Deduction(In the sequence of IMP Entries)



CLAUSE 27

GST ITC / Cenvat Details

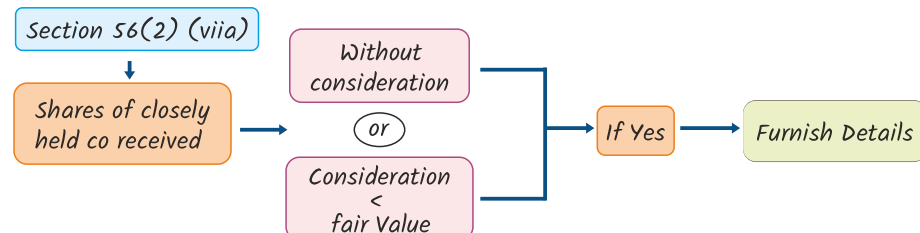
Details of Prior period Items

Opening ITC	xxx
(+) ITC Availd	xxx
(-) ITC Utilized	(xxx)
Closing ITC	xxx

Explain Treatment in P&L (Accounting Treatment)

CLAUSE 28

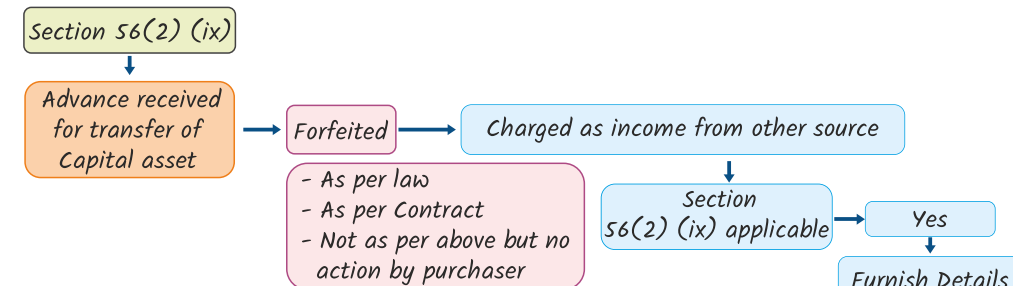
Superseded by clause 29B from A.Y 17-18



CLAUSE 29



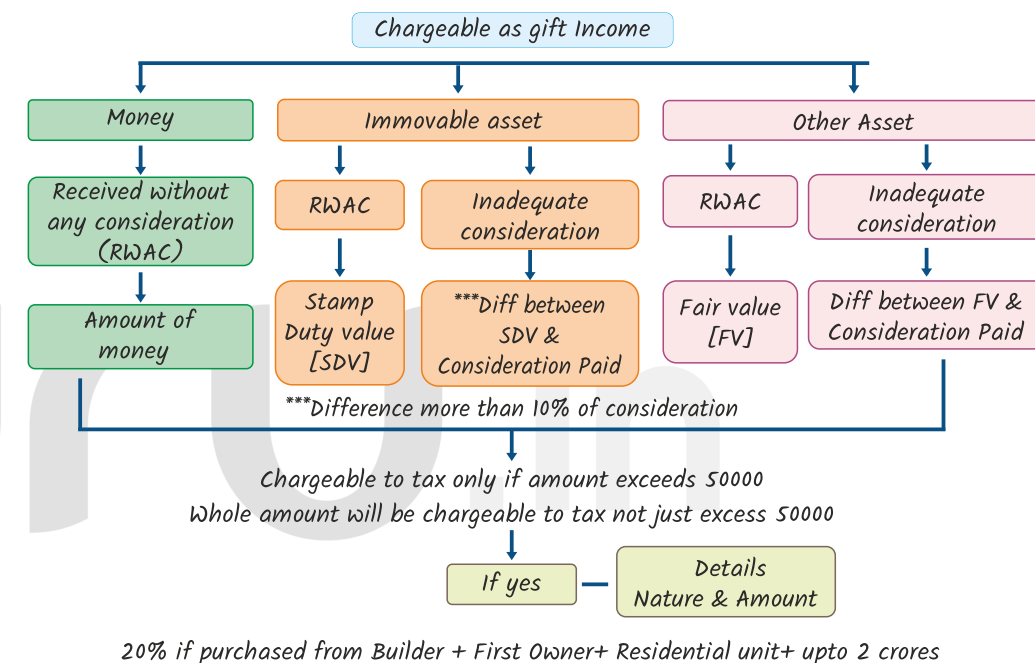
CLAUSE 29A



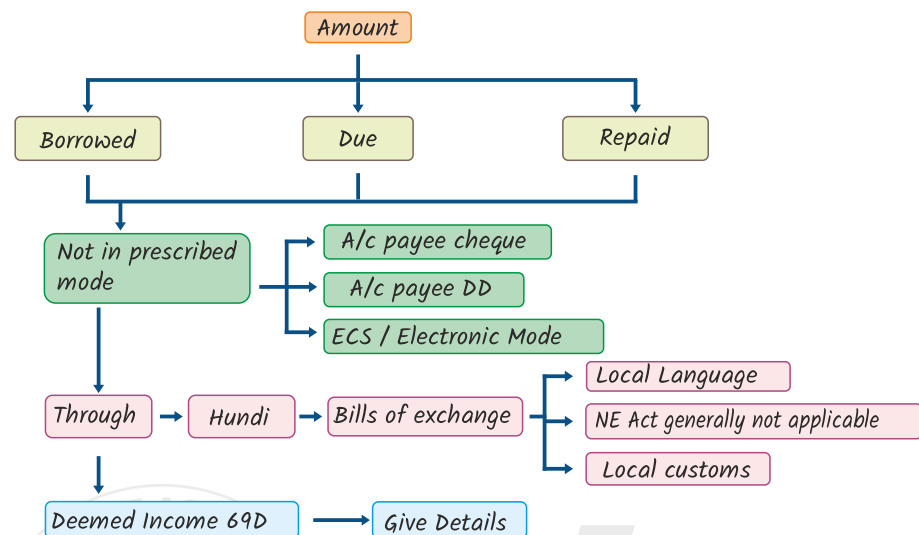
*** Not applicable to advance received for personal capital asset or stock in trade.

CLAUSE 29B

Section 56(2) (x) Applicable from FY 17-18

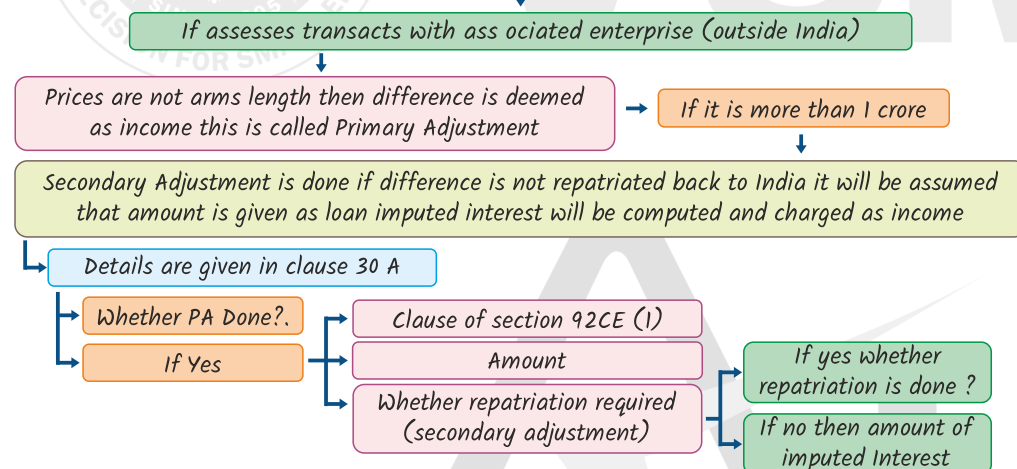


CLAUSE 30



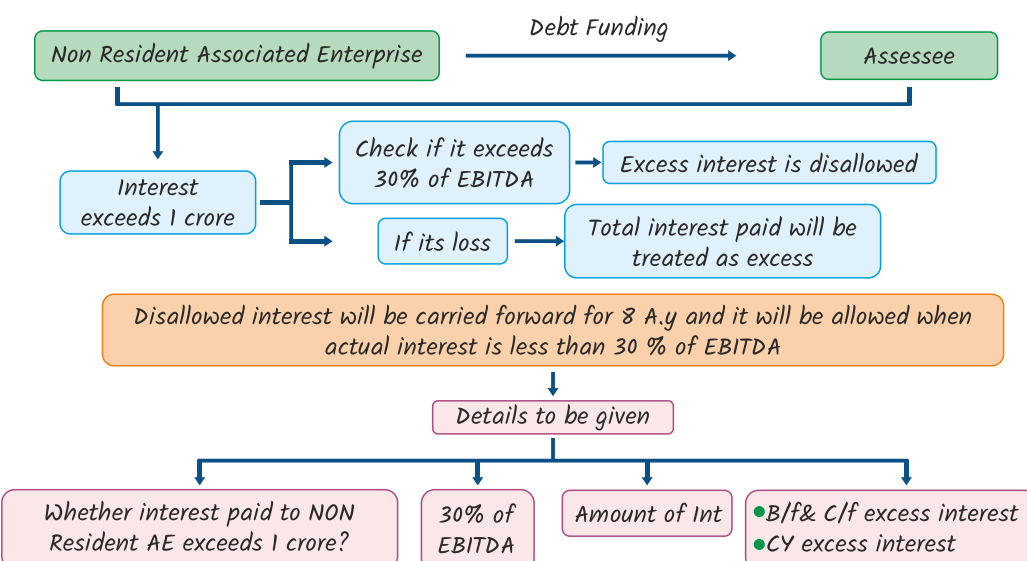
CLAUSE 30A

Transfer Pricing (Sec 92 CE)



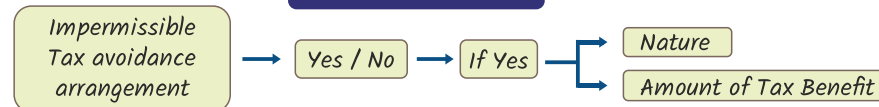
CLAUSE 30B

Section 94B

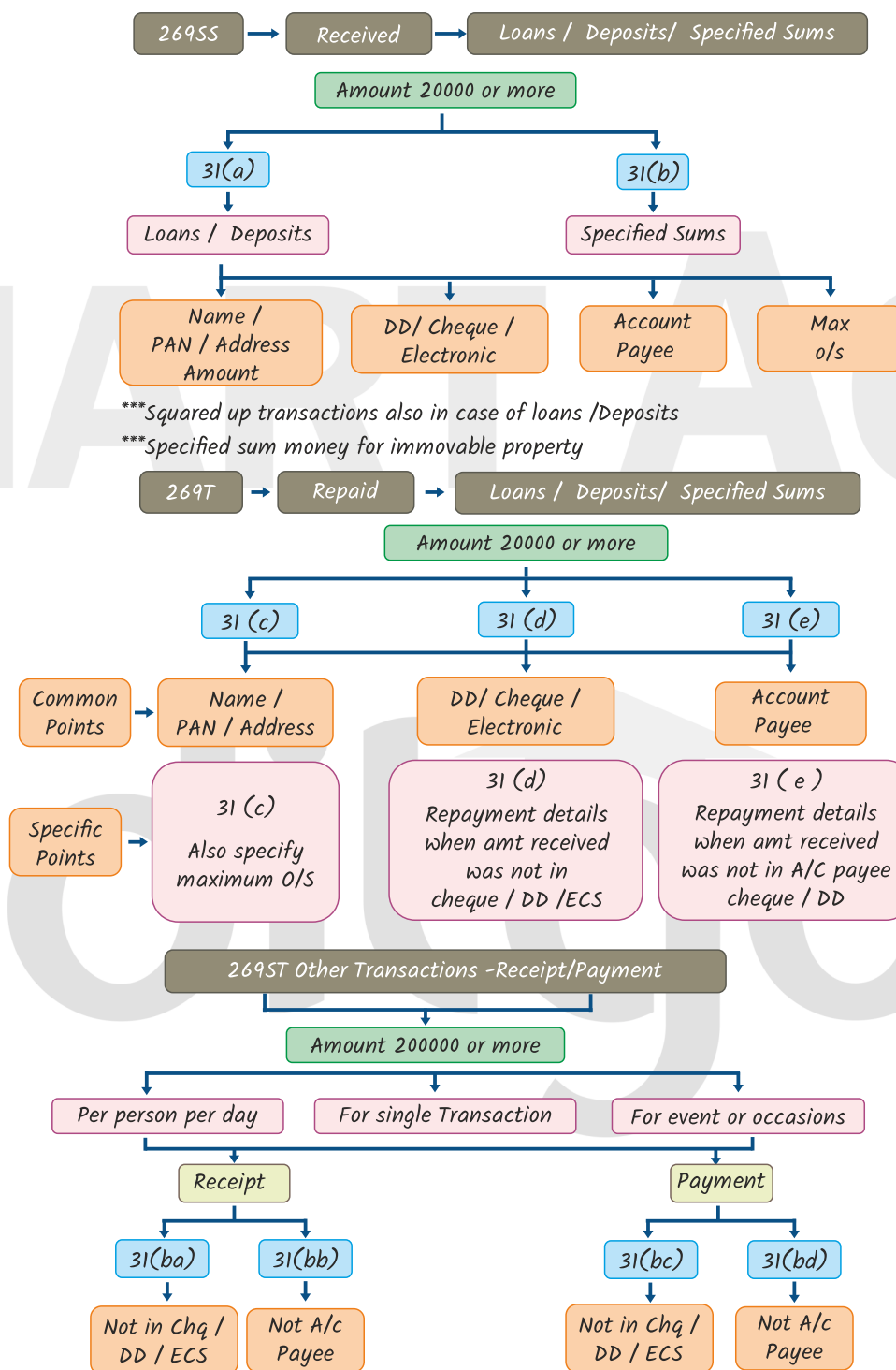


CLAUSE 30C

Section 96



CLAUSE 31

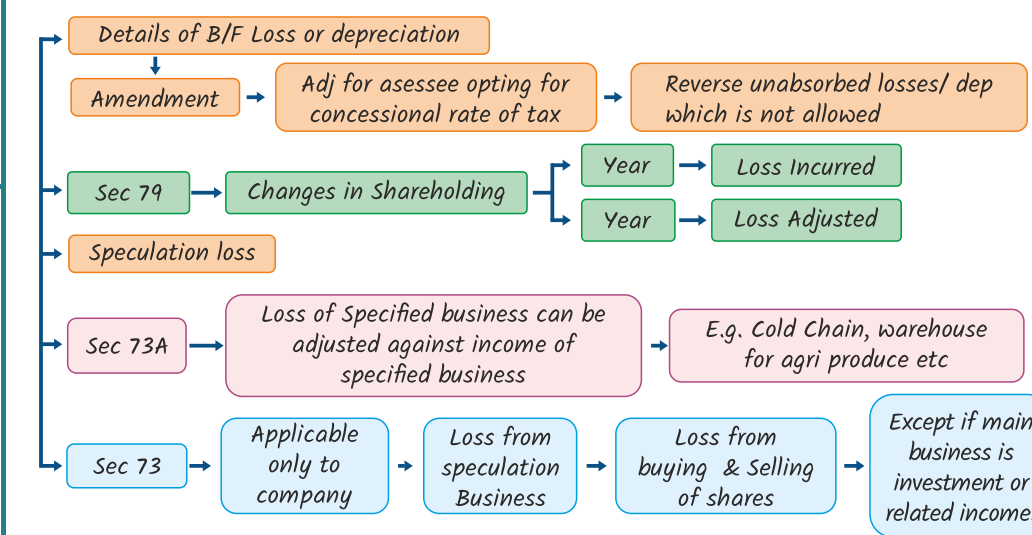


	269SS/269T	269ST
Govt	E	E
Post all	E	E
Bank/CO-OP Bank	E	E
Corporation	E	X
Govt Co	E	X

*E-Exempt

CLAUSE 32

#Amendment

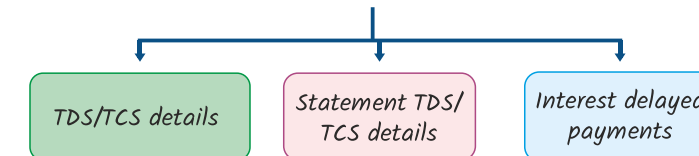


CLAUSE 33

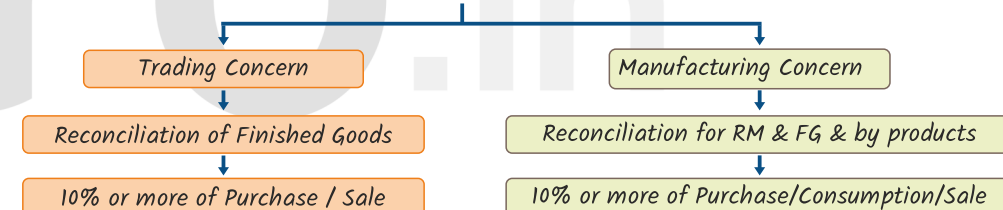
Investment related deductions/ Tax Holidays

Section wise Details for deductions under VIA & III

CLAUSE 34



CLAUSE 35



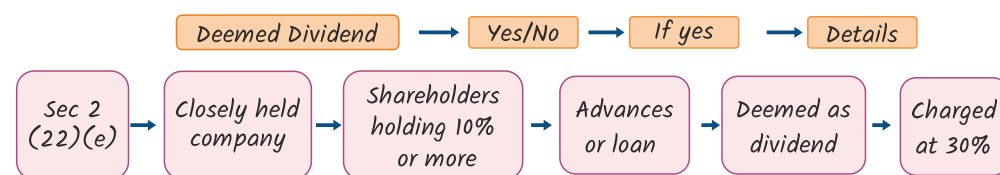
CLAUSE 36 (DDT)

#Amendment



CNO—TAXAUD.240

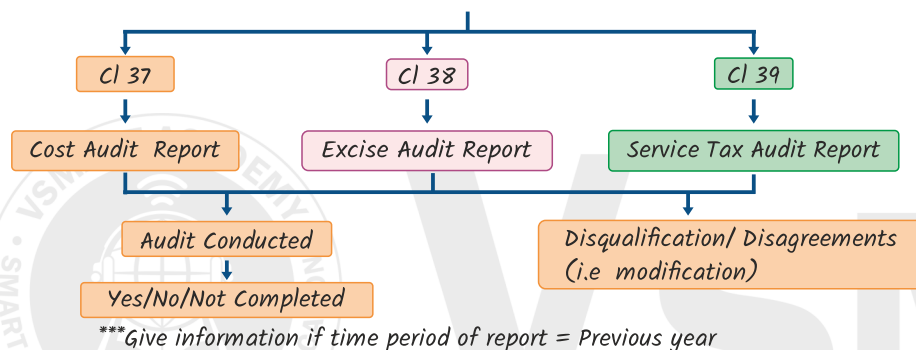
CLAUSE 36A



CNO—TAXAUD.240

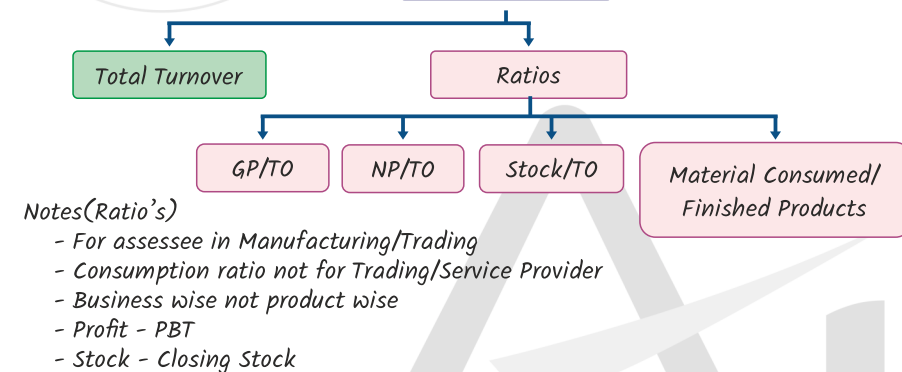
CLAUSE 37/38/39

Other Audit Reports



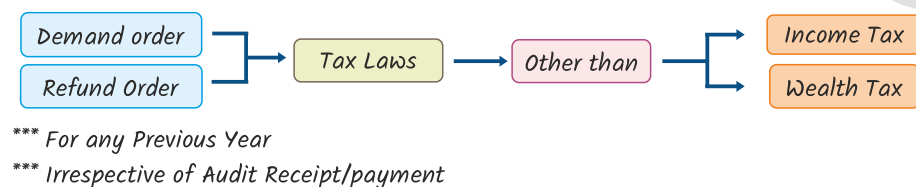
CNO—TAXAUD.240

CLAUSE 40



CNO—TAXAUD.240

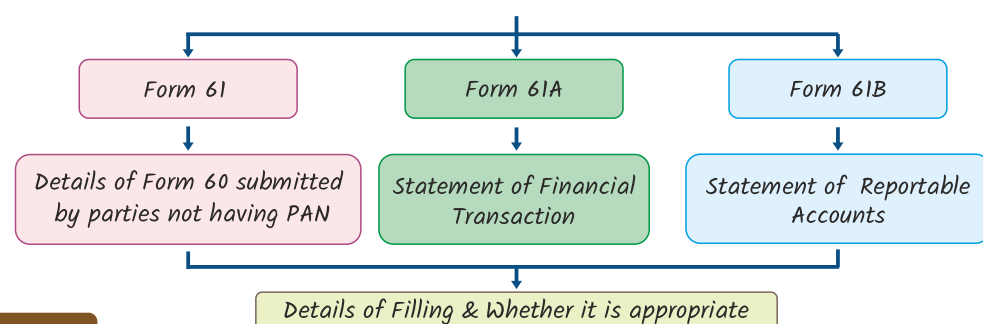
CLAUSE 41



CNO—TAXAUD.240

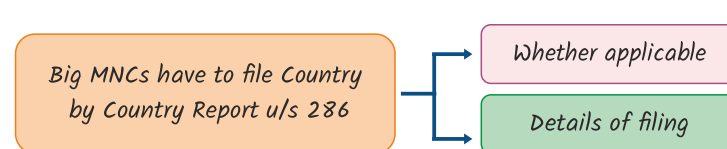
CLAUSE 42

Reporting on High Value Transaction



CNO—TAXAUD.240

CLAUSE 43

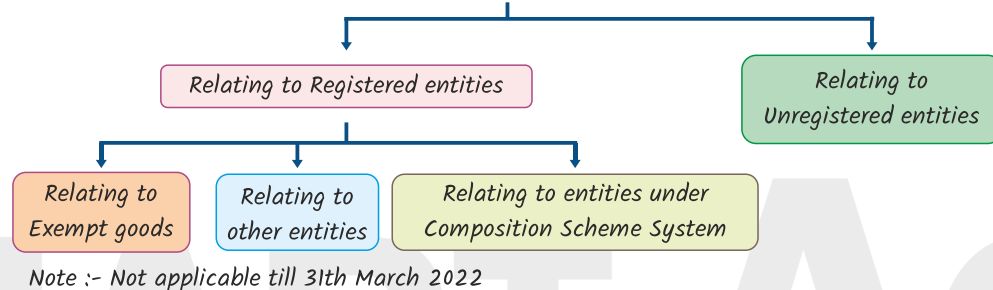


CNO—TAXAUD.240

CLAUSE 44

#Amendment

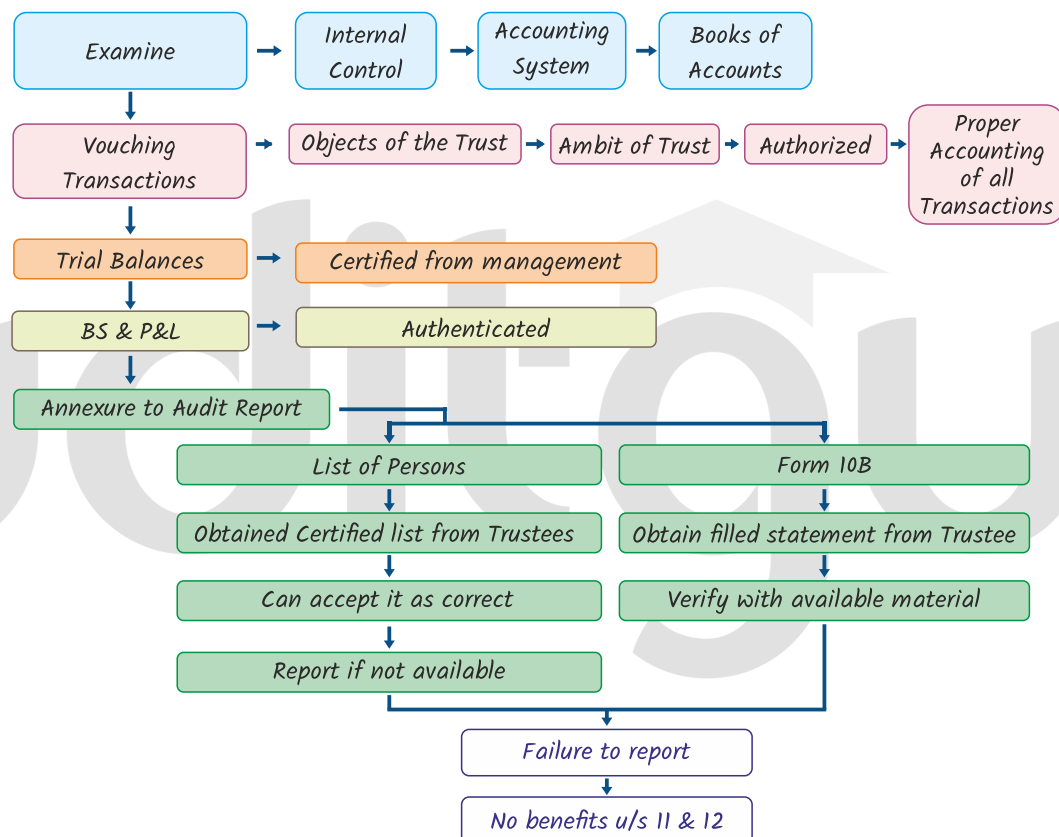
Expenditure details



CNO—TAXAUD.260

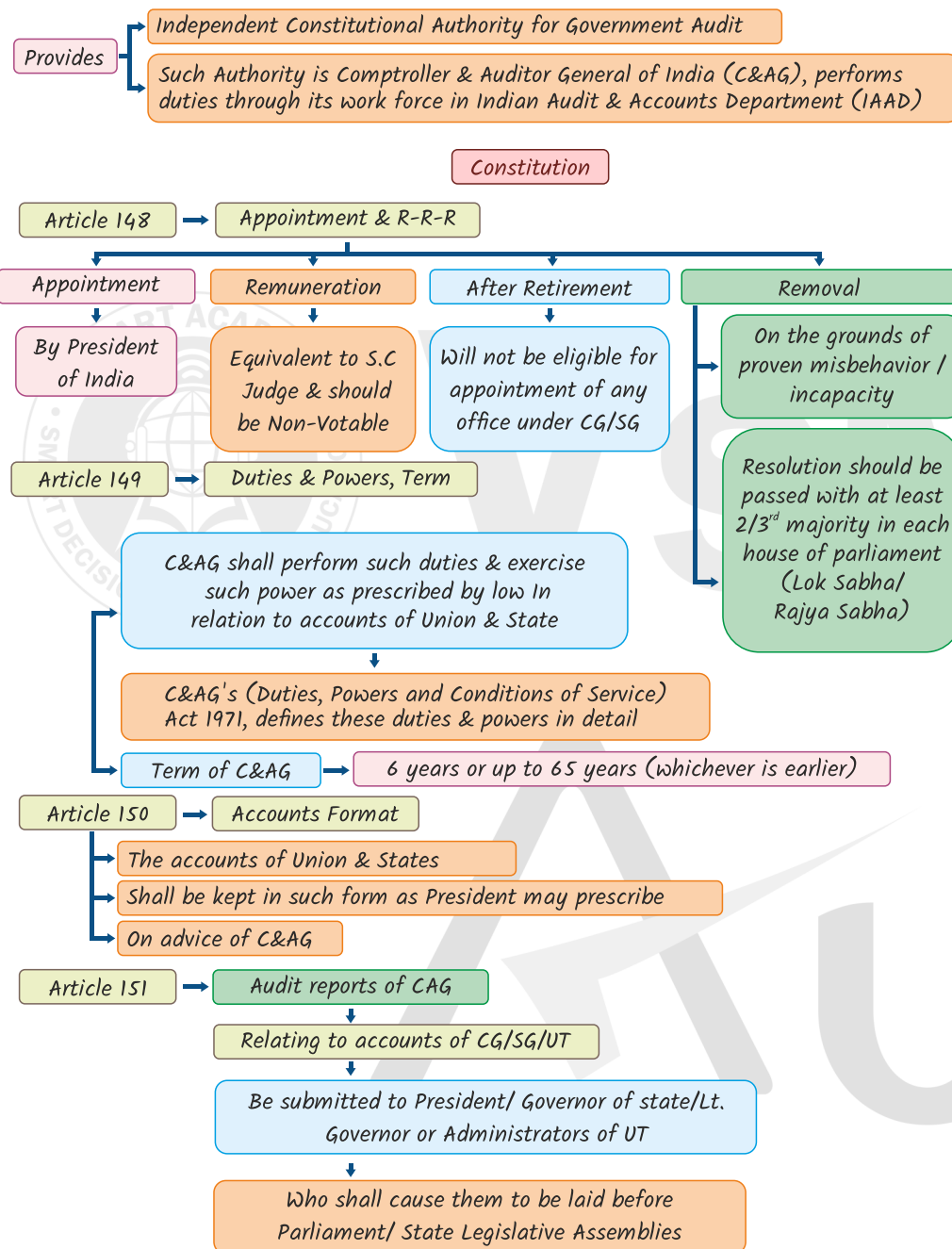
AUDIT OF PUBLIC TRUST

Audit Programme/ Routine Checking



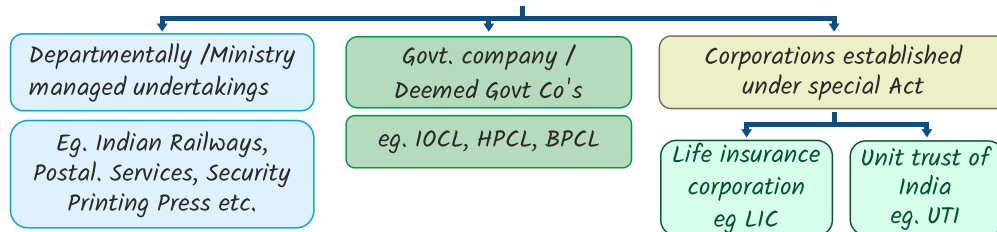
CNO—PSU.020

LEGAL FRAMEWORK FOR GOVERNMENT AUDIT



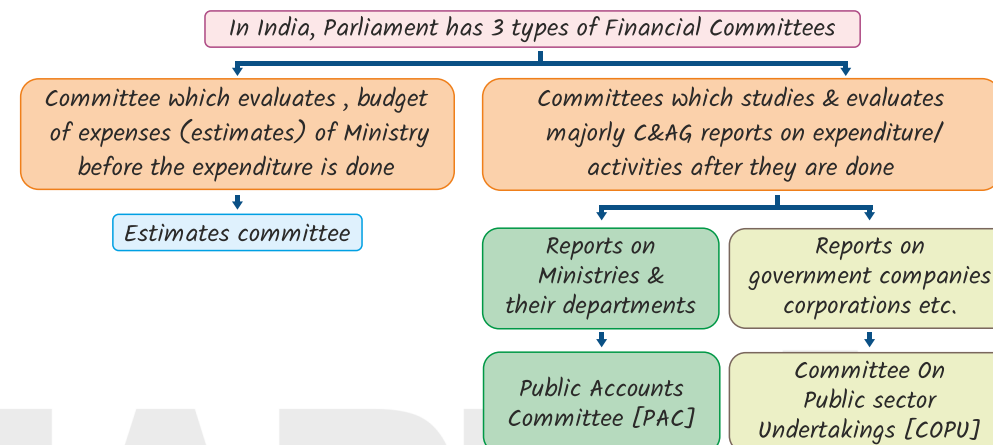
CNO—PSU.030

TYPES OF PSU's [CATEGORIZATION]



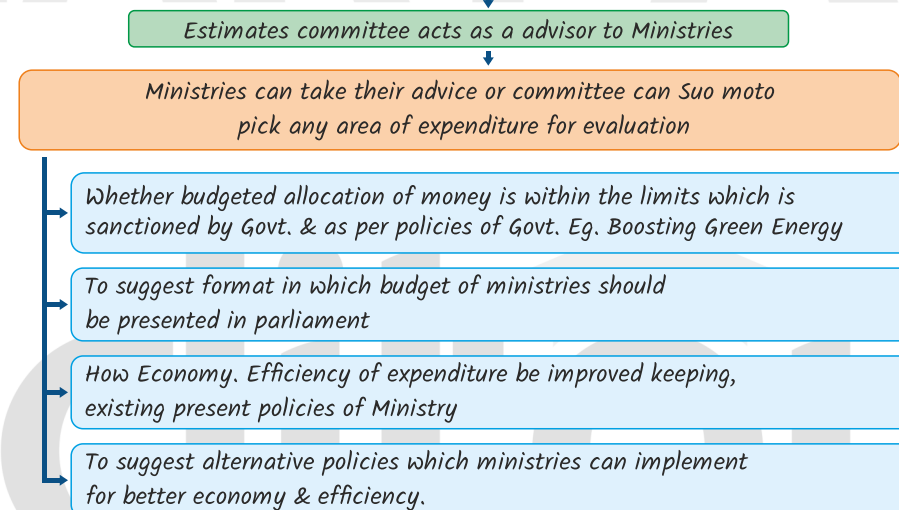
CNO—PSU.040

FINANCIAL COMMITTEES



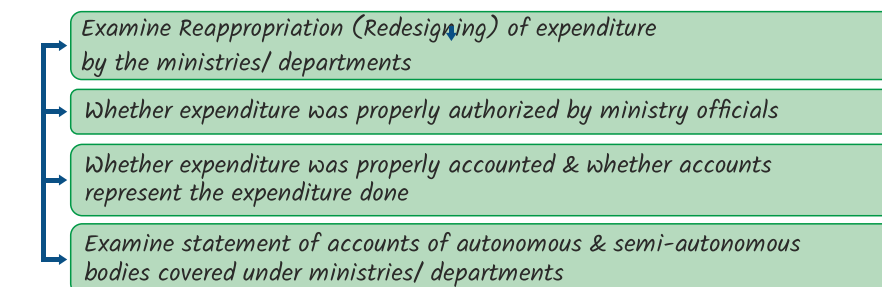
CNO—PSU.040

FUNCTIONS OF ESTIMATES COMMITTEE

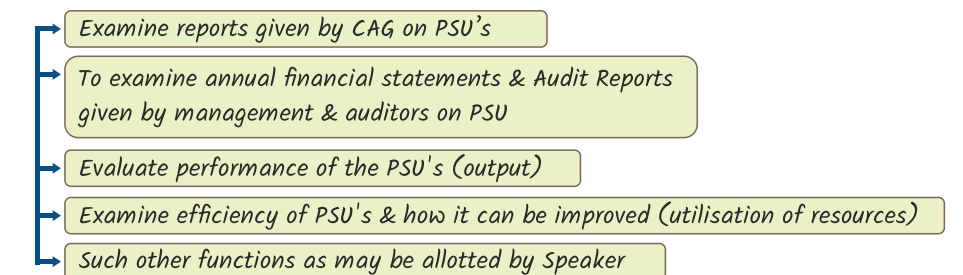


CNO—PSU.040

PUBLIC ACCOUNTS COMMITTEE [PAC]



COMMITTEE ON PUBLIC SECTOR UNDERTAKING [COPU]



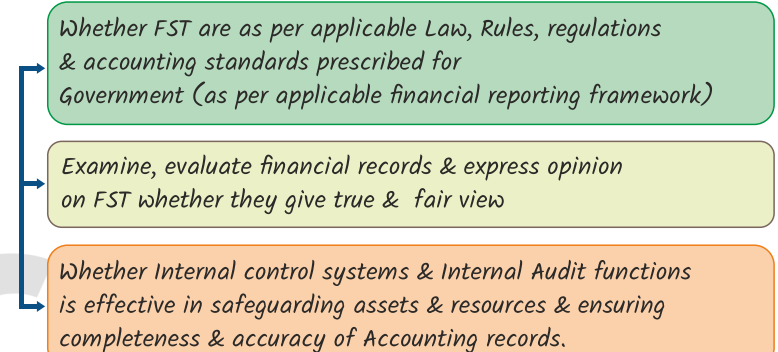
CNO—PSU.060

DIFFERENT TYPES OF AUDITS PERFORMED BY C&AG (As per popularity)



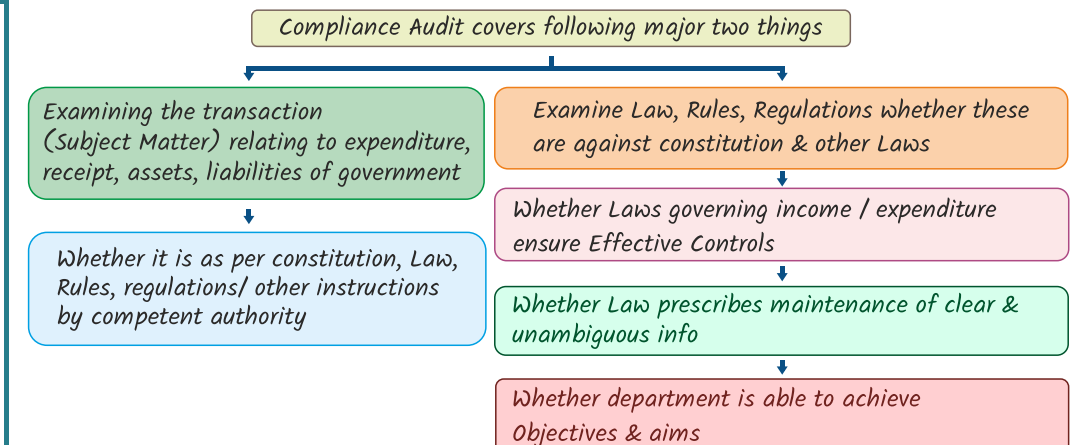
CNO—PSU.080

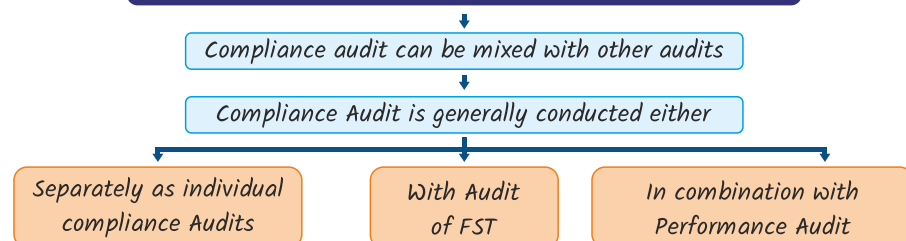
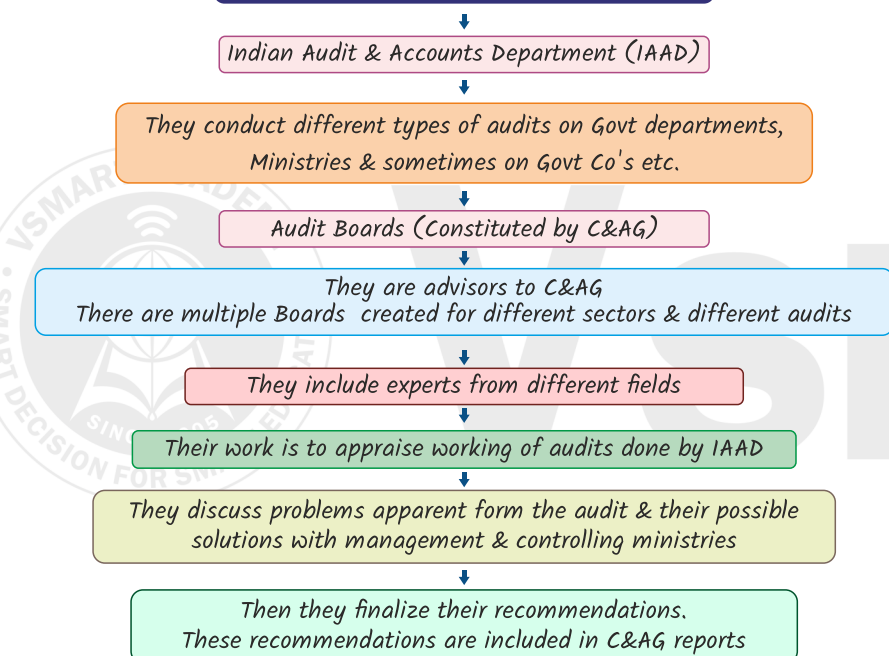
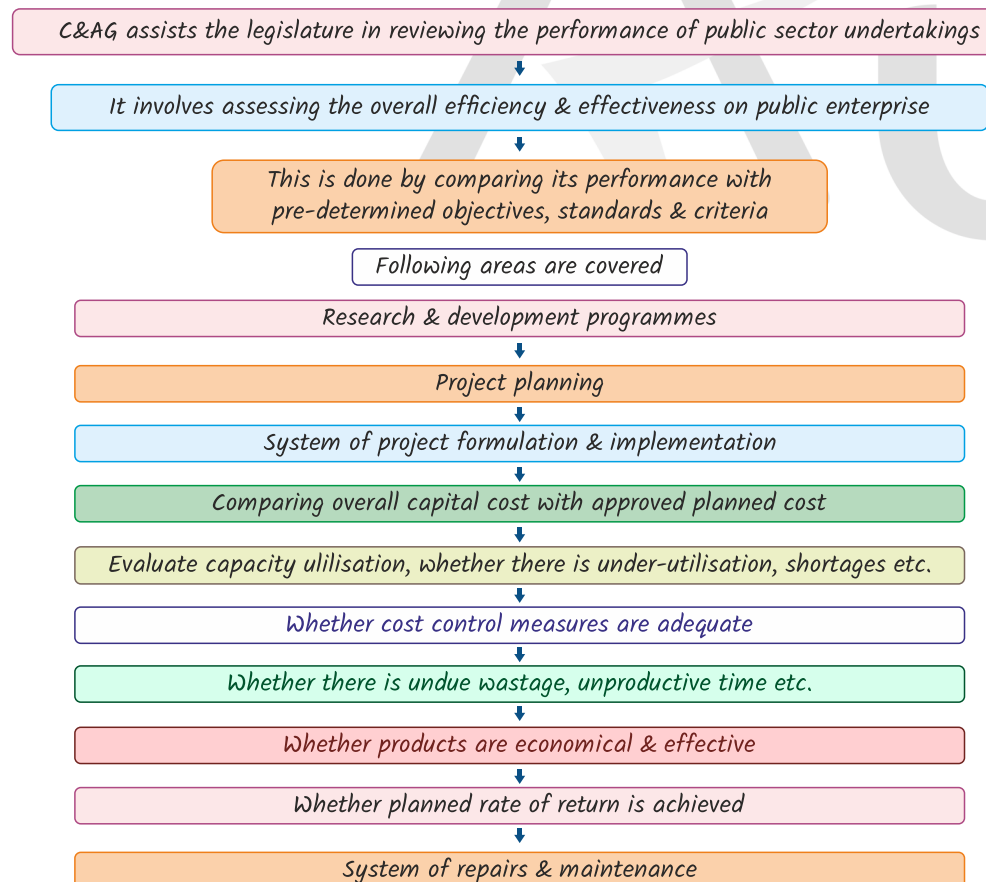
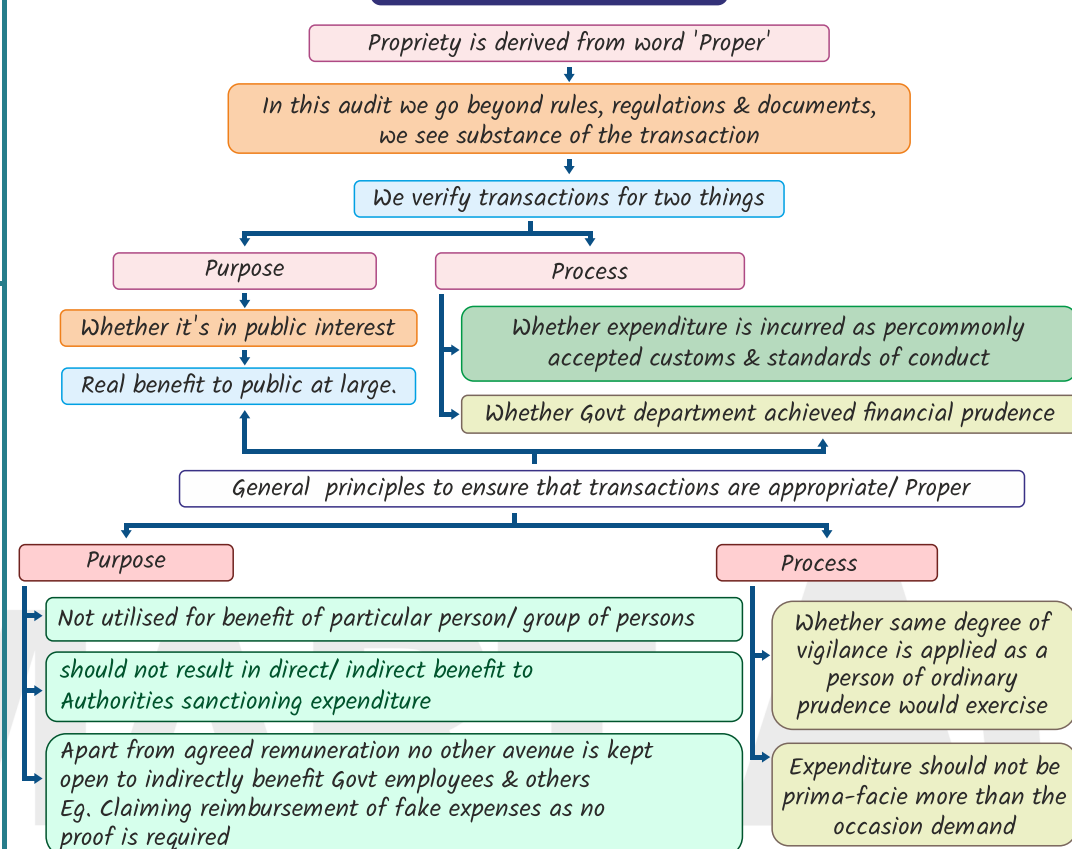
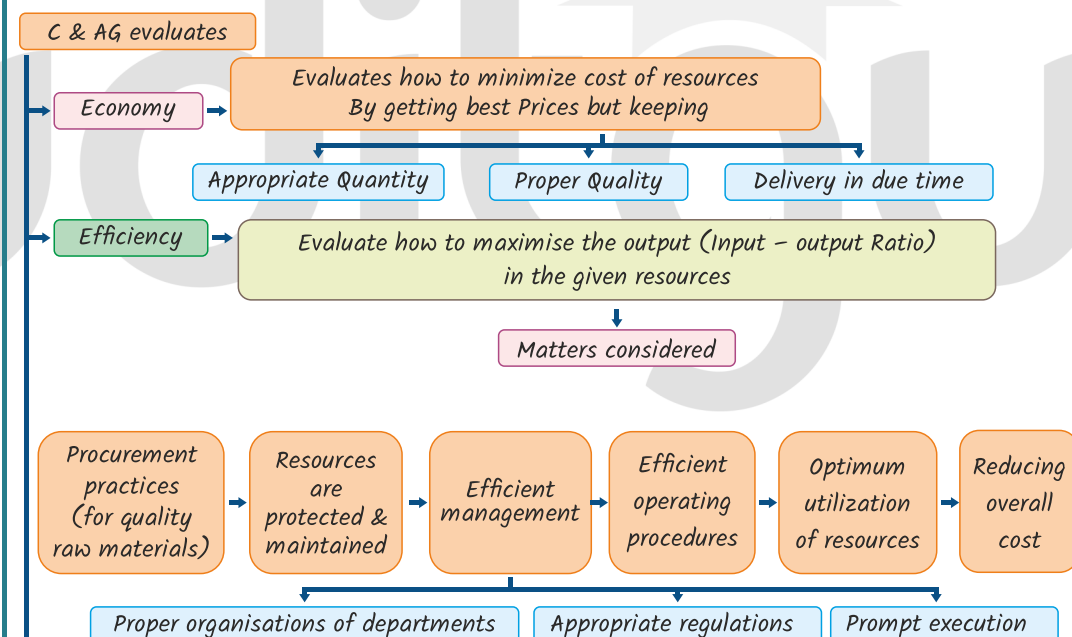
FINANCIAL AUDIT



CNO—PSU.100

COMPLIANCE AUDIT

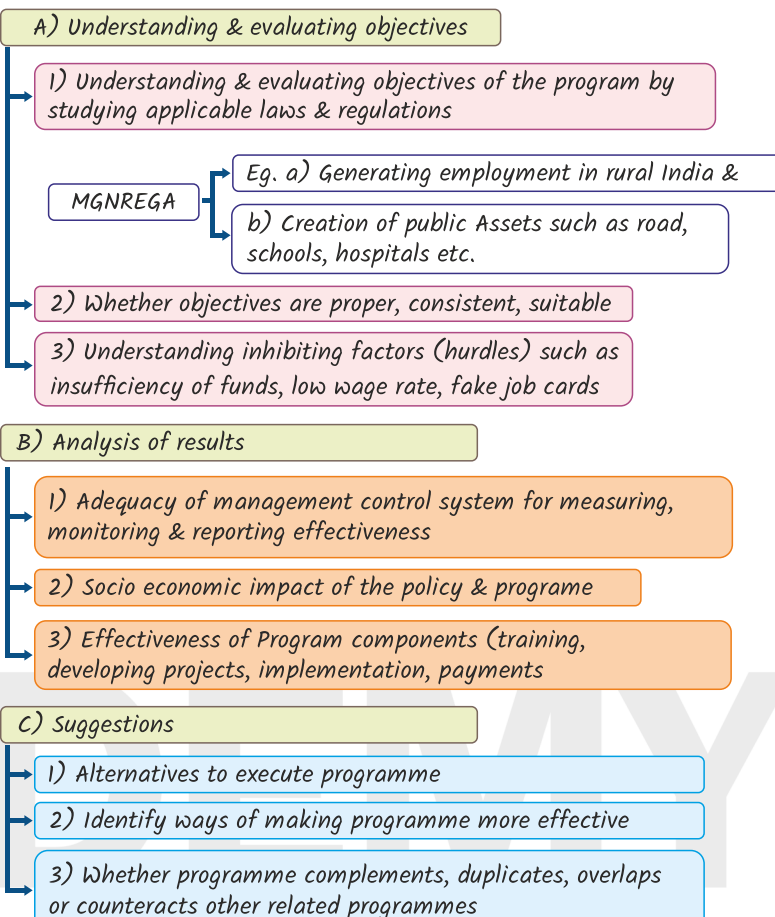
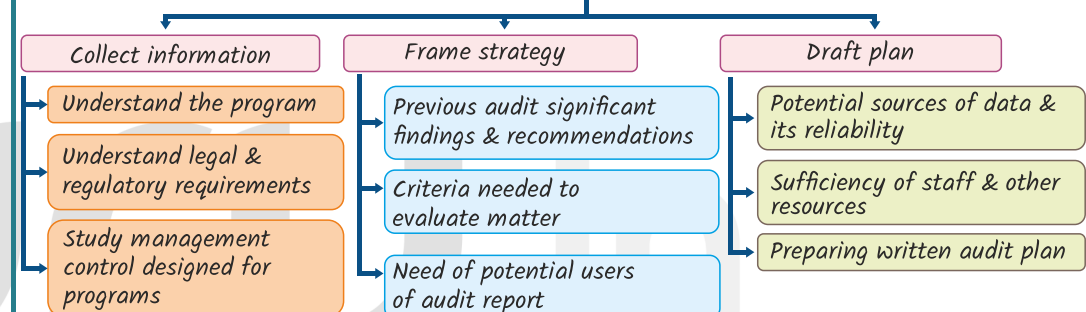


APPROACH WHILE CONDUCTING COMPLIANCE AUDIT**AUDIT BOARDS UNDER C&AG****COMPREHENSIVE AUDIT****PROPRIETY AUDIT****PERFORMANCE AUDIT****1. ISSUES ADDRESSED, CONSIDERED WHILE DOING PERFORMANCE AUDIT**

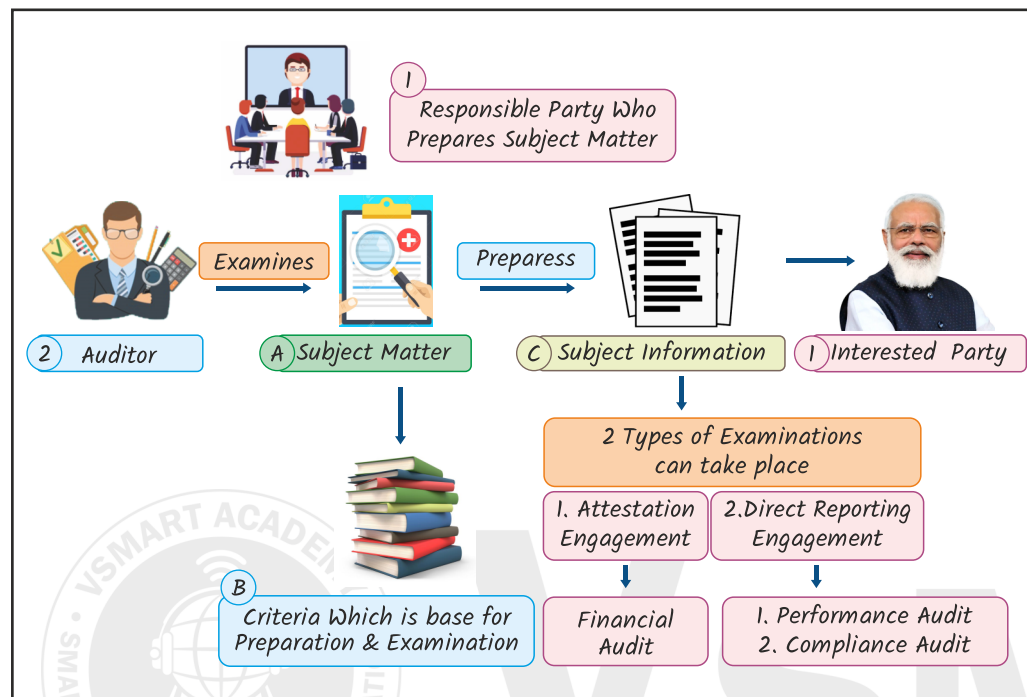
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Effectiveness

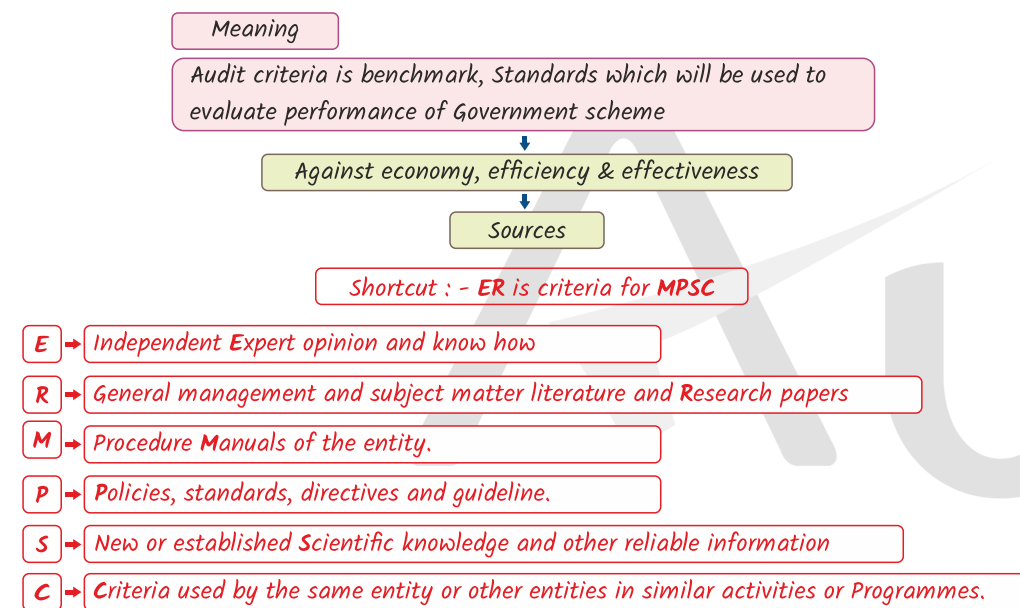
Eg. MGNREGA Scheme

**FACTORS TO BE CONSIDERED WHILE PLANNING PERFORMANCE AUDIT**

ELEMENTS OF PSU AUDIT



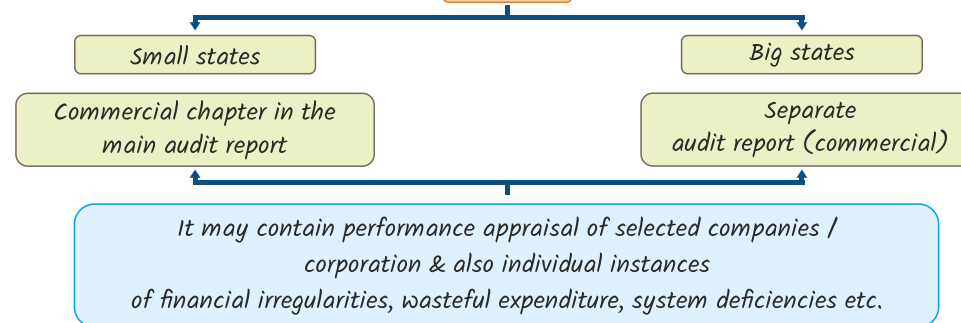
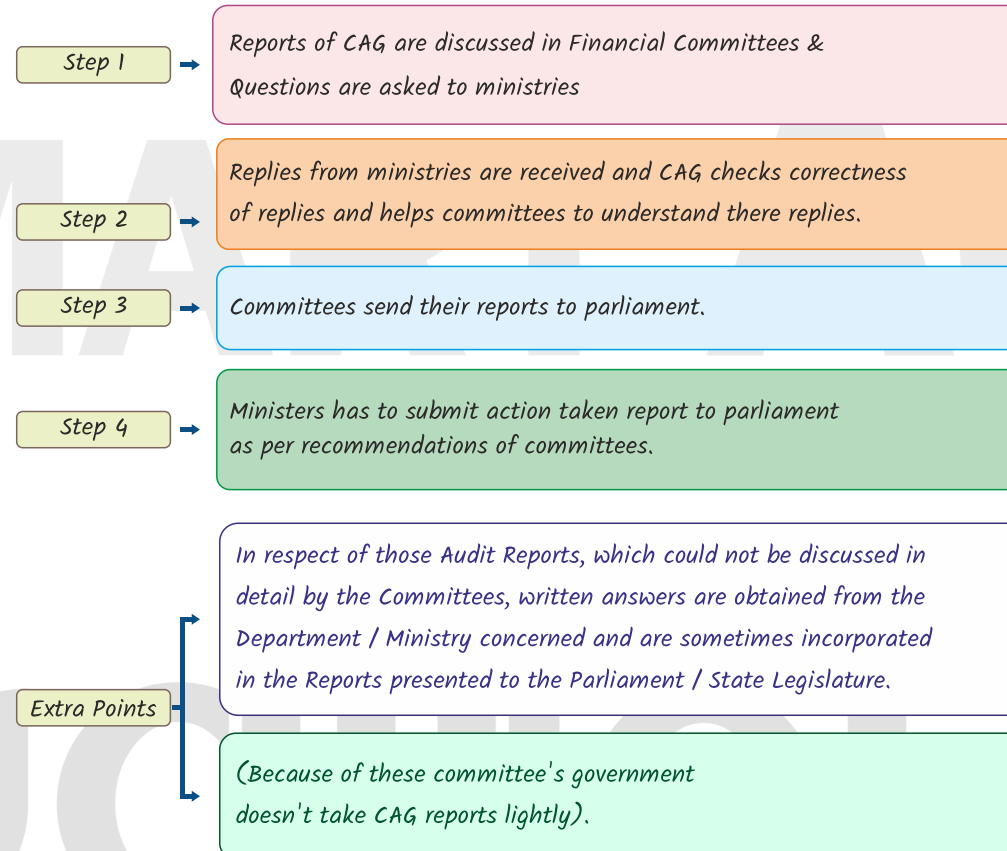
DETERMINING AUDIT CRITERIA

CONTENT OF COMMERCIAL AUDIT REPORT
GIVEN BY C & AG (604.000)

- Introduction containing general review of performance
- Result of comprehensive appraisals by audit board
- Summary of Co auditors report given as per instructions of C & AG
- Significant result of Government undertaking not taken up for appraisal of audit board

Continue on next column...

FORMAT

FUNCTIONING OF FINANCE COMMITTEE
& ROLE OF C&AG

Notes By Students

VSMART ACADEMY

Auditguru.in



CA Ravi Taori



Doubts



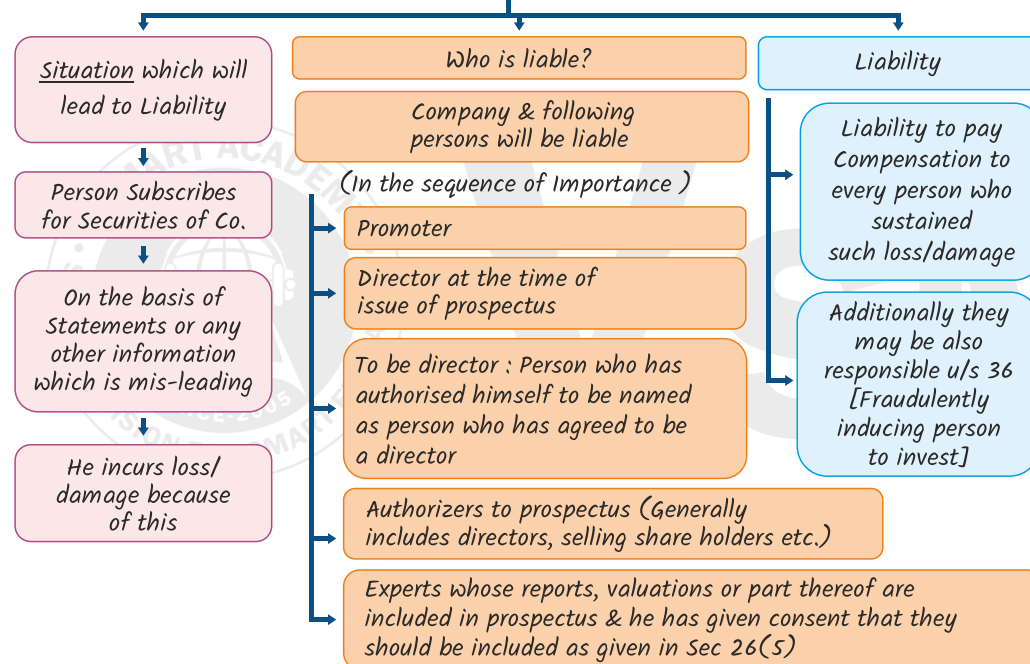
Telegram

CNO—LOA.020

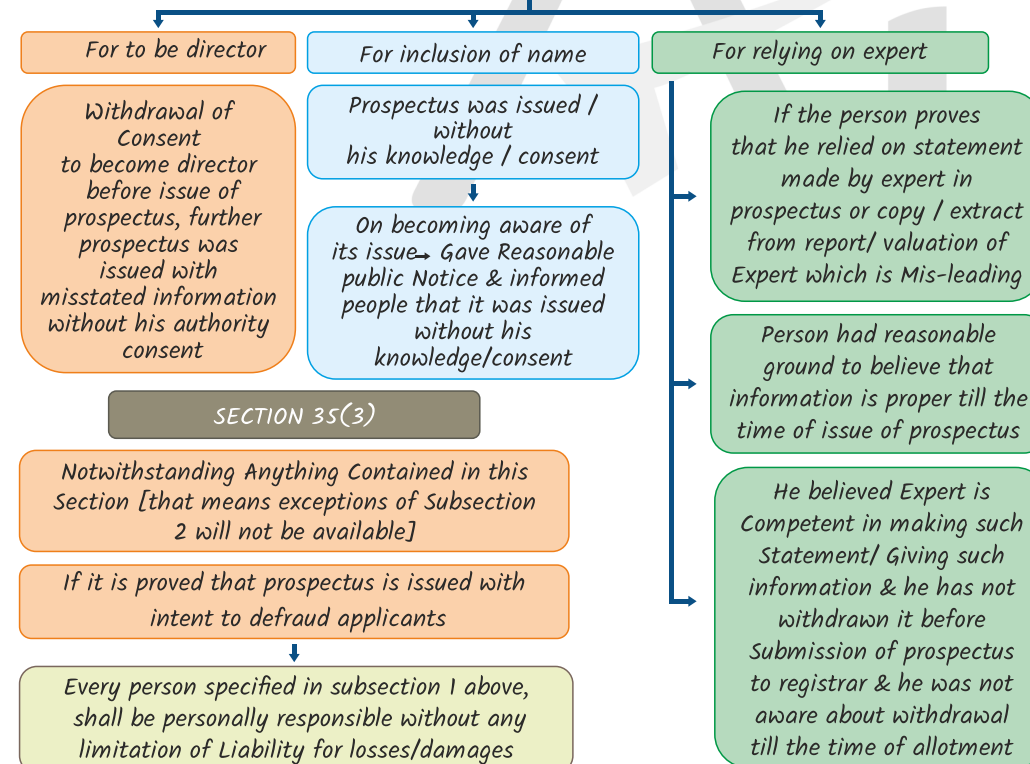
In this chapter we will discuss Liabilities under various sections of Companies Act, Income Tax Act & CA act & related rules which chartered Accountant may have to face in Capacity of Auditor or any other capacity

CIVIL LIABILITY for Misstatement in prospectus

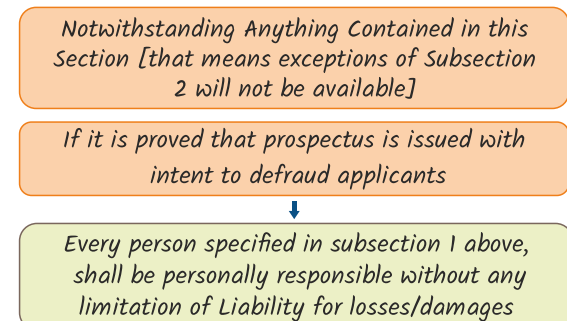
SECTION 35 (1)



SECTION 35(2) Exceptions to liability given under 35(1)



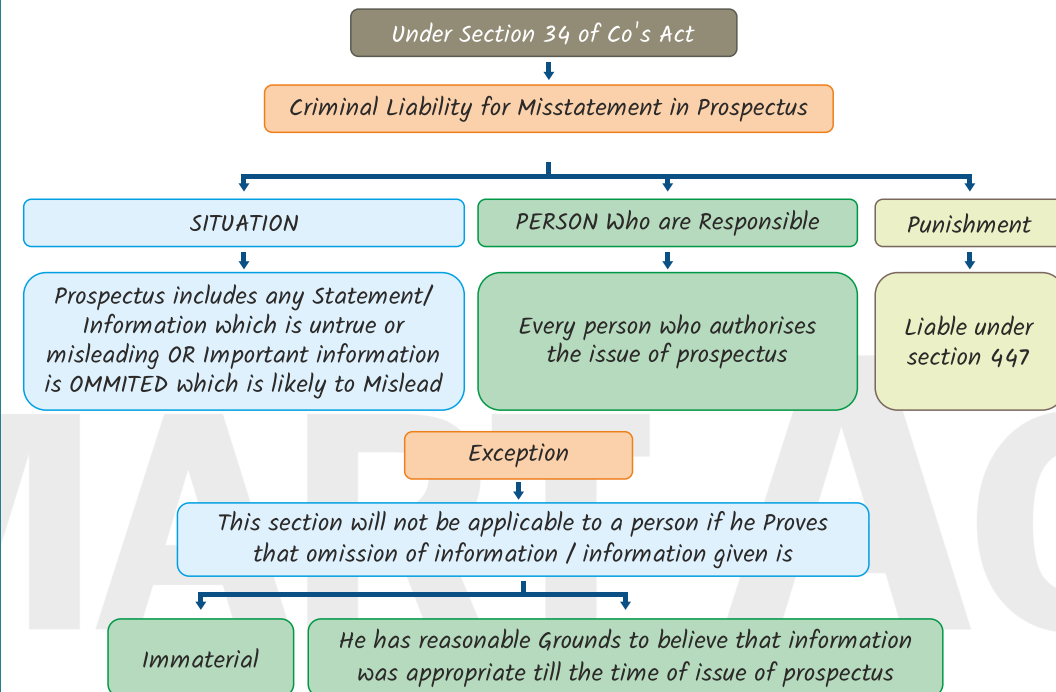
SECTION 35(3)



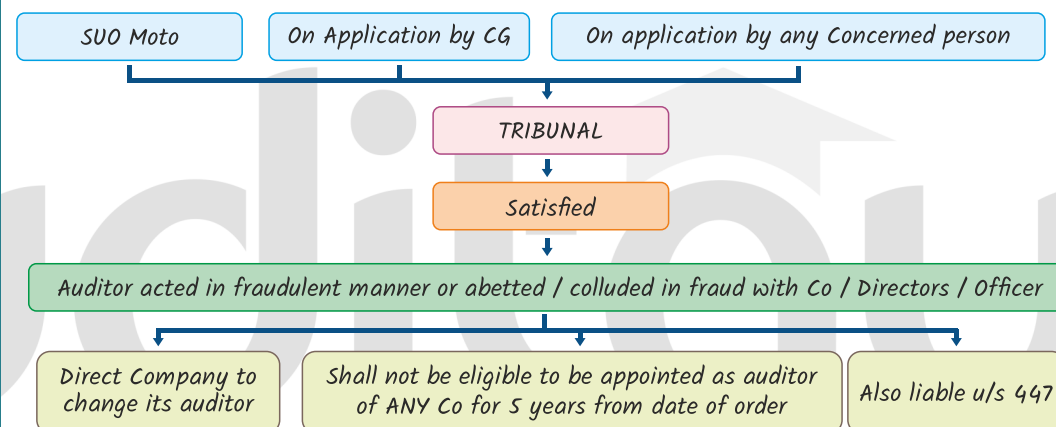
Note :- Section makes everyone liable. But court may give relief if person proves that he was not responsible for giving information which was misstated and he was not aware about misstatement

CNO—LOA.060

CRIMINAL LIABILITY

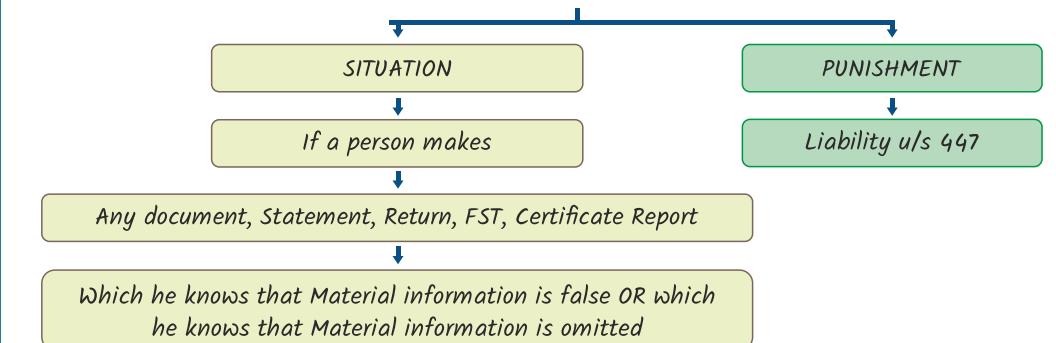


SECTION 140(5)



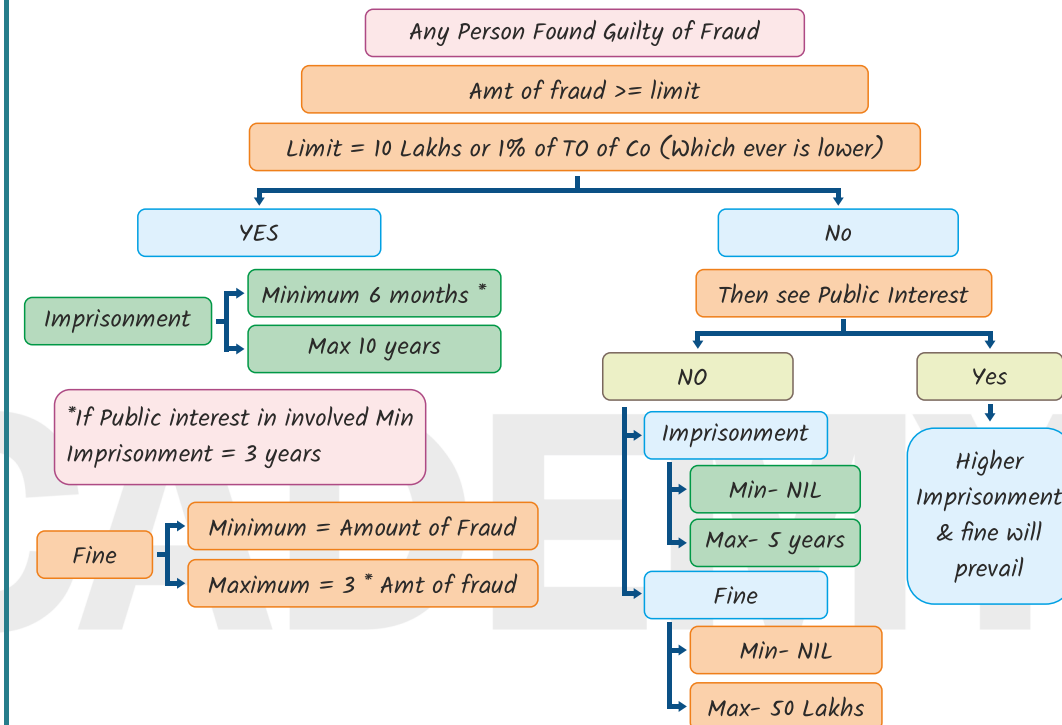
***Note: - If application is sent by CG & Tribunal is satisfied that change is required, shall make order within 15 days that auditor shall not function & CG may appoint new Auditor

SECTION 448



CNO—LOA.060

SECTION 447



*If Public interest in involved Min Imprisonment = 3 years



LIABILITIES UNDER INCOME TAX ACT

Rule 12A 271 J 277 278 288

Rule 12A – Duty of Authorised Representative who prepared Return for Assessee

Assessee appointed Representative

To prepare Tax Returns

And submitted these returns to department

Power of Assessing officer (AO) as per rule 12A

AO can order representative to appear before him

Authorised representative will have to submit either before appearing or immediately after appearing these details

Particulars of A/c's, St, other documents submitted by assessee to prepare return

If authorised representative has performed any examination on particulars of A/c's, statement/ other documents before preparing return

Then scope of such examination & its results

Situation

Information submitted by authorised representative under Rule 12A will be considered as statements made by him in Sec 277. If authorised representative was aware that info which he is submitting is false

Then he can be punishable with Rigorous Imprisonment Upto 7 years AND FINE

SECTION 271J of Income Tax Act

Situation

Accountant / Merchant Banker / Registered banker

Furnishes Report / Certificate under provisions of Income Tax Act / Rules

Information in Report / Certificate is incorrect

Penalty

Assessing Officer (AO) / Commissioner (Appeals) may direct him to pay

Sum of 10000 for each Report / Certificate

***NOTE –(1) Incorrect information may be provided intentionally / unintentionally
(2) Penalty under other Sections will also apply if its intentional like Sec 277 & Sec 278.

SECTION 277

False information by a person

Situation

If person makes any Report / Certificate (after any verification) or

Delivers an Account / Statement

Which he knew is false OR He didn't believe that this information is true

Shall be Punishable

Punishment

If Tax along with Interest & Penalty exceeds 25 Lakhs

Yes

Rigorous Imprisonment
Minimum – 6 months
upto 7 years & Fine

No

Rigorous Imprisonment
Min- 3 months
Max- 2 years & with fine

SECTION 278

Abetting / Inducing other person to give false info or encourage to evade tax

Situation

If any person abets [Encourages] or Induces [Supports/helps] in any manner other person to give Account / Statement which is False / Not True

OR

Encourage them Evade Tax u/s 276 C (Wilful evasion of tax)

PENALTY

Same as Section 277

SECTION 288 (4) & (5) – Disqualification from acting as representative

Subsection 4

Reasons for disqualification

1) Government Related

Dismissed / removed from govt. service

Always disqualified

2) Income Tax Department Related

Convicted of an offence related with Income Tax Proceeding (Case) on whom penalty has been imposed except 271 (i) (ii) / 272 A (i) (d)

Principal Chief Commissioner / Chief Commissioner or Principal Commissioner will determine time period

3) Others

Person became Insolvent

Till Insolvency Continues

Convicted by Court for offence involving fraud

10 years from date of Conviction

Continue on next page...

SUBSECTION 5

Person who is Legal Practitioner / Accountant (CA)

Found Guilty of Misconduct by respective Authorities of profession

Punished with suspension of Right to practice

He cannot attend Income Tax Proceedings till time of suspension

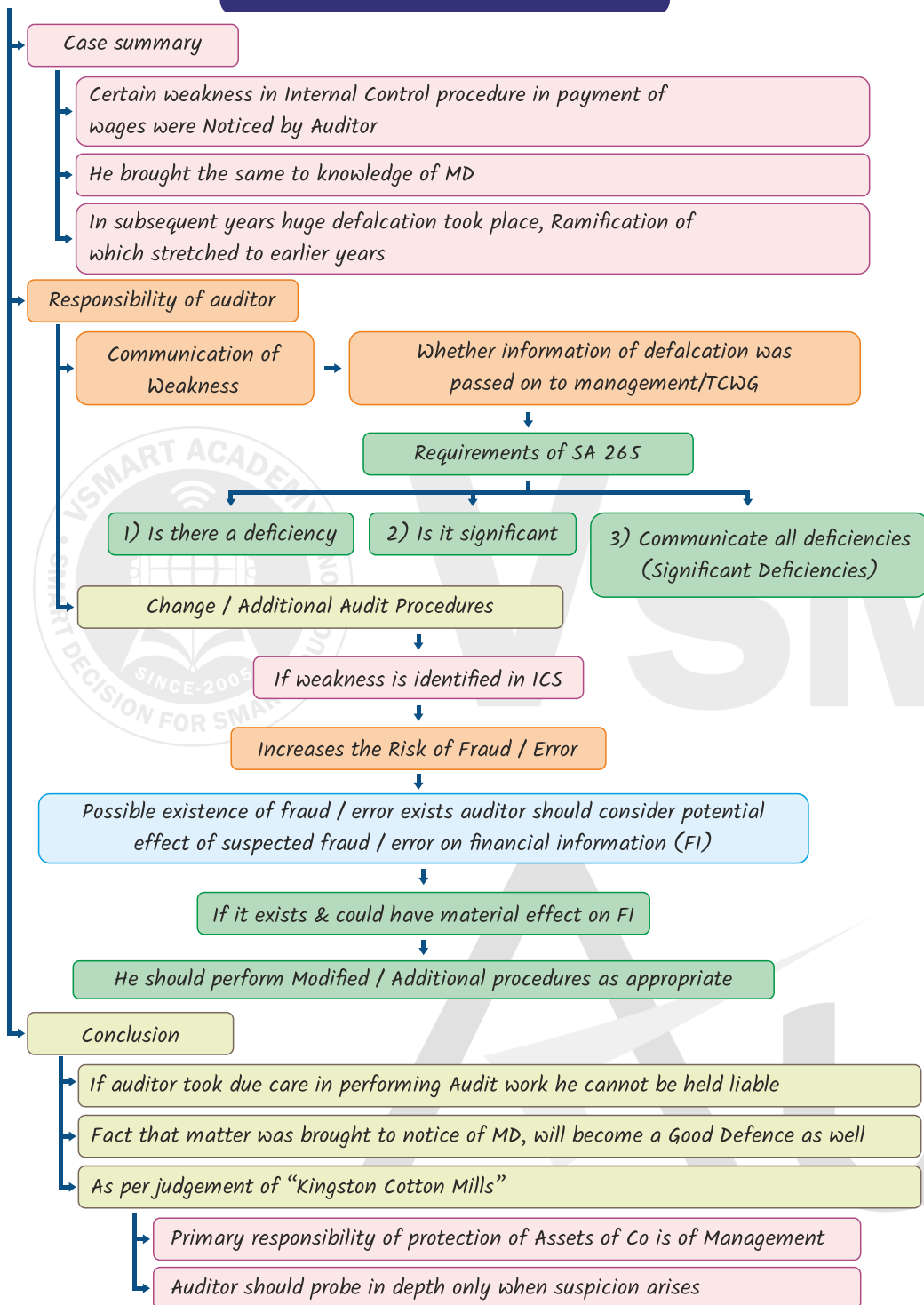
Person who is not Legal Practitioner / Accountant

Found Guilty of Misconduct in Connection with Income Tax Proceeding [cases]

Chief Commission or Commissioner may direct period of disqualification

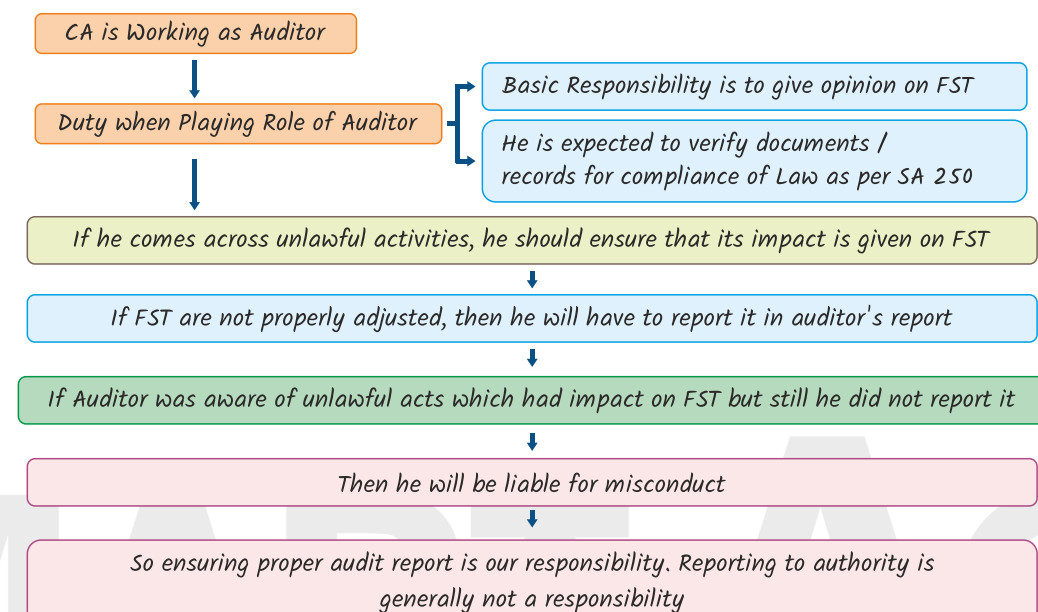


WEAKNESS IN ICS LEADING TO FRAUD & AUDITOR'S RESPONSIBILITY

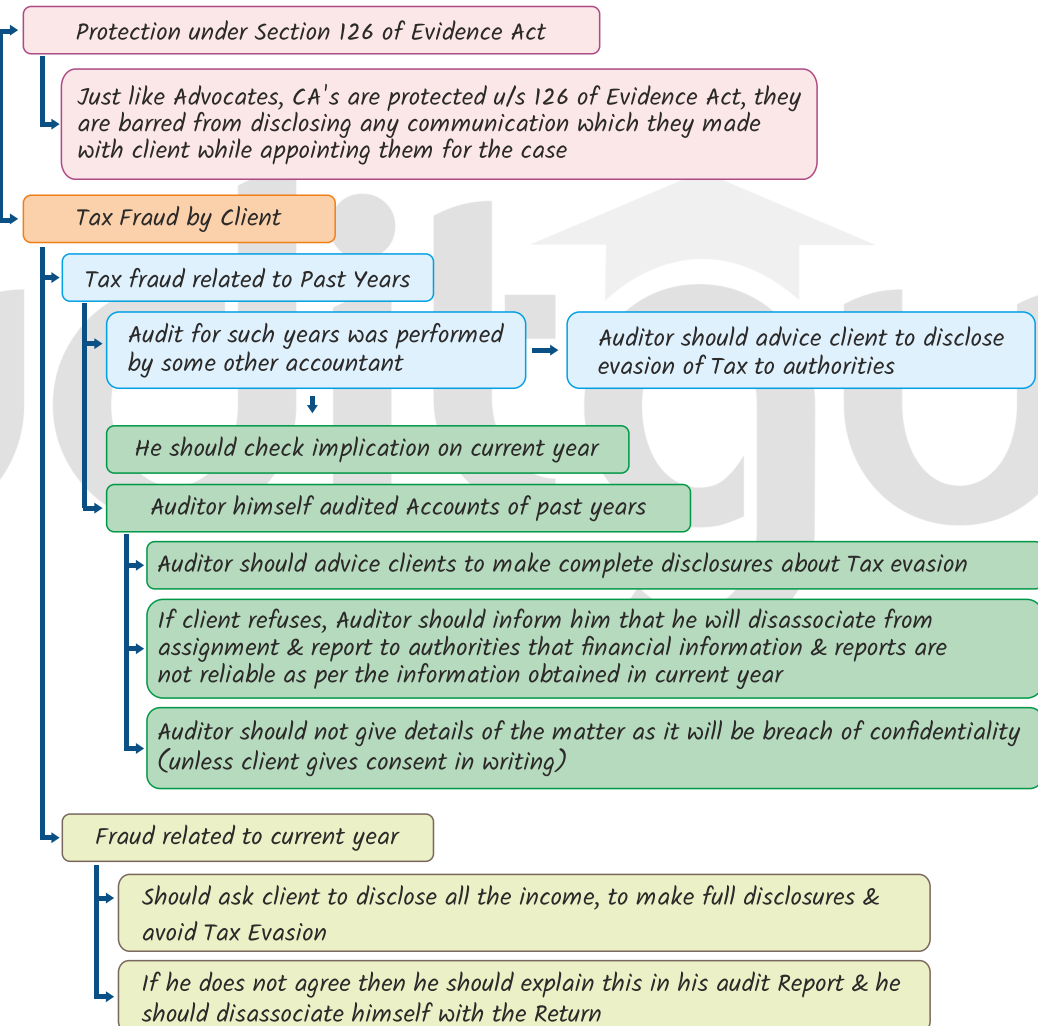


LIABILITY IN CASE OF UNLAWFUL ACTS OR DEFAULTS BY CLIENT

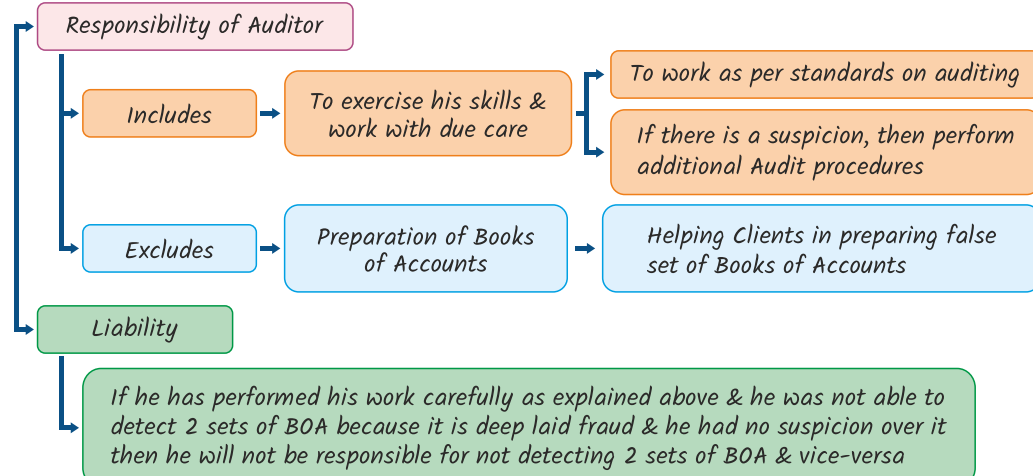
PART A GENERAL PRINCIPLES



PART B ICAI CLARIFICATION

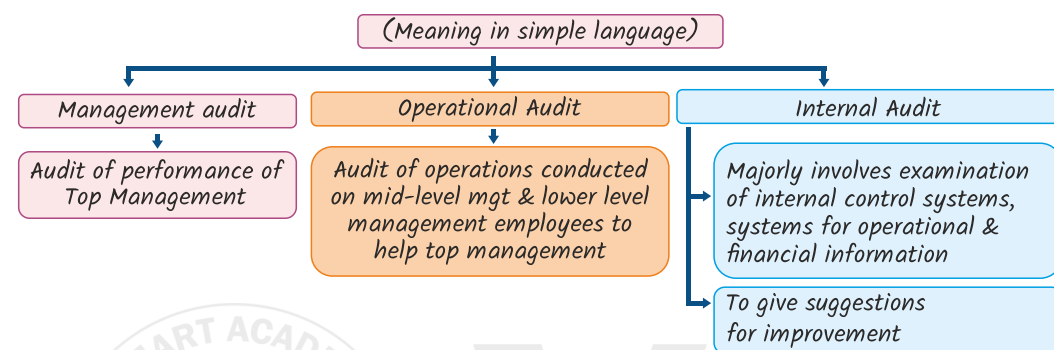


INCOME TAX OFFICER IDENTIFIED THAT ASSESSES IS MAINTAINING TWO SETS OF BOOKS OF ACCOUNTS



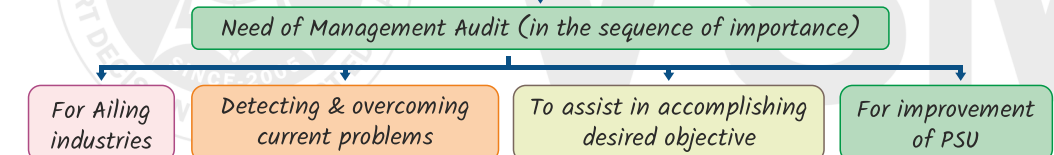
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Internal Audit, Management & Operational Audit



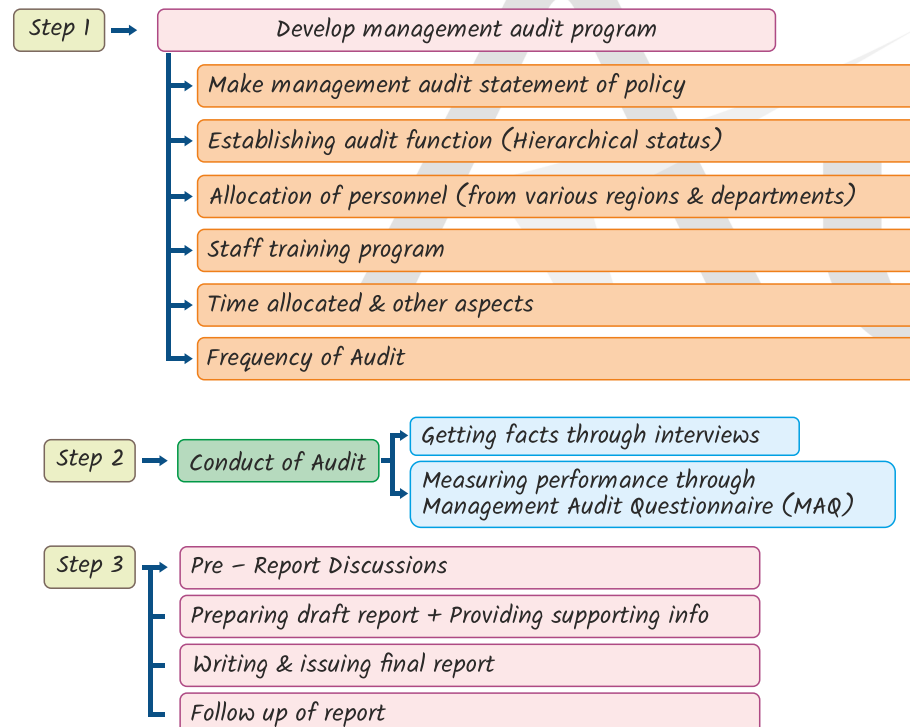
CNO—MA.020

NEED & STEPS IN MANAGEMENT AUDIT



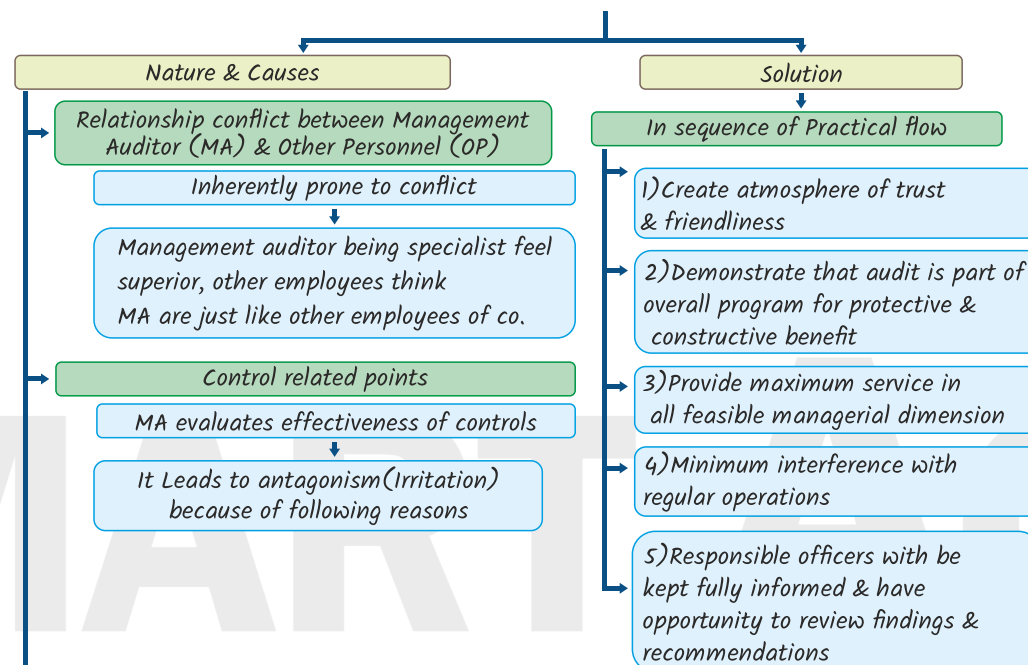
CNO—MA.020

STEPS IN MANAGEMENT AUDIT

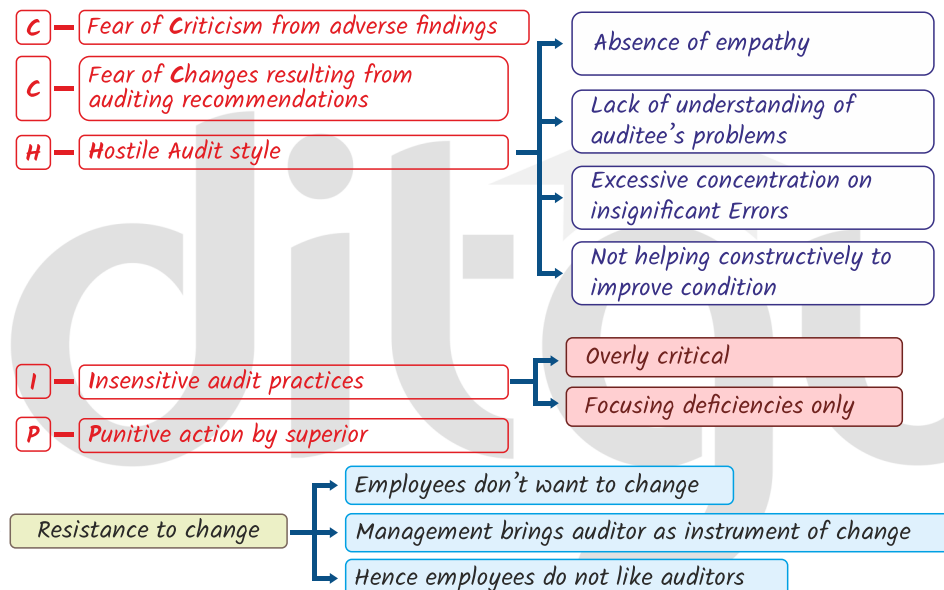


CNO—MA.040

BEHAVIOURAL ASPECTS

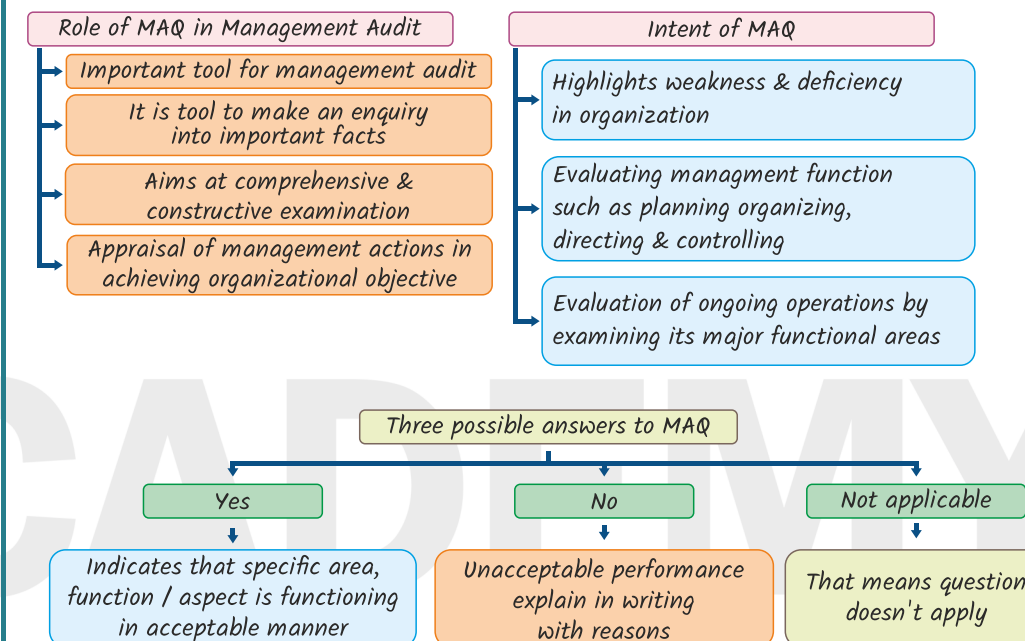


ShortCut - C-CHIP



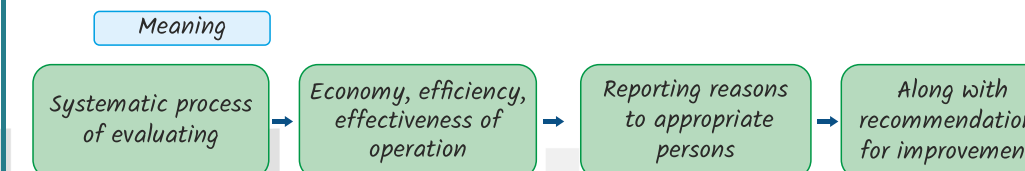
CNO—MA.060

MANAGEMENT AUDIT QUESTIONNAIRE (MAQ)



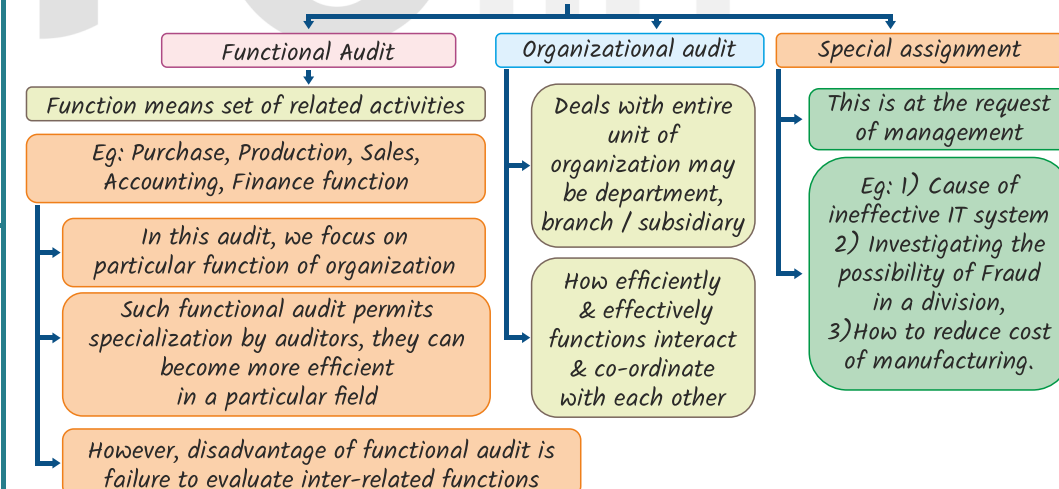
CNO—OA.020

OPERATIONAL AUDIT



CNO—OA.020

TYPES OF OPERATIONAL AUDIT



CA Ravi Taori



Doubts



Telegram

NEED FOR OPERATIONAL AUDIT

PROBLEMS

Layers of delegations of responsibilities separating Management from actualities.

Managers Responsible for areas beyond their direct observation

Conventional sources of management information such as department manager, Routine Performance Report, Internal Audit Report, Periodic Special Investigation & Survey, fail to provide information

SOLUTION

Operational Audit is Specialized Management Information tool to fill the void.

Inexpensive, Continuous & Objective appraisal of activities, Operations & Controls

Informs Management of What has gone wrong & how it has gone wrong

Enlightens management of Possible Dangers, Constraints & Opportunities

OBJECTIVE & SCOPE

Scope/Objective

Depends on Following Matters

Attitude of Management, Are they Open-Minded with Broad Vision, giving necessary freedom & Sanction to Perform Operational Audit

Qualities & Sense of Perspectives of Operational Auditor

Combination of these two is required so that organization gets advantage from Operational Auditing

Generally Operational Audit Objective includes

Appraisal of objective and plans

As per past performs, size and present circumstances

Appraisal of Organization Structure

Whether it is in Conformity with Management Objectives

Matching Responsibility & Authority

Appraisal of Controls

Whether Controls designed are adequate

Performance Appraisal

Measure the effectiveness, efficiency & economy of Operations

Select acceptable Standards depending on availability

Evaluate whether performance is as per Standards

THE FACTORS RESPONSIBLE FOR HIGH EMPLOYEE ATTRITION RATE ARE AS UNDER:

High Attrition Rate of TCS Personnel

T → Timing- Job Stress & work life Imbalance
T → Training-Facilities for staff training to keep them abreast of Current techniques & Practices

C → Colleagues-Number of people employed are excessive or inadequate

S → Staff-Unbearable Behavior of Senior Staff

S → Safety Factors

S → Salary & Schemes-

Low Salary Benefits

Lack of Welfare Schemes

P → Personnel- Lack of Properly Qualified & Experienced Persons to lead & to work

DIFFERENCE BETWEEN INTERNAL AUDITING & OPERATIONAL AUDITING

Internal Auditing

Protective Function

Focuses on protection of assets & data of the organization

Focuses on whether controls are designed & whether employees properly implement them

Example:

Whether cash & stock are protected

Physical examination of Cash

Whether there is proper security & arrangement for stock

Operational Auditing

Development Function

It's a development function

Focuses on appropriateness of management objectives & goals & whether proper policies are framed to achieve them

Example

Whether cash management is appropriate

Whether cash balance is excessive

Stock management policies regarding re-order, obsolescence, and overall inventory management policies and are they appropriate

Modern Internal Auditing Suggest there is no difference in Internal & Operational Auditing

DIFFERENCE BETWEEN OPERATIONAL & MANAGEMENT AUDIT

Management Audit

Audit Of Management

Evaluate Quality of Managing

Operational Audit

Audit For Management

Evaluate Quality of Operations

Difference is not in the method of doing Audit, it is regarding Level of Appraisal

In Management Audit, Functioning of Top Management is Evaluated while in operational Audit functioning of Mid Level & Managers is Evaluated

DIFFERENCE BETWEEN FINANCIAL & OPERATIONAL AUDITING

Purpose

In Financial Audit purpose is to give opinion; Whether they give True & Fair View

In Operational Auditing, purpose is to evaluate all the activities regarding Economy, Efficiency & Effectiveness

Focus Area

FST is Focus Area

All Operating Activities is Focus Area

Report

Report Is sent to all Stakeholders, it is Public Document

Report is primarily for Management, Its Confidential Document

Suggestions

In Financial Audit we don't give any suggestions to management

In Operational Audit we give suggestions to management

INTERNAL AUDIT

Note: Please See Company Accounts Chapter for section 138 related to Internal Audit also see SA 610 on how to use work of Internal Auditor(IA) & take direct assistance of Internal Auditor

Definition / Objective / Scope of Internal Audit

As per framework Governing Internal Audit and SA 610—"Using the work of Internal Auditor"

Internal Audit covers evaluation & improving effectiveness

Governance Process

Governance

Examples indicating objectives & Scope of Internal Audit

Example: Assessment of Governance Process in the accomplishment of objectives on ethics and values.

Risk management system

Risk management

Example: Evaluation and management of Risk Exposure for complex financial instruments transactions

Related to Internal Controls

Review of compliance with laws & regulations

Example: Review of compliance with newly applicable Tax Regime.

Evaluating & monitoring of internal controls

Example: Monitoring through Exception Reports is Continuous Control Management Tool in ERP system

Review of operating activities

Example: Reviewing Store Management Practices visa-vis Industry's Best Practices

Examination of financial & operating information

Example: Internal Audit for identifying reasons of Year-to-Year deviation in Profit & Loss Account Items

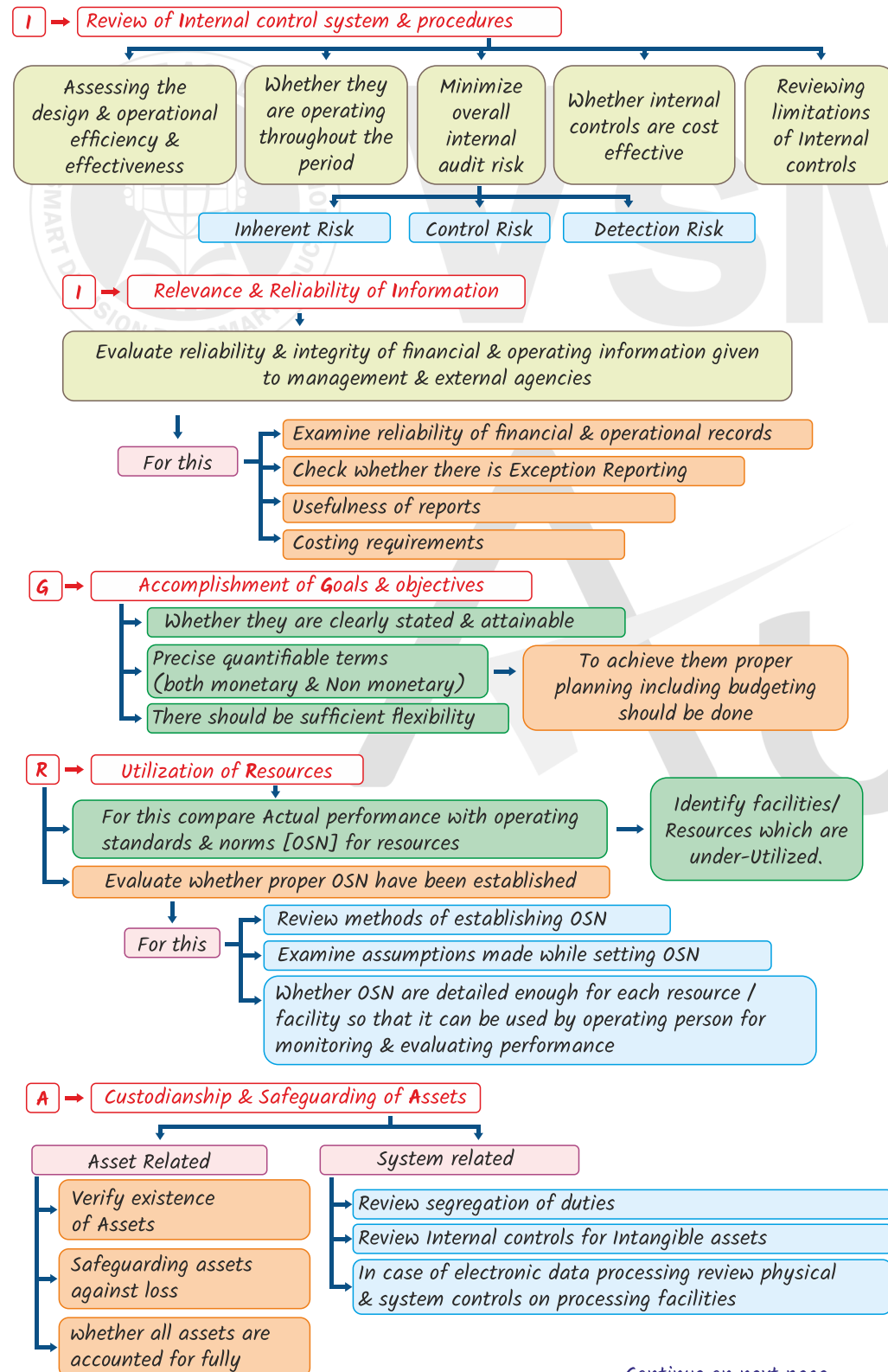


SCOPE OF INTERNAL AUDITING INCLUDES REVIEW OF MANAGEMENT FUNCTION

Following management Audit functions are covered

Shortcut – Internal auditor ne GRASP karni chahiye ye chije

- I → Review of Internal control system & procedures
- I → Relevance & Reliability of Information
- G → Accomplishment of Goals & objectives
- R → Utilization of Resources
- A → Custodianship & Safeguarding of Assets
- S → Organizational structure
- P → Review of Compliance with Polices, Plans, Procedures & Regulations



Continue on next page...

S → Organizational structure

Can be done by operational auditor also & internal auditor also, auditor will have to check whether The structure is designed to achieve organisation objective effectively (harmony)

For this Evaluate Following (GM Motors BaNS D² effective Structure)

- G → Grouping of activities for managerial controls
- M → Process of managerial development (vital for fast growing enterprises)
- B → Satisfactory balance between authority & responsibility
- N → No overlapping of responsibility Between managerial staff at headquarters and executives at operating units
- S → Span of controls should be reasonable for each executive
- D → Dual responsibilities can be avoided, where it is not possible, then fix what is primary Responsibility & to which particular senior
- D → No undue dominance of one functions over other
- S → Structure should be simple & economical

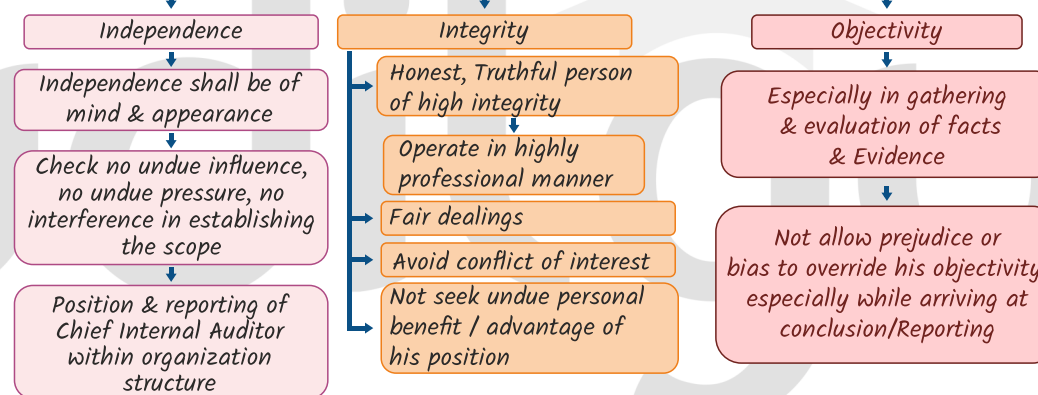
P → Review of Compliance with Polices, Plans, Procedures & Regulations

- Whether functional segments comply with law, regulations, policies, procedures & plan
- Examine system of periodical review specially when there is change in method & nature of operations
- Point out specific weaknesses & suggest remedial actions

CNO—IA.060

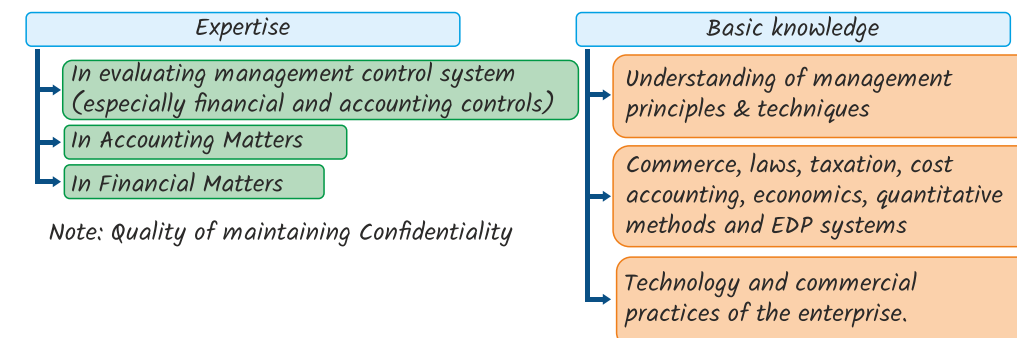
INTEGRITY, OBJECTIVITY AND INDEPENDENCE OF INTERNAL AUDITOR

Set of Core principles fundamental to internal audit function & activities.



CNO—IA.070

QUALITIES OF INTERNAL AUDITOR

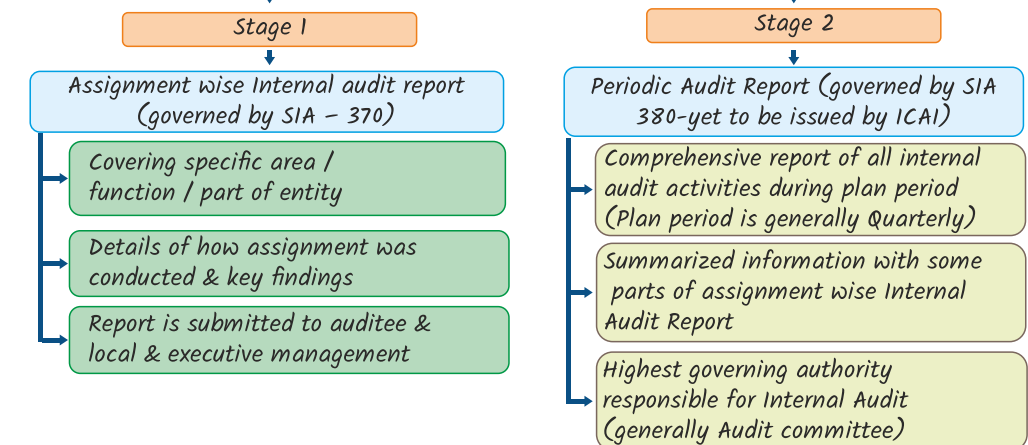


Note: Quality of maintaining Confidentiality

CNO—IA.080

INTERNAL AUDIT REPORT

Reporting generally happens in 2 stages



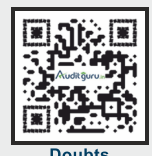
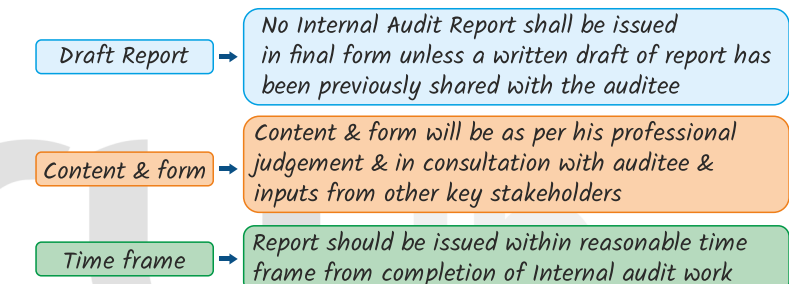
CNO—IA.100

KEY ELEMENTS OF INTERNAL AUDIT REPORT

- Overview of objective, scope & approach
- Internal audit was conducted as per standards of Internal Audit
- Executive summary of key observations covering all important aspects
- Summary of corrective actions for each observation
- Nature of assurance if any derived from observations

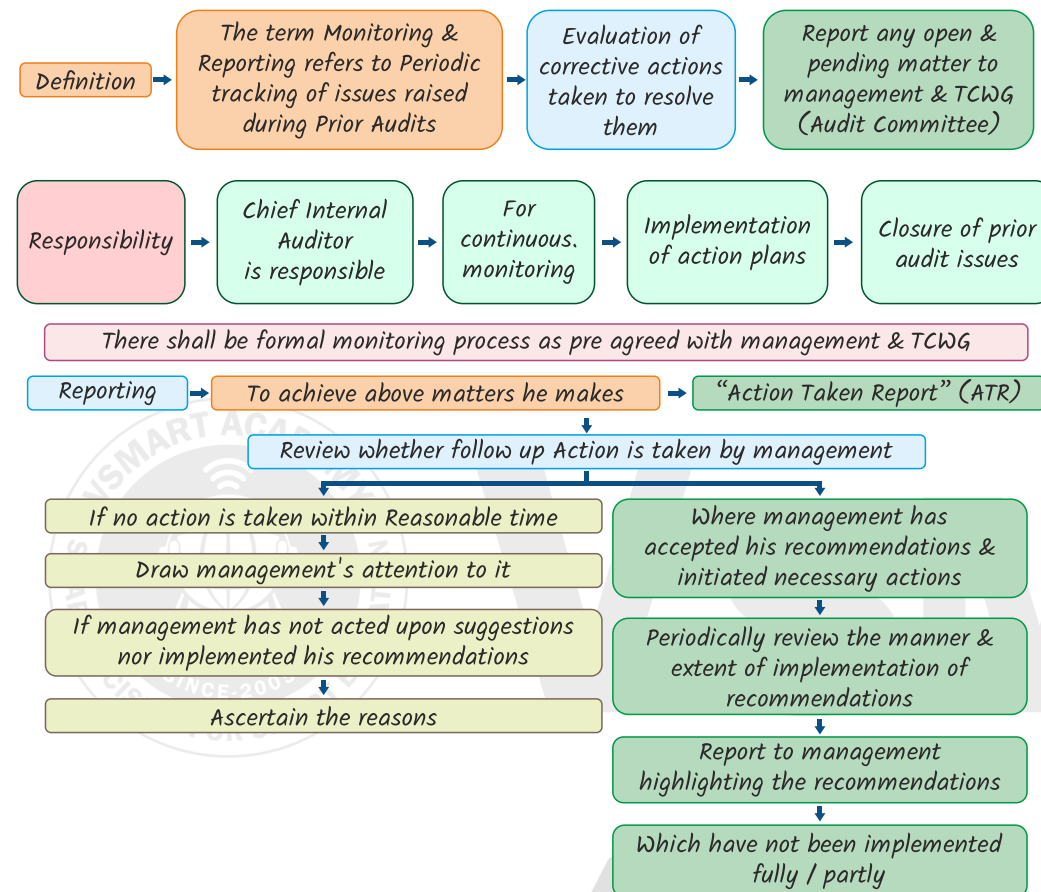
CNO—IA.120

Important Concepts Related to Internal Audit Report



FOLLOW UP/MONITORING

Governed by SIA – 390, "Monitoring & Reporting of Prior Audit Issues"



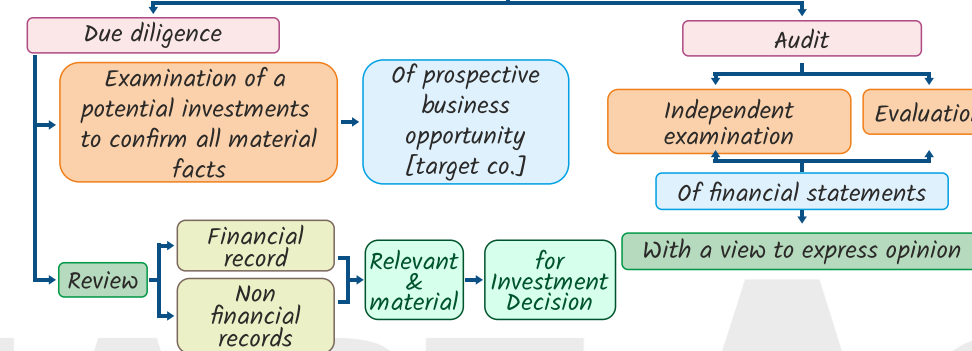
CHAPTER 16

DUE DILIGENCE, INVESTIGATION & FORENSIC AUDIT

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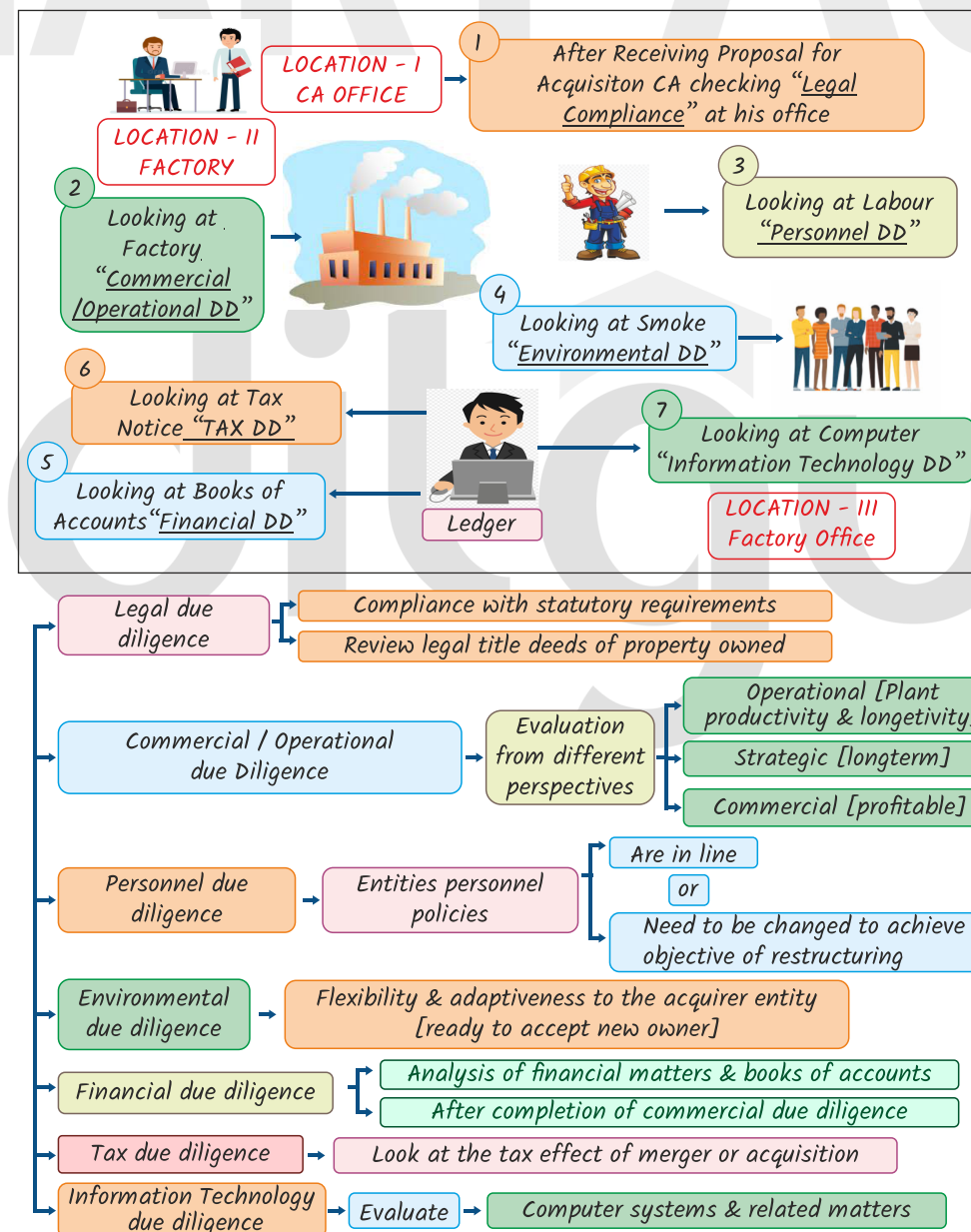
Part I – DUE DILIGENCE

DUE DILIGENCE V/S AUDIT



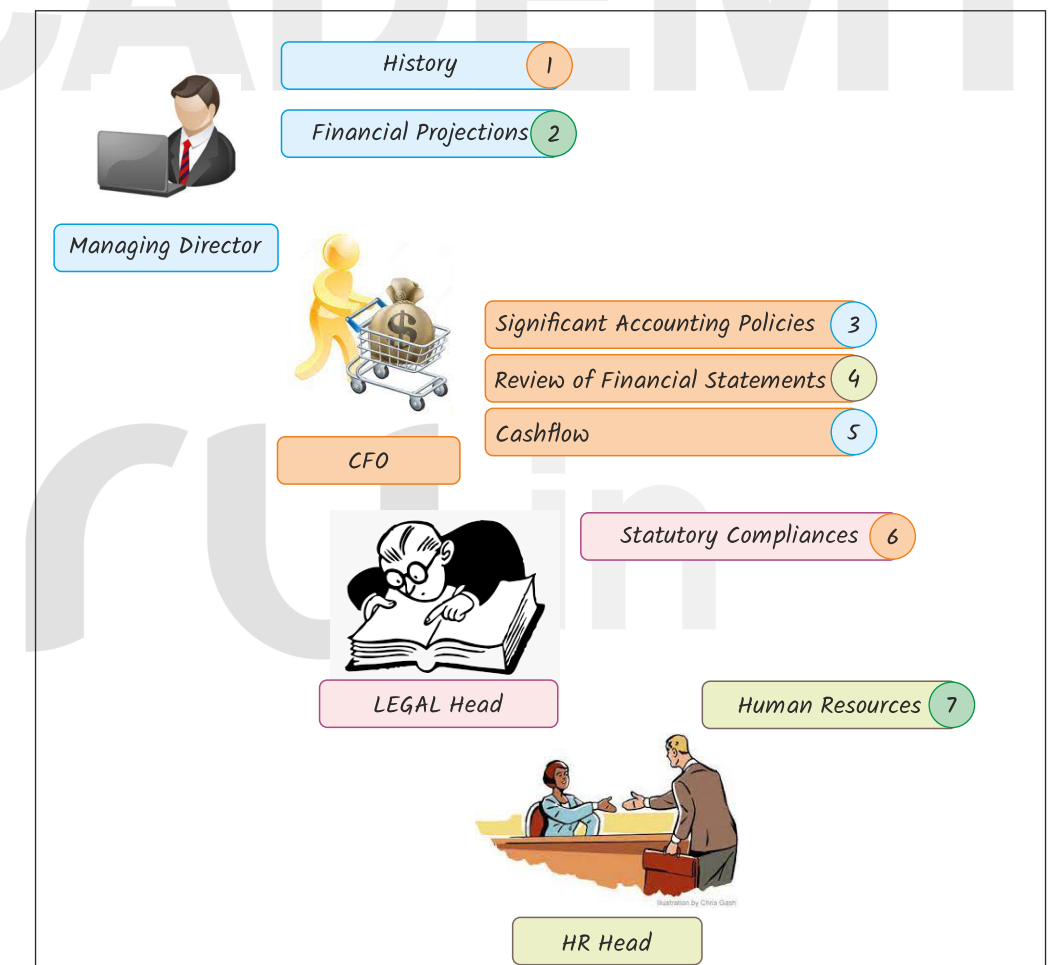
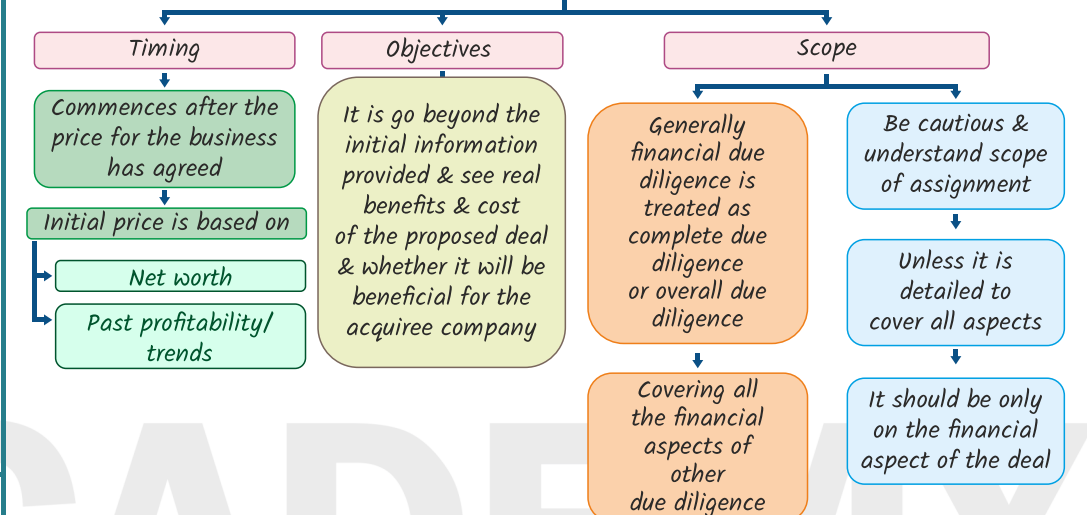
CNO—DD.040

CLASSIFICATION OF DUE DILIGENCE



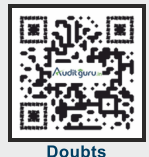
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FINANCIAL DUE DILIGENCE



CA Vishal Bhattad's
VSMART ACADEMY
Auditguru.in

CA Ravi Taori

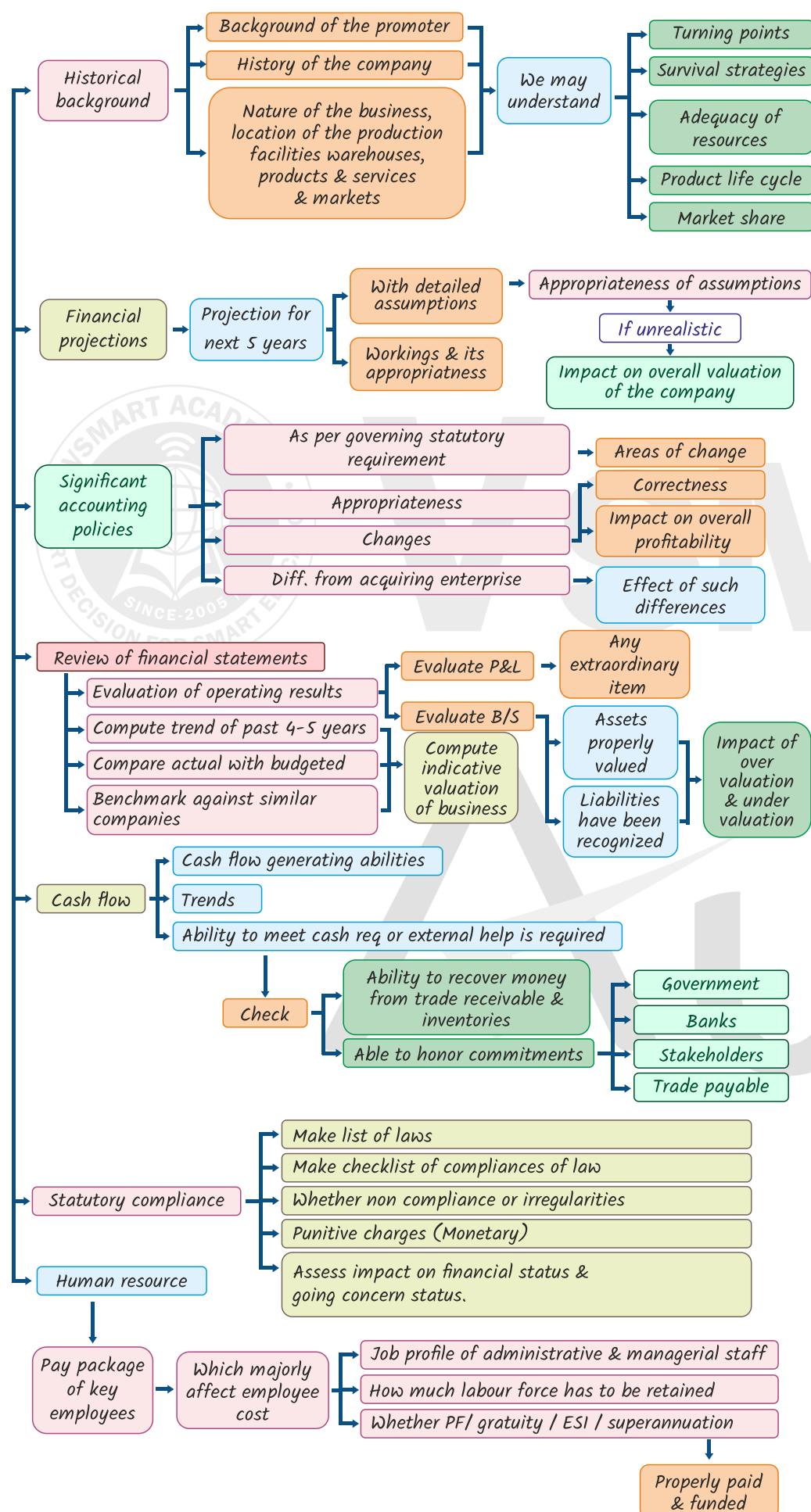


Doubts

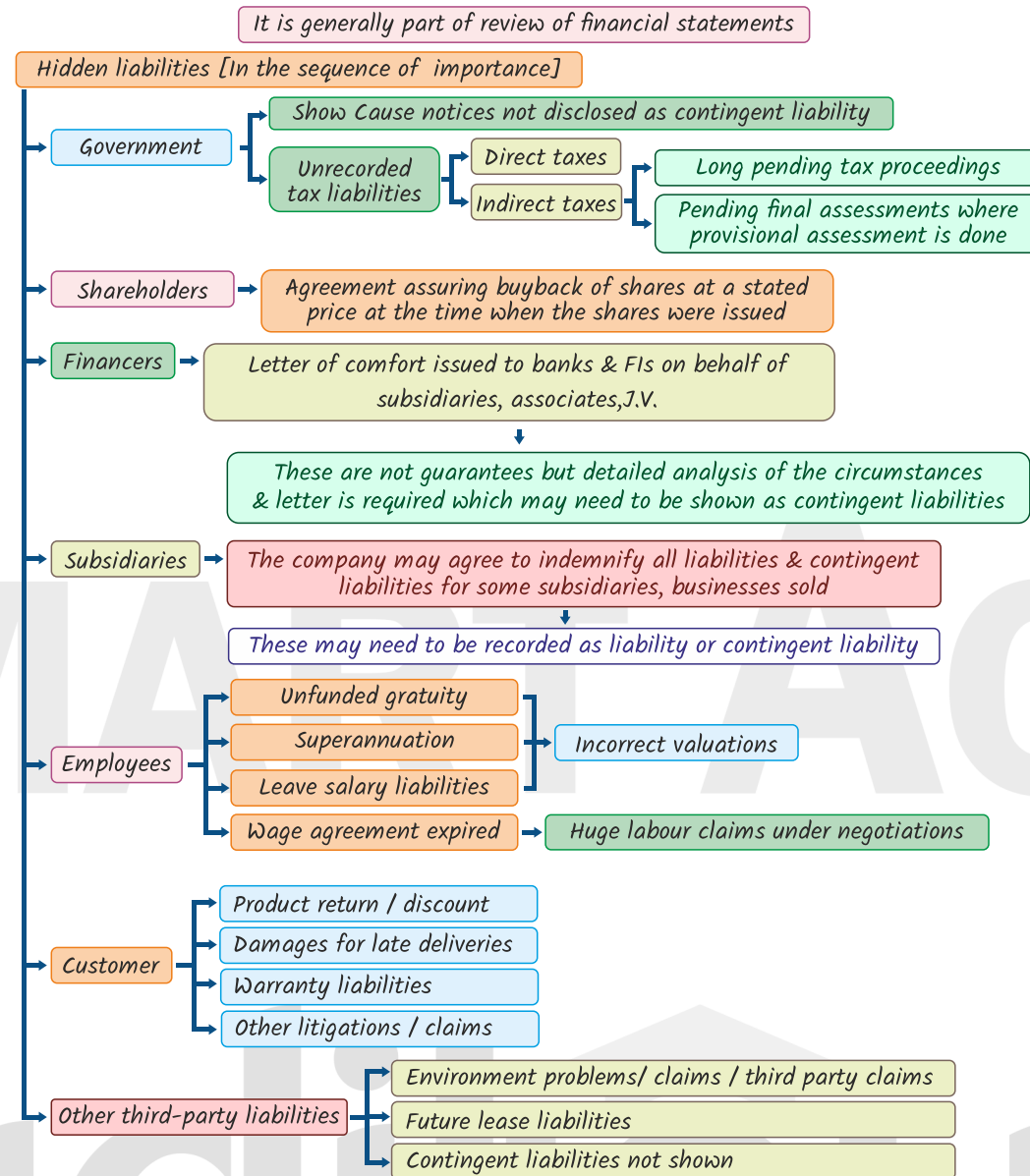


Telegram

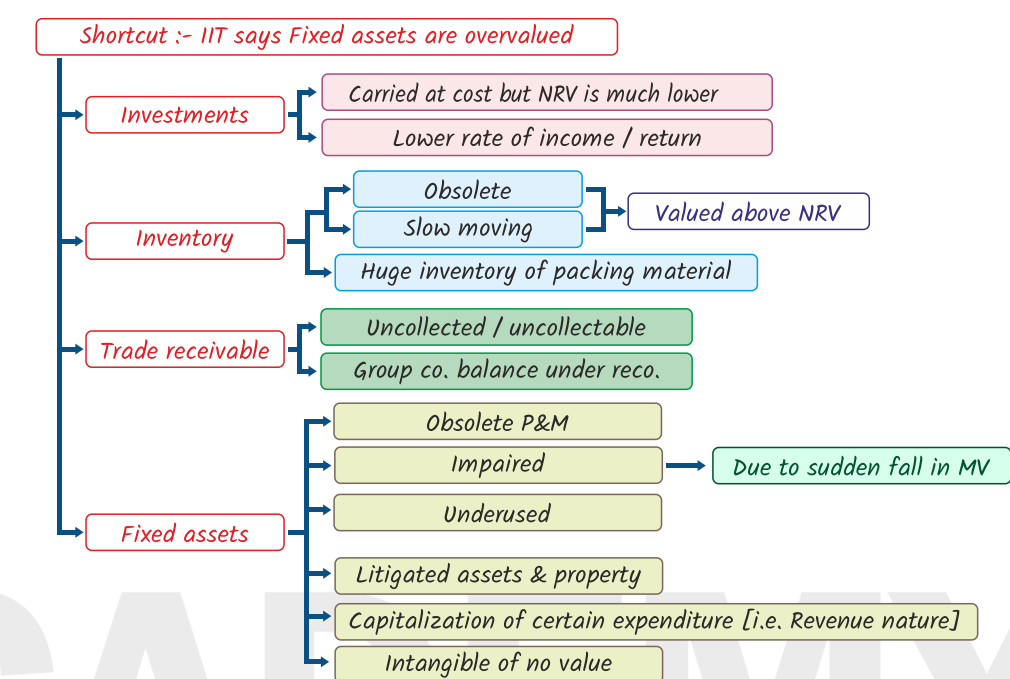
SIGNIFICANT KEY AREAS TO BE COVERED



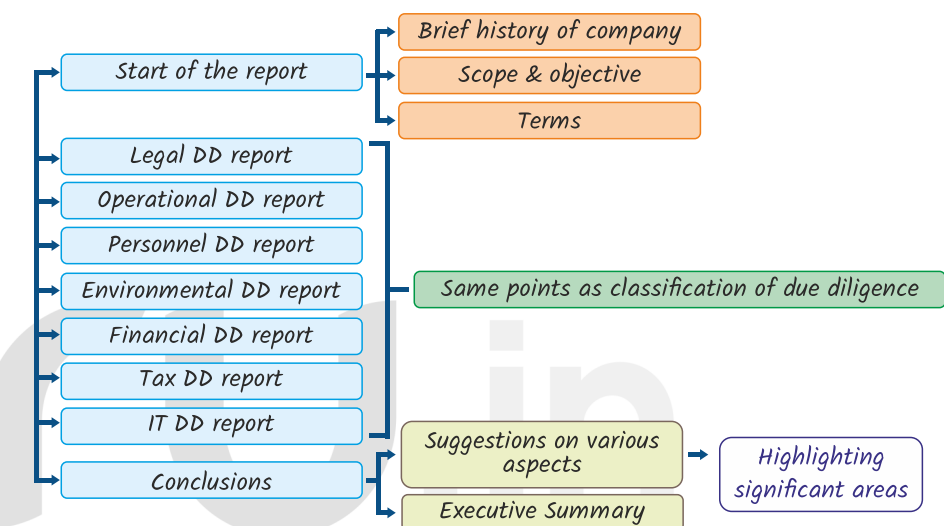
HIDDEN LIABILITIES & OVERVALUED ASSETS



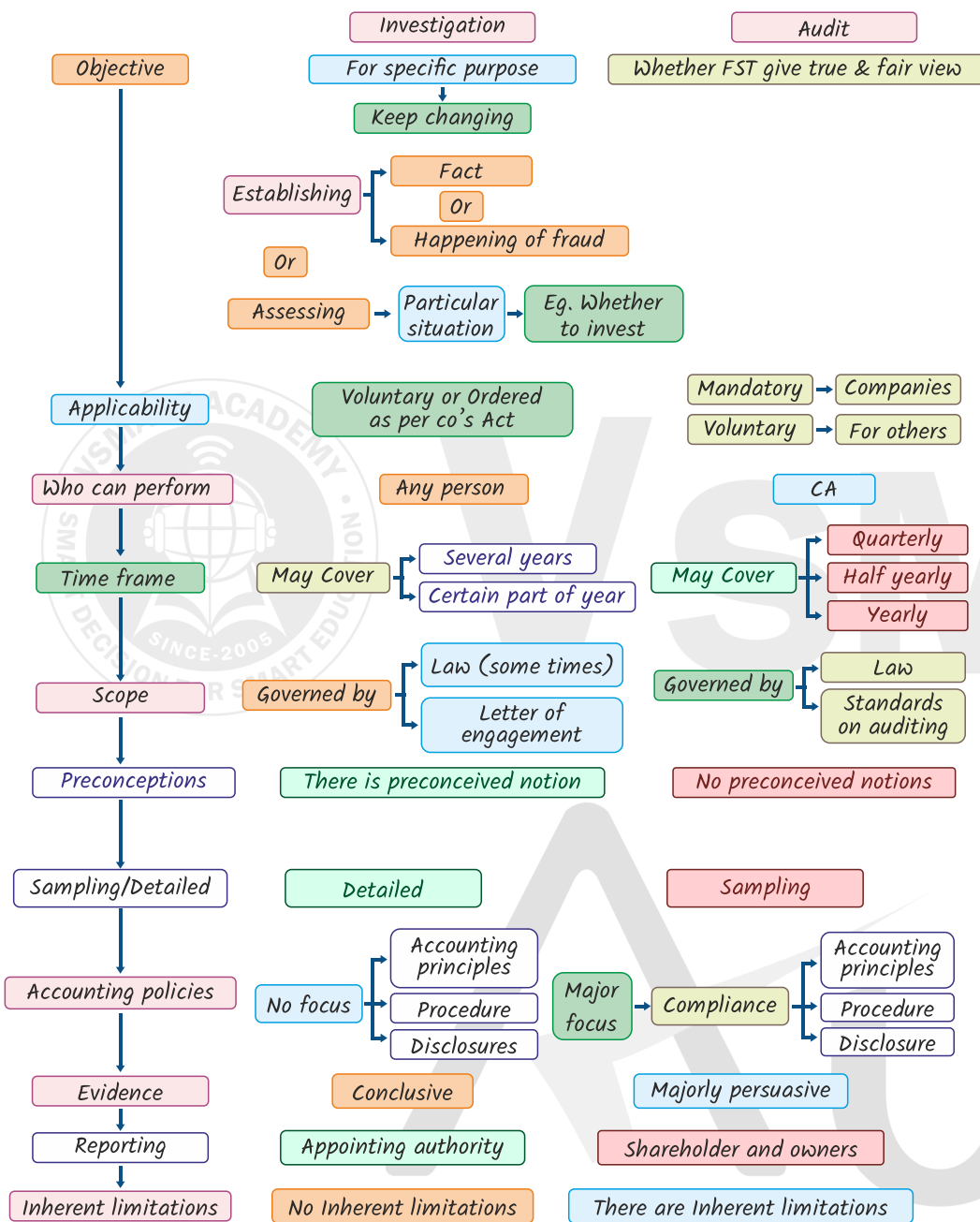
REGULARLY OVERVALUED ASSETS



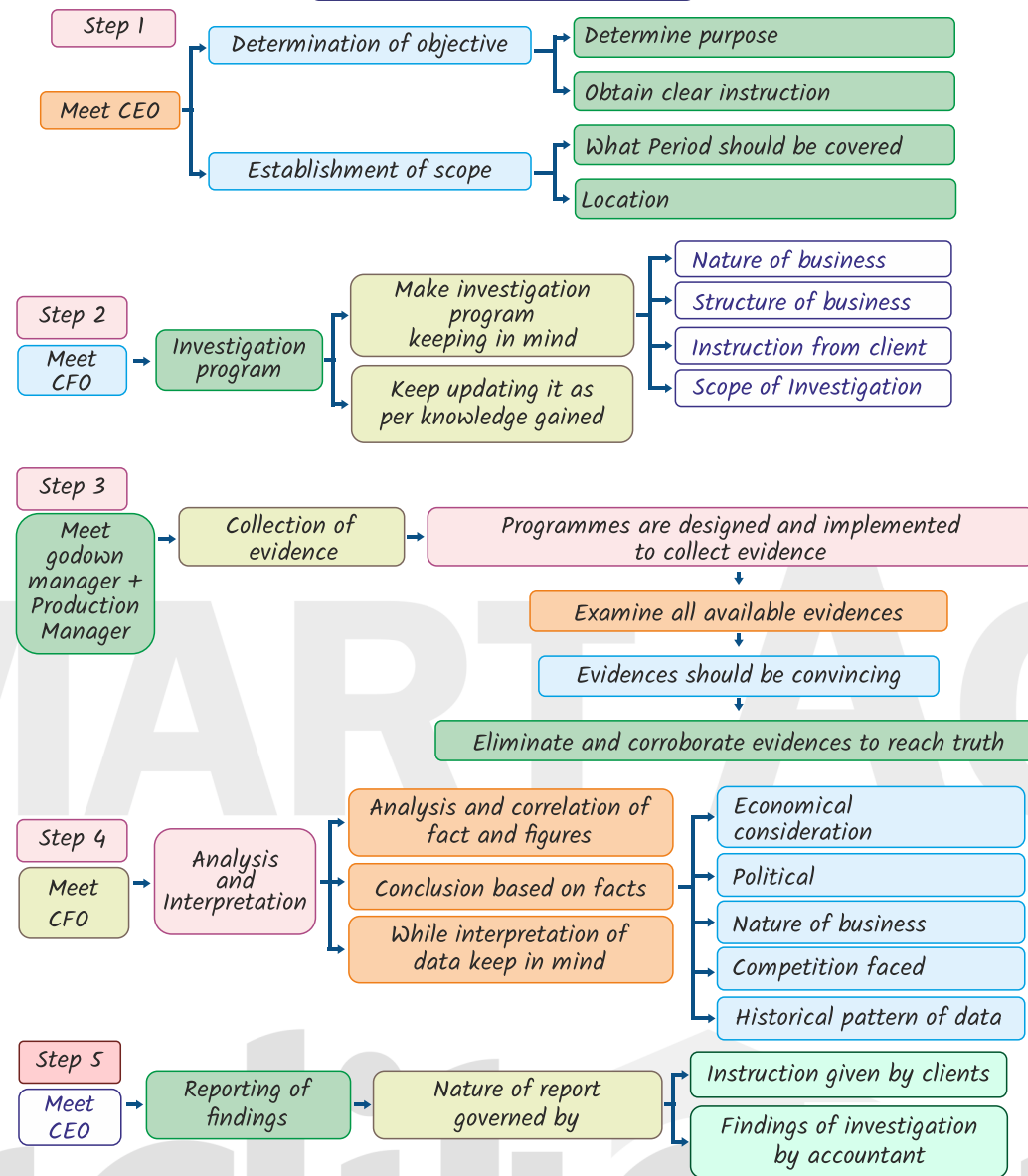
CONTENTS OF DUE DILIGENCE REPORT



DIFFERENCE BETWEEN INVESTIGATION AND AUDIT

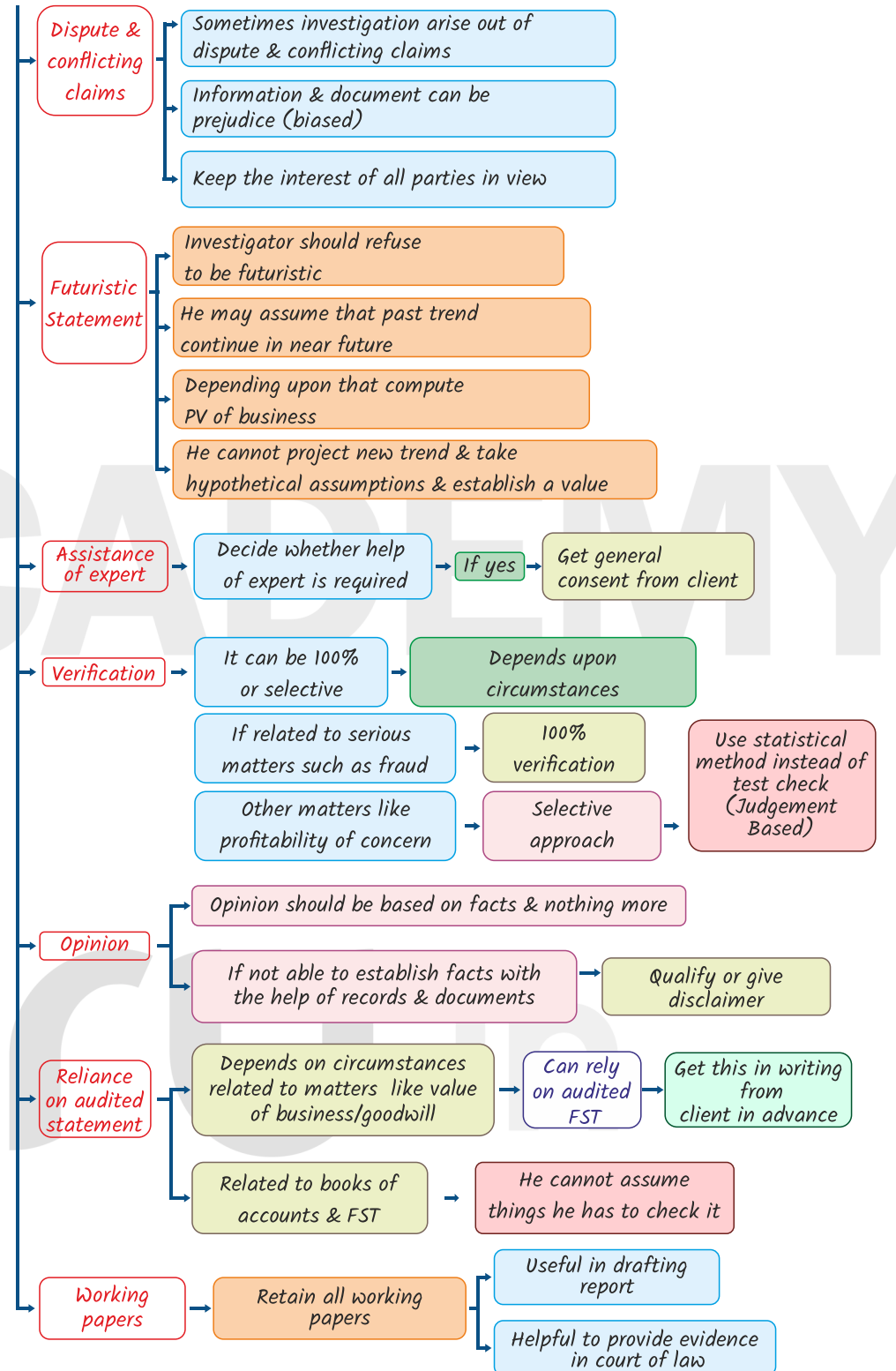


STEPS IN INVESTIGATION

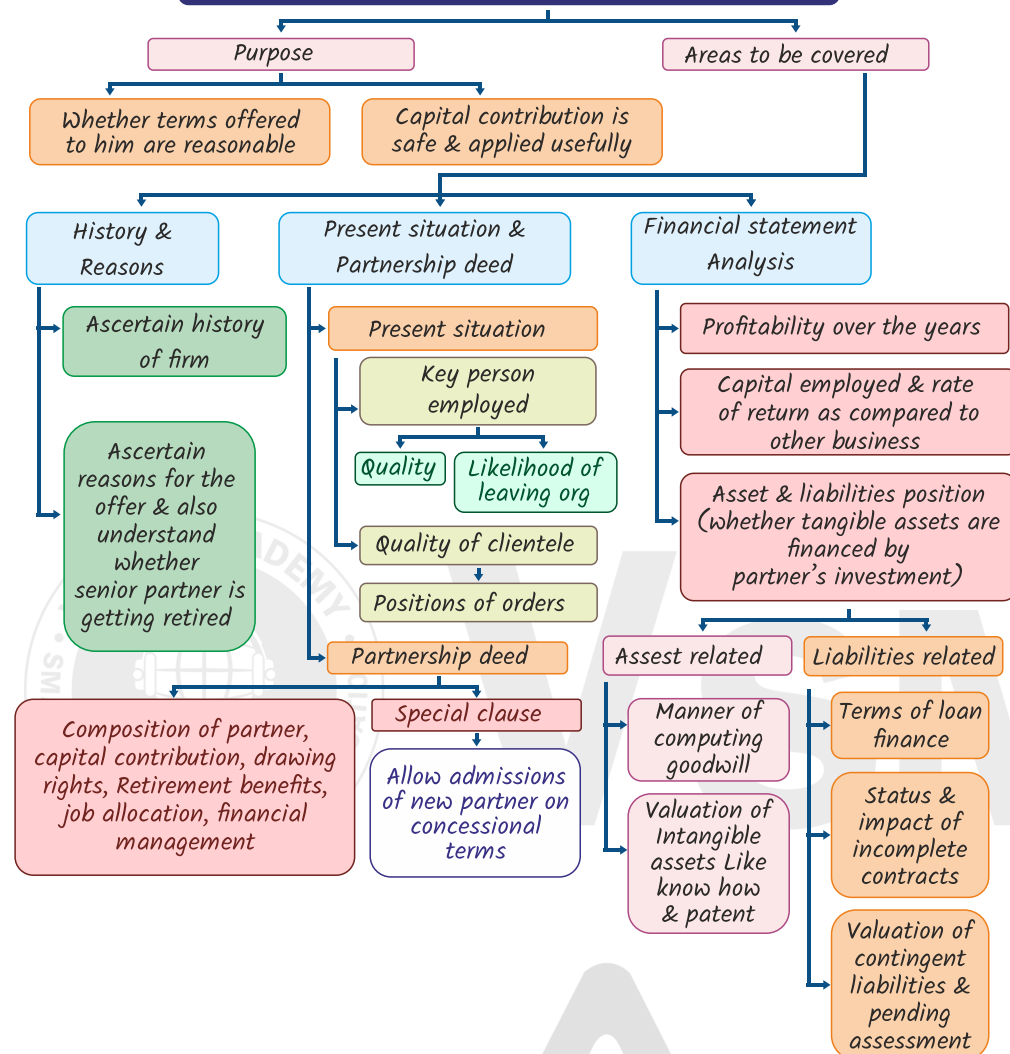


SPECIAL ISSUES IN INVESTIGATIONS

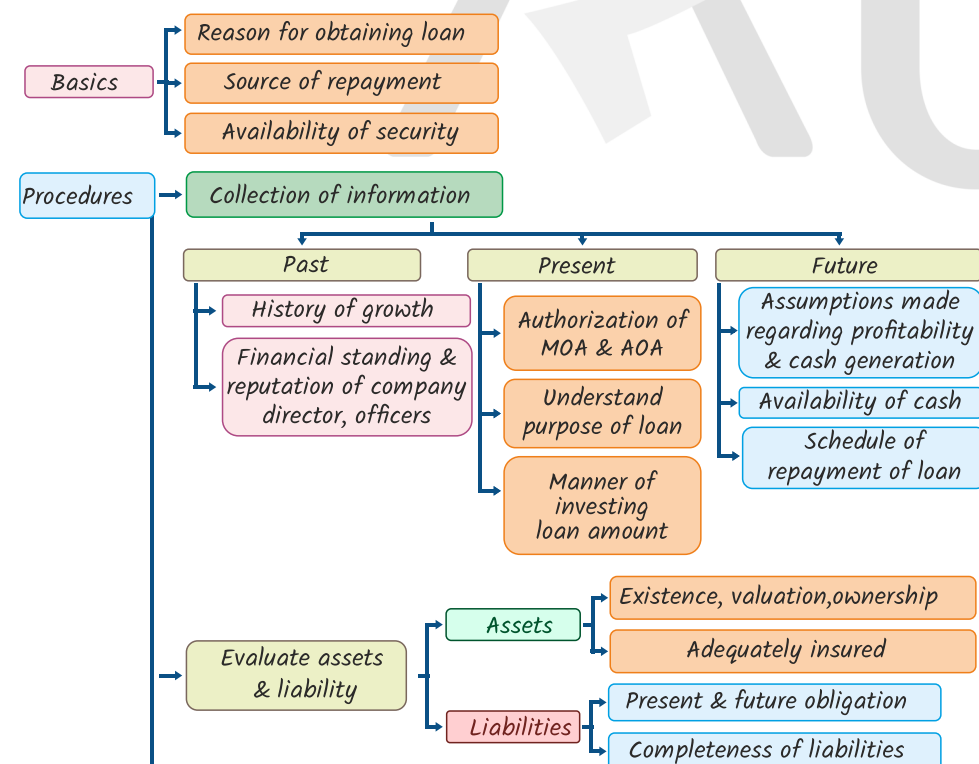
Shortcut : -Dispute mein log investigator se FAVOR aur Working papers mangate hai



INVESTIGATION ON BEHALF OF INCOMING PARTNER

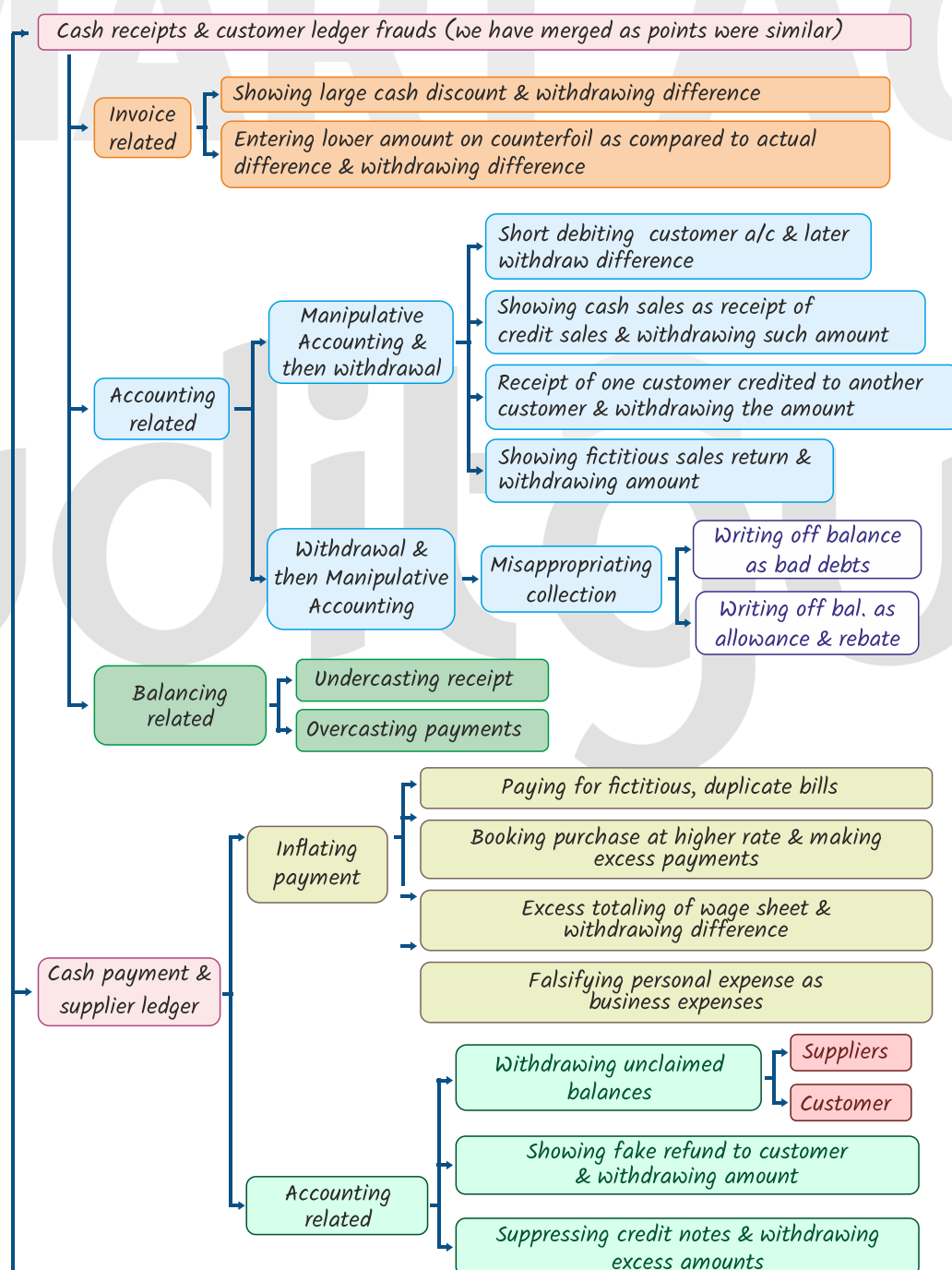


INVESTIGATION ON BEHALF OF BANK FOR ADVANCES



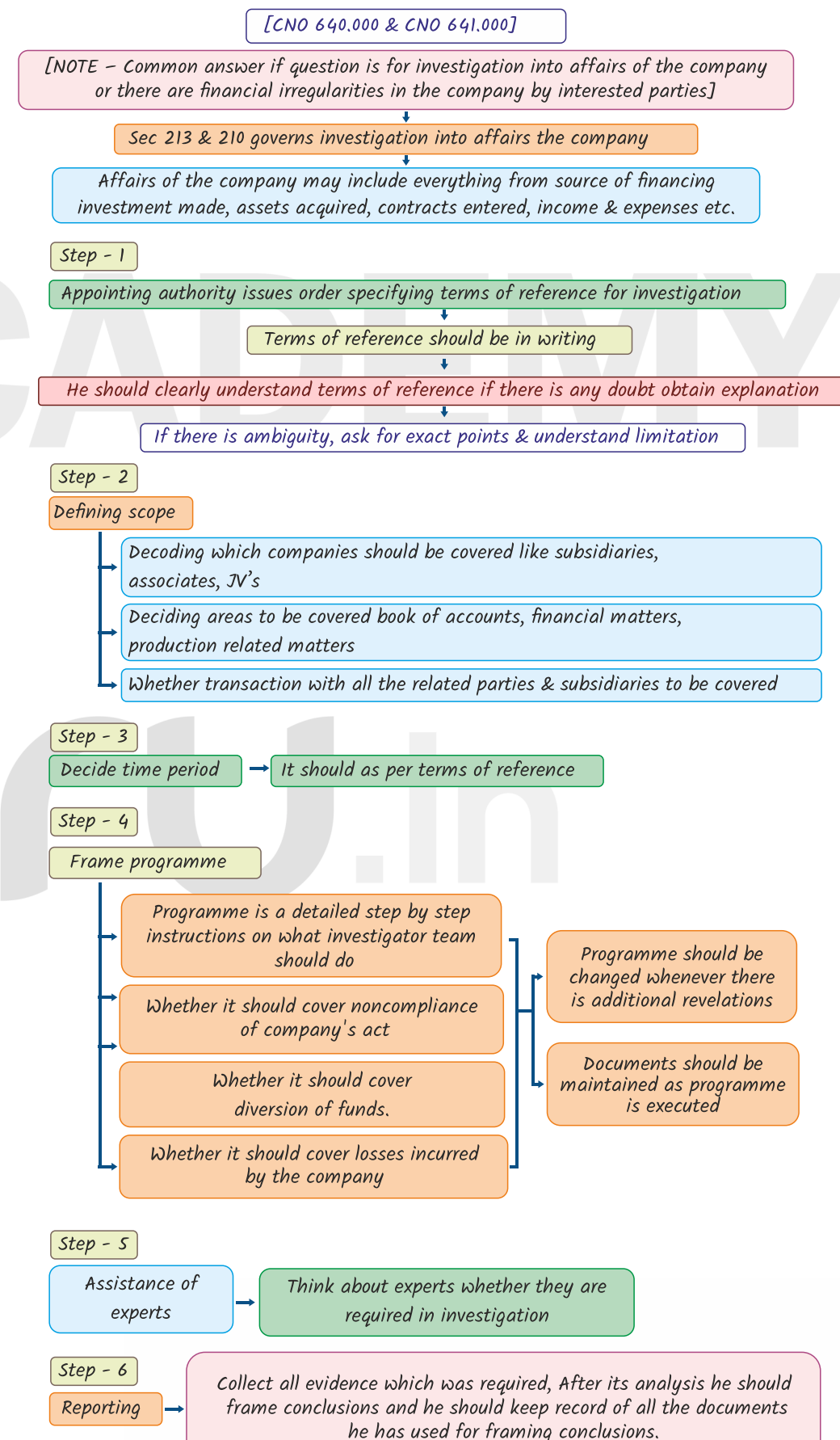
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WAYS OF COMMITTING FRAUDS



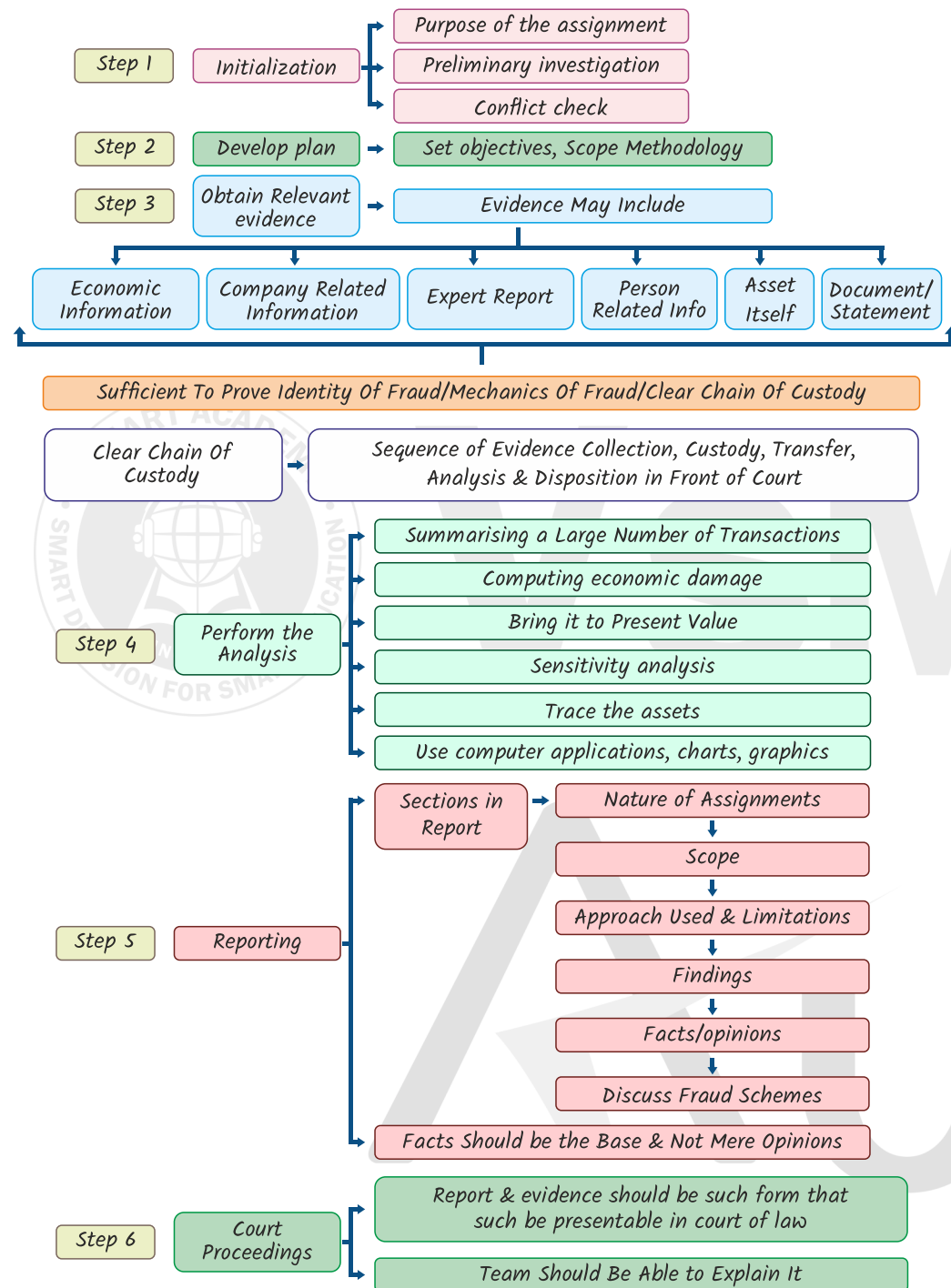
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INVESTIGATION U/S 210 & 213 INTO THE AFFAIRS OF THE COMPANY

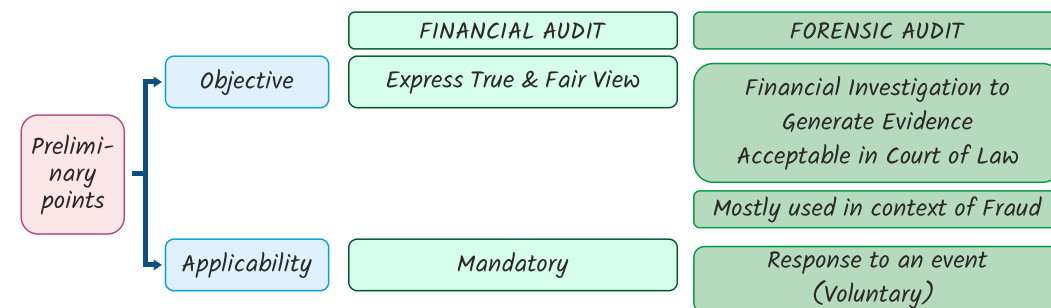


Part 3 – FORENSIC AUDIT

PROCESS OF FORENSIC ACCOUNTING



DIFFERENCE



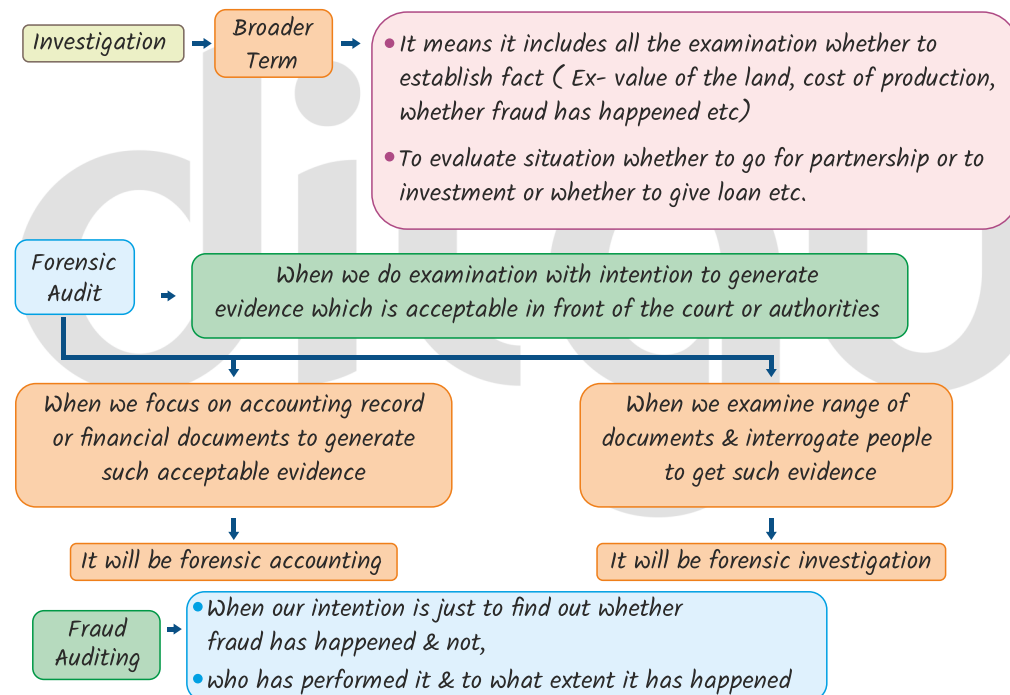
Process related points

Mindset	Professional Skepticism	Investigative Mentality
Period	Normal Accounting Period	No such limitations
Transaction Examined	Material & which can become material	Material as well as Immaterial
Technique	<ul style="list-style-type: none"> Test of control & substantive procedures Dependence on Audit trail & Sampling 	Investigative, Substantive Procedures or In Depth Checking
Evidence	Persuasive	Conclusive

Others points

Verification of stock, estimated realizable value of assets, provisions, liability	Sometimes Management Representation used as Evidence	Independent verification of selected items
Off balance sheet items	Used to check Compliance Procedure & Arithmetic Accuracy	Regulatory & propriety examined
Adverse findings	We may modify opinion. Quantify subject to availability of data	Legal determination of fraud, perpetrators of fraud, Amount of fraud

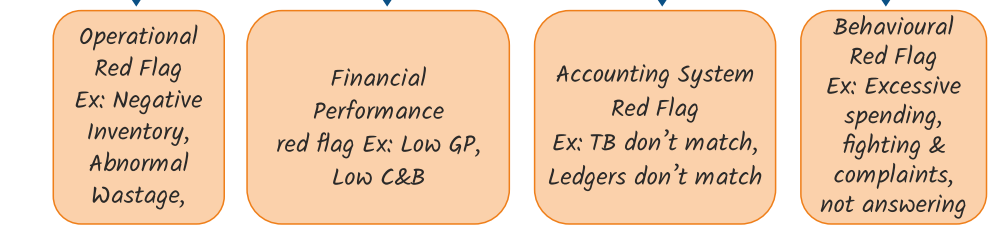
INTRODUCTION



Red flags

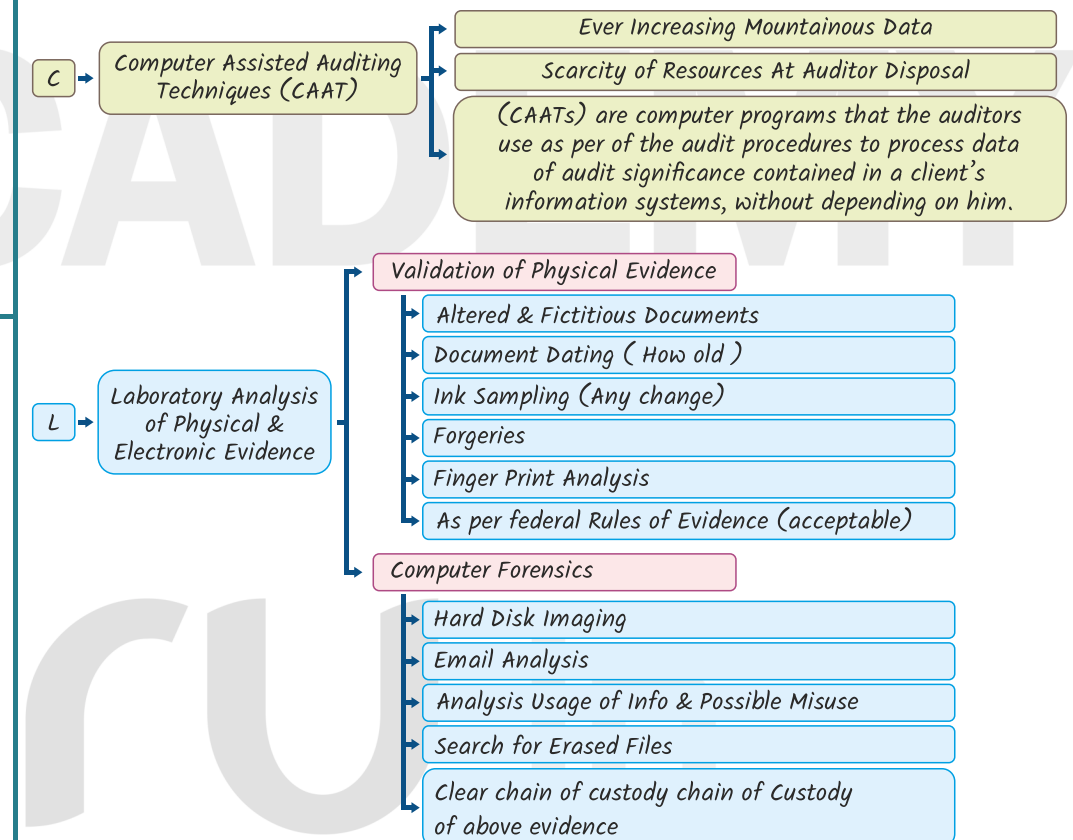
• Are the indications which creates suspicion that the fraud must have happened

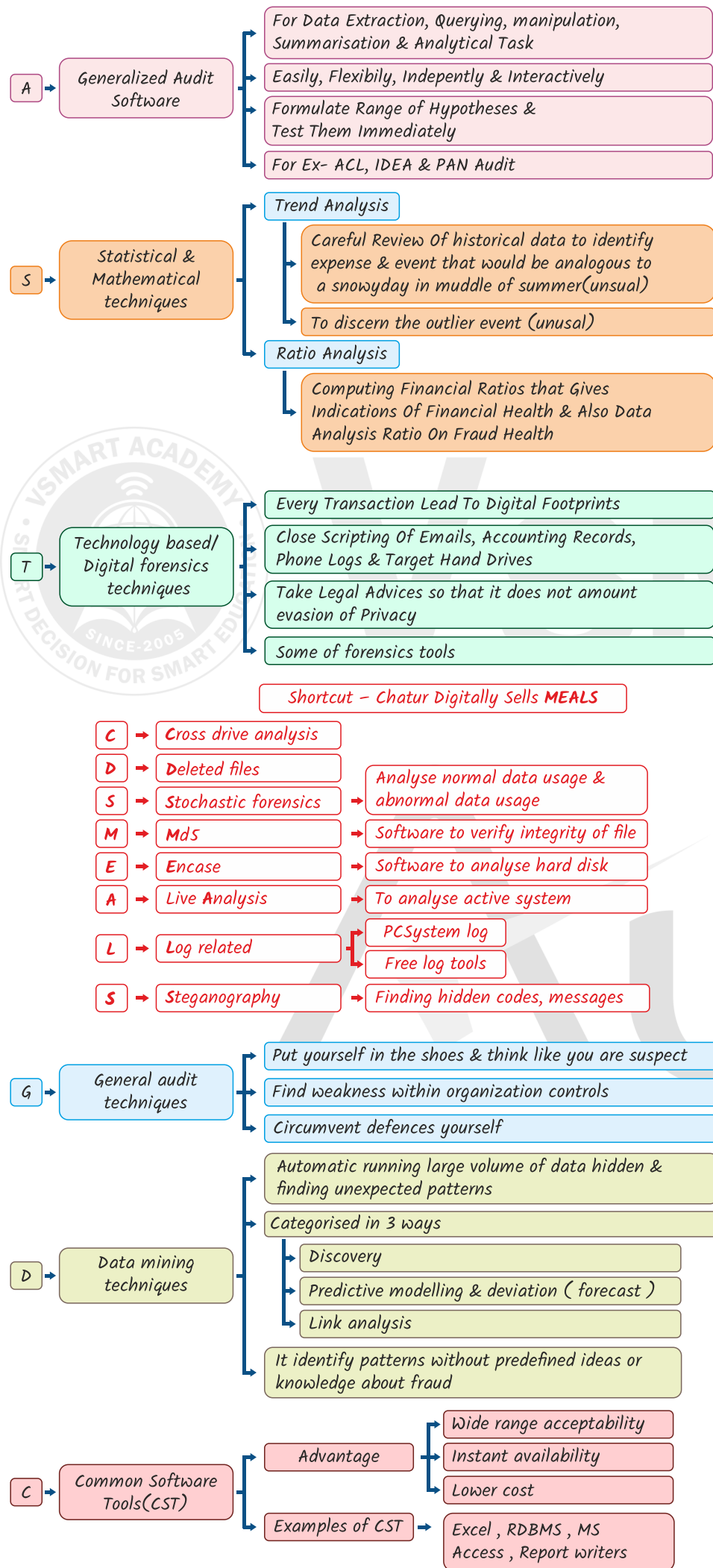
Different types of red flags



FORENSIC AUDIT TECHNIQUES

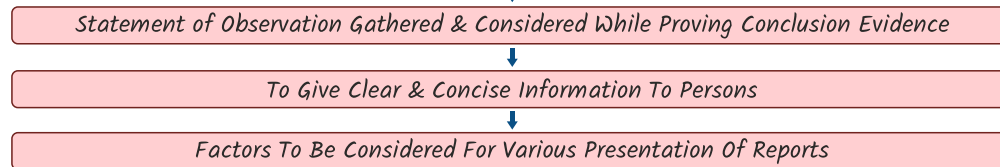
Chatur is LAST in learning in GDC Technique

*Continue On Next Page...*



CNO—FA.100

FORENSIC AUDIT REPORT



Shortcut - BSP is MAD for forensic report

- B** → Nature of Business
- S** → Nature of Subject or aspect appraised
- P** → Purpose for which report is prepared
- M** → Management attitude, directives & needs
- A** → Forensic auditor Approach & calibre
- D** → Extent of Details required by auditor & management

CNO—FA.120

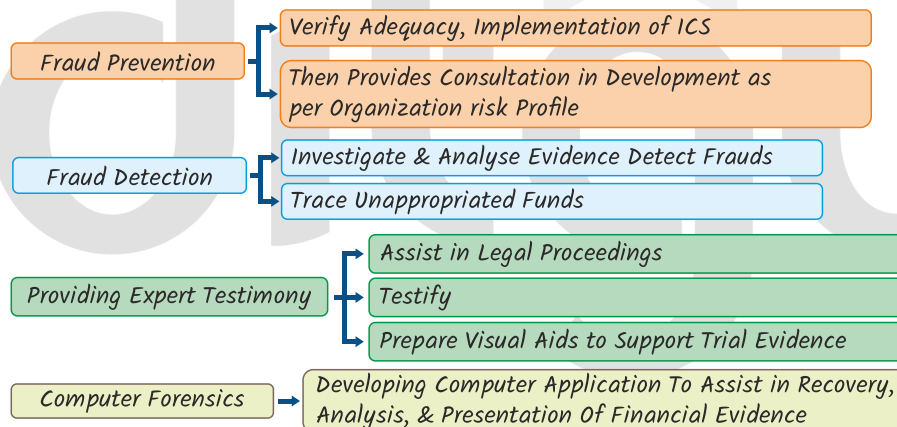
RETAINERS / USERS OF FORENSIC AUDIT

(In the sequence of Importance)

- Courts
- Government/Regulatory Bodies & Agencies
- Police Forces
- Banks
- Insurance Companies
- Lawyers
- Business Communities

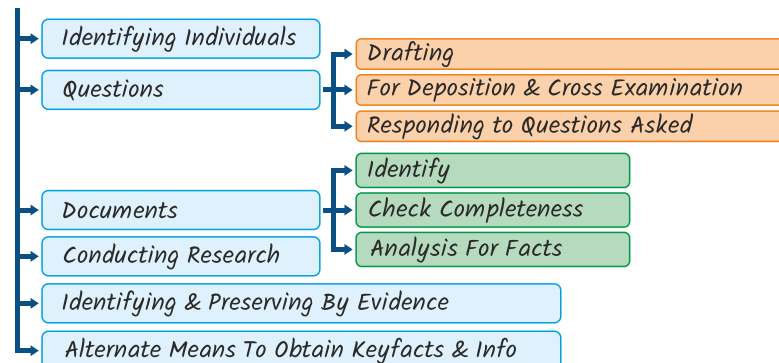
CNO—FA.120

REGULAR WORK / INVOLVEMENT OF FORENSIC AUDITORS



CNO—FA.140

SERVICES RENDERED / PERFORMED BY FORENSIC ACCOUNTANTS



Notes By Students

CA Ravi Taori

CA Vishal Bhattad's

VSMART ACADEMY

Auditguru.in

Doubts

Telegram

Part I - PEER REVIEW

CNO-PR.020

Note :- Guidance on Peer Review has been issued in 2022 but there are no substantial changes

SIGNIFICANCE/ ADVANTAGE / IMPORTANCE OF PEER REVIEW

For Auditor (In the sequence of Imp points)

- It is first line of defense (that work was performed as per applicable auditing practices)
- It is stamp of approval about his competence
- His regular audit work doesn't get disturbed
- Audit work can be easily subjected to peer review

For society

- There is Gap between society's expectation of what Auditor should do & what Auditor does
- Society comes to know whether audit is done satisfactorily

***Other Imp Point: ICAI has made Peer Review Mandatory for everyone (Not many professional bodies have implemented concept effectively)

CNO-PR.040

QNO-645.000

MCQ-PR.1, PR.2

OBJECTIVES OF PEER REVIEW

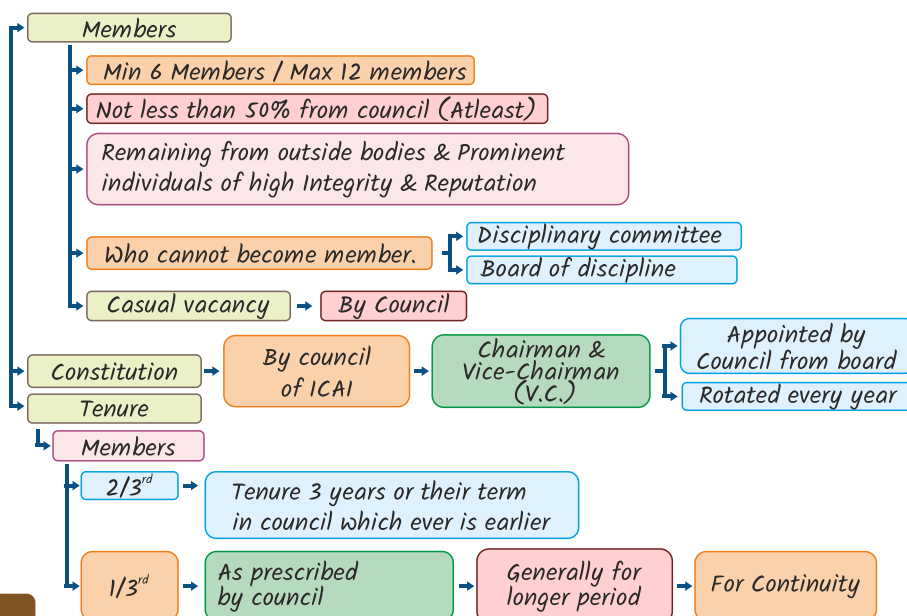
Evaluate quality of audit performed by Practicing Unit (P.U.) (Below are the points in the sequence of importance)

- To ensure adherence to various statutory & regulatory requirements
- Whether audit is performed as per technical standards
- To ultimately enhance the reliance of users on Audit Report & FST. Whether there is proper system for Maintaining quality of audit

CNO-PR.060

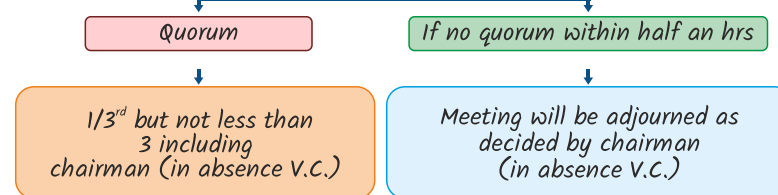
MCQ- Incs.05.5

PEER REVIEW BOARD



CNO-PR.060

MEETINGS



***Note: 1 meeting be held in every Calender Qtr

CNO-PR.060

REPORTING

Report to Council prior to date of every meeting of Council

CNO-PR.080

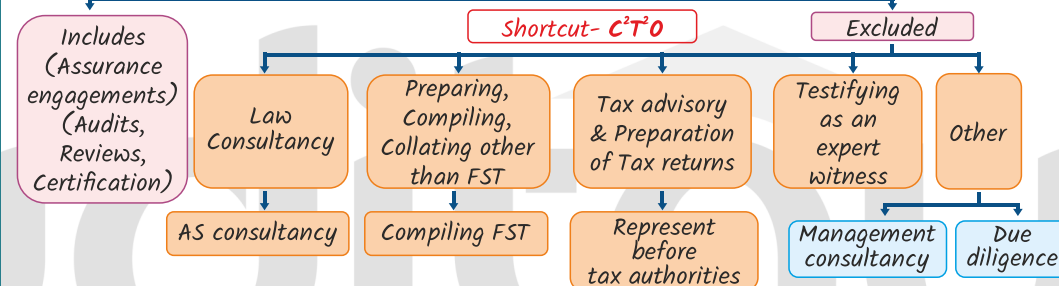
QNO-647.000 / 647.500

MCQ - PR.4, Incs.05.1

SCOPE OF PEER REVIEW (Assignments which are covered in PR)

Most Imp: {Only assurance engagements (Not all services)}

Assignments of 3 preceding years in which PU is Selected

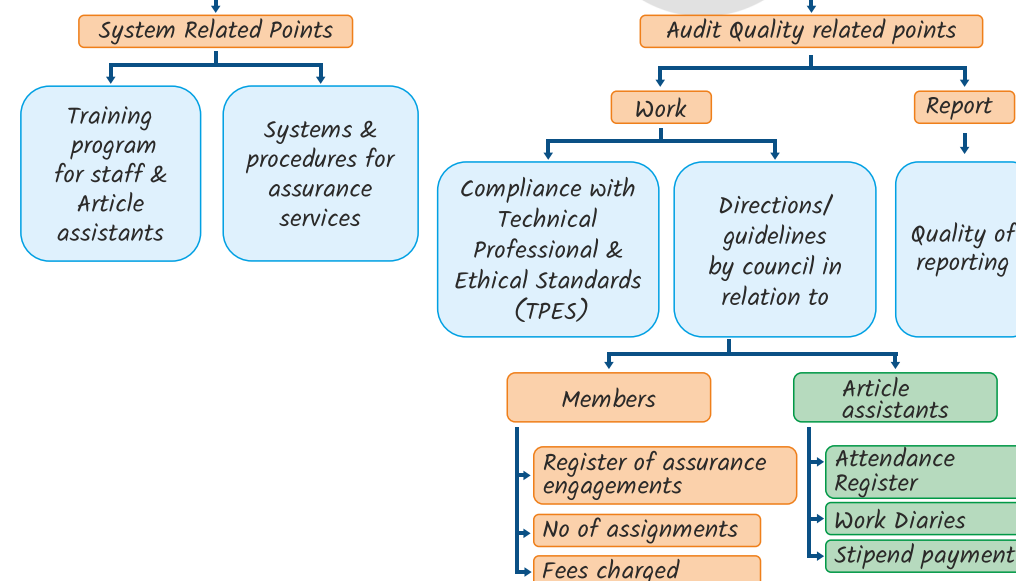


CNO-PR.100

QNO-646.000

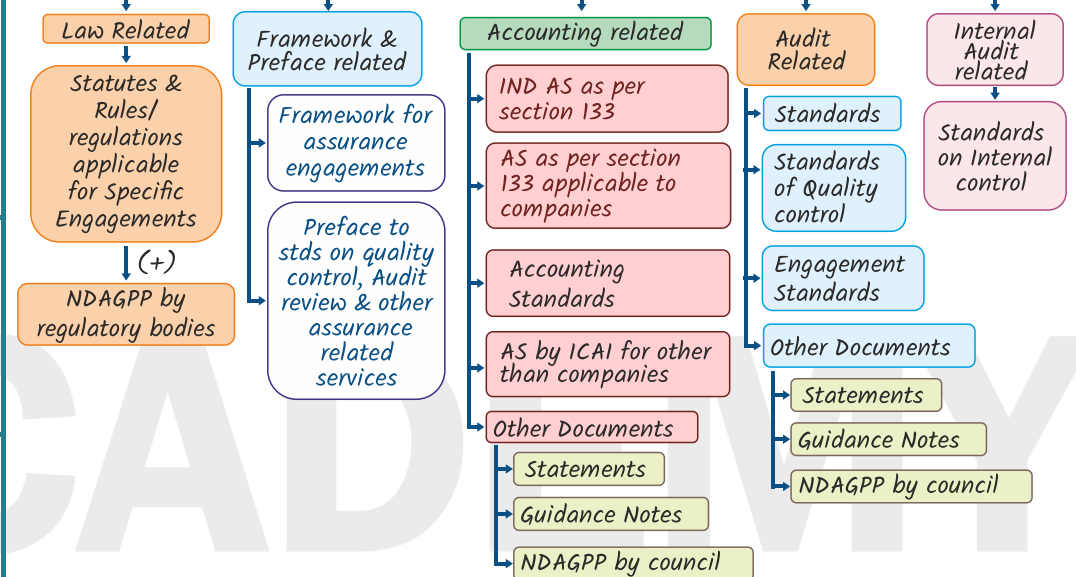
MCQ - PR.8

FOCUS OF PEER REVIEW (What to examine)



CNO-PR.120

What are Technical / Prof / Ethical Stds (TPES)** (In the sequence of importance)



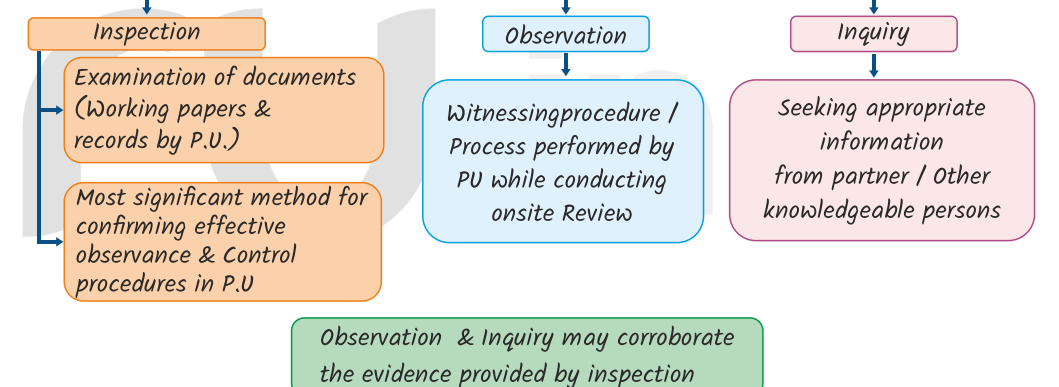
*(NDAGPP) :- Notification / Direction / announcements / Guidelines / Pronouncements/ Professional Standards

** It also includes Audit Quality Maturity Model

CNO-PR.140

QNO-649.000

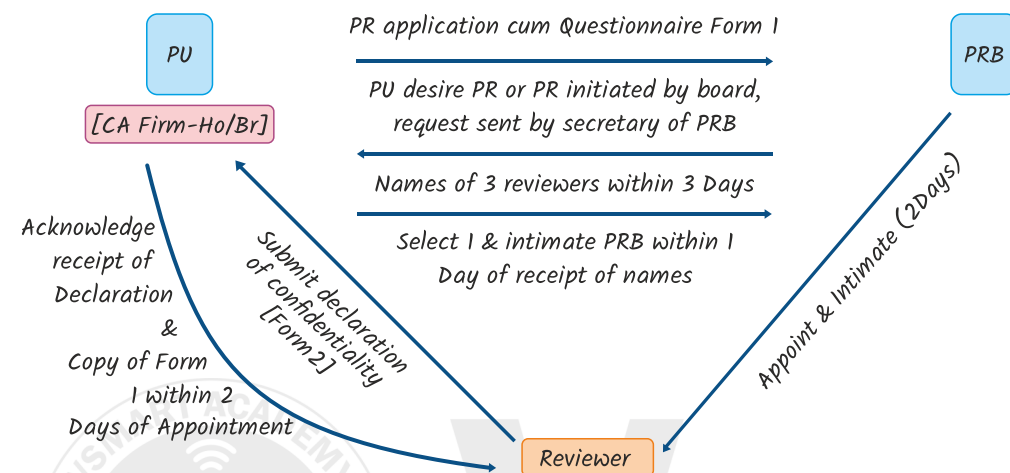
COLLECTION OF EVIDENCE BY PEER REVIEWER



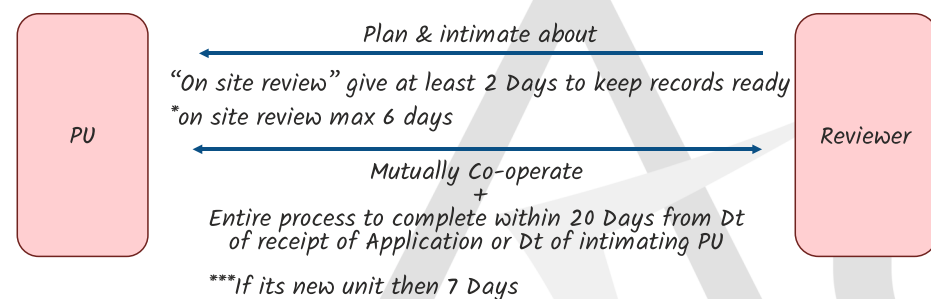
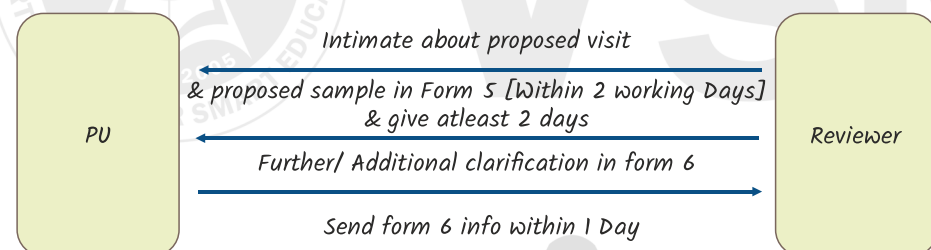
PEER REVIEW PROCESS

#Amendment

SELECTION PROCESS



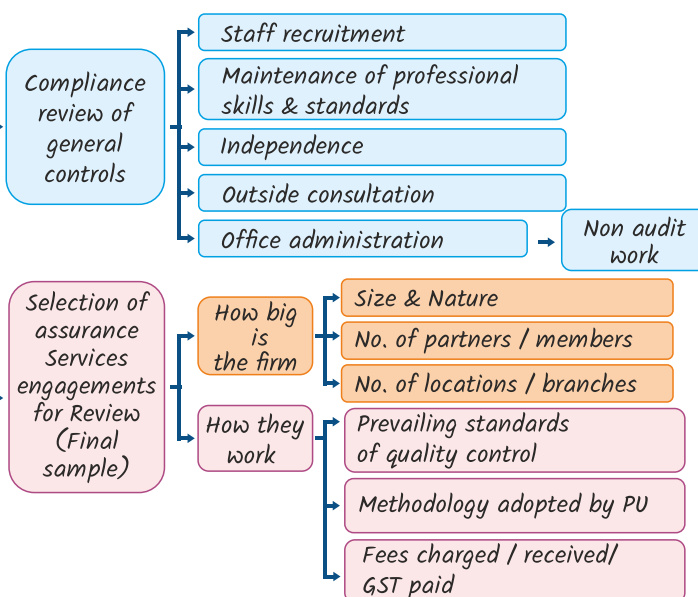
Planning Process



New unit

-On site review 1 Day

-Only see antecedents of partners & policy parameters from Form 1



Continue on next column...

Compliance approach

Assess control procedure which are established to conduct assignments as per Technical, professional and ethical standards

Control procedures regarding following areas

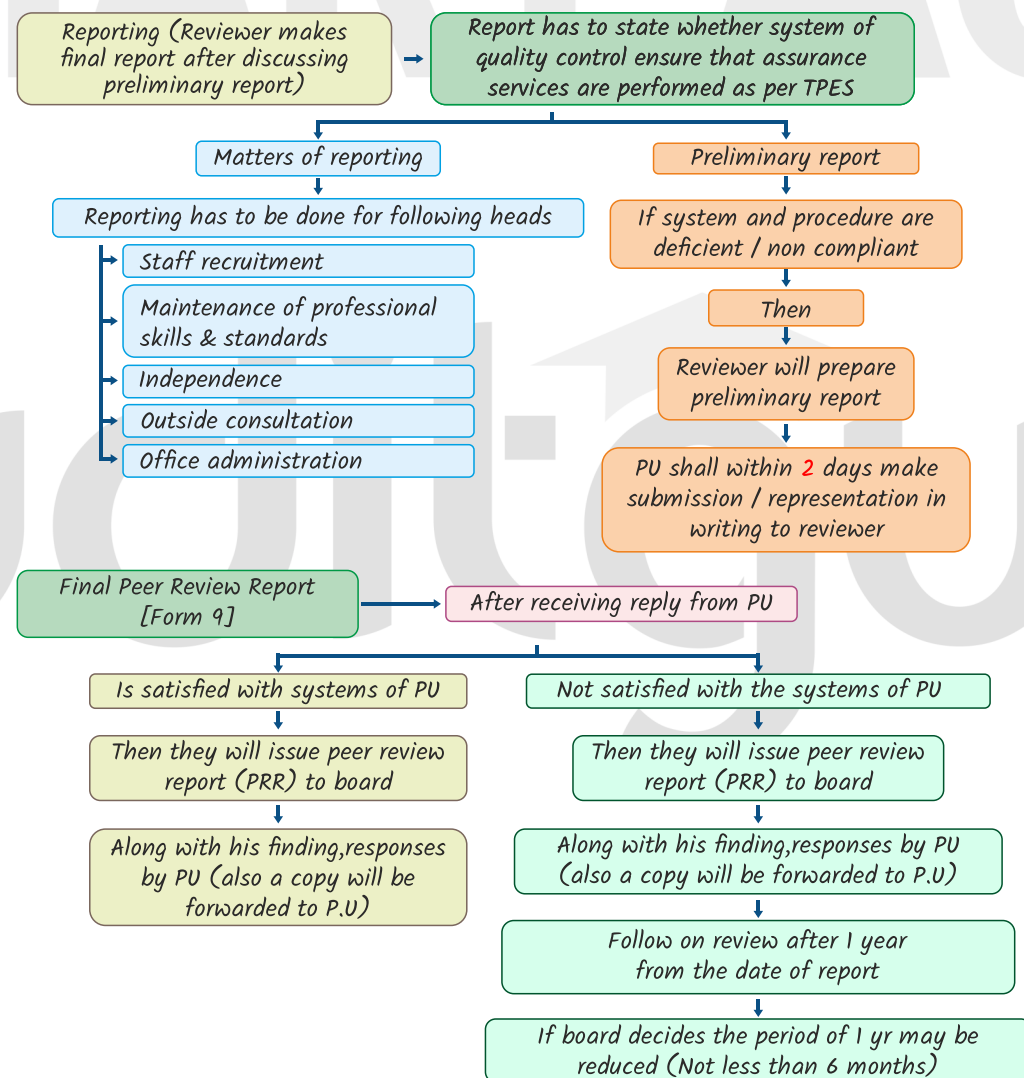
- Review & evaluation of system of internal control
- Substantive tests
- Presentation of FST
- Conclusion & reporting
- Maintainance & Administration of assurance service records

Substantive approach

We focus on working papers of the assurance engagements & we check whether they are as per Technical, Professional and Ethical Standards

Review of records (Approaches in review process)

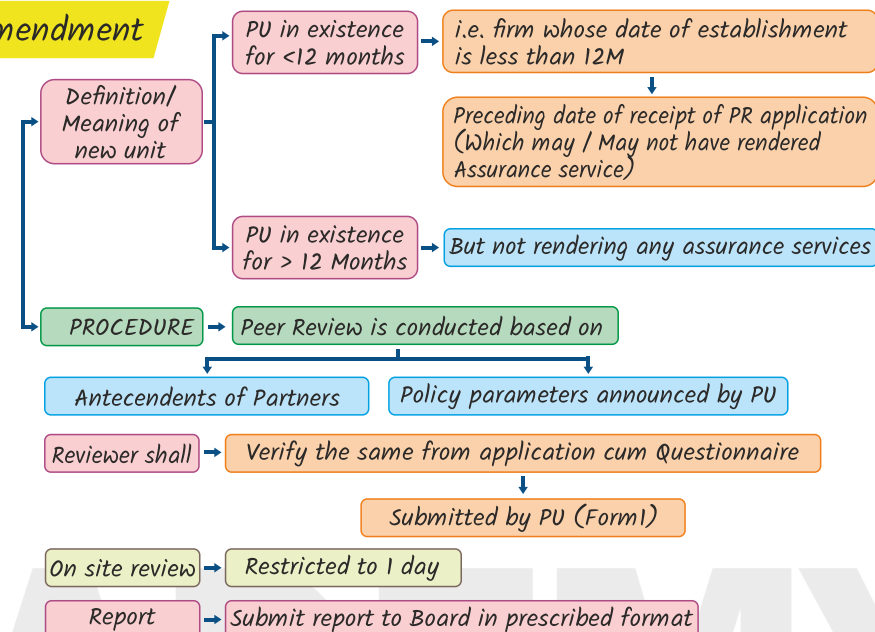
REPORTING



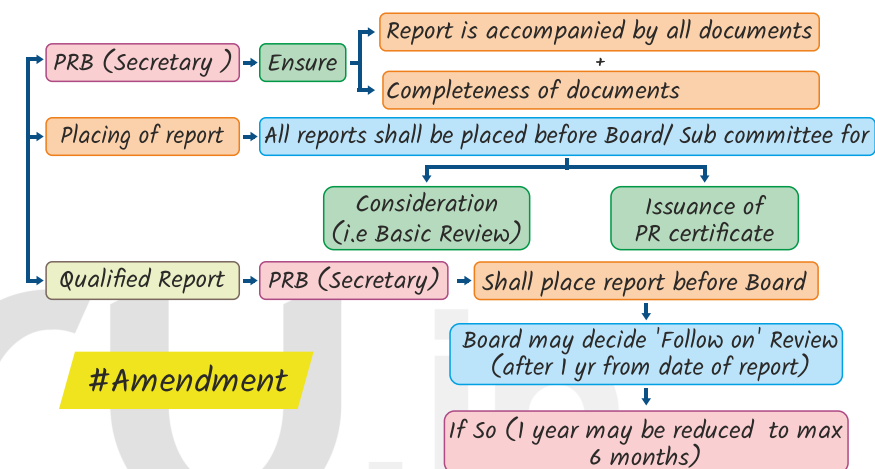
Time limit - 20 days from the date of intimation

PROCEDURE FOR PEER REVIEW OF NEW UNIT

#Amendment



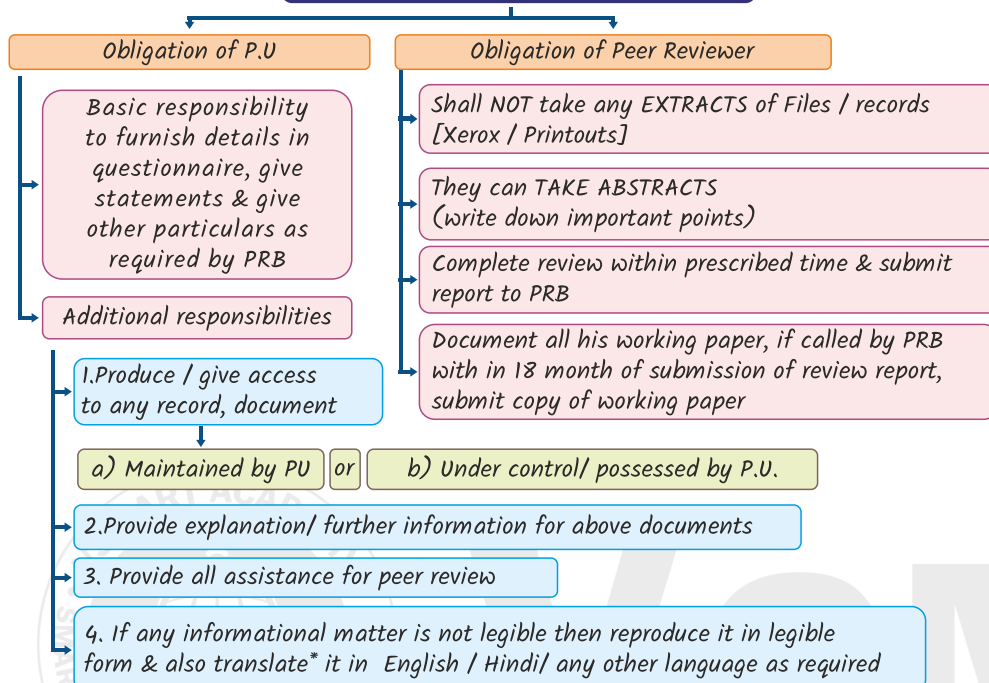
Review of report by Peer Review Secretariat under supervision & directions of Peer review Board (PRB) Secretary



#Amendment

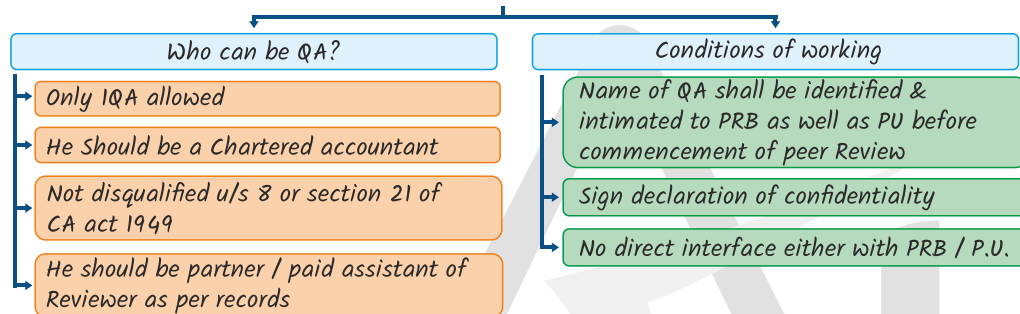


OBLIGATION OF PU & REVIEWER

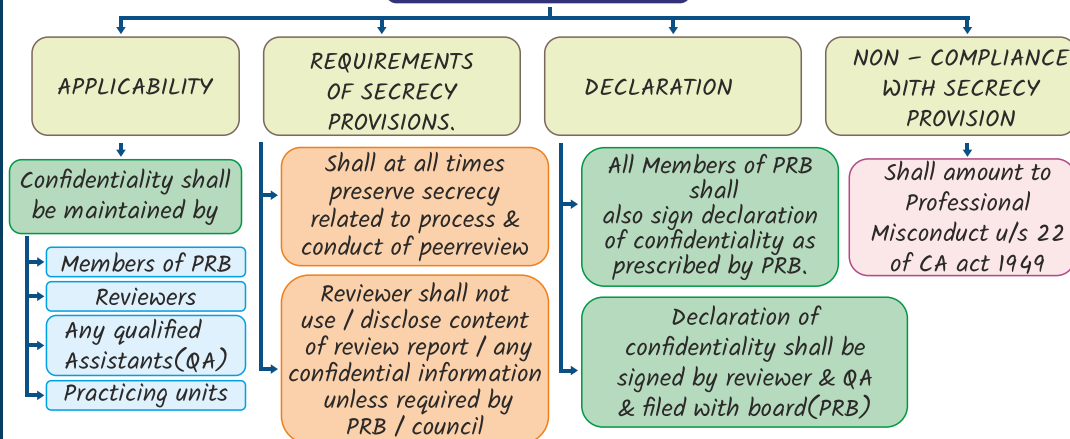


*PU shall be responsible & accountable for accuracy & truthfulness of translation

QUALIFIED ASSISTANT (QA)



CONFIDENTIALITY

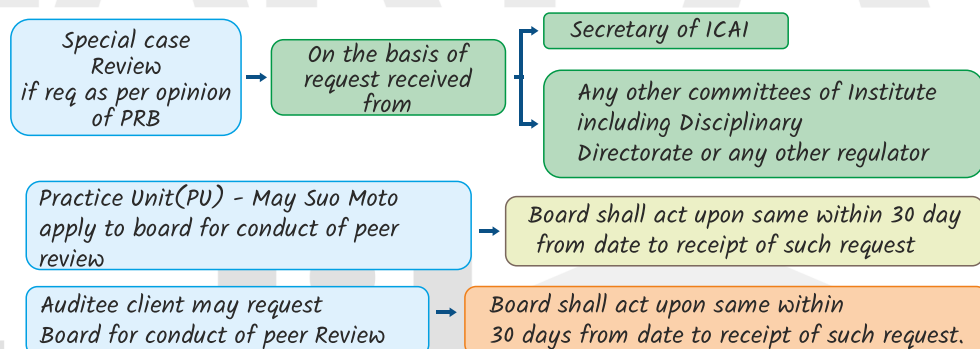


MANDATORY PEER REVIEW (APPLICABILITY)

#Amendment

Dt of Applicability	Partner criteria	OR Other Criteria (Proposal to undertake following stat Audit)
1 st April 22	NA	Debt/ Equity listed in India/ Abroad
1 st April 23	5 or more partners	Unlisted public co PC >= 500 crore *** Loan/ Deb/ Deb >= 500 crore To >= 1000 crore
1 st April 24	4 or more partners	Raised Funds from public/ Bank/ FI > 50 crore during the period under review or corporate/ Trust considered public Interest entities
1 st April 25	3 or more partners	Audit of Br of PSU Banks

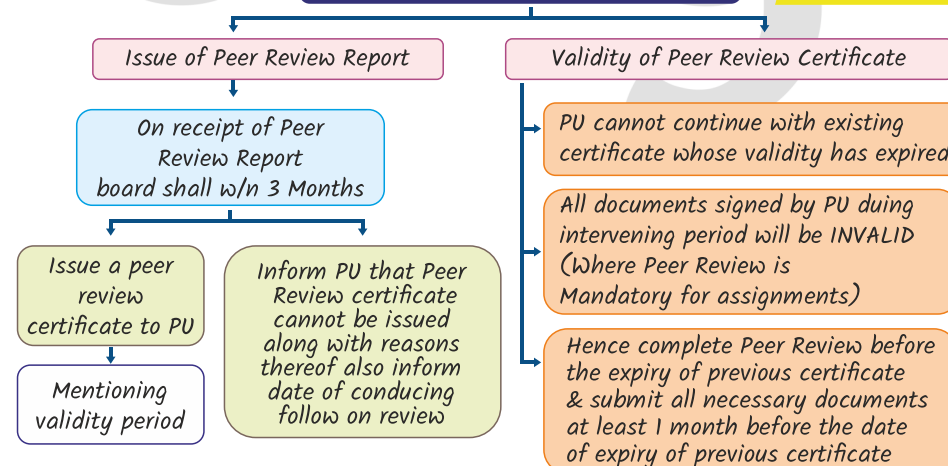
PEER REVIEW ON INSTRUCTIONS / REQUEST



*NOTE: - Board may with the approval of council, modify any of the above criteria.

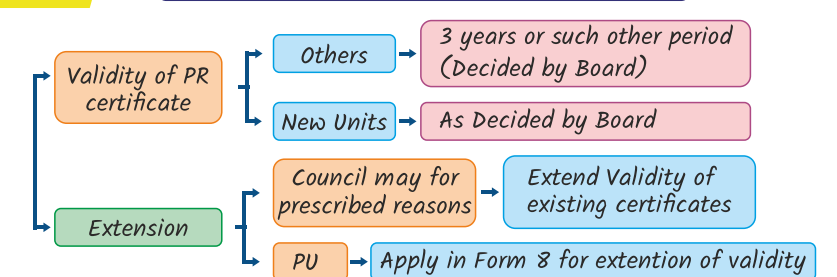
PEER REVIEW CERTIFICATE

#Amendment



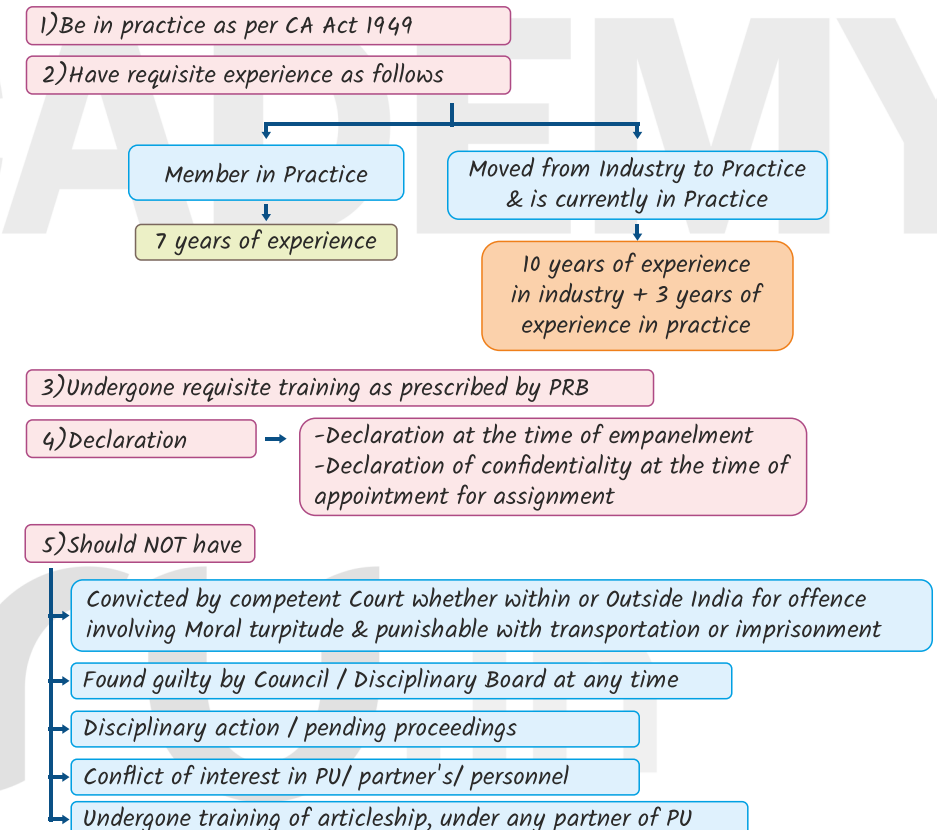
#Amendment

Validity of Peer Review (PR) Certificate



ELIGIBILITY TO BE A REVIEWER

A Peer Reviewer shall

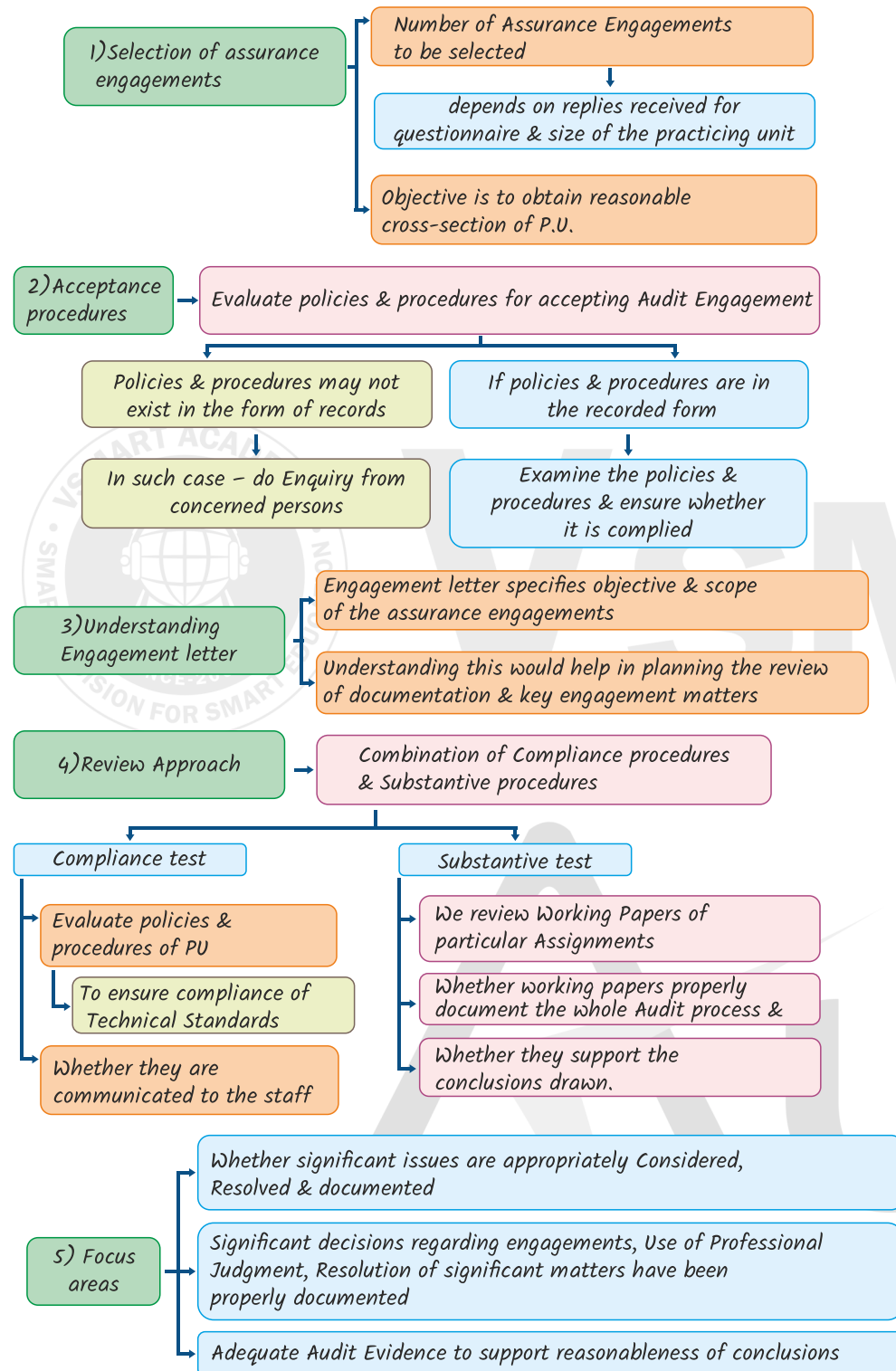


* IMP:-

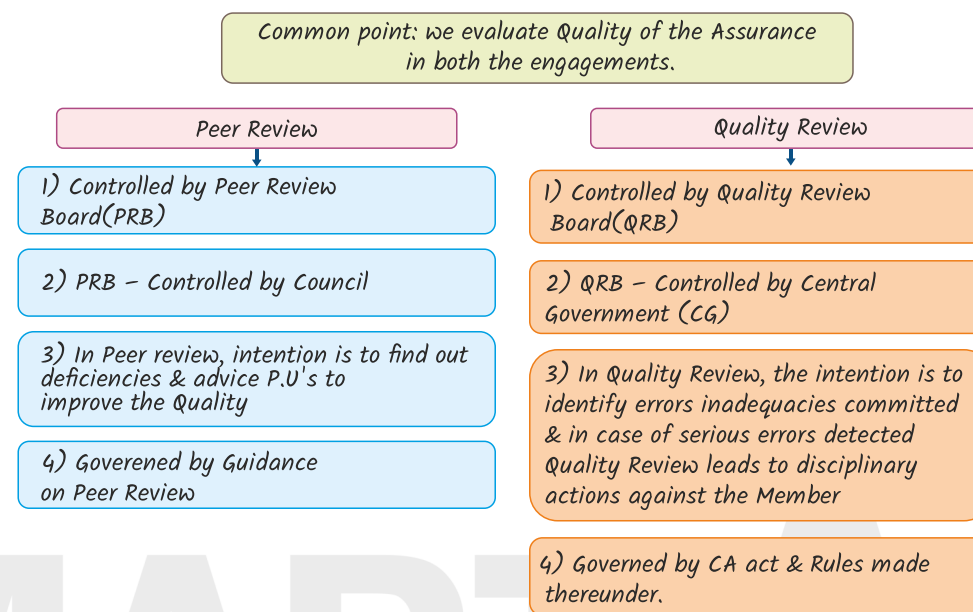
- 2) Should NOT have accepted Professional Assignment for a period of 2 years before the date of appointment
- 1) Should NOT accept any professional assignment from P.U. for period of 2 years from date of appointment



APPROACH OF REVIEWER

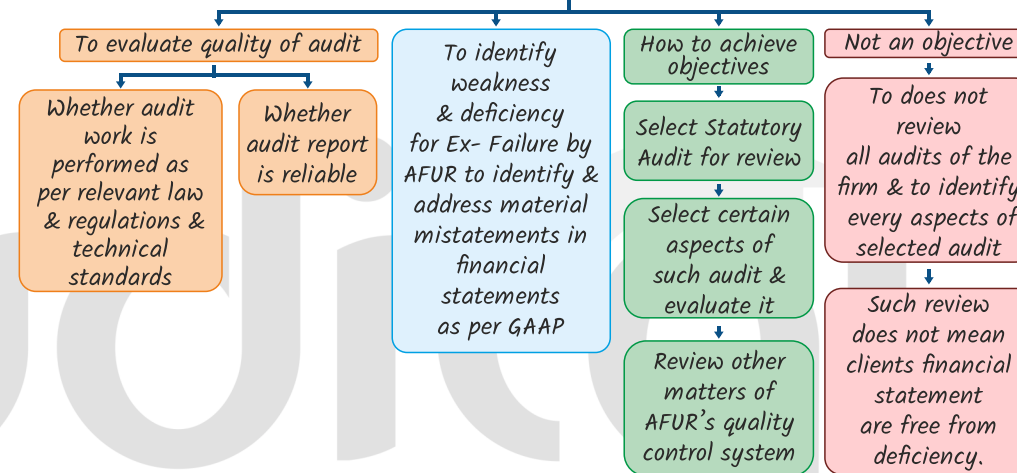


DIFFERENCE BETWEEN PEER REVIEW & QUALITY REVIEW

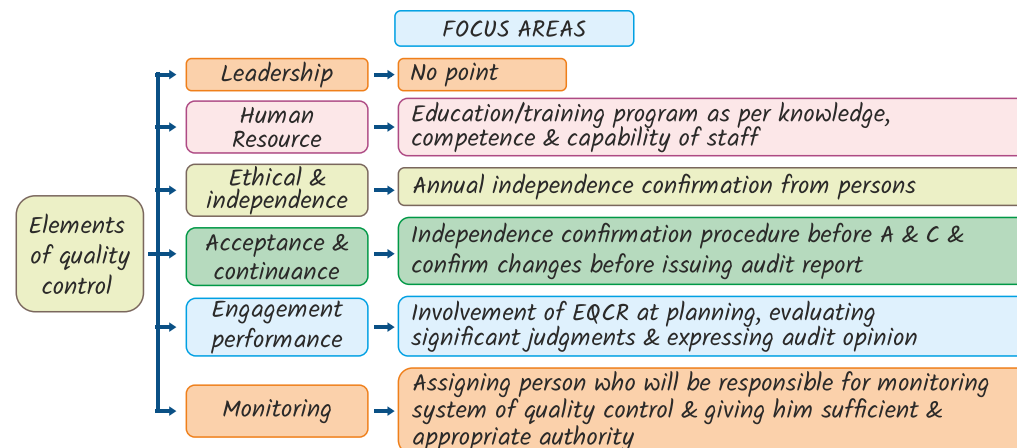


Part 2 – QUALITY REVIEW

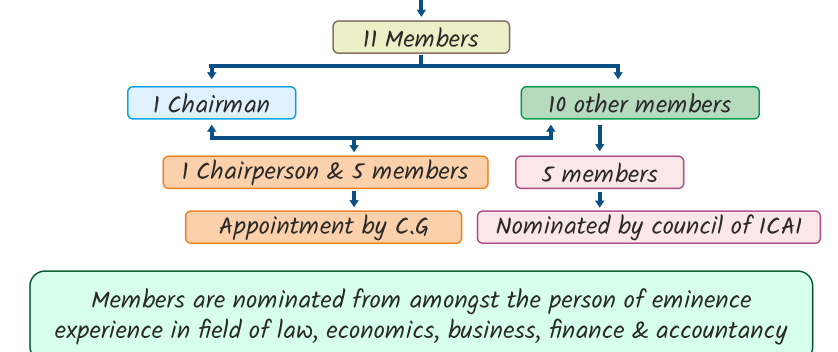
OBJECTIVES OF QUALITY REVIEW



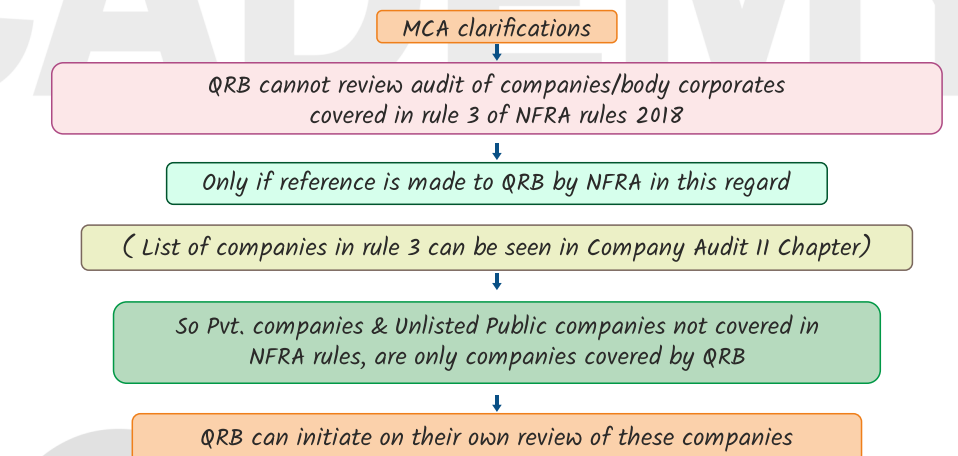
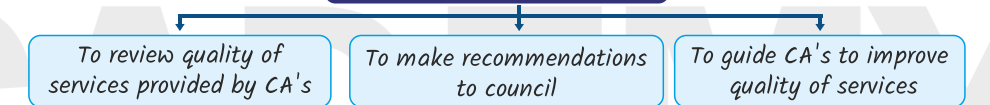
FOCUS AREAS FOR IMPLEMENTATION OF SQC-1 AS PER QUALITY REVIEW REPORT FY 18-19



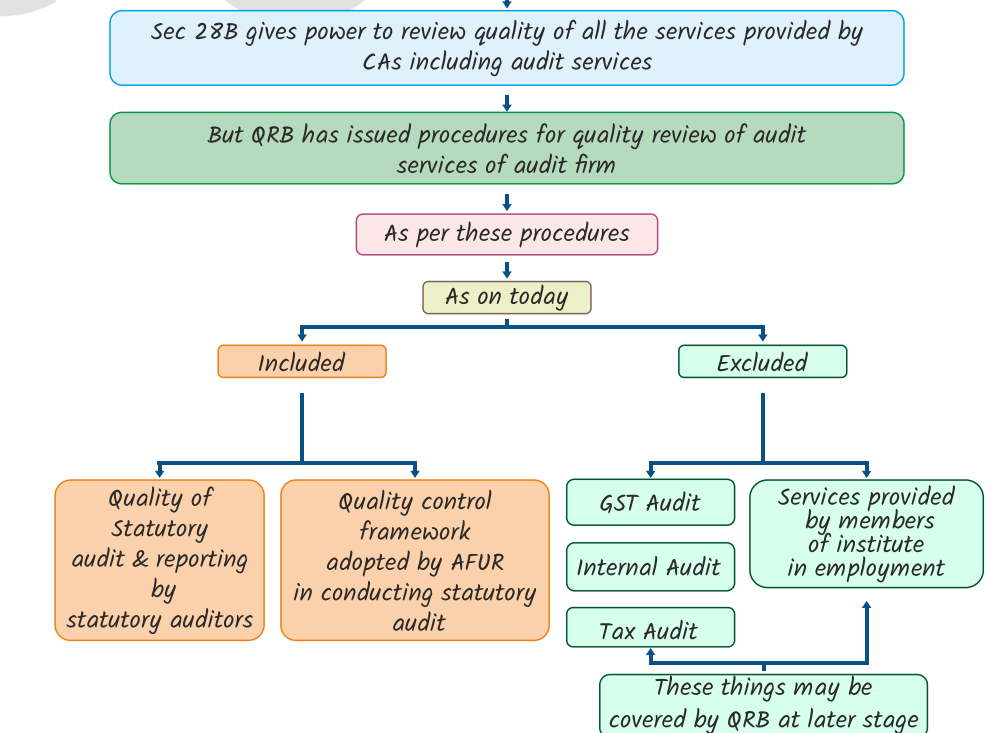
CONSTITUTION OF QUALITY REVIEW BOARD SEC 28A



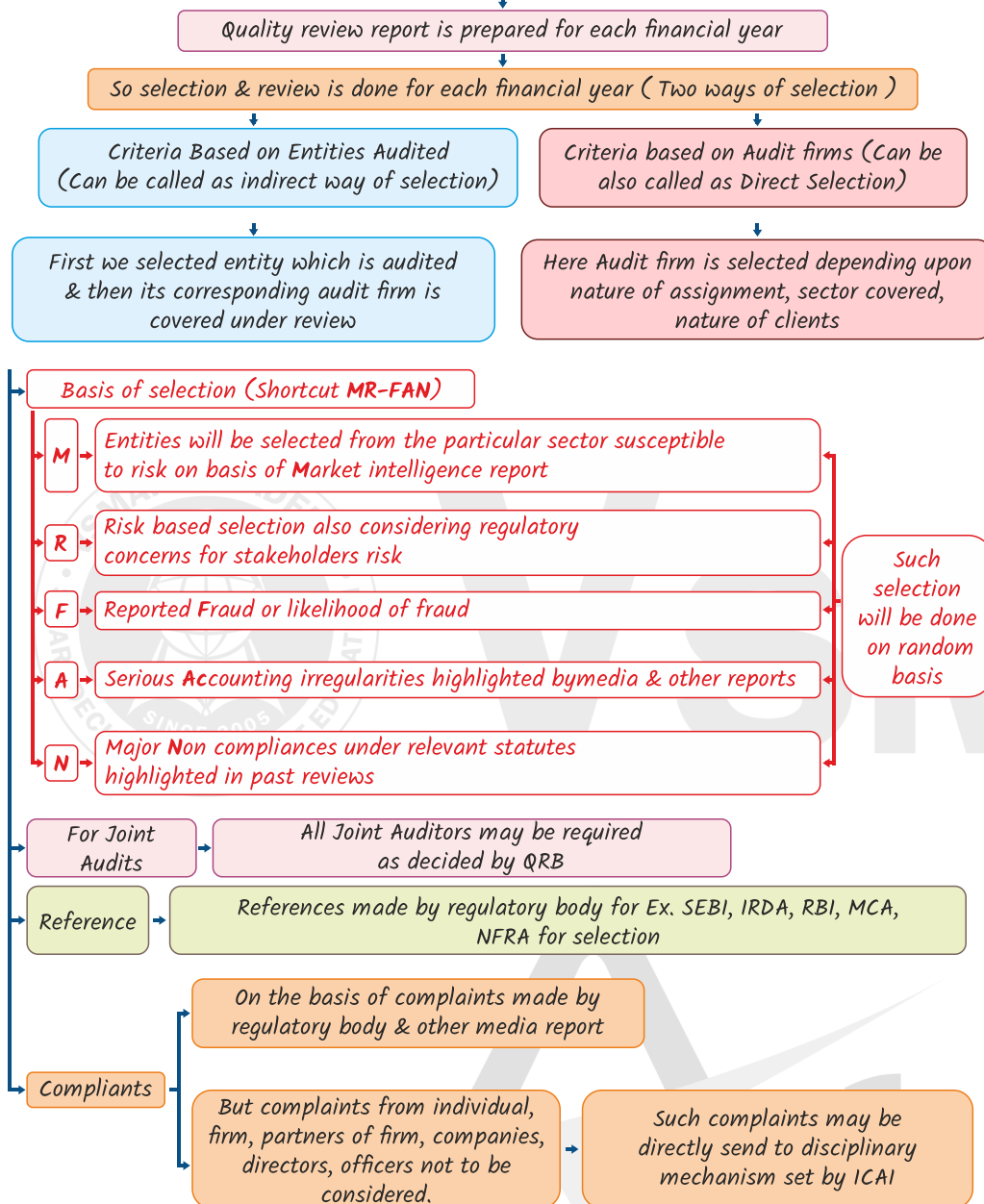
FUNCTIONS OF QRB



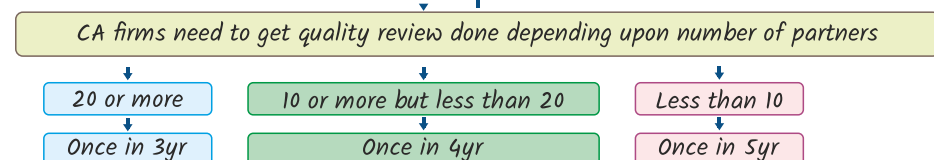
COVERAGE OF SERVICES OF QUALITY REVIEW



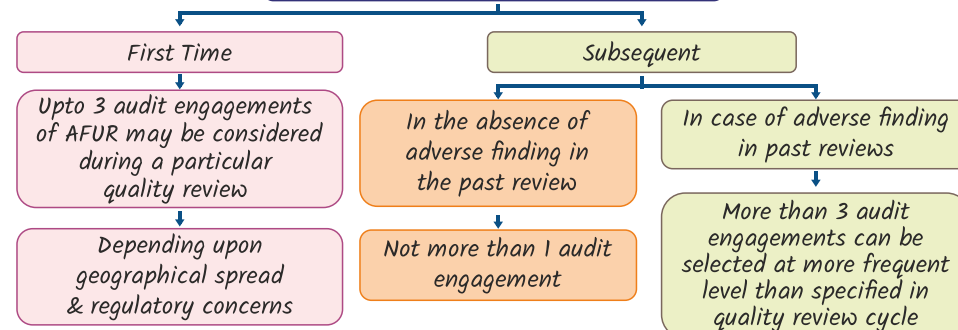
SELECTION



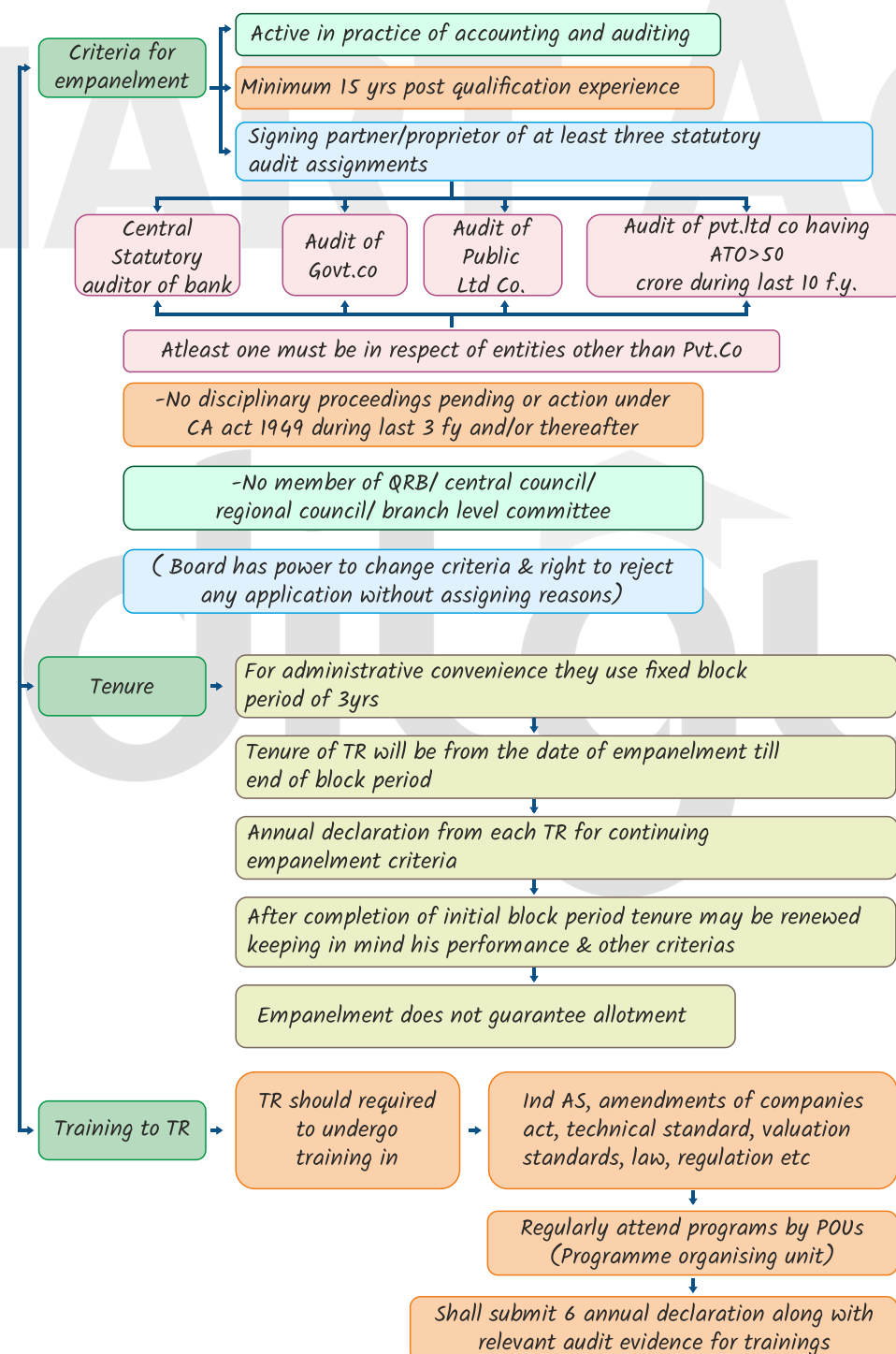
QUALITY REVIEW CYCLE



NUMBER OF ENGAGEMENTS



EMPANELMENT OF TECHNICAL REVIEWER

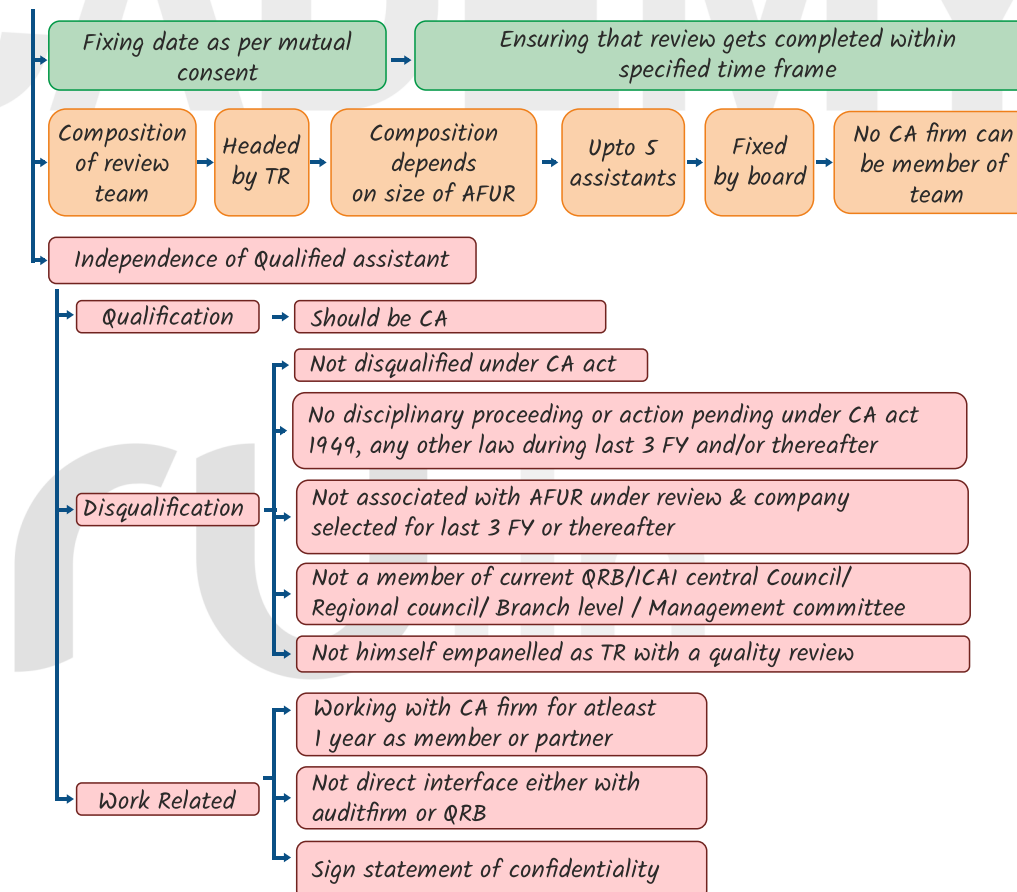


INDEPENDENCE & QUALIFICATION OF TR

Shortcut - DR DAS

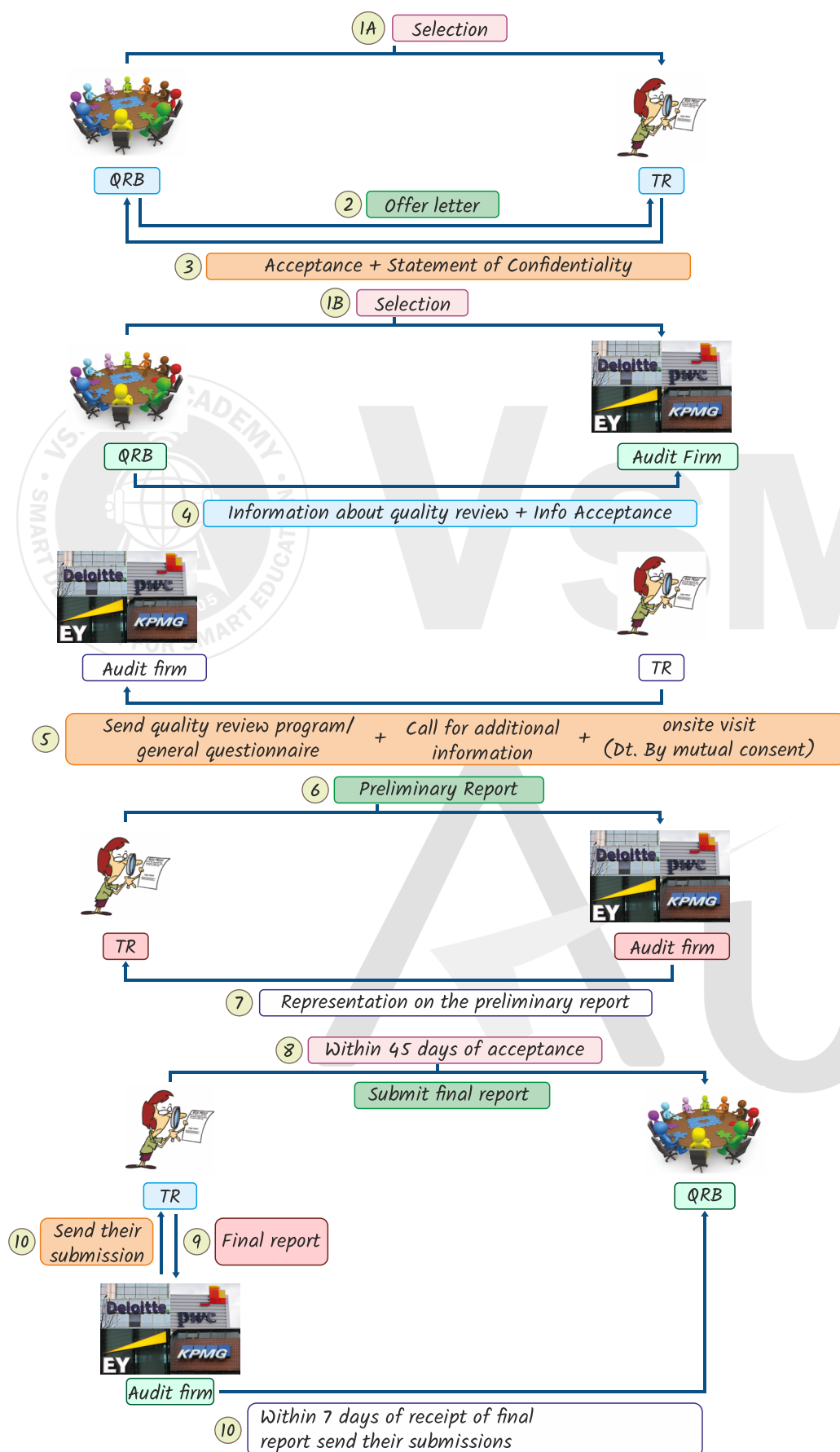
- D** - No pending disciplinary proceedings or action during last 3 FY & thereafter
- R** - Not belong to city, region of head office of AFUR
- D** - Not disqualified under companies act for the audit of concerned company
- A** - No association with specified AFUR of TR, TR firm or any of the network firm or partner of any other network firm during last 3 years or thereafter.
- S** - TR or his firm or partner of his firm or any network firm or partner of any network firm should not be statutory auditor of the concerned company during last 3 yrs or thereafter or have rendered any other services

ON SITE VISIT AND QUALIFIED ASSISTANT

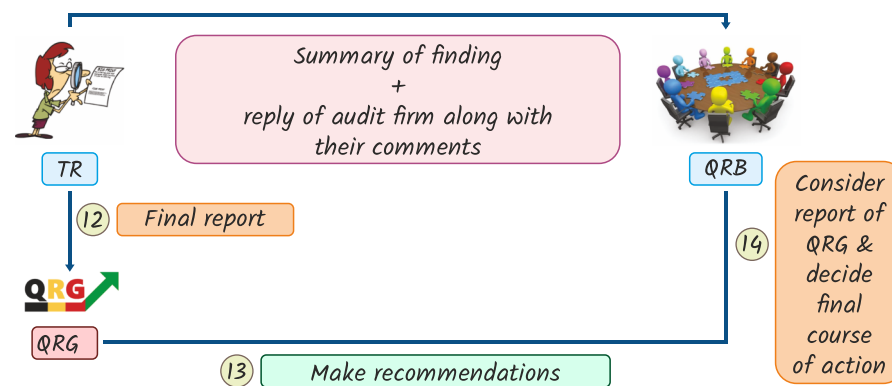


Note:- Follow chart instead of points in notes for this concept

STAGES OF QUALITY REVIEW



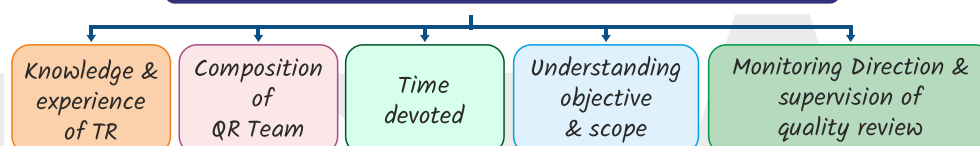
11 Within next 7 days



CNO—QR.200

QNO-653.070

FACTORS AFFECTING QUALITY OF TECHNICAL REVIEW

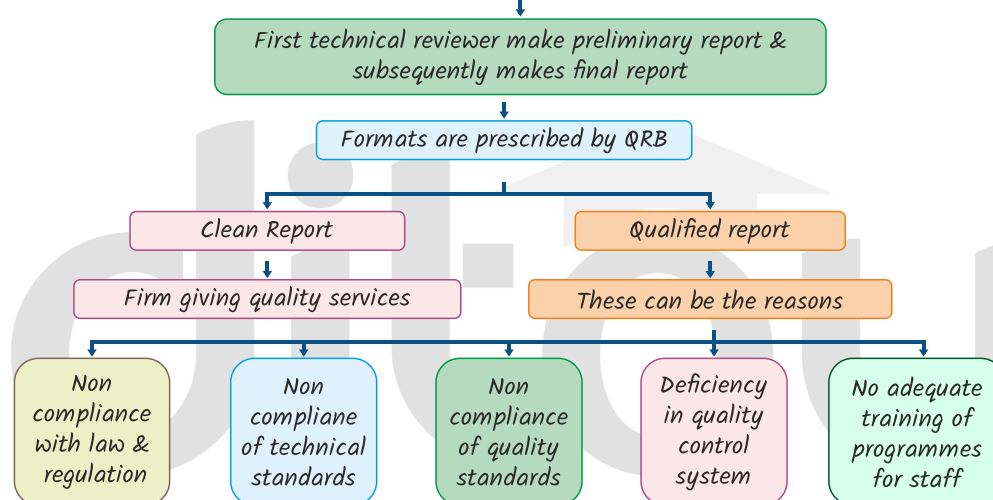


CNO—QR.220

QNO-653.050

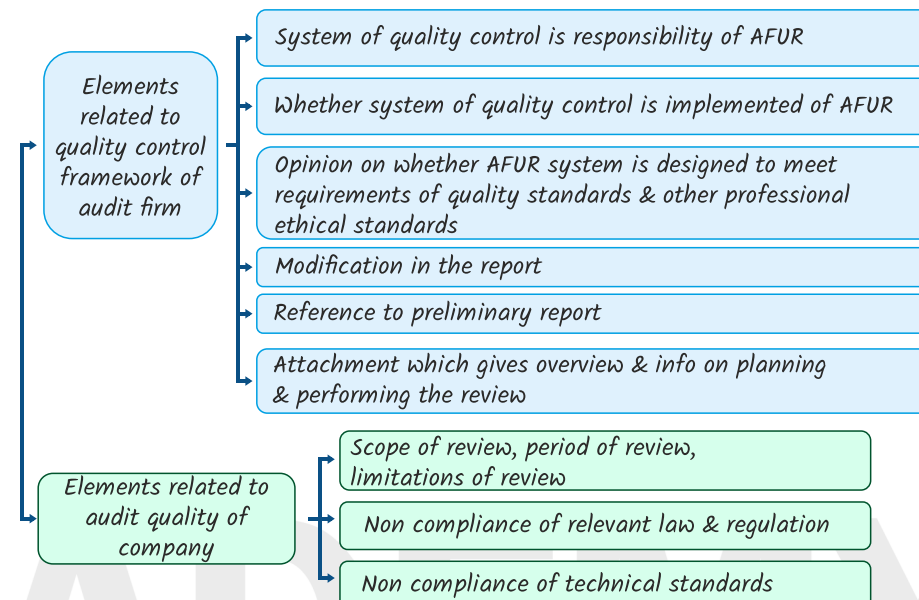
MCQ - PR.7

REPORTING AND OTHER PROCEDURES



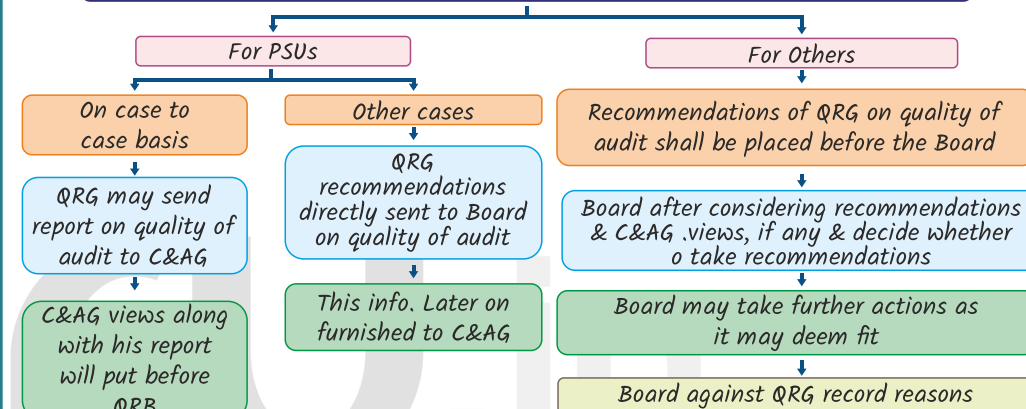
CNO—QR.220

BASIC ELEMENTS OF REVIEWERS REPORT



CNO—QR.240

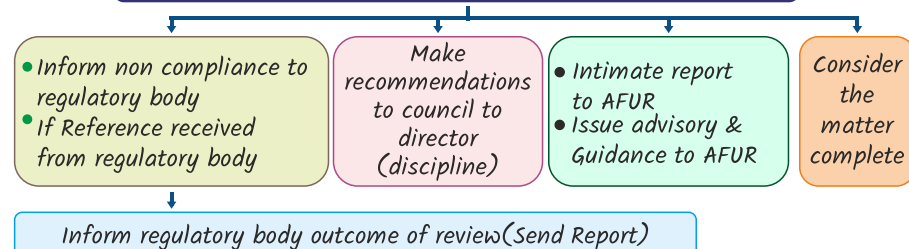
CONSIDERATION OF THE REPORTS OF THE QUALITY REVIEW GROUPS



CNO—QR.260

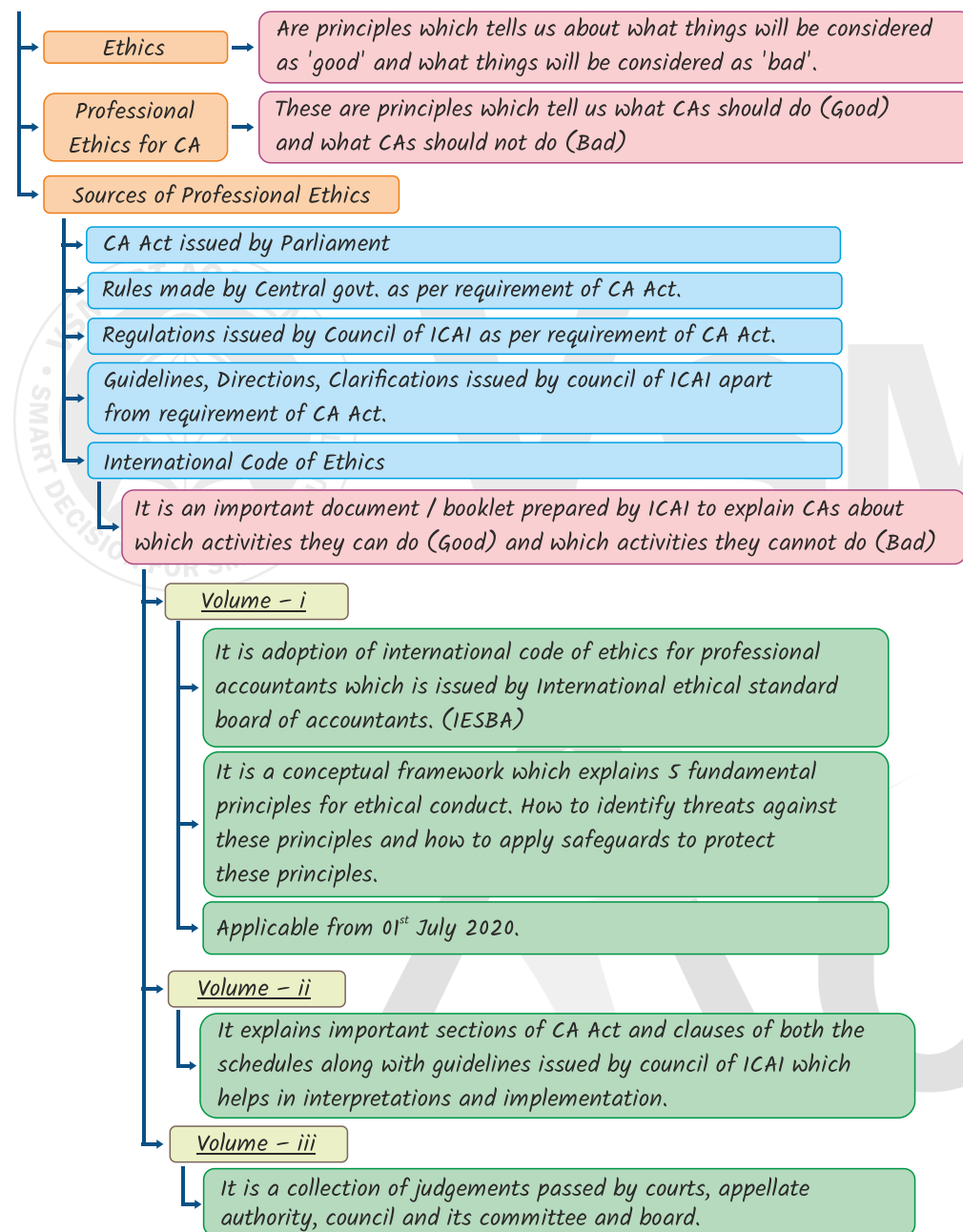
QNO-653.080

ACTIONS THAT MAY BE RECOMMENDED BY THE QRB

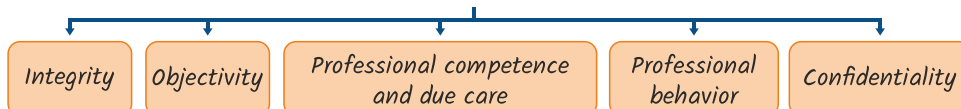


CNO—PE.010

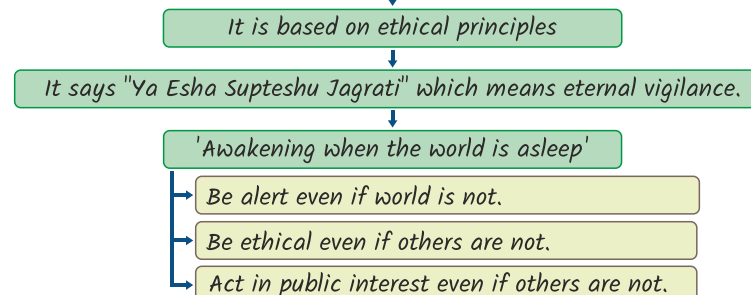
QNO—730.000

FUNDAMENTALS OF PROFESSIONAL ETHICS

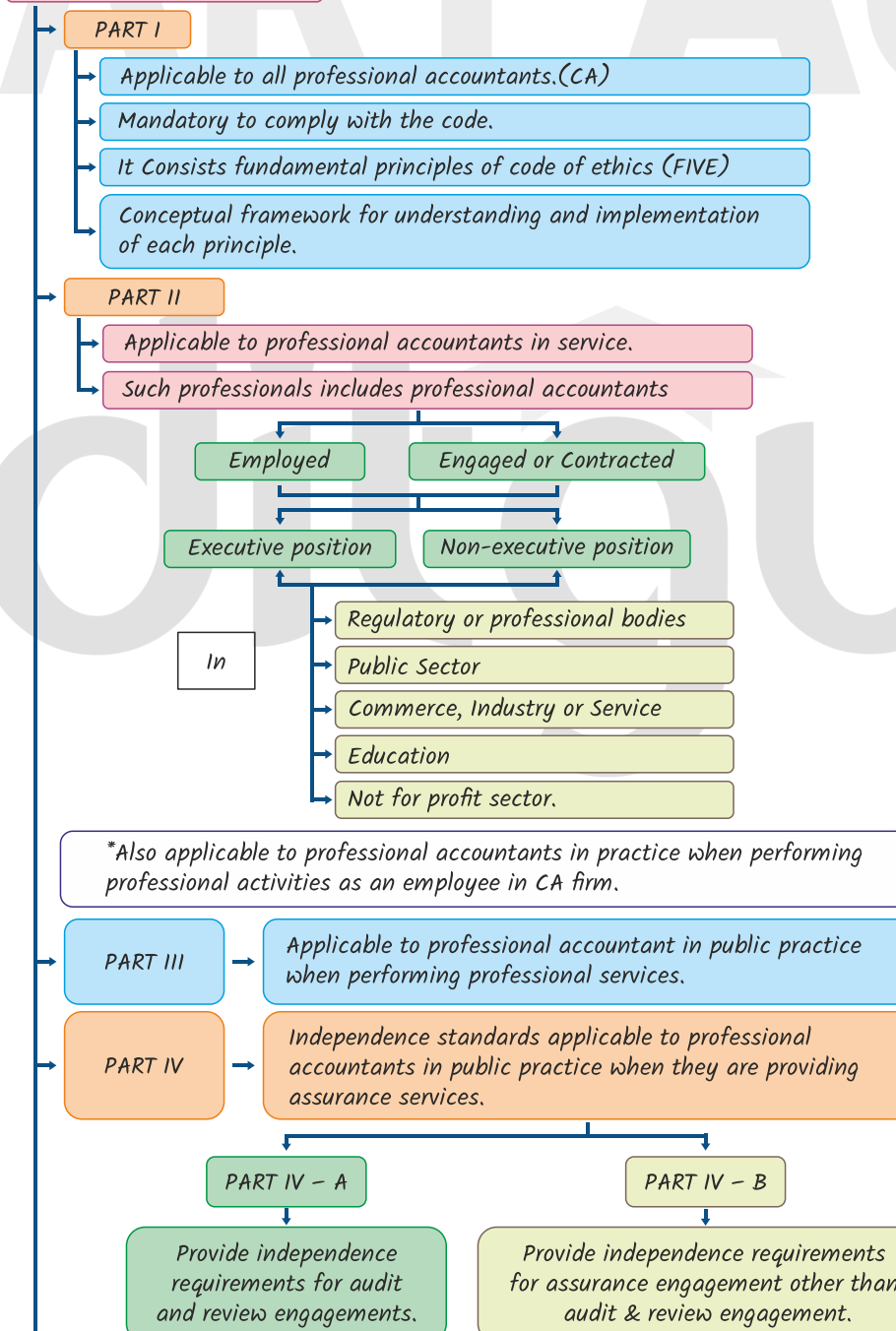
CNO—PE.020

5 FUNDAMENTAL PRINCIPLES OF PROFESSIONAL ETHICS

CNO—PE.030

MOTTO OF ICAI

CNO—PE.040

OVERVIEW OF CODE OF ETHICS – VOLUME I**Code of Ethics (Volume I)****GLOSSARY**

It defines and explains important terms, abbreviations used in the code.

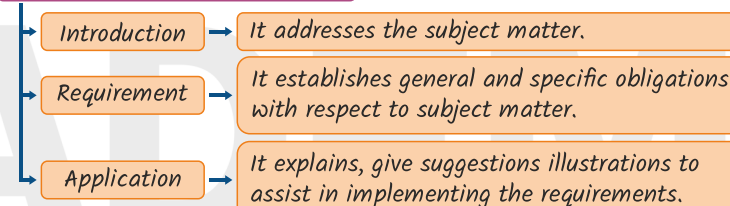
e.g.: - Term audit engagements includes both audit and review engagement.

CNO—PE.050

STRUCTURE OF SECTION/SUBSECTION CODE

Each part of the code is divided into sections and sections are further divided into sub-sections.

Contains following information



CNO—PE.060

PART I OF CODE OF ETHICS (VOLUME I)**SEC 100 – APPLICABILITY OF CODE OF ETHICS**

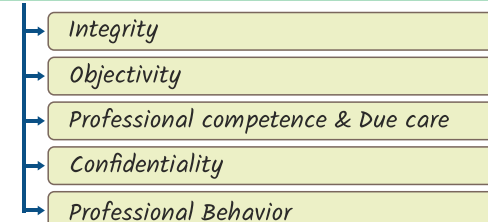
It is applicable to all the professional accountants (PA).

If any law precludes (excludes) applicability of any part to professional accountant then those part will not be applicable, but rest of the parts shall be applicable.

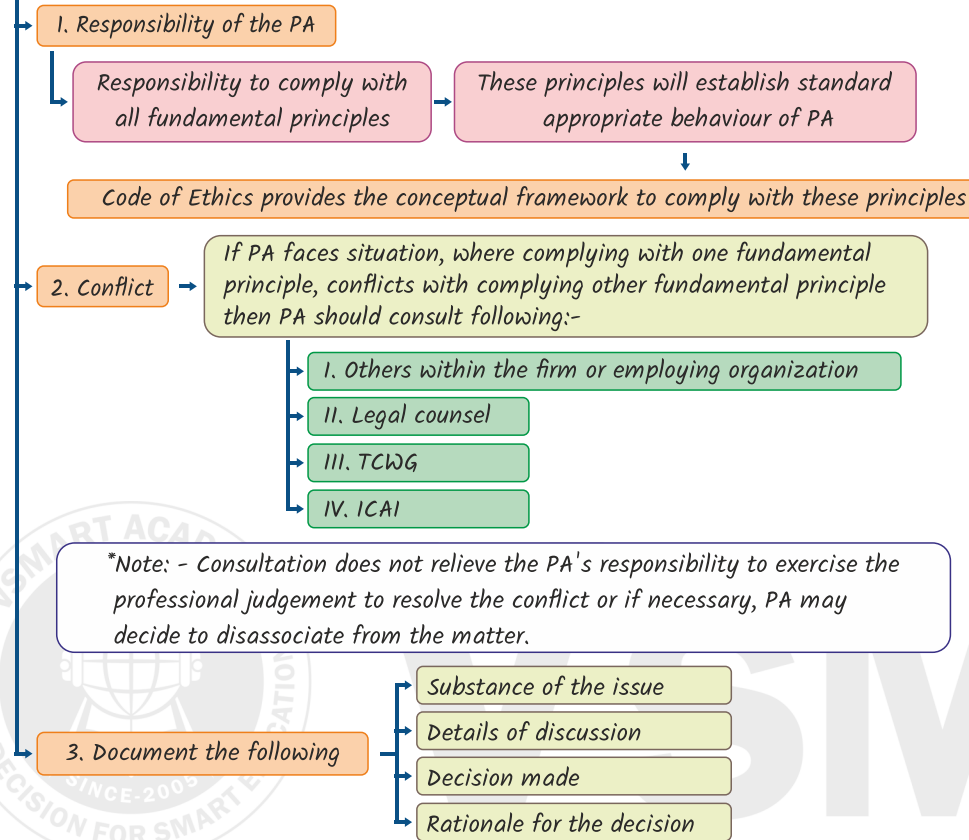
CNO—PE.070

SEC 110 – FUNDAMENTAL PRINCIPLES

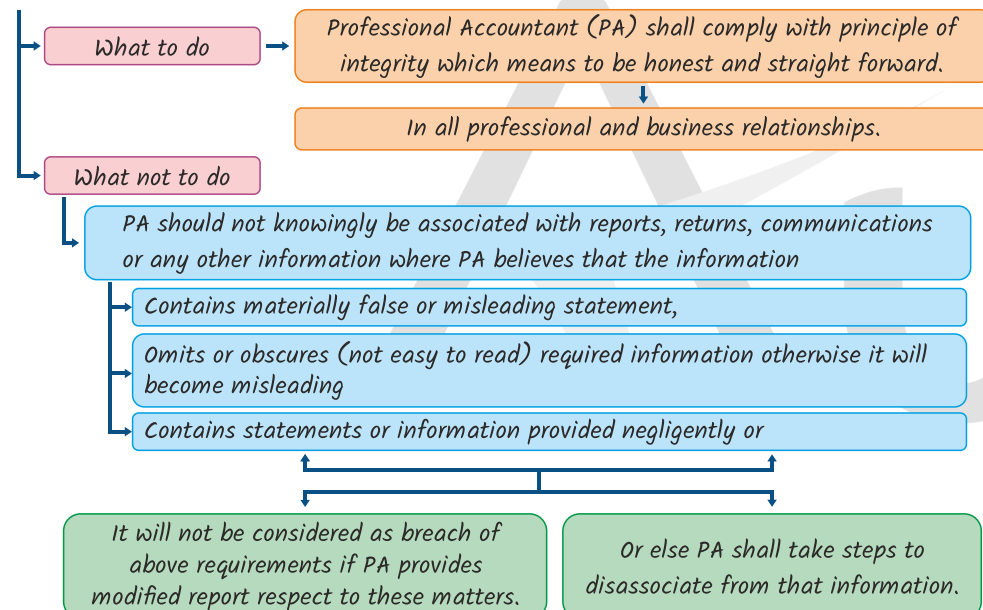
These are basic principles on which code of ethics are based.



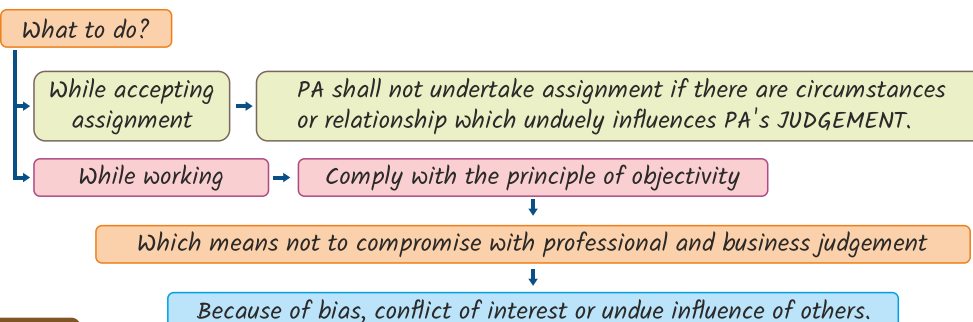
SECTION 110- REQUIREMENTS



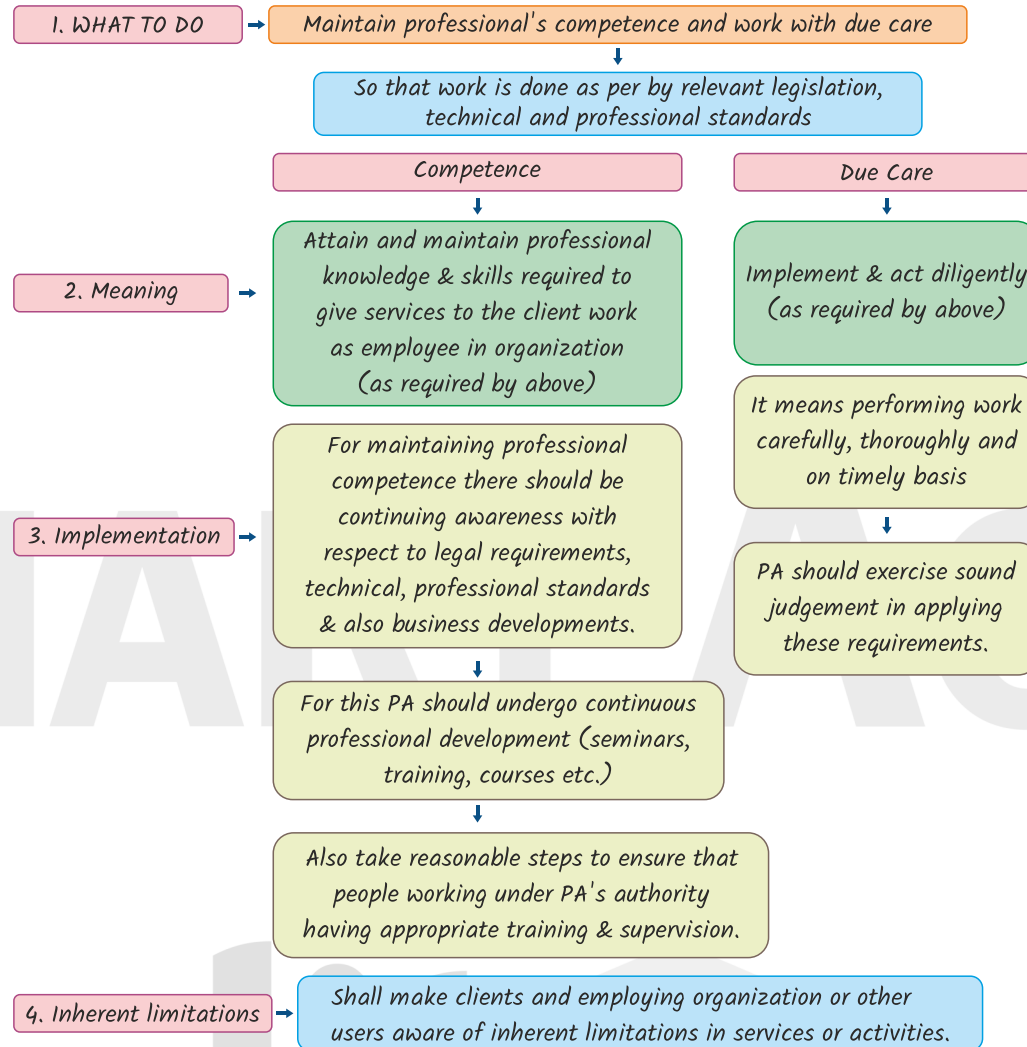
SUB-SEC III - INTEGRITY



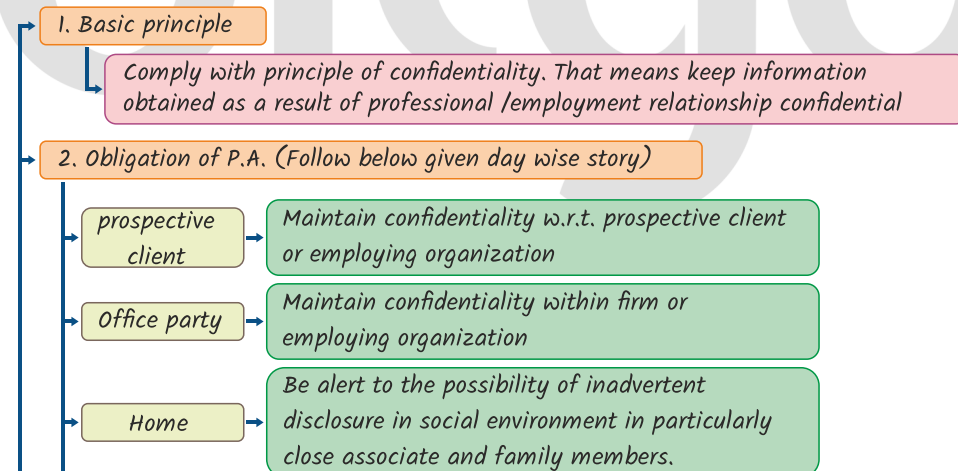
SUB-SECTION 112 - OBJECTIVITY



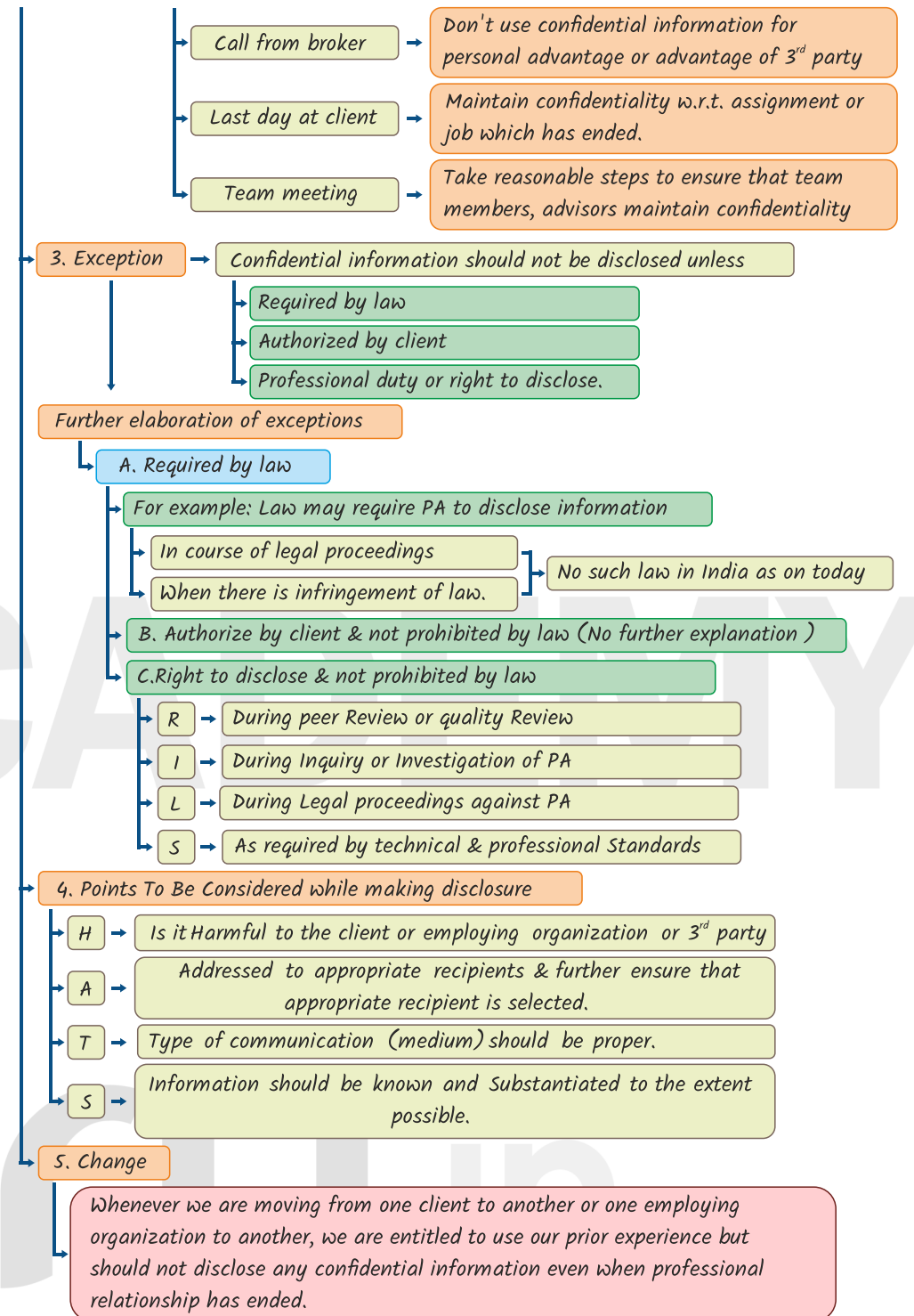
SUB-SECTION 113 - PROFESSIONALS COMPETENCE & DUE CARE



SUB-SECTION 114 - CONFIDENTIALITY



Continue on next column...



SUB-SECTION – IIS – PROFESSIONAL BEHAVIOUR

1. WHAT TO DO

Comply with the principle of professional behavior

Which means:-

Comply with the law & Regulation applicable to the particular assignment or employment

Avoid any conduct that might discredit the profession.

E.g.: - PA shall not knowingly engage in any employment or professional activity which impairs integrity, objectivity & good reputation of the profession

E.g.: - PA should not do any activity in which 3rd party would likely to conclude adversely w.r.t. to reputation of the profession.

2. Clarification w.r.t. to promoting himself & his work

What to do

Be truthful & honest

What not to do

Exaggerated claims for services or regarding qualification or experience PA has.

Disparaging (insulting) references or unsubstantiated comparisons to the work of others.

Going against the guidelines of advertisement issued by council.

Whenever PA is in doubt w.r.t. advertisement, PA should consult Ethical Standard Board.

THREATS EVALUATION & SAFEGUARDS

What to do

Code specify that professional accountant (P.A) should identify threats w.r.t. fundamental principles

Evaluate threats which are identified.

Address the threats by reducing them to an acceptable level or eliminating them.

Threats

There are five types of threats

Shortcut - I am FAIR

I

Self Interest threat

Circumstances in which there are some financial or other interest which will influence professional judgment or behaviour

F

Familiarity threat

There exists close or long relationship with client or employing organization which will make P.A sympathetic towards them while accepting or doing their work.

Continue on next column...

A

Advocacy threat

Circumstances in which P.A is supposed to promote (advertise) clients or employing organization or positions and at the same time in other assignment PA is to report objectively.

I

Intimidation threat

Circumstances in which P.A. is directly or indirectly pressurised or influenced because of which P.A. is not able to act objectively.

R

Self Review threat

Circumstances in which P.A. during his current assignment is suppose to evaluate results of previous judgements or activities which are performed by him or another individual within the firm or employing organization

Examples

1. Circumstances that may create self interest threat (BP² LTD)

Financial interest

Direct financial interest (equity, debt, loans etc)

Undue dependence on Total fees

Personal gain may arise because of access to confidential information of client

Other interest

Possibility of Losing client

Close Business relationship with client

Potential employment with client

*Note: Above bifurcation is only for ease to memorize examples

2. Circumstances that may create familiarity threat

A. Member of engagement having close or immediate family relationship with

Director

Officer of the client

With an employee who is in position to exert direct and significant influence over subject matter

B. Former partner of the firm

Is a director

Is a officer

Is an employee who is in position to exert direct and significant influence over subject matter

C. Having long association with the client

3. Circumstances that may create Advocacy threat

P.A is providing assurance services to the client and at the same time

Promoting shares of the client in market (IPO, FPO etc)

Acting as advocate on behalf of clients in litigation or disputes with 3rd parties

Lobbying in favour of legislation on behalf of client

Continue on next column...

4. Circumstances that may create Intimidation threat

Threatened with dismissal or replacement if P.A disagrees on a professional matter

Informed that planned promotion will not occur till P.A agree's with inappropriate accounting treatment

Pressurized to agree with Judgement of client because client has more expertise on matter in question

P.A accepted a significant gift from client and now client is threatening that he will make this information public

5. Circumstances that may create self Review threat

P.A implemented financial systems and now he is supposed to evaluate & issue assurance report on the operations of same financial systems

P.A prepared original data which is used to prepare statements and now he is supposed to check and issue report on the same

Note:- Unique threats

Specific circumstances may give rise to unique threats which cannot be categorized in this 5 types of threat. So P.A should always be alert for such circumstance and threats Eg. blackmailing (Personal info) Religion / Political / kidnaping parties to give wrong reports

EVALUATION OF THREAT

What to do

When ever P.A identifies circumstances which lead to threat. P.A shall determine whether such threat is at acceptable level

Acceptable level

Threat will be considered of acceptable level when P.A applies "Reasonable & Informed Third Party Test" and after applying these test P.A conclude that it is likely that PA will comply with fundamental principles

Reasonable & Informed third party test (RITPT)

In this concept P.A has to evaluate its own conclusion PA has to think carefully whether his conclusions are appropriate

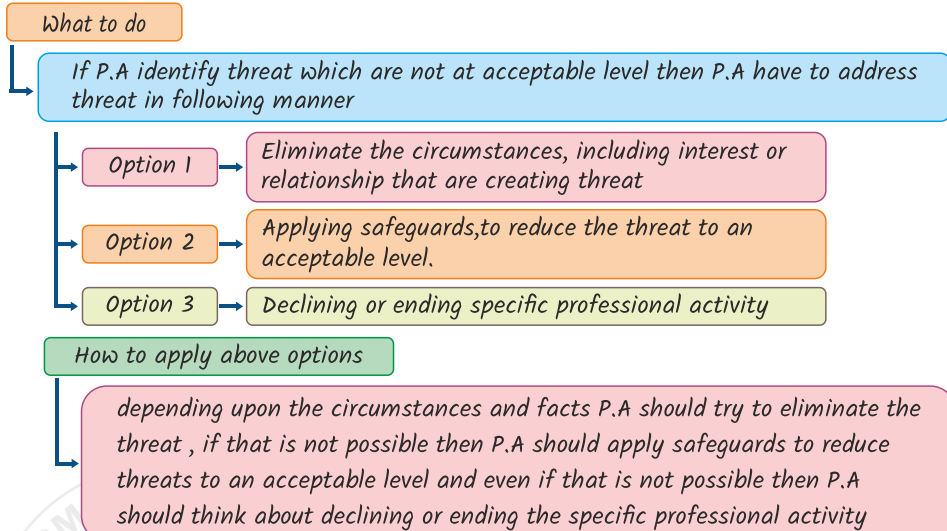
P.A has to think that if all the relevant information which he has is shared with a reasonable (Fair , practical & rational) third party whether such third party would have same conclusion which PA is having

P.A can apply this test either by himself by careful thinking or P.A can go to such reasonable third party inform him, discuss with him and take his opinion

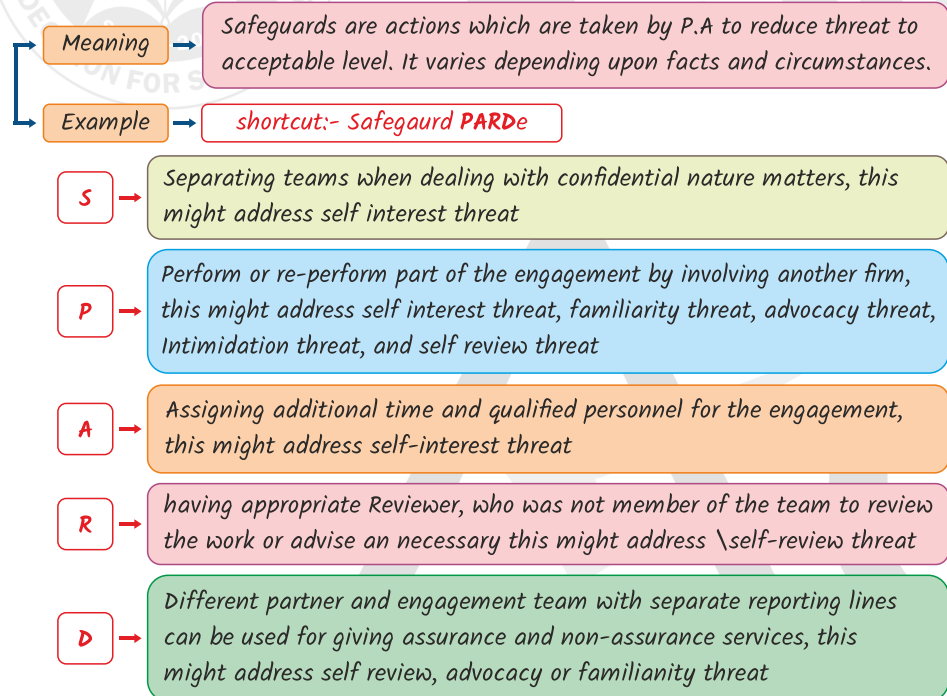
Third party need not be an accountant, he can be a lawyer, company secretary etc who understand the circumstances and have relevant knowledge to draw conclusions



ADDRESSING THREATS



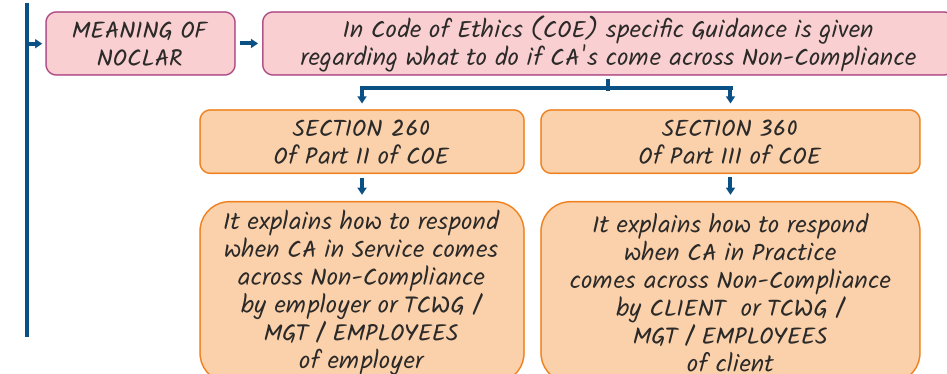
SAFEGUARDS



#Amendment all points of NOCLAR

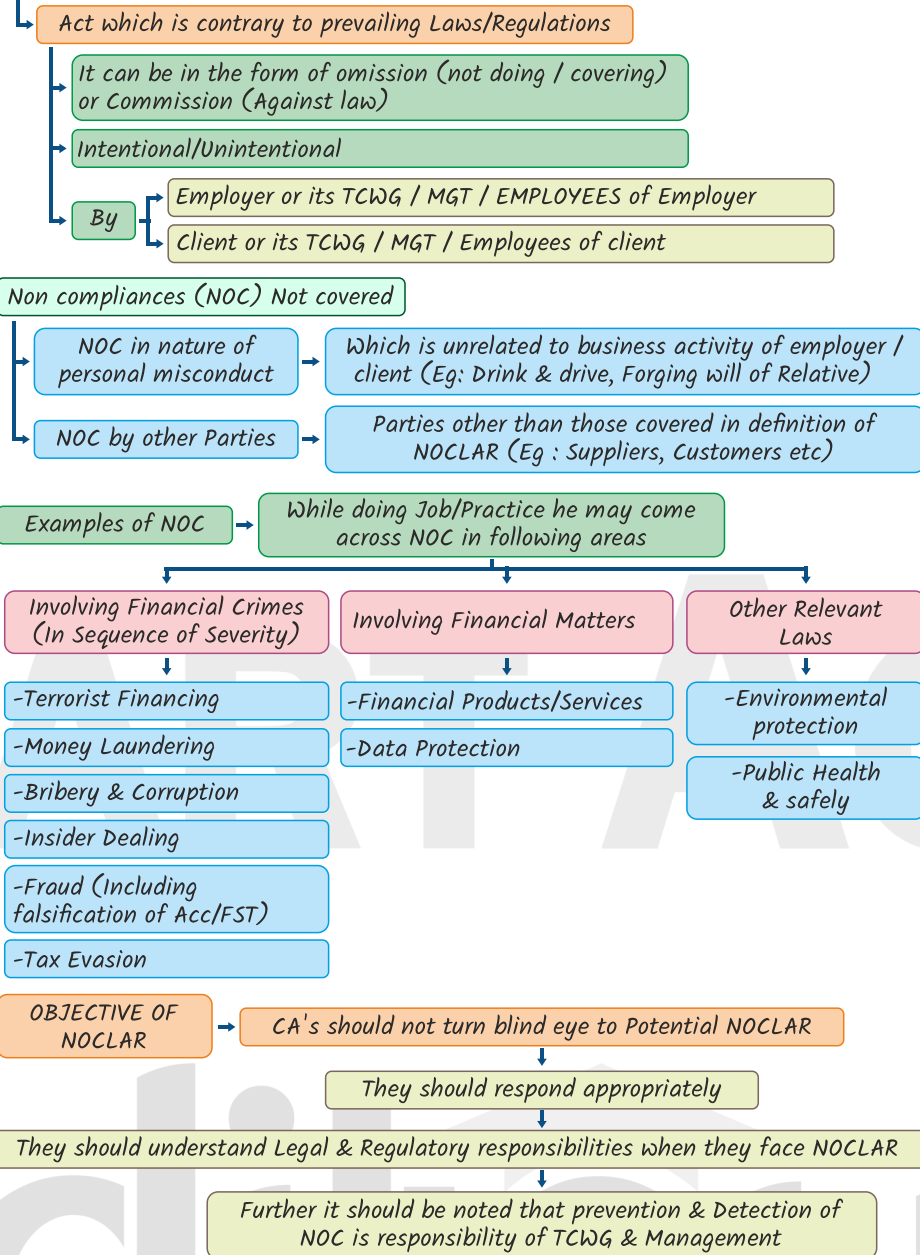
NOCLAR

NON COMPLIANCE WITH LAWS & REGULATIONS

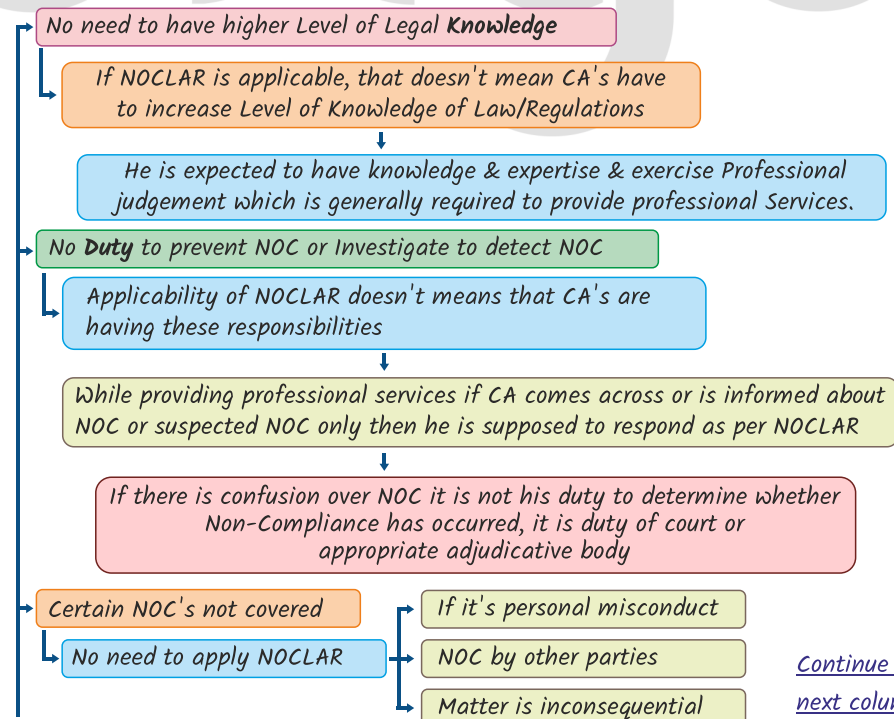


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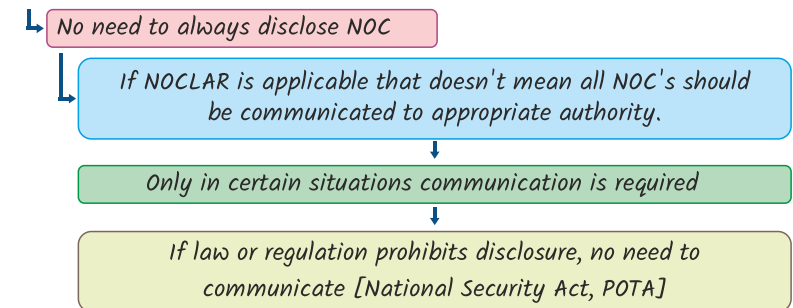
MEANING OF NON-COMPLIANCE



SOME IMPORTANT FACTS ABOUT NOCLAR (Classification)



Continue on next column...



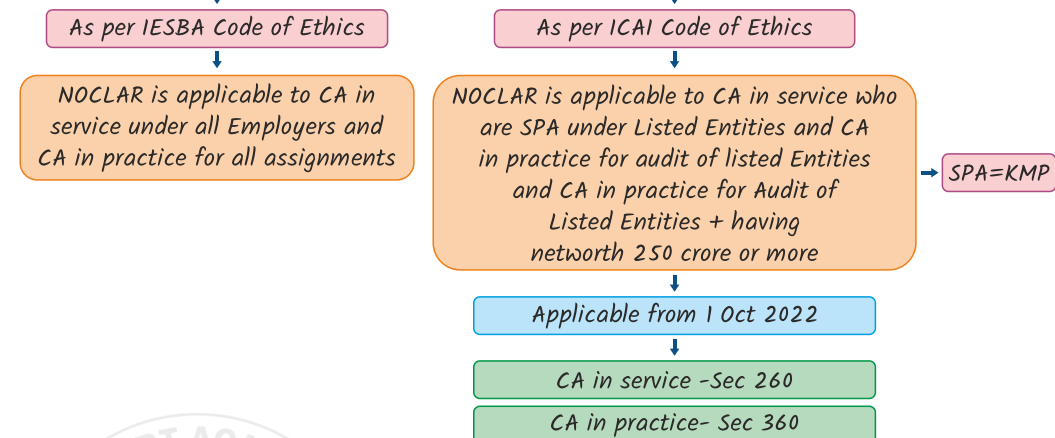
NOCLAR V/S SA 250

POINTS	NOCLAR	SA250
Assignments covered	<ul style="list-style-type: none"> -Applicable to all the CA's in service as well as practice. -Further in practice it is applicable to Audits as well as other assignments. -But degree of responsibility (Response) differs as per role of CA. 	It is applicable to CA in practice providing Audit Services
Law Coverage	NOCLAR goes beyond SA250 It covers NOC of all the types of laws which may cause substantial harm in financial or Non-Financial terms.	<ul style="list-style-type: none"> -It focuses on two types of laws 1 Having direct effect on material amounts & Disclosure in FST (Eg :tax & Labour Laws) 2 Other laws which are fundamental to operations of entity ,Hence NOC may lead to material effect.(Eg: CAR by RBI, solvency by IRDA)
Effect of NOC	NOCLAR asks to evaluate effect of NOC on investors/creditors/Employees/Also General public (Stake Holders considered)	-SA 250 asks to consider effect on financial statement & its fundamental assumption going concern (stakeholders not considered)
Disclosure to Authorities	<ul style="list-style-type: none"> -As per NOCLAR in exceptional circumstances, if there is imminent breach of Law/ Regulations plus substantial harm to Investors/Creditors/ Employees/Also General Public -Then apply judgement & decide whether to discuss with MGT/ TCWG or directly go to appropriate authority to prevent or mitigate consequences of imminent breach 	-As per SA 250 we should disclose to authority only if it is required by Law or Regulation.

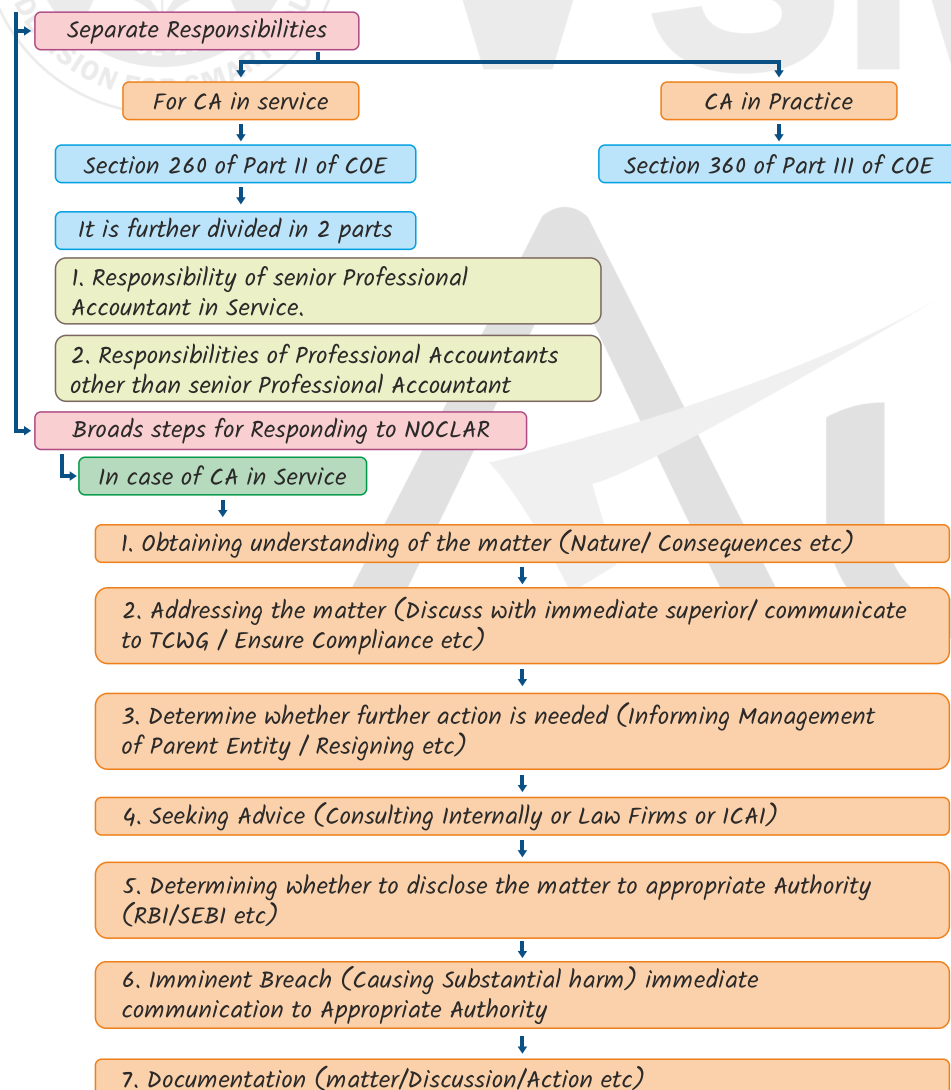


APPLICABILITY OF NOCLAR IN INDIA

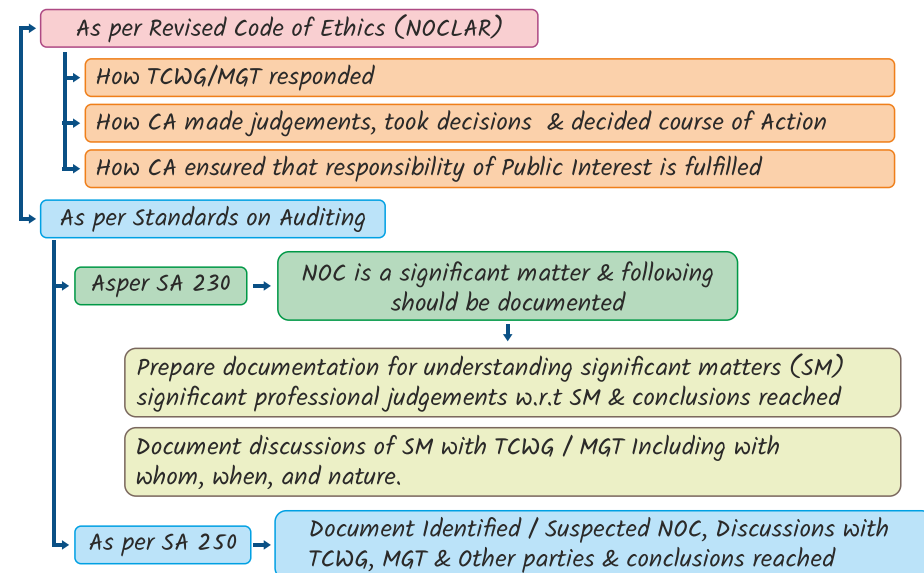
#Amendment



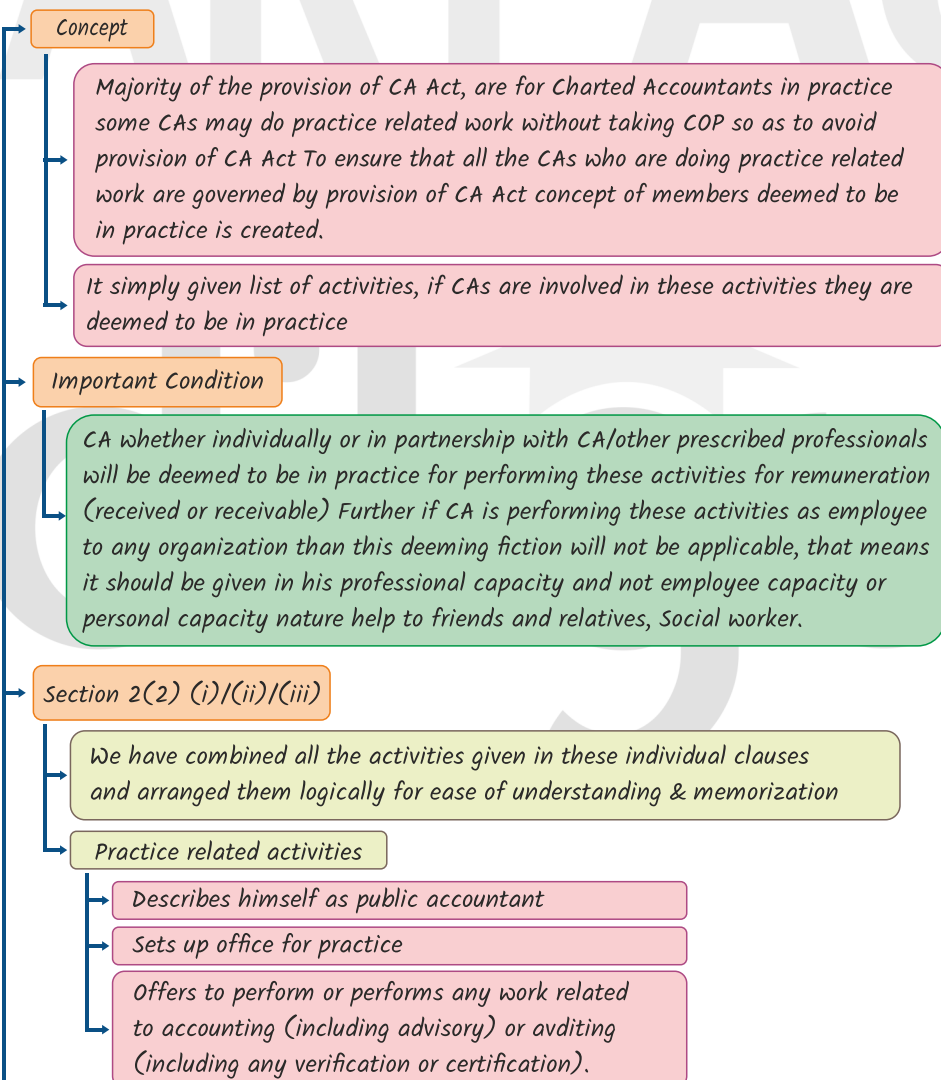
RESPONDING TO NOC UNDER NOCLAR



DOCUMENTATION REQUIREMENTS



CA ACT – SECTION 2(2) DEEMED TO BE IN PRACTICE



Continue on next column...

Services related activities

- Working on a employee with CA /firm in practice (this is for limited purpose of giving right to train articles and not to put any other obligations under CA Act)
- CA in service with armed forces

Section 2(2) (iv)

This clause gives power to council of ICAI to increase list of activities

Regulation 191

- Individual related → Executor
- Trust related → Trustee
- Company related → Receiver → Liquidator
- Dispute related → Administrator → Arbitrator
- Advisor related → Advisor or representative for costing, tax and financial matter.

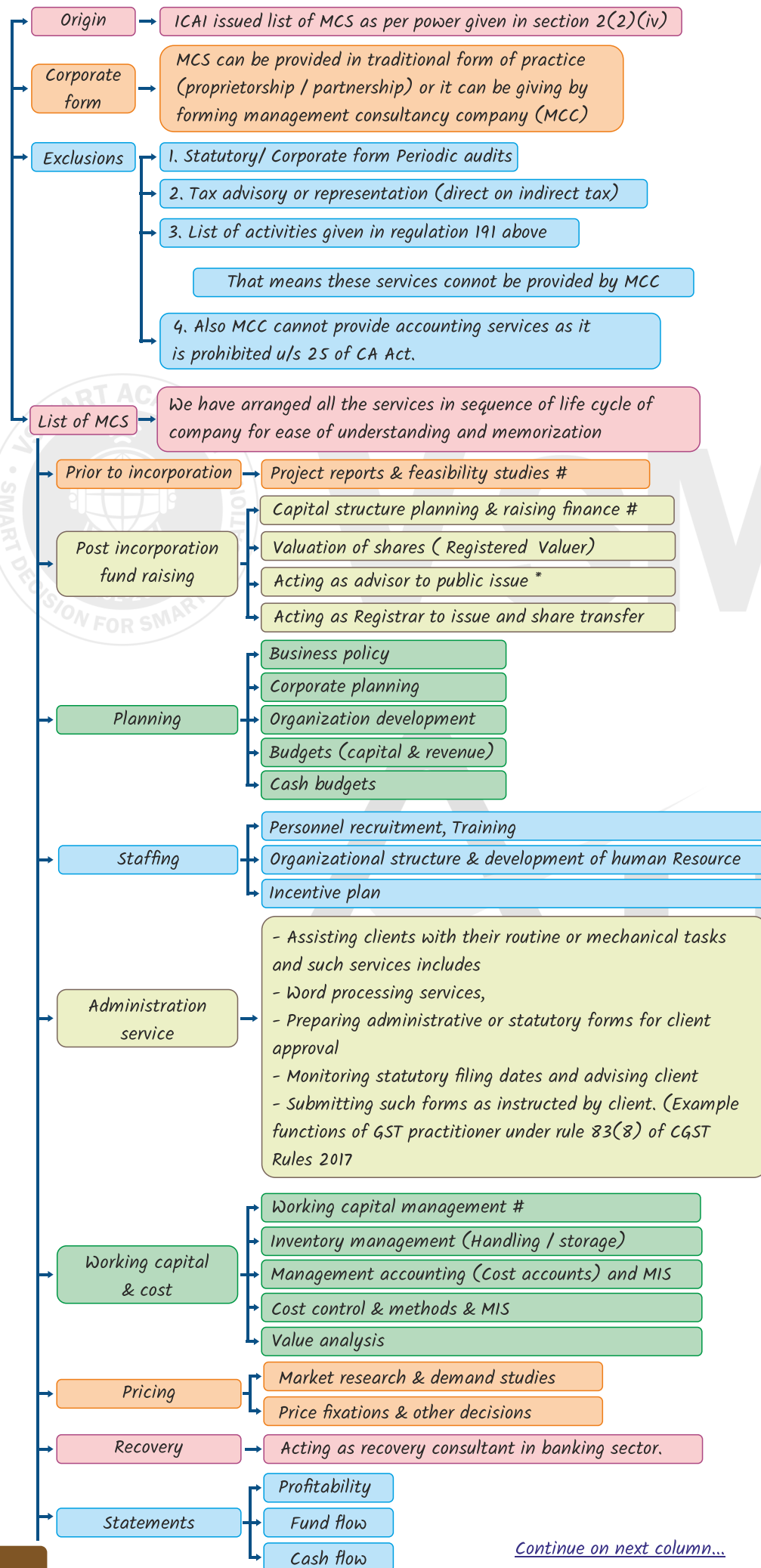
Special appointment related

- Appointments made by Central, State governments or courts or-to act as secretary in various ministries of the government
- If any of above activity is on salary cum full time basis then deeming fiction will not be applicable.

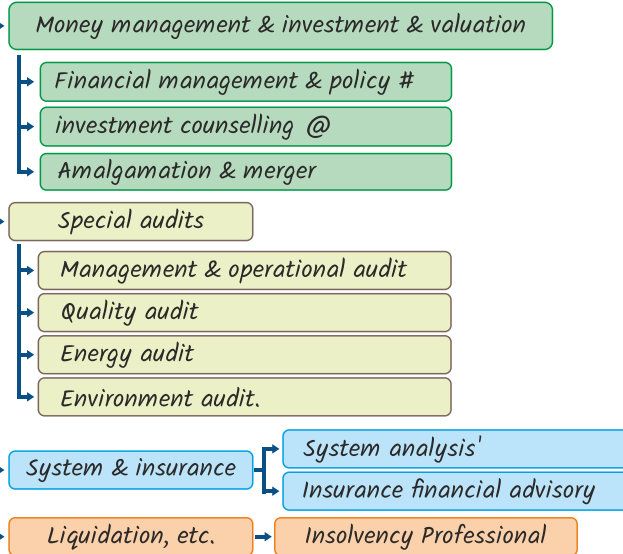
Management consultancy services

Importance of MCS list

- CA's who are providing these services will be considered in practice
- It also defines range of services which can be given by CAs in practice

MANAGEMENT CONSULTANCY SERVICES

Continue on next column...

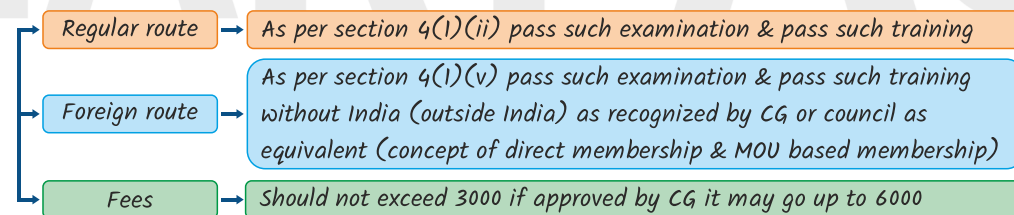


Tax advise will be covered in MCS, for 4 things marked with

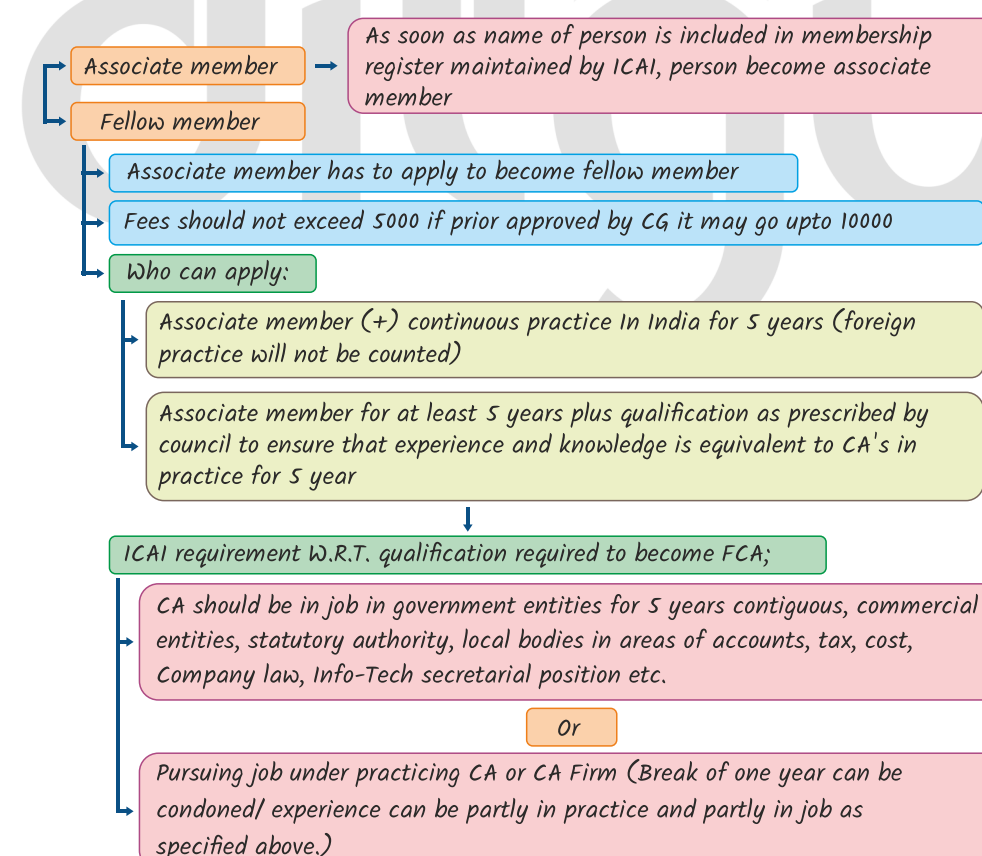
* Prospectus / publicity / selection of agency / post issue matters

@ Not covered in MCS broking / underwriting / portfolio management

CNO—PE.400

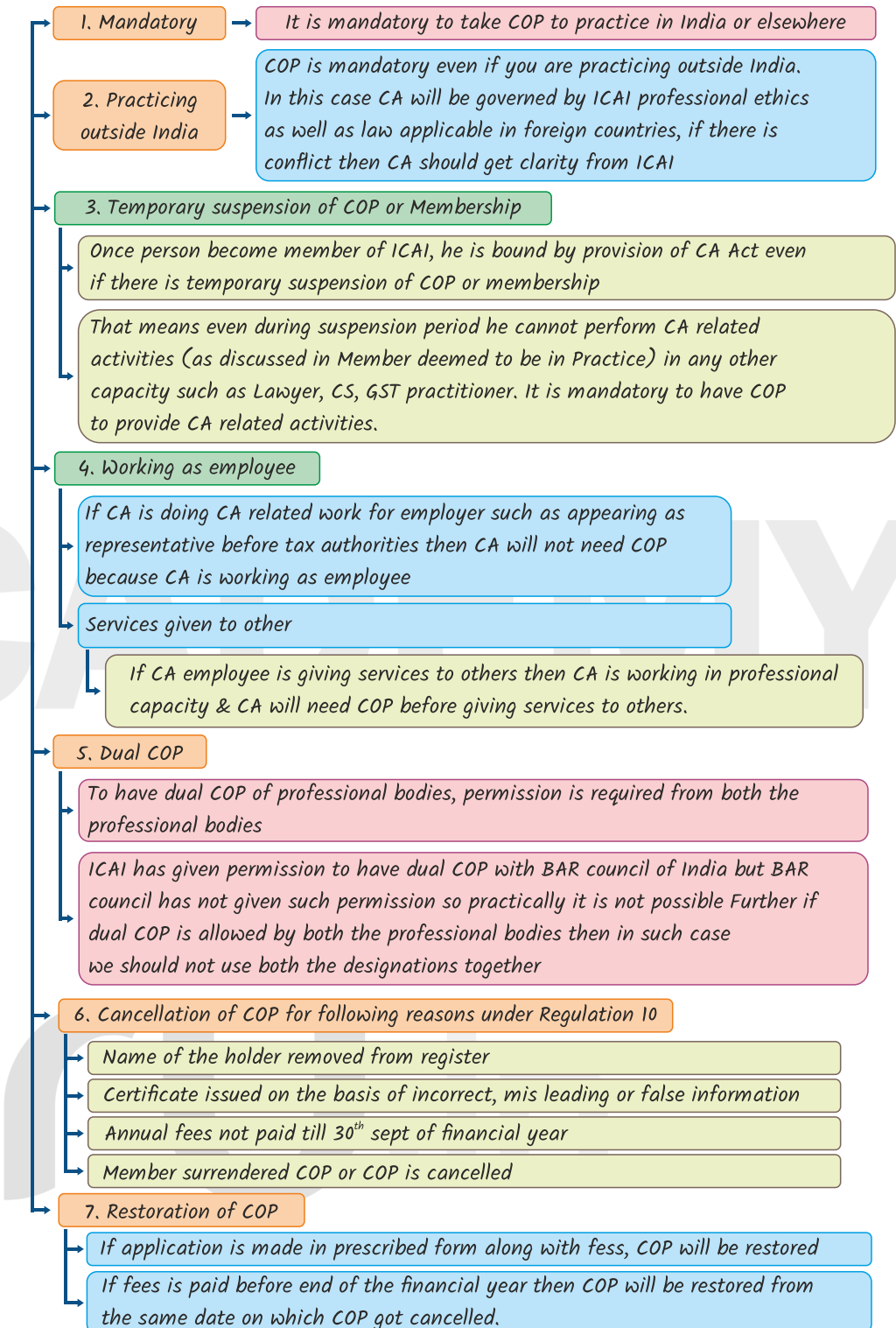
SECTION 4 WHO CAN BECOME MEMBER

CNO—PE.400

SECTION 5 ASSOCIATE V/S FELLOW

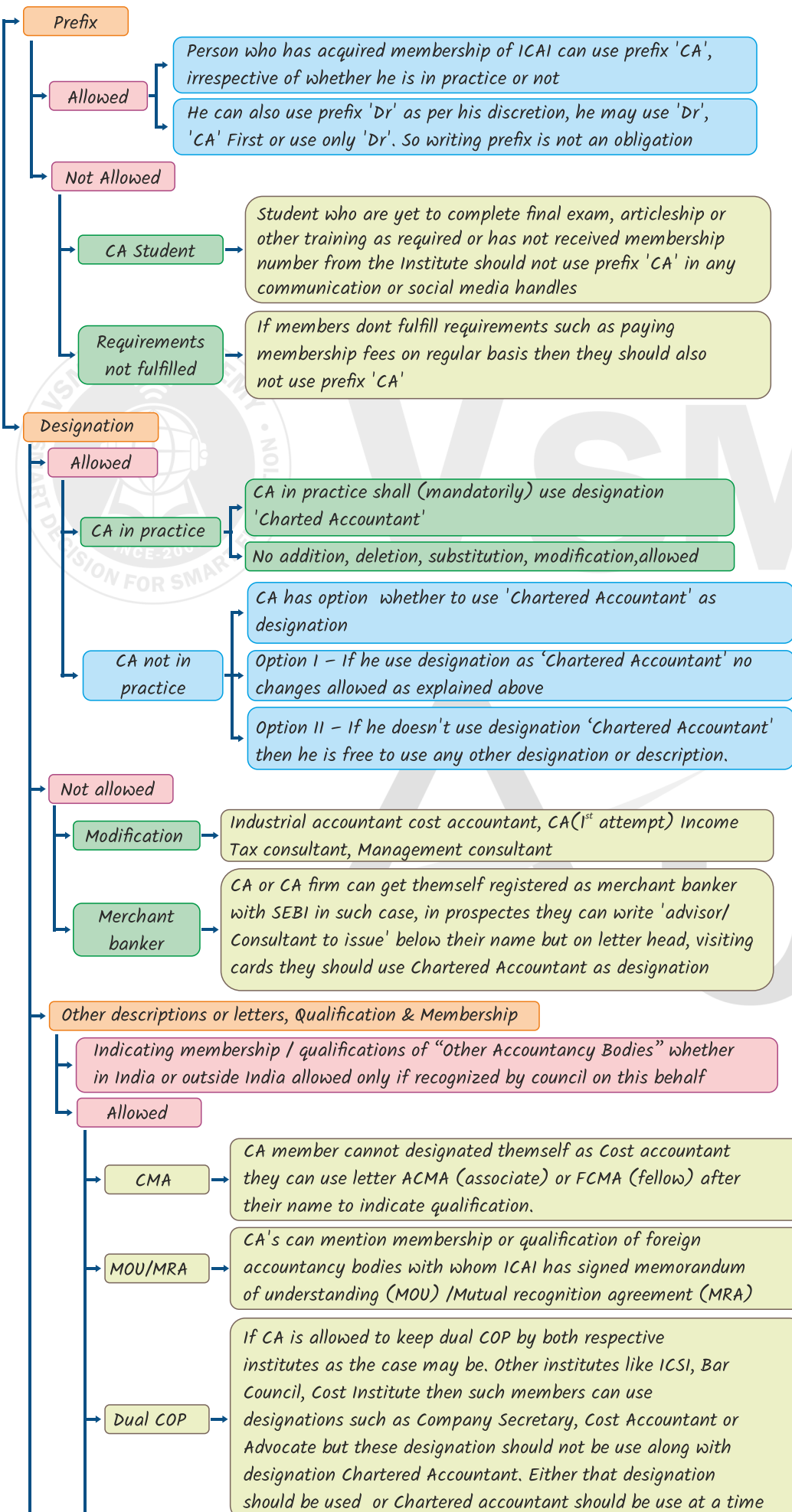
CNO—PE.420

QNO-655.100/ 655.200/655.300

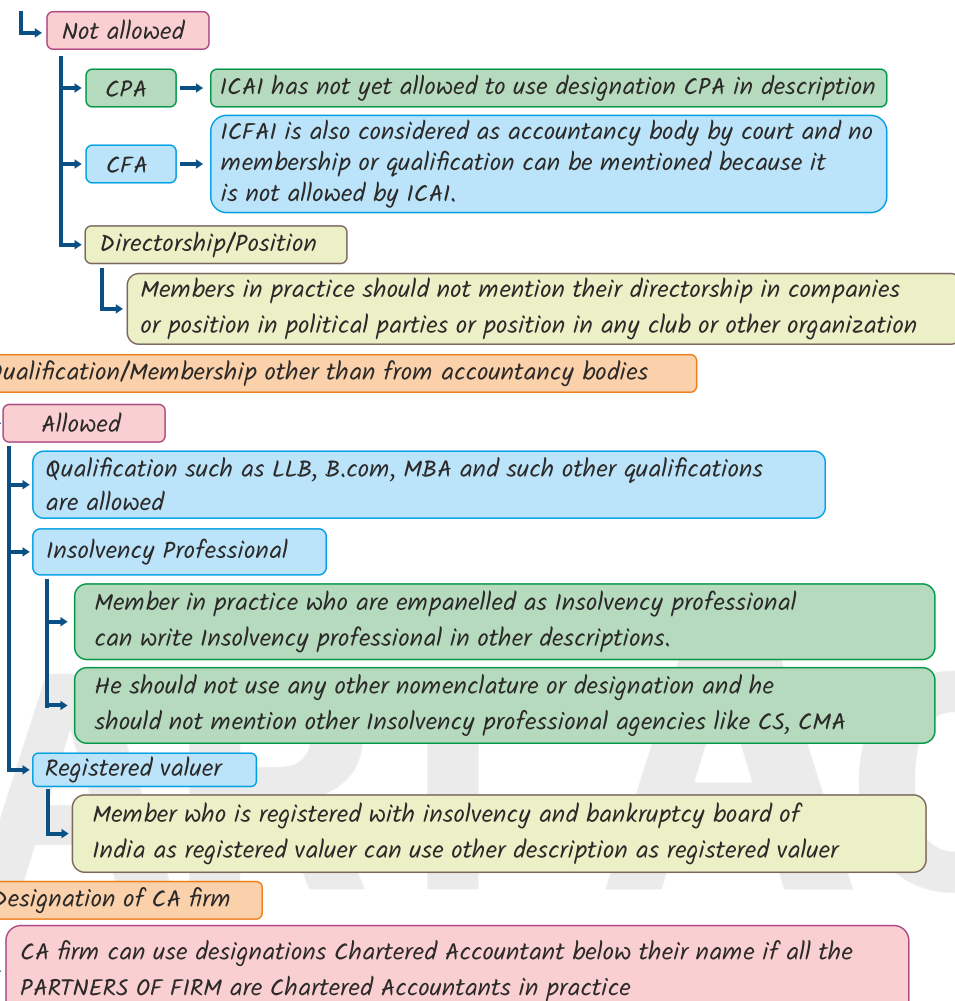
SECTION 6 SIGNIFICANCE OF COP

SECTION 7

RELATED TO PREFIX, DESIGNATION AND OTHER DESCRIPTION

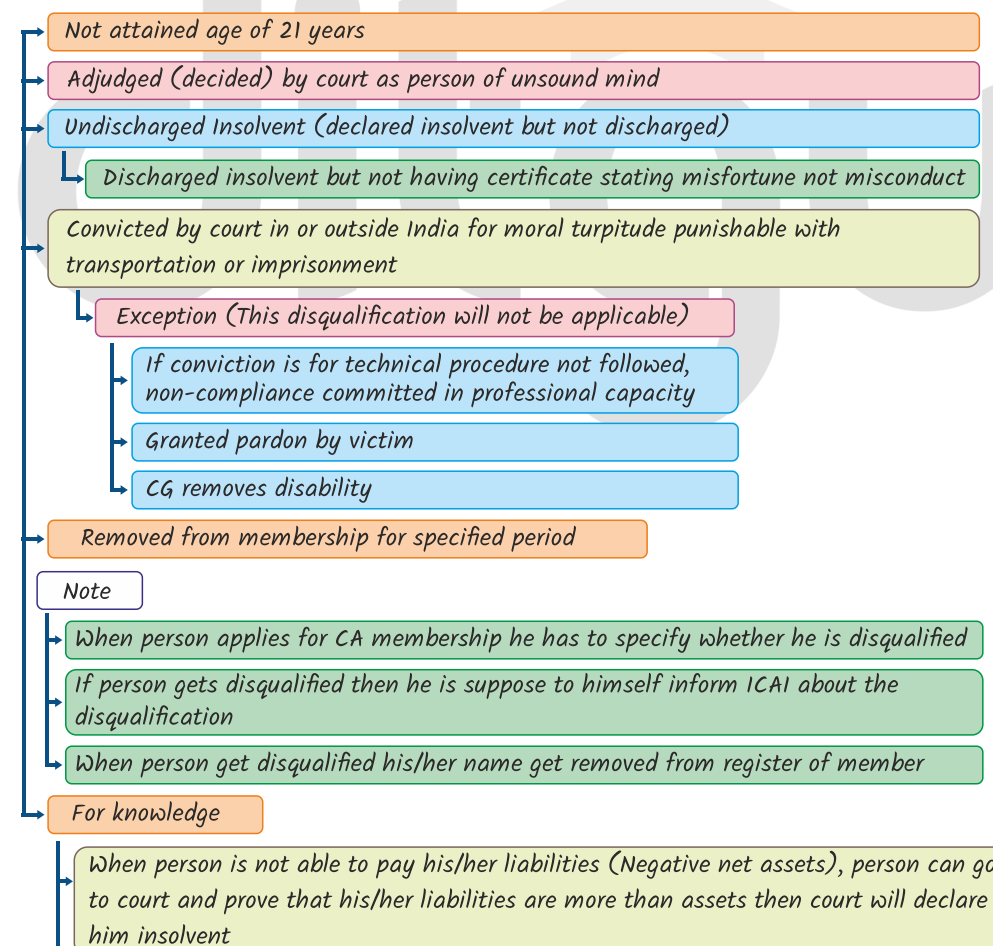


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CNO—PE.420

SECTION 8 DISQUALIFICATION FOR ICAI MEMBERSHIP

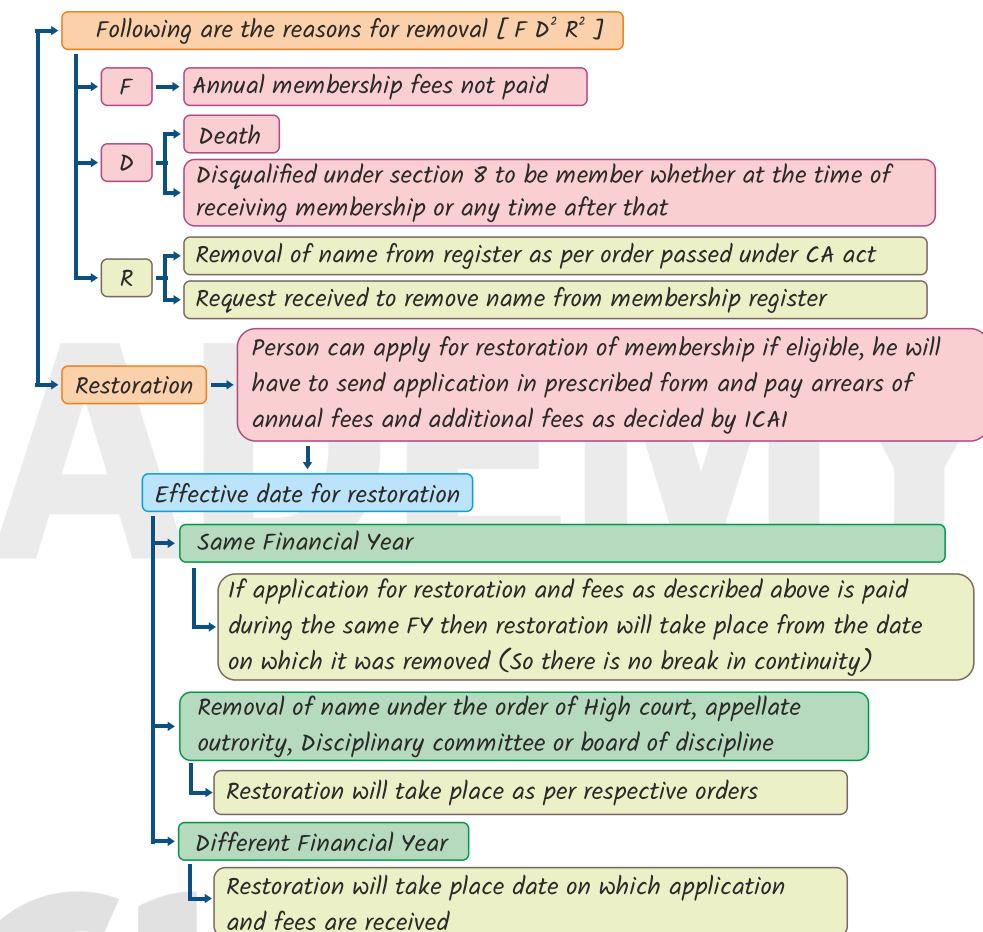


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Further, person can request court to take control of assets and sell them and pay creditors and discharge him from any unpaid liabilities when court completes this proceeding then person is called discharged insolvent. At the time of getting discharge court may give him certificate that insolvency happened because of misfortune and not misconduct.

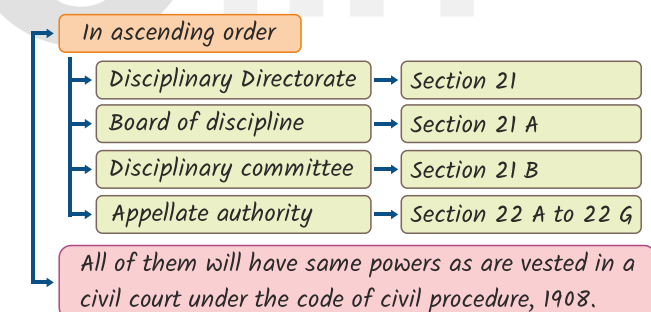
CNO—PE.460

SECTION 20 REMOVAL OF NAME FROM REGISTER



CNO—PE.480

AUTHORITIES INVOLVED IN DISCIPLINARY PROCEEDING

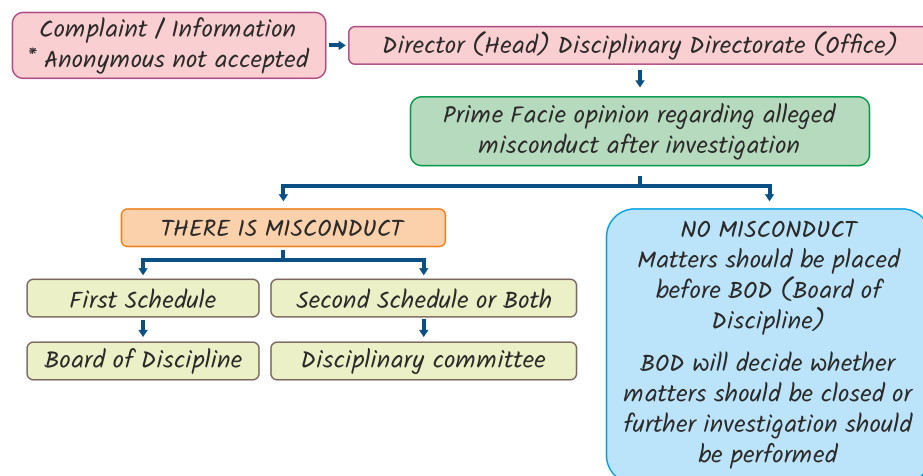


CA Vishal Bhattar's
VSMART ACADEMY
Auditguru.in



CA Ravi Taori
Doubts Telegram

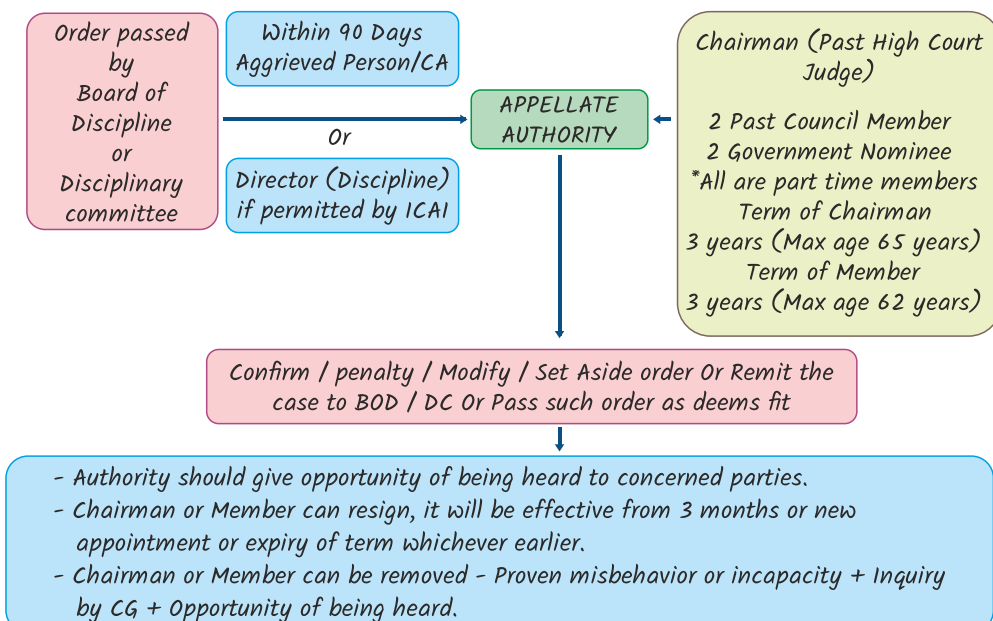
DISCIPLINARY PROCEEDING-PROCEDURE



BOD V/S DISCIPLINARY COMMITTEE

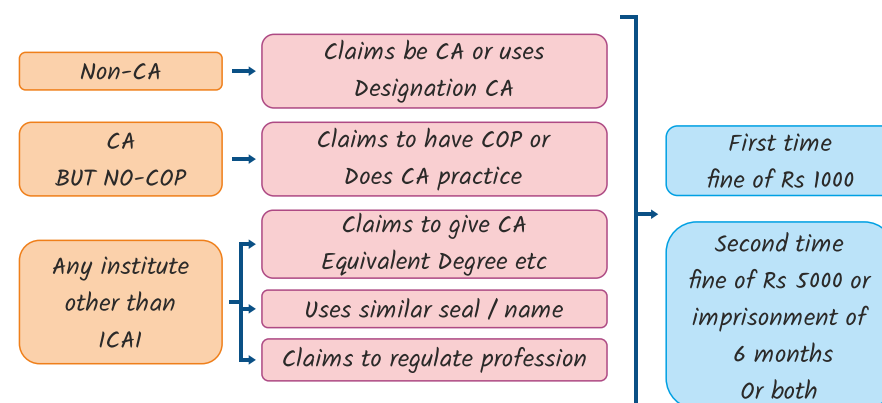
	BOD	DC
Misconduct covered	First Schedule 3	Second schedule or Both 5
Number of Members	<p>Members</p> <p>Council Member, Chairman, CG Nominee</p>	<p>Members</p> <p>2-council member, Chairman (President or Vice president), 2-CG Nominee</p>
Multiple	No	Yes
Process	Summary disposal procedure	Specified Disposal procedure
Punishment	Reprimand Membership (removal) -> 3M Fine upto 1,00,000	Reprimand Membership (removal) -> Permanent Fine upto 5,00,000

APPELLATE AUTHORITY

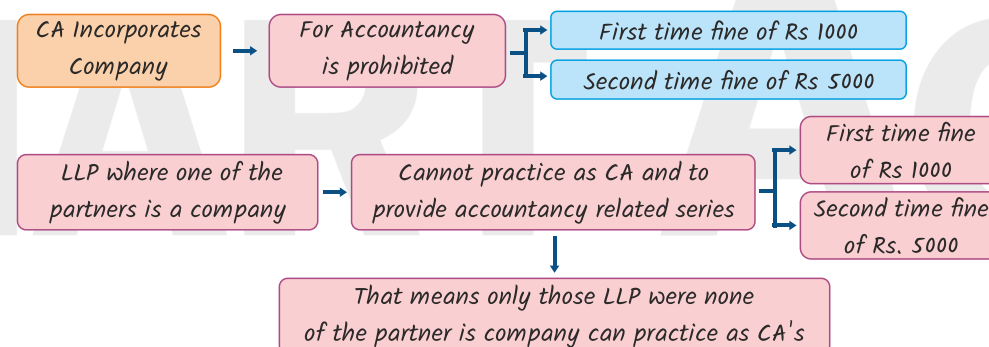


Penalties

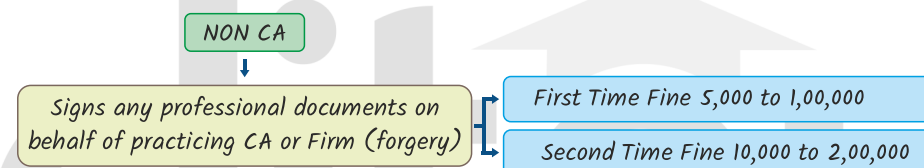
SECTION 24



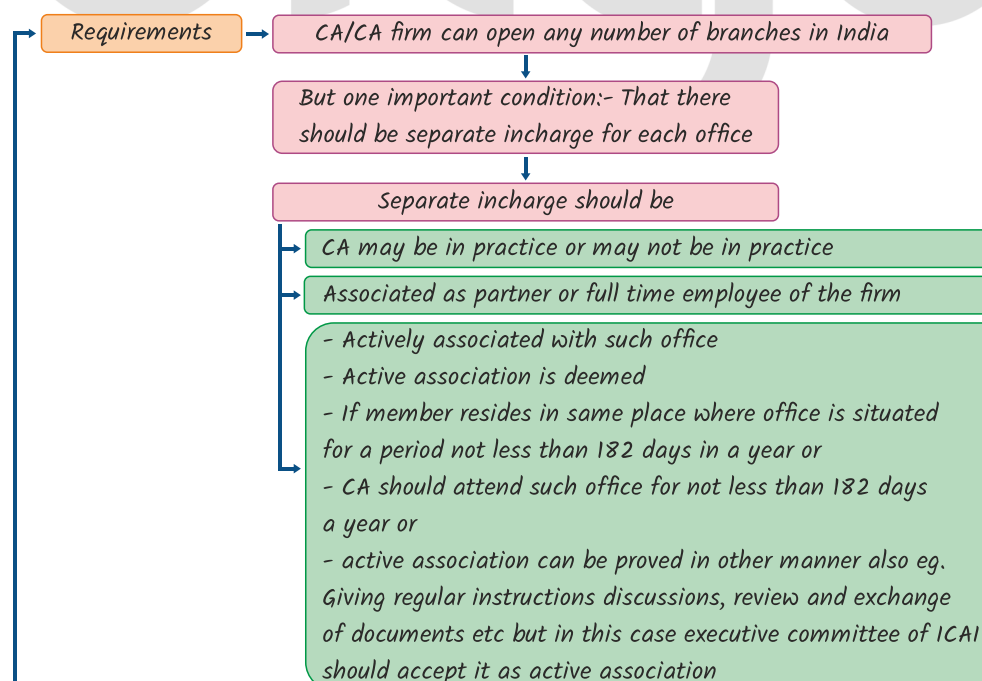
SECTION 25



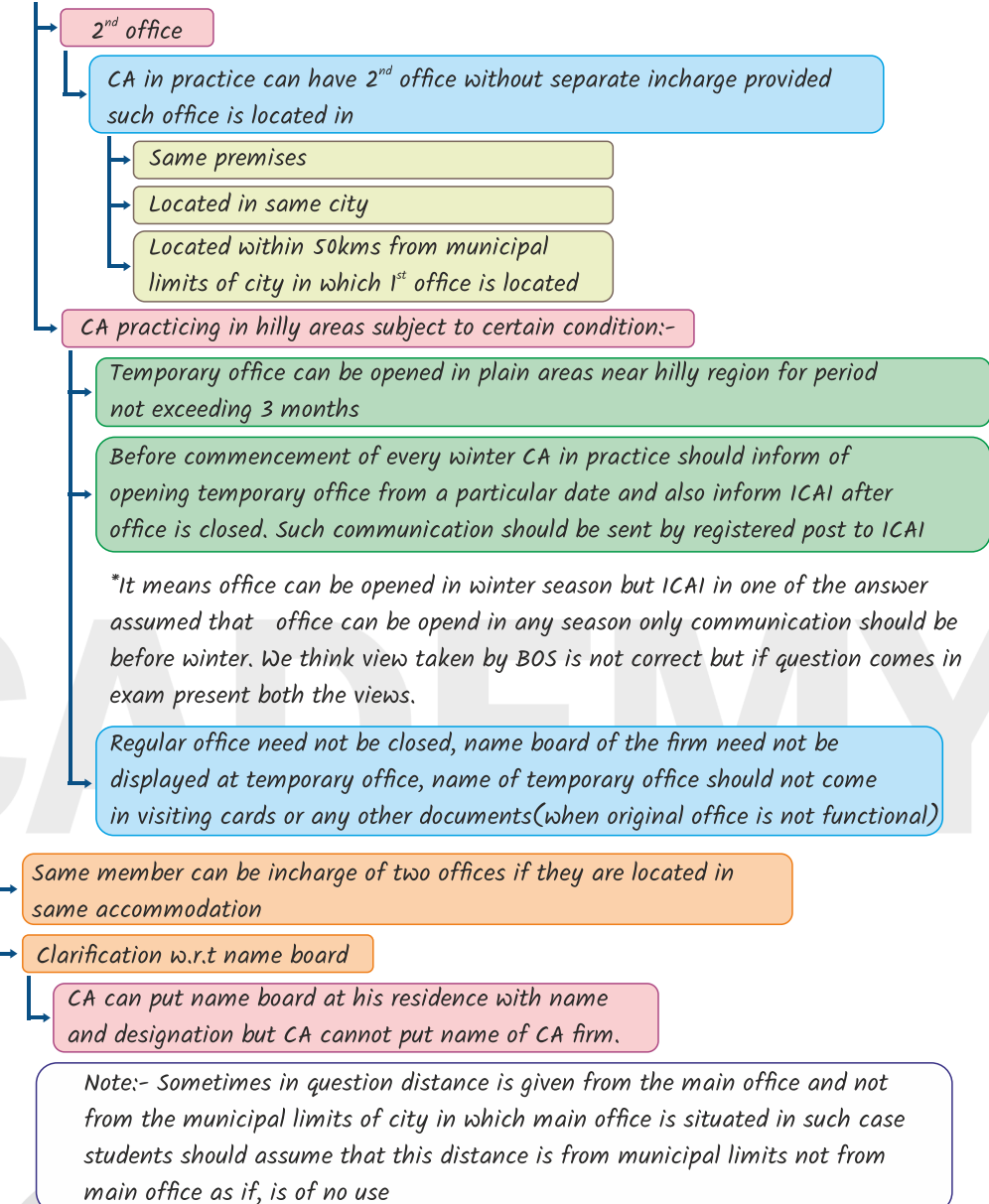
SECTION 26



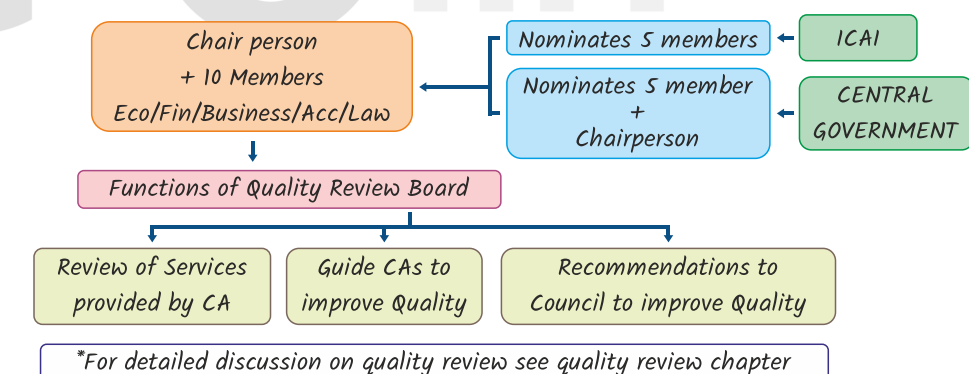
SECTION 27 MAINTENANCE OF BRANCH OFFICE



Exemptions



SECTION 28A TO 28D QUALITY REVIEW BOARD



TYPES OF UNETHICAL ACTIVITY

In 1st and 2nd schedule of CA Act, list of activities is given which are considered misconduct (wrong doing/unethical)

Irrespective of what was the intention and whether or not any person is harmed, if CA has done any of these activities then CA will be deemed to have conducted mis-conduct

Professional misconduct

Acts which will be deemed as professional misconduct are given in

1st Schedule

Part I

Part II

Part III

2nd Schedule

Part I

Part II

Other misconduct

List of activities considered other misconduct are given in

1st Schedule

Part IV

2nd Schedule

Part III

Other misconduct (as per past cases)

Section 22 explains that list of professional and other misconduct is given in schedules.

It further says that disciplinary directorate can exercise his power to collect information and do investigation as given in section 21(1)

In any other circumstances and if appropriate proceed ahead with the case for other misconduct

Earlier this power was exercised by court and council of ICAI

List of instances which were declared other misconduct is given below

(Other Misconduct as per past decided cases)

A	Anger	Objectionable/Derogatory/Abusive/Insane Comments
	Anger	Publishing advertisements with malafied intention to malign any person
	Article	Used service of article for running other occupation or business (Eg Agriculture/ Election work)
B	Bank	Submission of bogus bills & receipts & claim expenses during bank audit
C	Client	Coercion for payment of fees
	Client	Where a chartered accountant had adopted coercive methods on a bank for having a loan sanctioned to him.
D	Client	Retained books & failed to return without reasonable cause. Further as per ESB announcement:- A Chartered accountant cannot exercise lien over the client documents/records for non-payment of his fees
	Deceive	Manipulating minute book of Company
	Deceive	Giving fake documents to client, claiming that they are issued by ROC
	Deceive	Issue of fake experience certificate to other person
E	Deceive	Forged will of relative
	Employer	Gross negligent as employee
	Employer	Fake experience certificate while applying for job

Continue on next column...

F	Fraud	Misappropriation of ICAI funds for personal purpose
	Fraud	Cheques given by NBFC bounced because of lack of fund, where CA was managing director, negotiable instrument act 1881
G	Govt	Not replying to authorities (Export Authorities)
	Govt	Unauthorised possession of government records
	Govt	Authored book on tax for secret income (black money)
	Govt	CA filed 2 return of income to evade tax
	Govt	Fabricated challan of advance tax of client, encashed it by opening fake account of client

CNO—PE.560

Part 2 – FIRST SCHEDULE

STRUCTURAL OVERVIEW OF FIRST & SECOND SCHEDULE

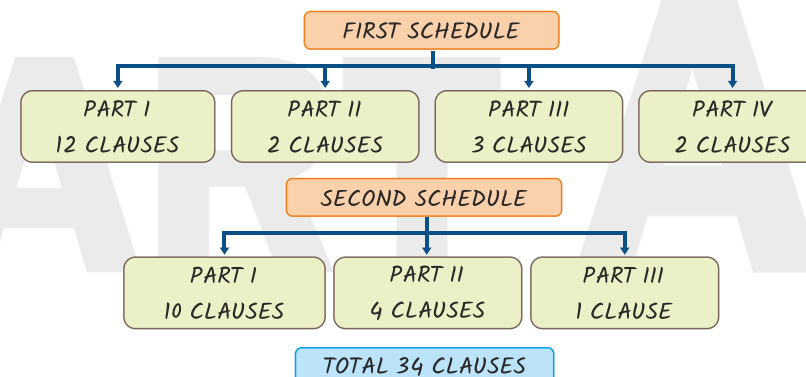


IMAGE RECOGNITION MEMORY TECHNIQUE OF FIRST SCHEDULE

FIRST SCHEDULE PART - I



NARGIS FAKHRI
NAME CA in
practice
Clause 1



PARESH RAWAL
PAYING
Share
Clause 2



ALIA BHATT
ACCEPTING
SHARE
Clause 3



PRABHUDEWA
PARTNERSHIP
Clause 4



SCORPIO
SECURE
WORK
Clause 5



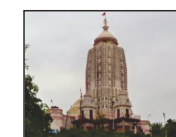
AUDI
ADVERTISES
Clause 6



DUSTER
DESIGNATION
Clause 7



TOYOTA CAMRY
COMMUNICATION
WITH PREVIOUS
AUDITOR
Clause 8



RANCHI
REQUIREMEN
T OF CO ACT
Clause 9



FIROZABAD
FEES
Clause 10



BOMBAY
BUSINESS
Clause 11



SHIRDI
SIGN
Clause 12

FIRST SCHEDULE
PART II

EK THA TIGHER
EMOLUMENTS
Clause 1



ASHIQUE
ACCEPTS
Clause 2

FIRST SCHEDULE
PART III

FAFDA
FELLOW
Clause 1



RASGULLA
REPLY
Clause 2



TEA
TENDER
Clause 3

FIRST SCHEDULE
PART IV
(Other Misconduct)

Imprisonment
Clause 1



Disrepute
Clause 2

CNO—PE.480

FIRST SCHEDULE

PART - I

Applicability

FIRST SCHEDULE
PART IAPPLICABLE
ONLY TOPRACTISING CHARTERED ACCOUNTANT
(Individual / Proprietor / Firm)

CA Ravi Taori



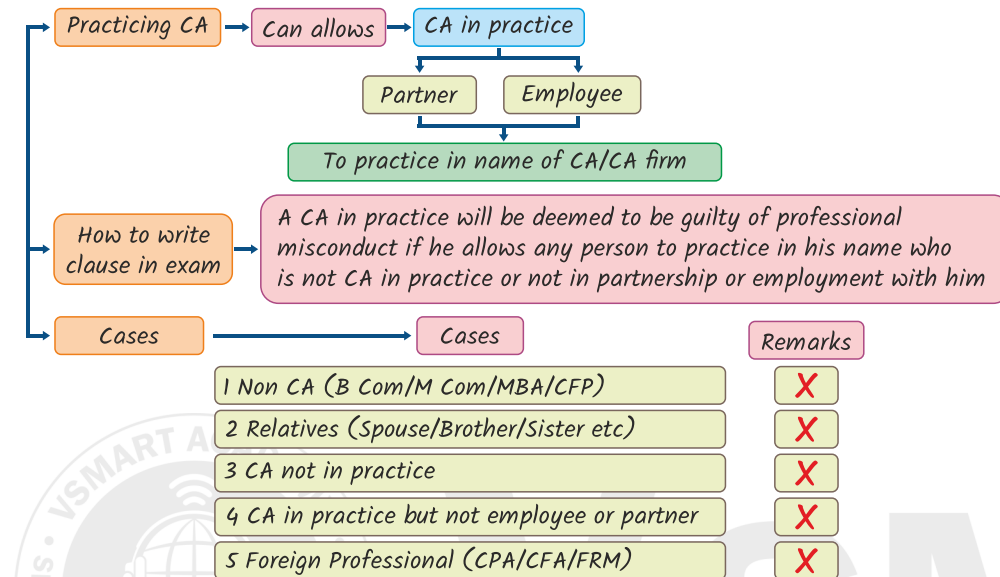
Doubts



Telegram

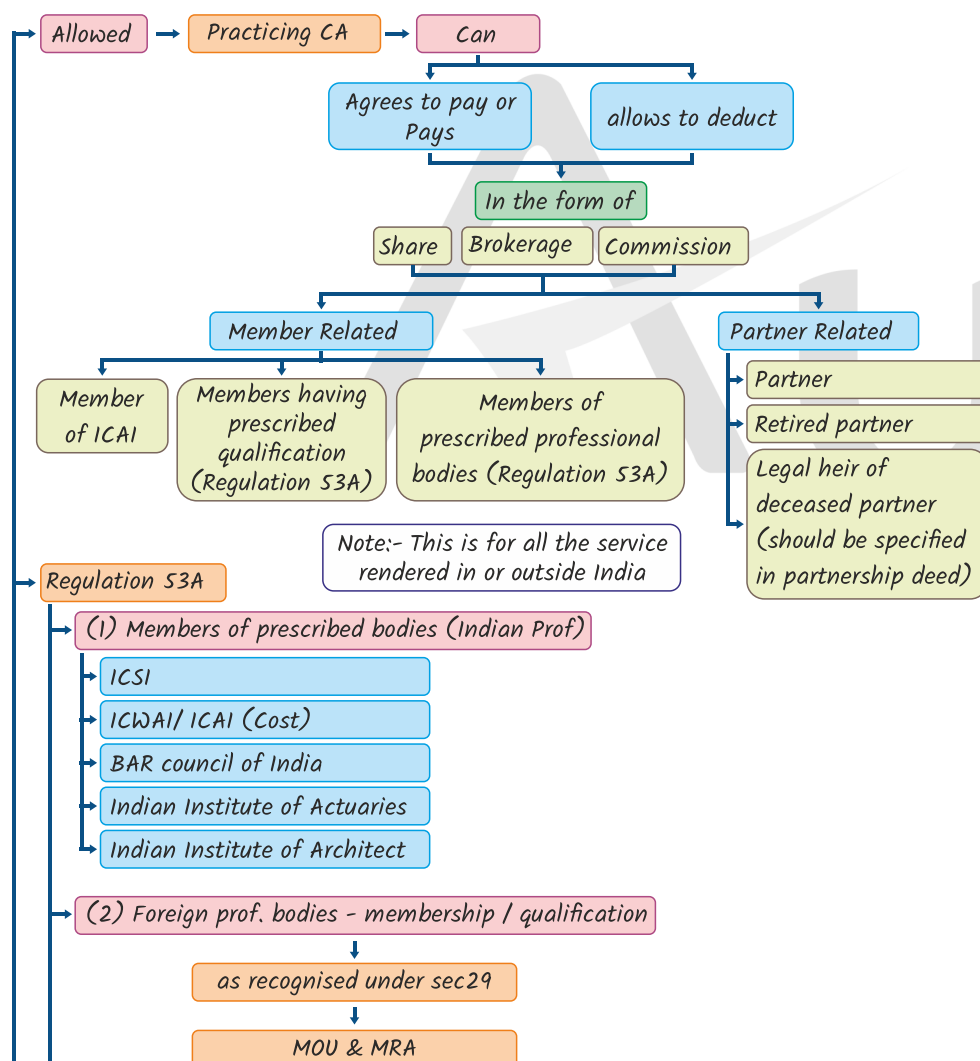
CLAUSE 1

WHO CAN PRACTICE IN NAME OF CA IN PRACTICE



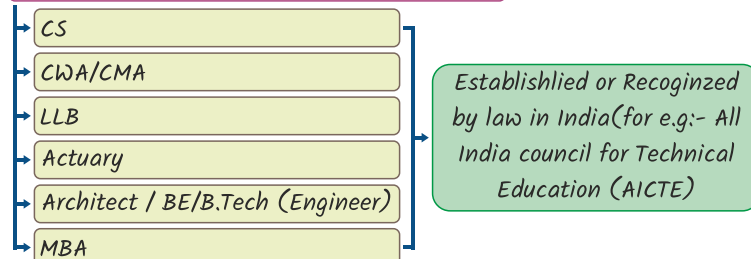
CLAUSE 2

PAYING SHARE OF THE FEES/PROFITS



Continue on next Page...

(3) Member having prescribed qualification



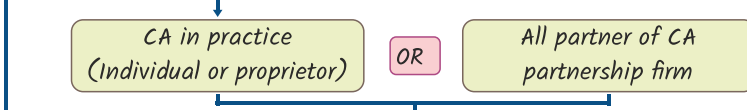
Cases

1. CA pays 50% of audit fees to employee under name of office allowance. (Nomenclature not important) X
2. Obtained loan from finance company and agreed to pay 6% pa interest & 10% of Gross Fees till the loan is repaid. X
3. Percentage of professional fees from audit of co-operative society deposited to state government treasury to cover administrative cost ✓
4. CPA/CFA X
5. Qualifications from foreign universities X
6. In partnership firm, partner dies, widow is paid share of profits, such provision is present in partnership deed ✓

Special case

Goodwill

Transfer of Goodwill



Legal heir can handover practice to another CA in practice

CA can not share fees or profits with legal heir as deceased was not his partner

CA can pay lumpsum amount for purchase of goodwill from legal heir of deceased partner.

Installments should not be linked with future earnings.

Procedure of Transfer of Goodwill

CA in practice purchasing Goodwill

Application to purchase goodwill should be sent within 1 year

Following should be sent along with application

- 1 Death certificate
- 2 Succession certificate/will/legal heir certificate/Affidavit sworn by all legal heirs.
- 3 Draft sale deed not signed agreement.
- 4 Clear payment terms for amount & time.
- 5 No objection certificate of legal heir
- 6 Newspaper advertisement to purchase goodwill (+) copy to regional office

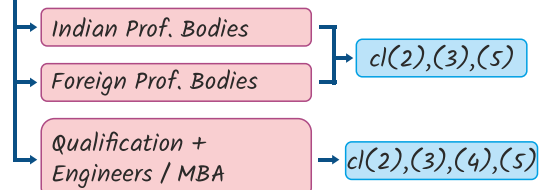
Form

File form 18 within 30 days of approval with ICAI

Time limit

Death on or after 10th Aug 1998 within 1 year from death till that time ICAI will keep name in abeyance or in case of dispute within legal heir which is submitted within 1 year, time available is 1 year from date of ending dispute

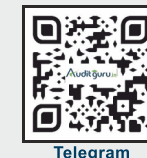
REGULATION 53A



REGULATION 54B

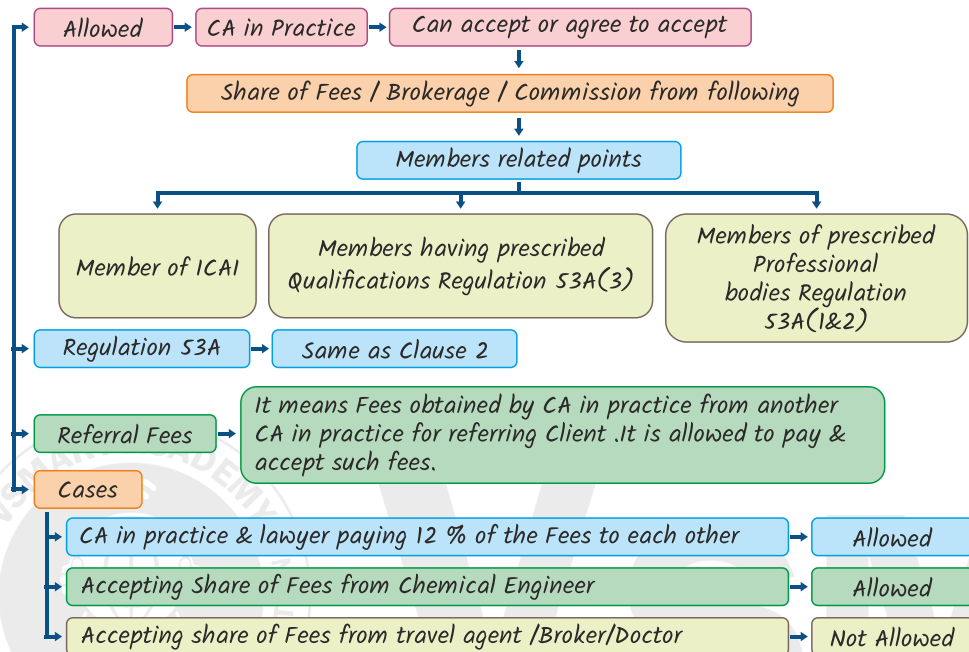


Entry of Engineers Prof. Bodies



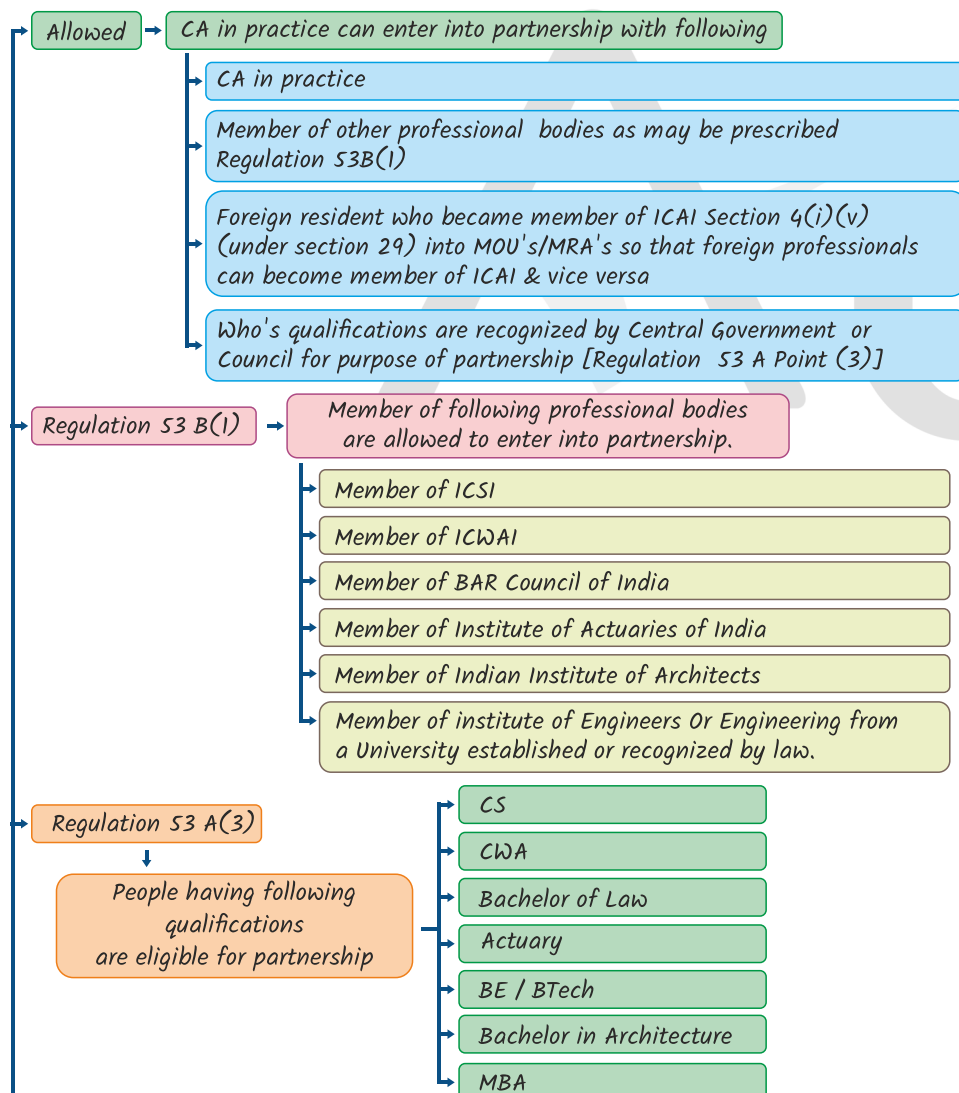
CLAUSE 3

ACCEPTING SHARE OF FEES



CLAUSE 4

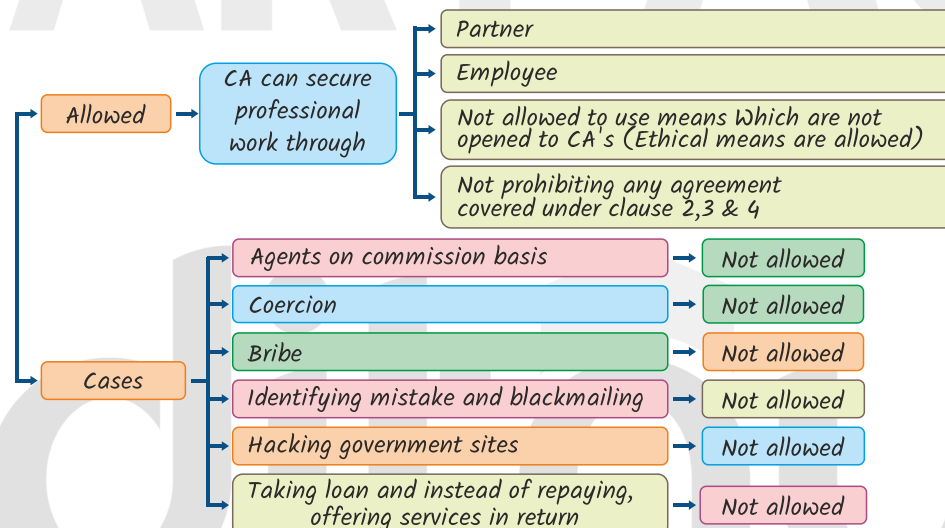
PARTNERSHIP



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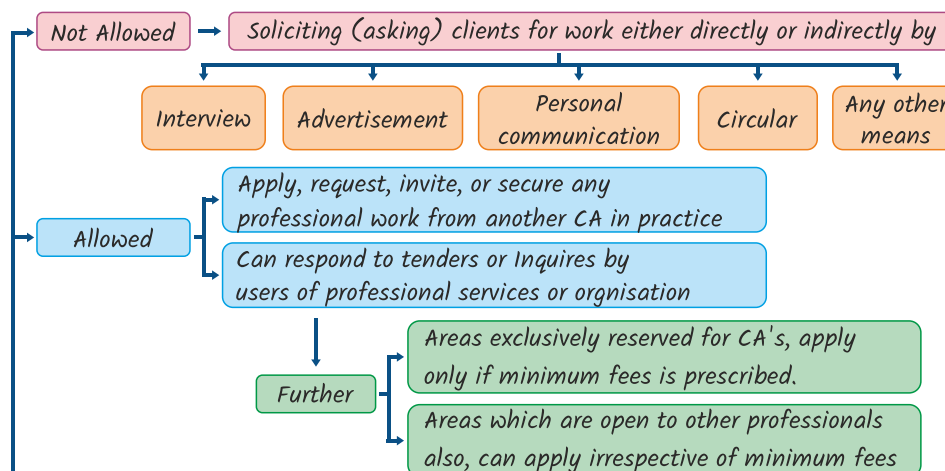
CLAUSE 5

SECURING WORK



CLAUSE 6

SOLICITING CLIENT THROUGH ADVERTISEMENT

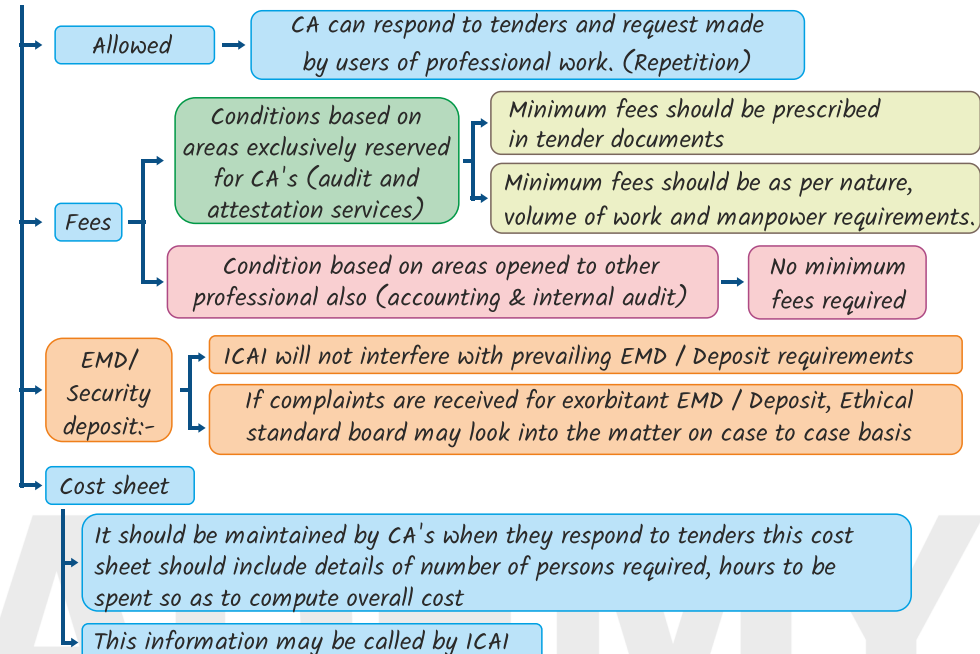


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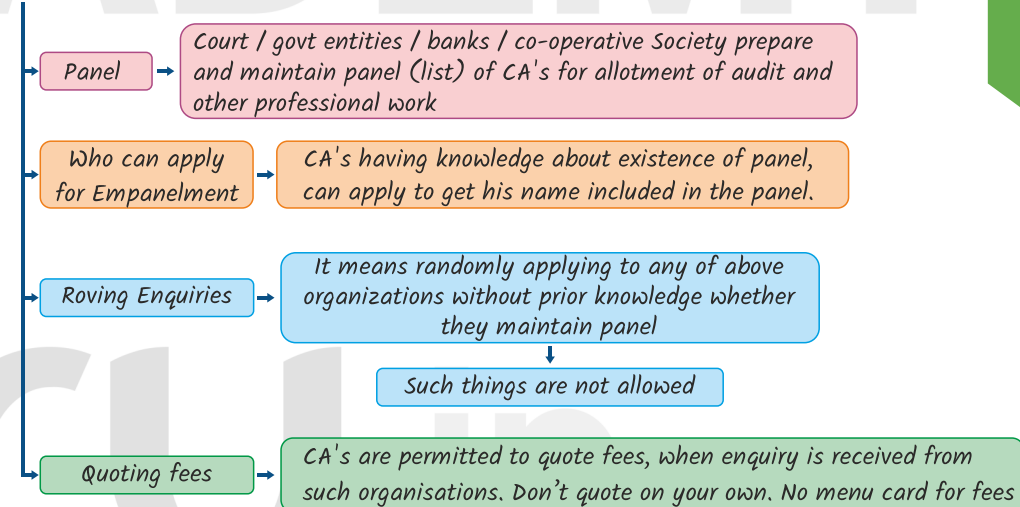
Clarifications of clause No 6

Shortcut :- REGISTRAR Bans Violent Movies and Promote Public Counselling

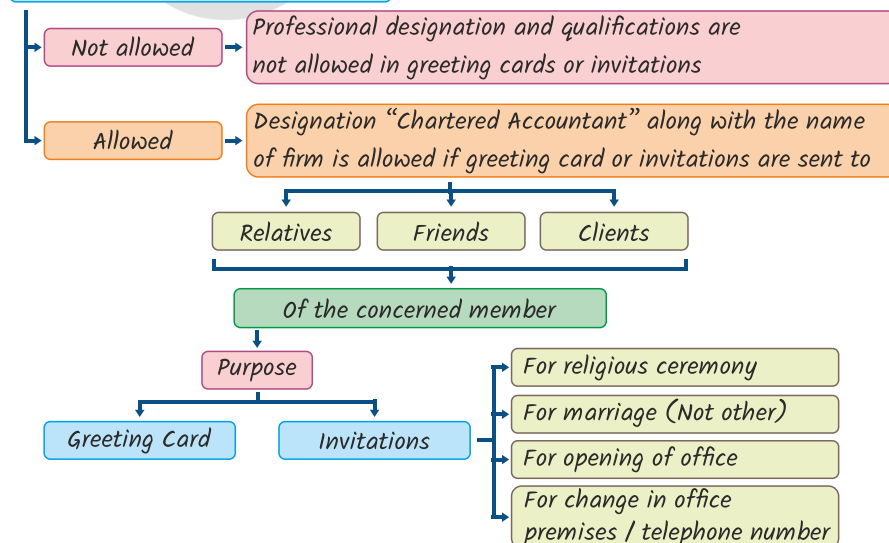
1. Responding to tenders, advertisement, circulars:-



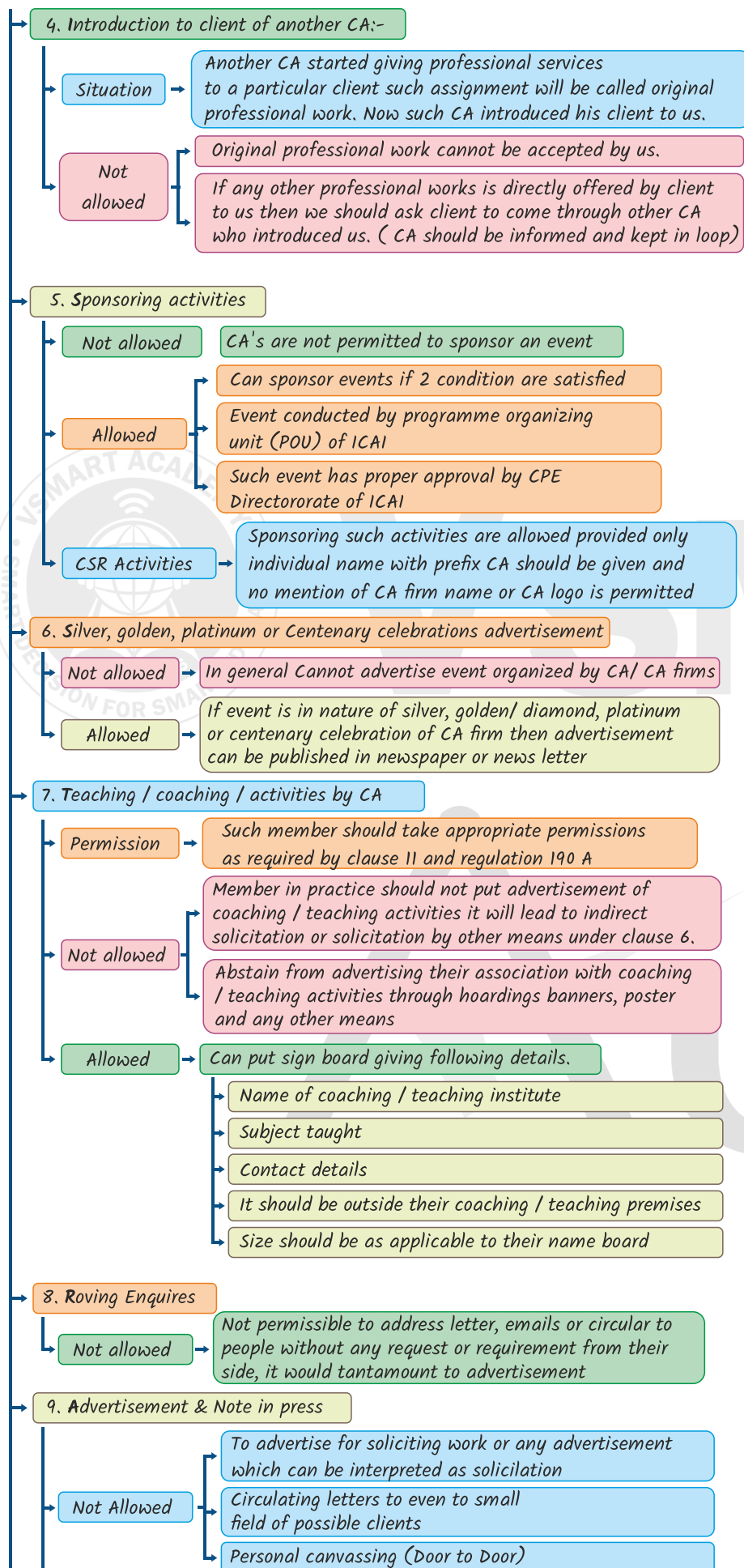
2. Application for Empanelment



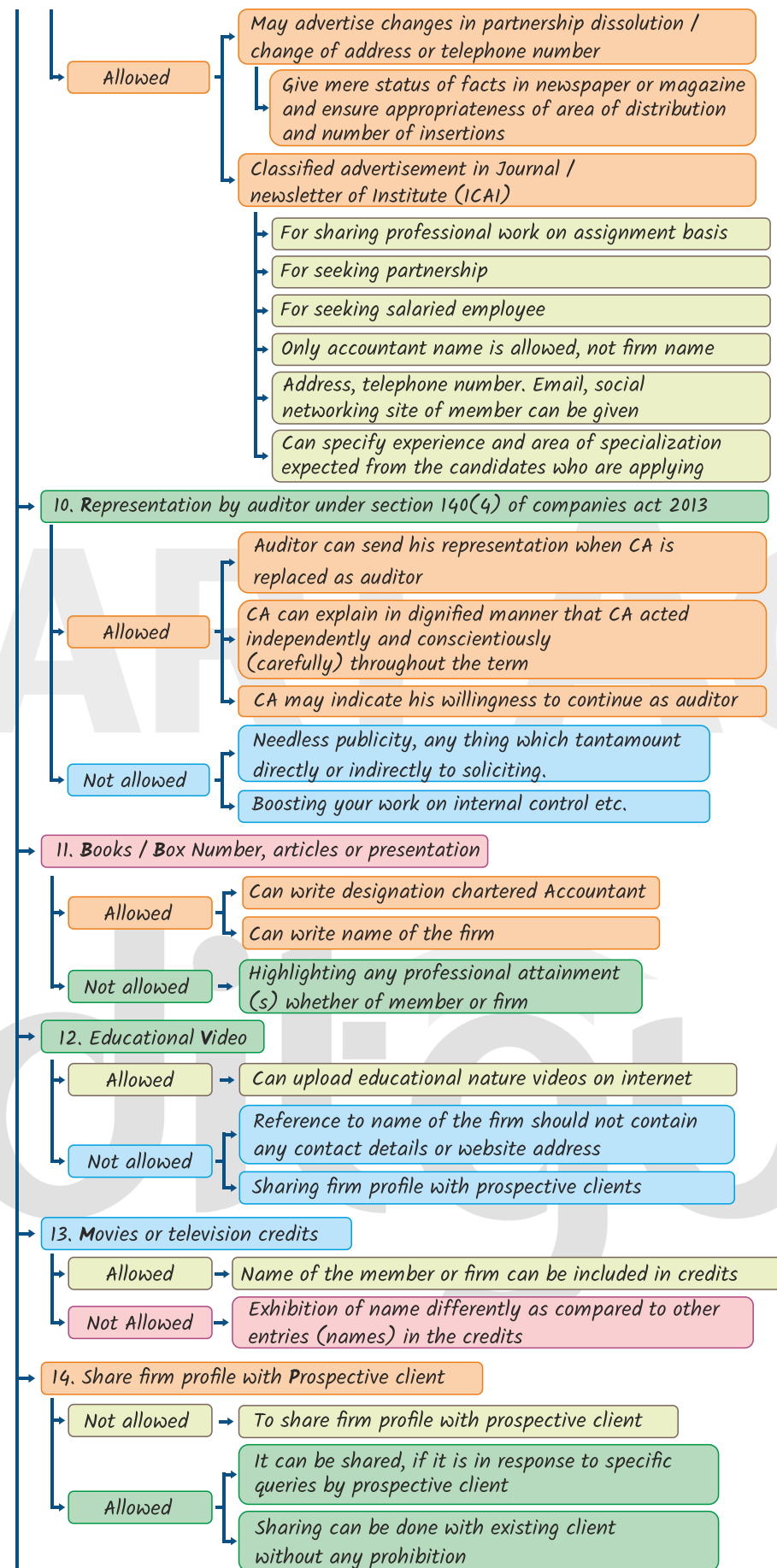
3. Greeting cards or invitations



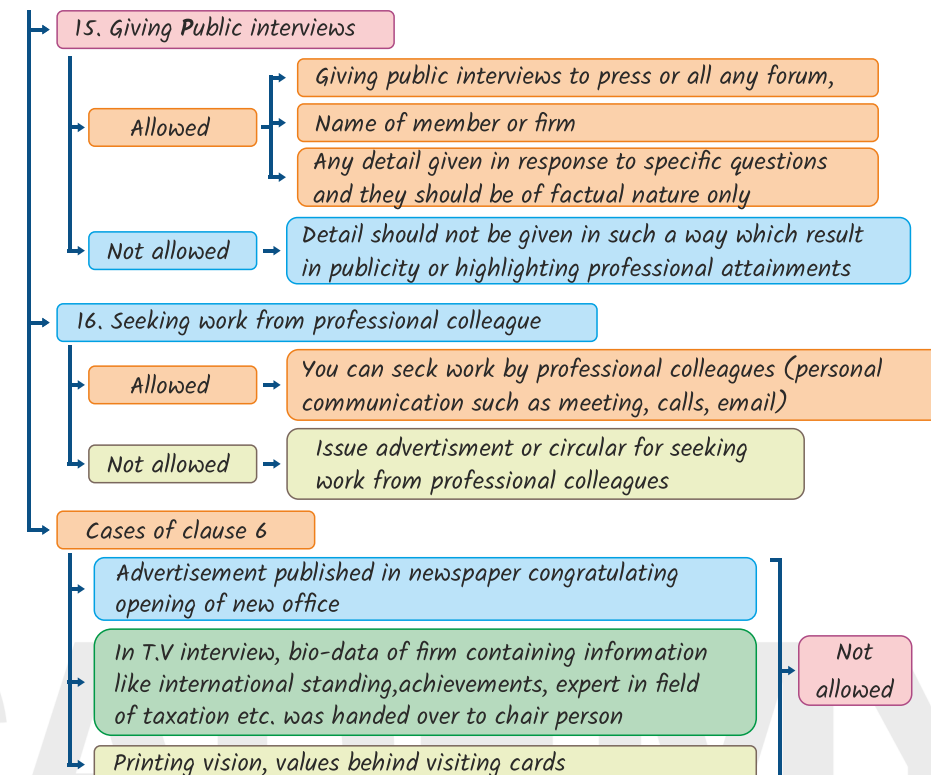
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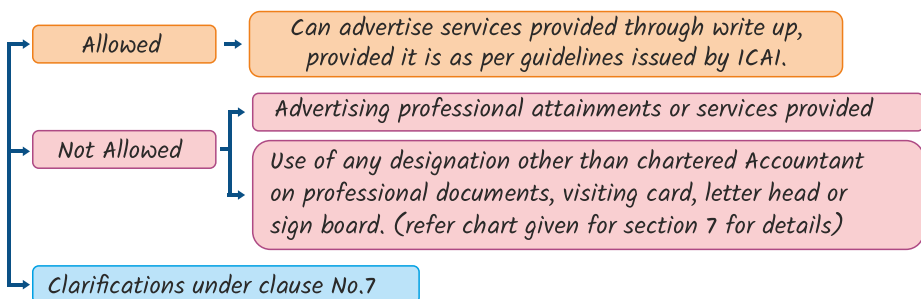
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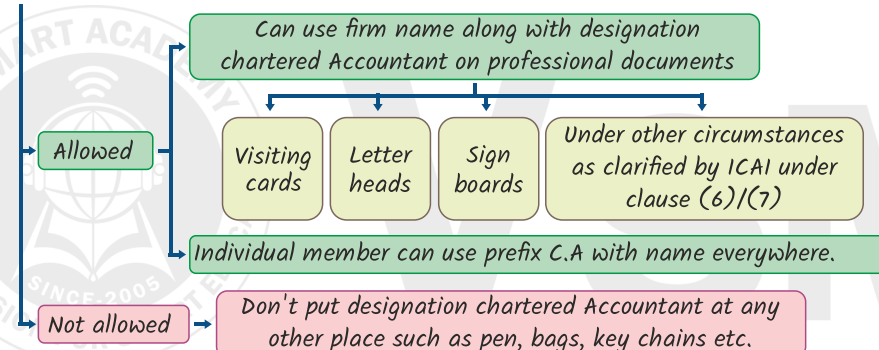
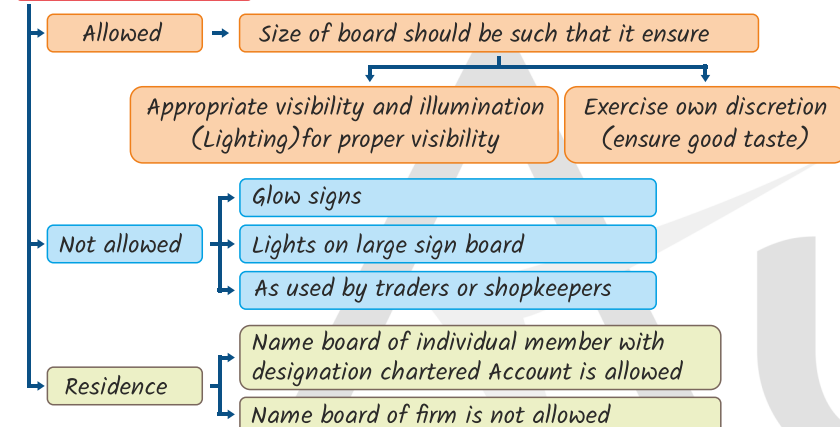
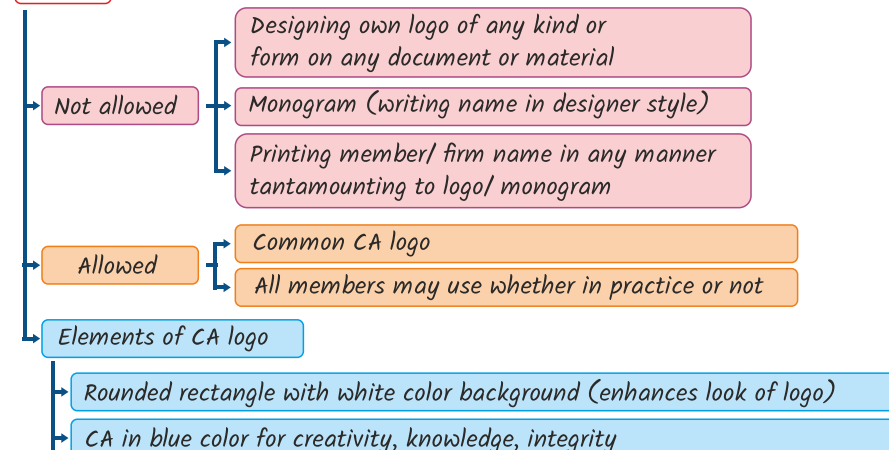
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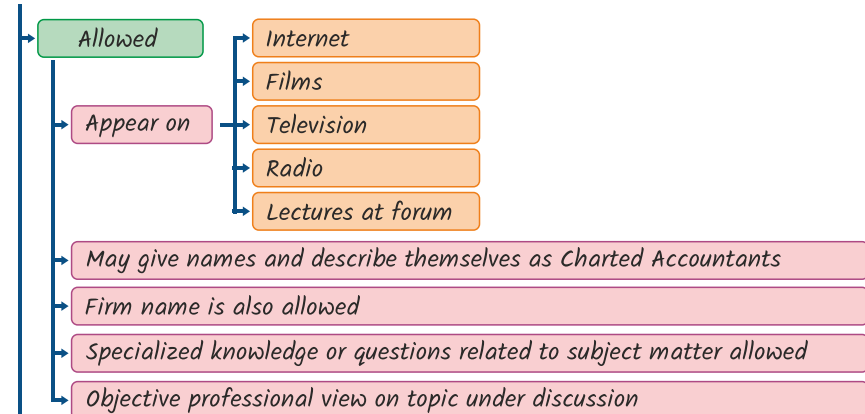
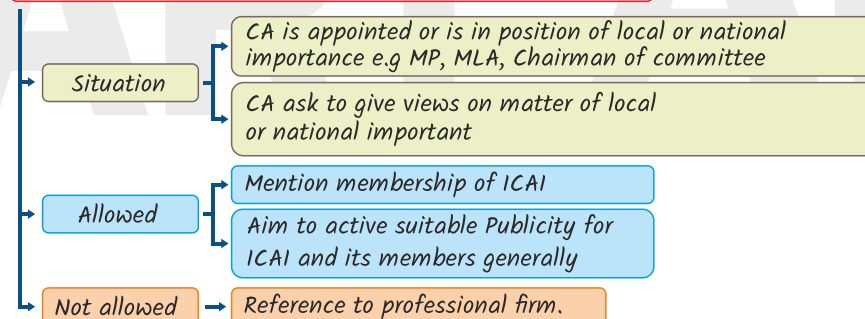
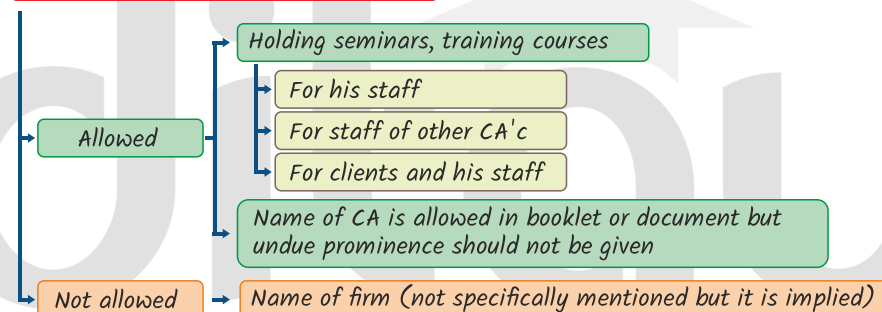
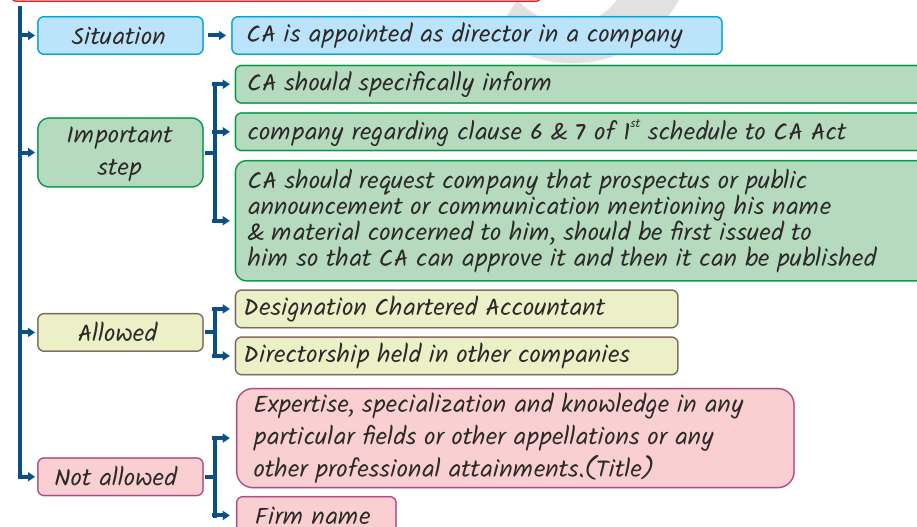
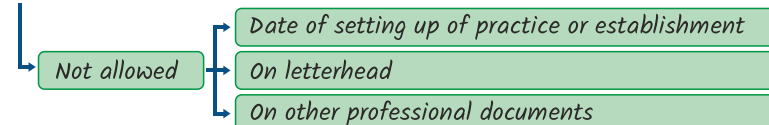
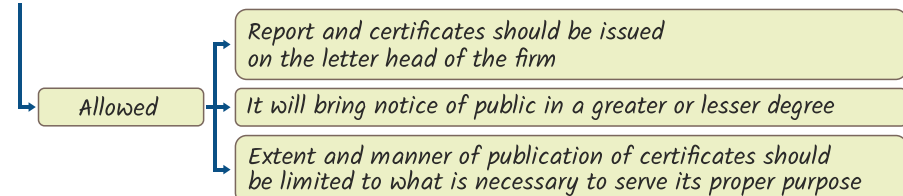
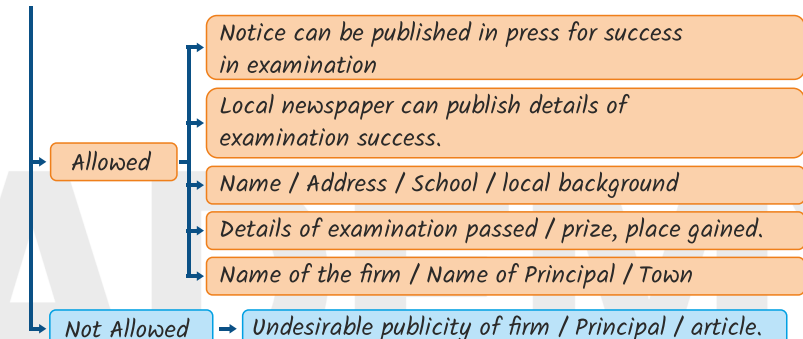
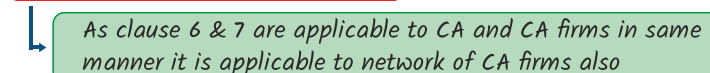
DESIGNATION AND ACHIEVEMENT



Shortcut - Friend SLAPS DR NeNe

F - Mention of Firm name except on professional documents**S** - Size of sign board**L** - Logo

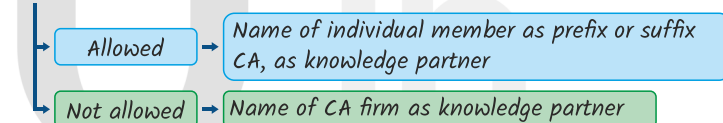
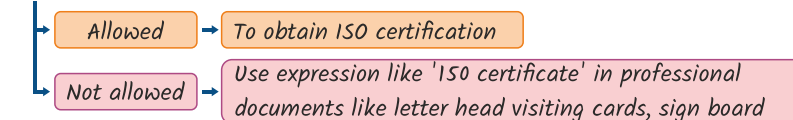
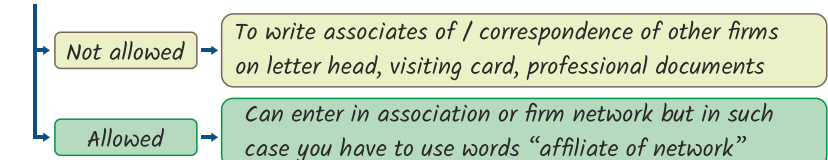
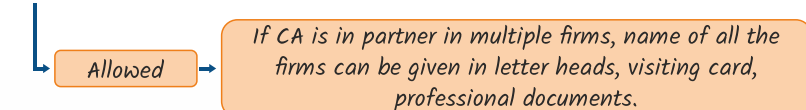
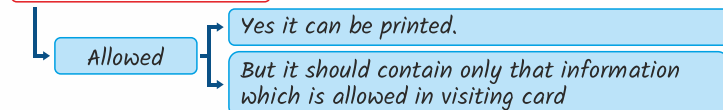
Tick Mark in green color for prosperity and harmony
Tick mark (upside down) symbolizes wisdom and value of profession

A - Appearance of CA on electronic media (including internet)**P** - Important appointments or views of Public importance**S** - Seminars, training courses for staff**D** - Public announcement with details of Director**D** - Date of setting up of practice / year of establishment**R** - Reports & certificate**N** - Notice in the press related for success in examination**N** - Network firm, network guidelines

RECENT CLARIFICATION / CASES W.R.T CLAUSE 7

(We have aligned our content strictly as per ICAI module and questions. Question asked in exam, MTP, RTP. We have left out unimportant things which were not emphasized over long period of time)

Shortcut- KIA Firms QR

K - Knowledge partner / Thank you advertisement**I** - ISO certification**A** - Associates of CA firm**F** - Firms**QR** - Quick Response code

VISITING CARD

Allowed

- Name
- Designation "Chartered Accountant" /Qualification
- Firm Name (All firms where CA is associated, no restrictions) (CL 7)
- CA LOGO
- Address / Email ID
- Website Address (Only Name Don't Use Please Visit / Click etc.) (CL 6)
- Quick Response Code (It should give only that info which is allowed) (CL 7)

Not allowed

- Year of Establishment (CL 7)
- Photograph (CL 7)
- Any Other Logo (CL 7)
- Associates of "Some Other Firm" (CL 7)
- ISO Certification (CL 7)
- Celebrating 75 years (CL 6 & CL 7)
- Vision / Mission of the Firm (CL 6)

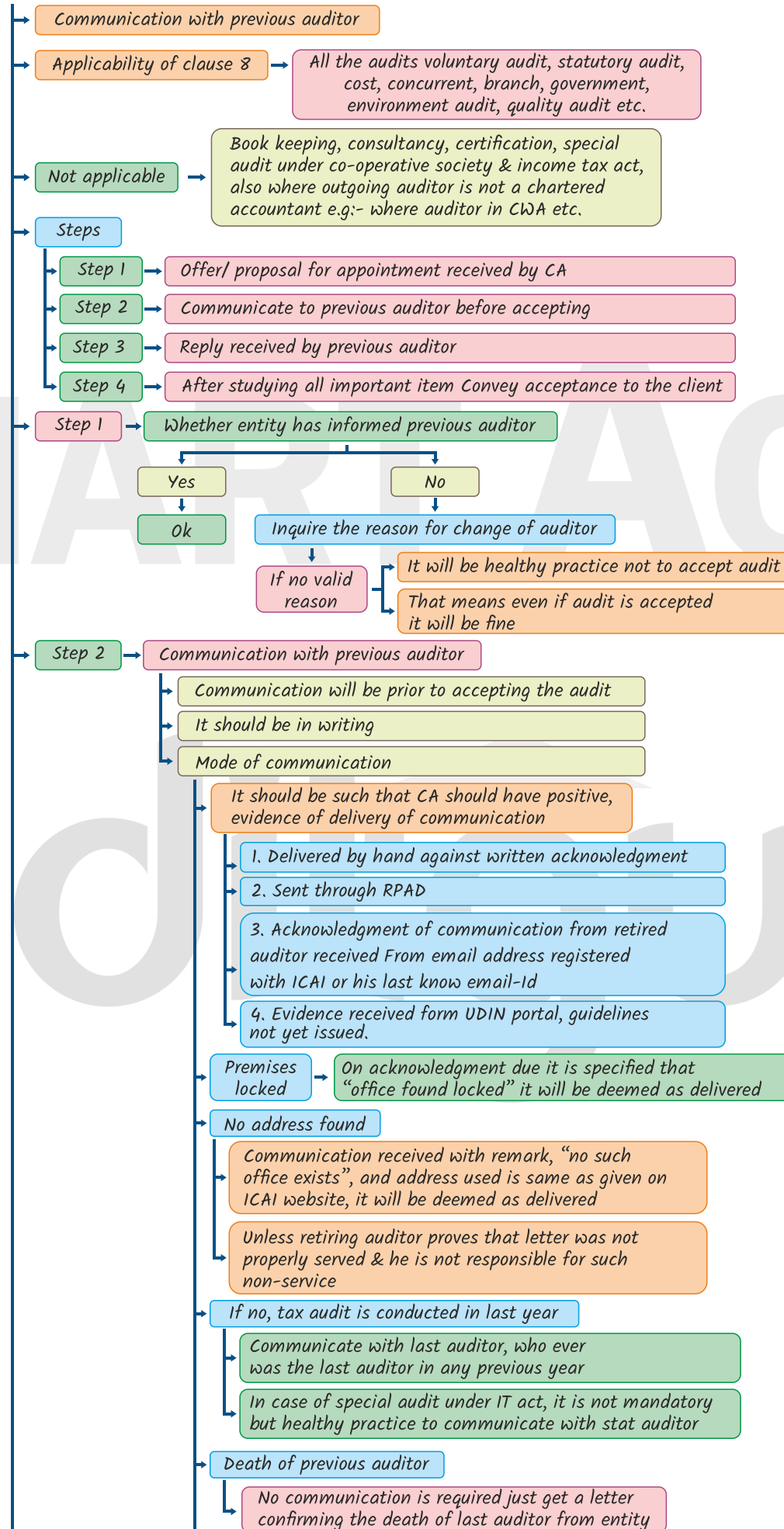
CASES WHERE BOTH CLAUSE 6 & 7 APPLICABLE (COMMON CASES)

Shortcut: **FB & CHROMA**

- F** - Firms issue circular to non-clients that partner in charge of one of the largest accounting Firms has joined them now, they can take firms services → Not allowed
- B** - **Banner** → Banner with name of CA firm → Not allowed
- C** - **Centenary** → Centenary celebration etc. are allowed (as discussed earlier)
- H** - **History** → Publishing book containing history, to be distributed to clients, associates, well-wishers and printing of words 'celebrating 75years in the profession on letter head and envelopes' → Not allowed
- R** - **Ranking** → Providing data to other entities so that they can rate and compare CA firms, determine their ranking → Not allowed
- O** - **Offer document** → Professional attainments etc. → Not allowed (see points discussed earlier)
- M** - **Managing director** → Letter sent of M.D. offering services and giving impression that such letter are sent to more organization to get work → Not allowed
- A** - **Audience** → CA was introduced to audience in conference as management expert and at the end to the conference CA requested audience to come for services to him and also distributed his business cards

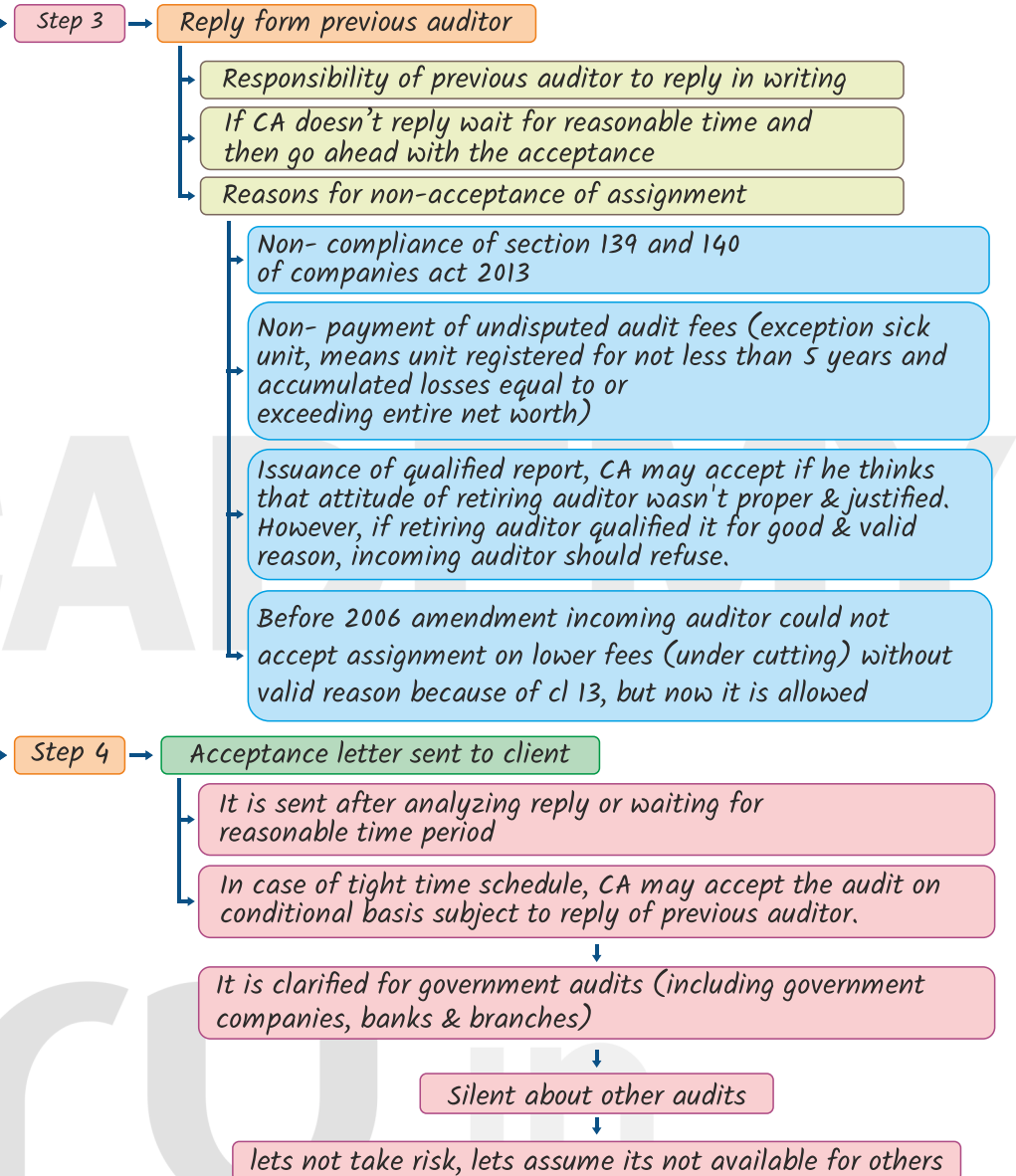
CLAUSE 8

COMMUNICATION WITH PREVIOUS AUDITOR



Co. act 2013

As per companies Act, 2013 concept of acceptance after appointment is removed and instead concept of consent before appointment is introduced so communication should happen before sending consent.



CLAUSE 9

REQUIREMENTS OF COMPANIES ACT

Duty of incoming Auditor

Auditor should first ascertain whether requirements of section 139 & 140 of companies act 2013 have been complied with and then only accept appointment

Cases

CA was appointed as a auditor of company but CA declined to accept the appointment so BOD appointed other CA.

Appointment is not complete because auditor has not accepted it

This is case of no appointment

So it is not a casual vacancy, in this case automatic reappointment will be applicable (if not possible ask ROC)

Action of BOD is not as per companies act' 2013

Unjustified removal of auditor

Procedure to be followed while dealing with unjustified removal of auditor

1 Situation (own will)

Auditor resign

Auditor does not offer himself for re-appointment

Auditor shall send communication in writing to BOD of the company giving reasons there of

If professional reasons

BOD should be informed about professional reasons

Copy should be sent to ICAI

Obligation of incoming auditor

Obligation to obtain copy of such communication from BOD before accepting appointment

2 Situation (against will)

Auditor was willing to get reappointed but not reappointed

CA shall file copy of letter of representation which was sent to management for circulation to ICAI

Obligation of incoming auditor

To obtain copy of such communication before accepting appointment

Responsibility of Ethical standard Board

ESB should review communication in situation 1 & 2 as discussed above

ESB may ask for more information from incoming auditor / outgoing auditor / company

And then make a report for council Of ICAI as necessary

Removal of auditor by govt & other statutory authorities

Same procedure as discussed above (2nd situation) will be applied.

CLAUSE 10

CHARGING FEES

Not allowed

Charging or offer to charge, accepting or offer to accept

Fees of professional employment

Contingent upon finding of result of such assignment

Based on % of profit

Continue on next column...

Allowed

Exceptions are giving under Regulation 192

Shortcut in the form of story

Akshay Kumar took certain management consultancy service

Then he registers co-operate society

Then he raised money through certain financial services

After starting production, took cost optimization services

After sales he took debt recovery services

After earning profits, for taxes he got asset valued under direct tax and duties

After some years, he suffered huge losses, took service of liquidation and receiver for realization of assets.

Akshay is ready to take any other services as prescribed by council

Recent change

Recently council prescribed following service

Acting as insolvency professional

Non assurance service to non-audit client (other than services as specified above)

Cases

Fees in % basis in case of recovery in banking sector → Allowed

Fees in % of loan sanctioned → Not allowed because ICAI is yet to explain which services will come under certain fund raising services

Fees in % of value of Goodwill → Not allowed

Engaging assignment on success fee basis (only if assignment gives results) → Not allowed

% of valuation under gift tax act → Allowed

Charging fees in % of value accounting bills supplied to the clients for saving taxes

Misconduct under clause 10 parts 1 of 1st schedule and clause 2 of part IV, first schedule

CAUSE II

ENGAGING IN BUSINESS OR OCCUPATIONS

Allowed

CA can engage only in CA profession

Which generally covers accounting / auditing / tax consultancy / cost finance / consultancy / management consultancy etc

Permitted by Council

A part from above, CA can perform other activities as permitted by council

Regulation 190A

Regulation 191

Directorship

Can become director in a company

Not managing or whole time director

Provided CA or his partner should not be auditor of company

Continue on next column...

Regulation 190A

Permission granted generally

CA can engage into following activities without any specific permission from council

Shortcut – SERVE CAMEL in PAIN

S – Acting as Surveyor / Loss assessor under insurance act.

E – Employment under CA / CA firm (In practice)

R – Recovery consultant in banking sector

V – Valuation of paper, Paper setter, head examiner or moderator for any exam

E – Editorship of professional journal.

C – Attending Class and appearing in any exams, (articleship of CS)

A – Authorship of books / articles

M – Holding public elective office (MP, MLA)

E – Honorary office of charitable Educational Institute

L – Holding Life insurance agency license (only for limited purpose of getting renewal commission)

P – Private tutorship

A – Owning Agricultural land and carrying agricultural activity

I – Part time tutorship under coaching organization of Institute

N – Notary public, Justice peace, special executive magistrate



Specific permission prior approval from council required

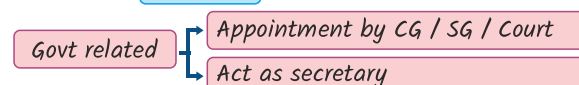
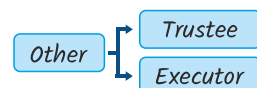
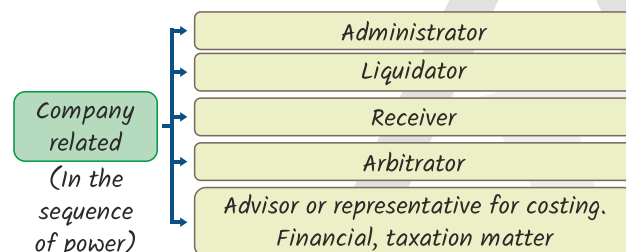
Shortcut - **LEMON FEE²**

- L** - Part time or full time Lectureship for courses other than those relating to the / Institute examination conducted, under the auspices of the institute or the regional councils or their branches
- O** - Apart from those discussed here, Any Other business or occupation for which the Executive Committee considers that permission may be granted.
- N** - Full-time or part-time employment in Non-business concern.
- E** - Full-time or part-time Employment in business concern provided that the member and/or his relatives do not hold "substantial interest" in such concern".
- E** - Part-time or full-time tutorship under any Educational institution other than the coaching organization of the Institute.
- F** - Interest in Family business concern or concern in which interests has been acquired as a result of relationships and in the management of which no active part is taken.
- E** - Interest in an Educational institution.
- M** - Office of Managing director or a whole-time director or 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
- E** - Editorship of journals other than professional journals.

Note:- Specific Permission

Council may refuse to give permission in individual cases, even if it is covered in list of specific permission.

Regulation 191 → Part time employment a CA in practice may accept



Note:- Provided all above arrangements should not be on salary cum full time basis

PART TIME PRACTICE

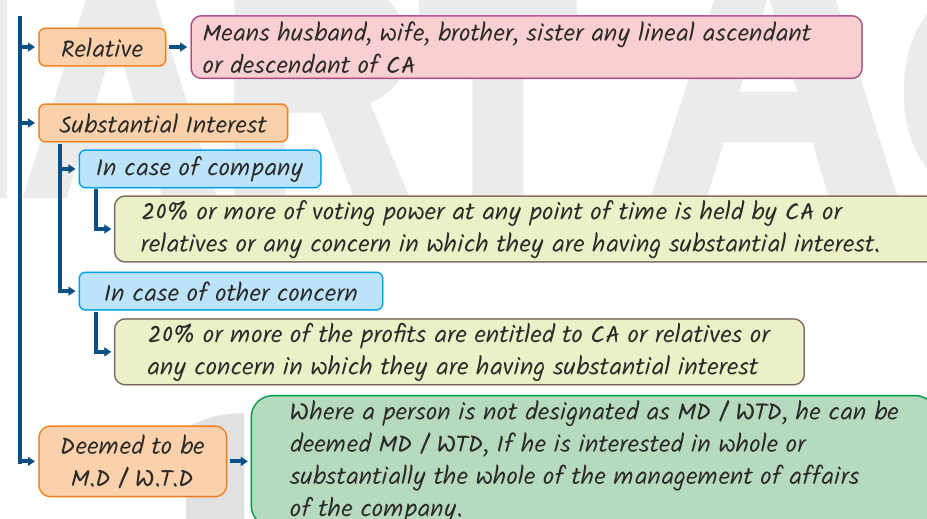
CA's doing following activities will be considered in part time practice

Shortcut - **SET**

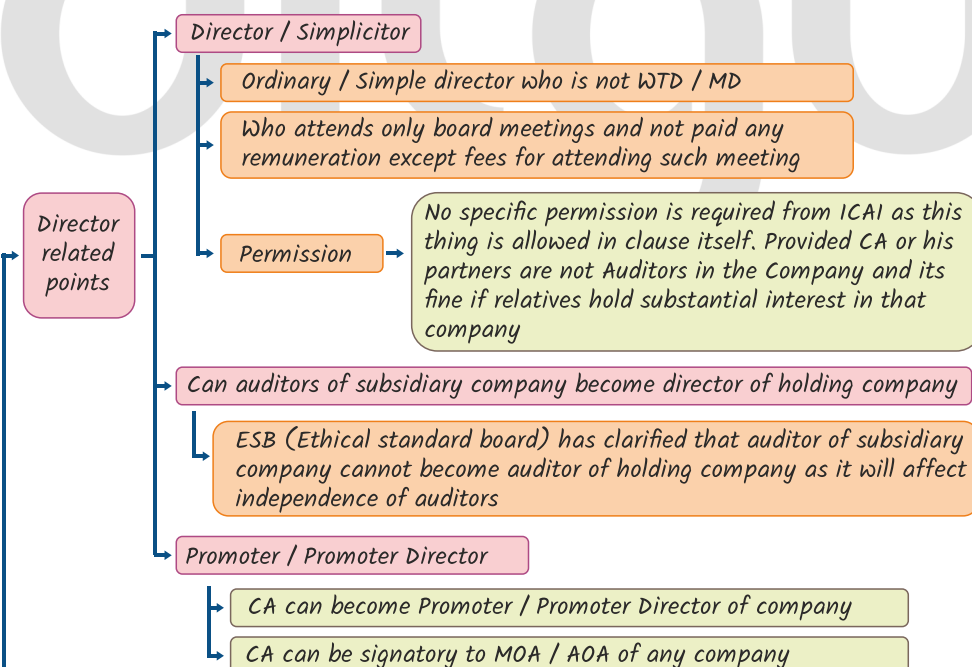
- S** - CA's who have taken specific permission for any activity as discussed above will be considered in part time practice
- E** - CA's who are in Employment in CA or CA firm under general permission will be in part time practice.
- T** - CA's who are involved in Teaching in the form of private tutorship, part time tutorship under CA institute part time or fulltime tutorship under coaching organization or lectureship will be considered in part time practice if teaching hours exceed 25 hours a week

Note:- CA's in part time practice will not be allowed to perform attest function (sign reports, certificates) and they will not be allowed to train articles.

EXPLANATION



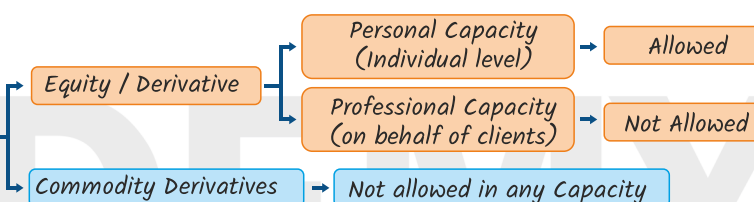
CLARIFICATIONS ISSUED UNDER CLAUSE II



Member in practice in HUF doing business

- CA can hold interest in HUF provided that CA is not actively engaged in managing the particular business
- Provide evidence that interest in family business, devolved on CA as a result of inheritance / succession / partition of family business
- Show that CA was not actively engaged in carrying on the business
- Prove that this business was not created by himself
- Furnish in prescribed format, documents acting as evidence to concerned de-centralized office of ICAI
- CA can acquire interest in the family business in following form
 - As a proprietary firm
 - As a partnership firm
 - Karta or member of HUF

Trading Activity by CA in practice



CASES UNDER CLAUSE II

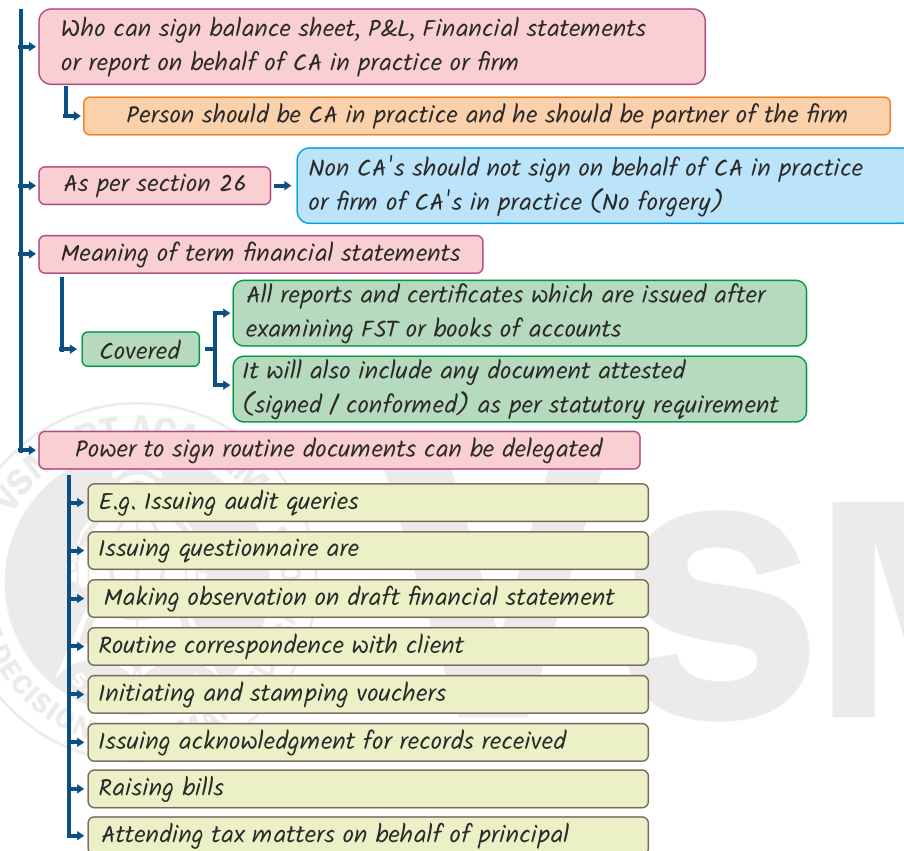
Guilty of professional misconduct

- Doing business without permission.
- Becoming executive chairman without permission
- Becoming employee without permission
- Becoming LIC agent
- Becoming partner of Brother in business without permission
- Becoming fulltime lecture in college without permission
- Doing trading in commodities derivatives which is not allowed in general permission



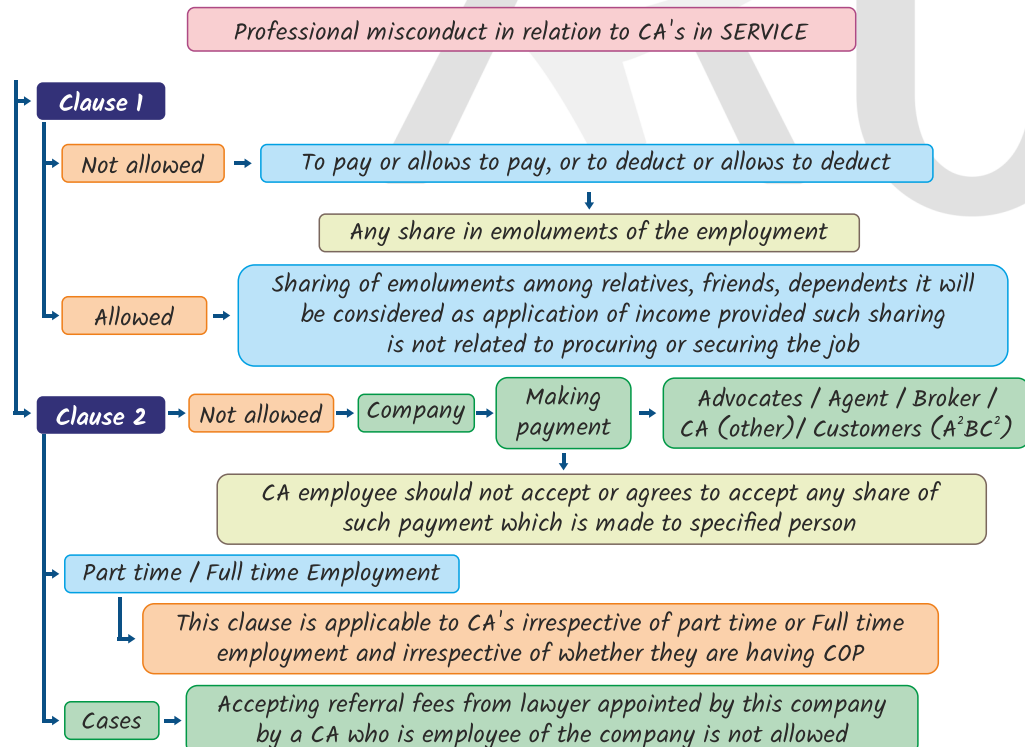
CLAUSE 12

SIGNING FINANCIAL STATEMENTS



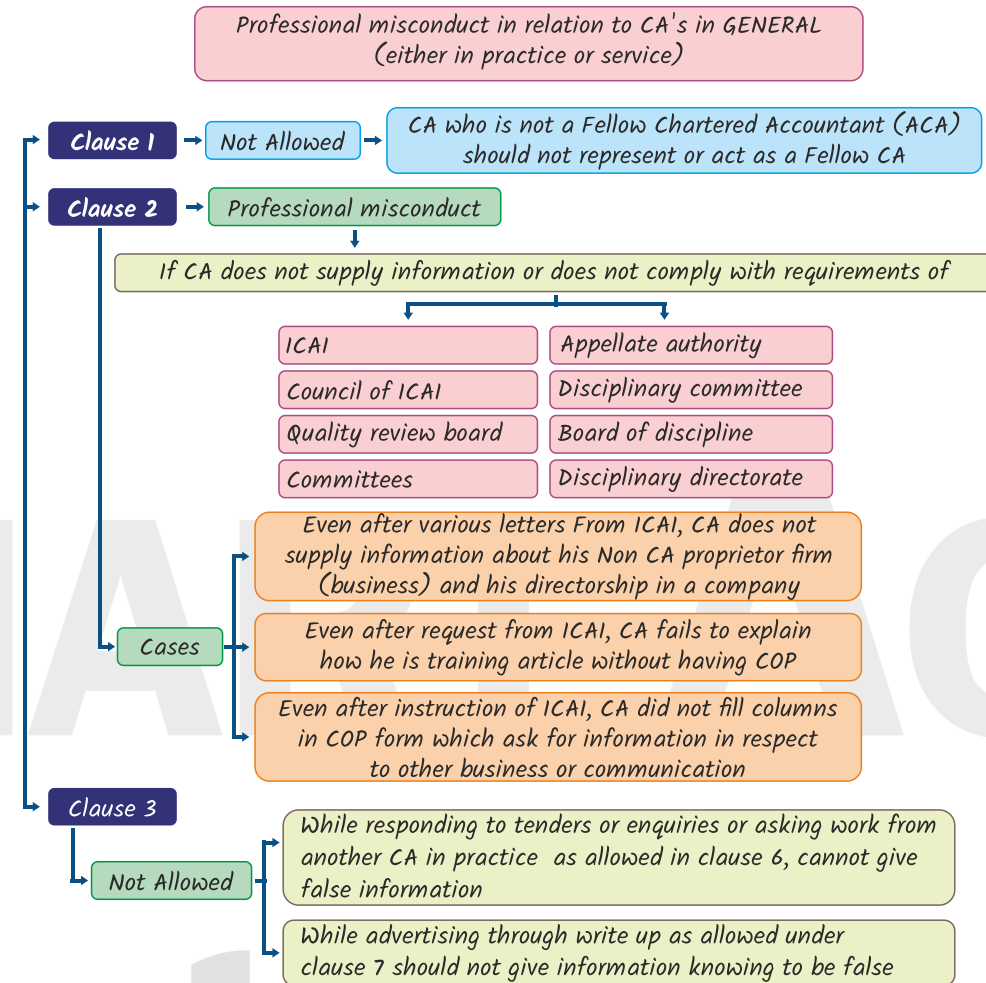
FIRST SCHEDULE

PART - II

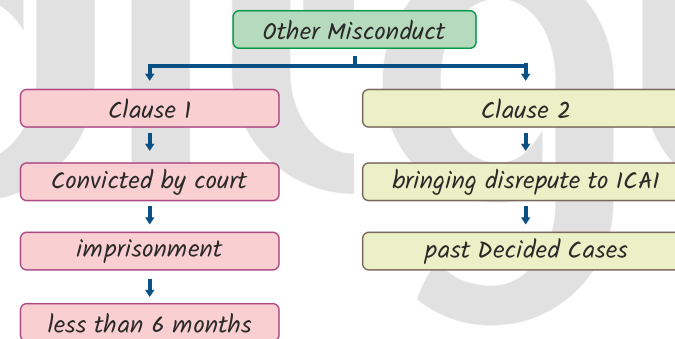


FIRST SCHEDULE

PART - III



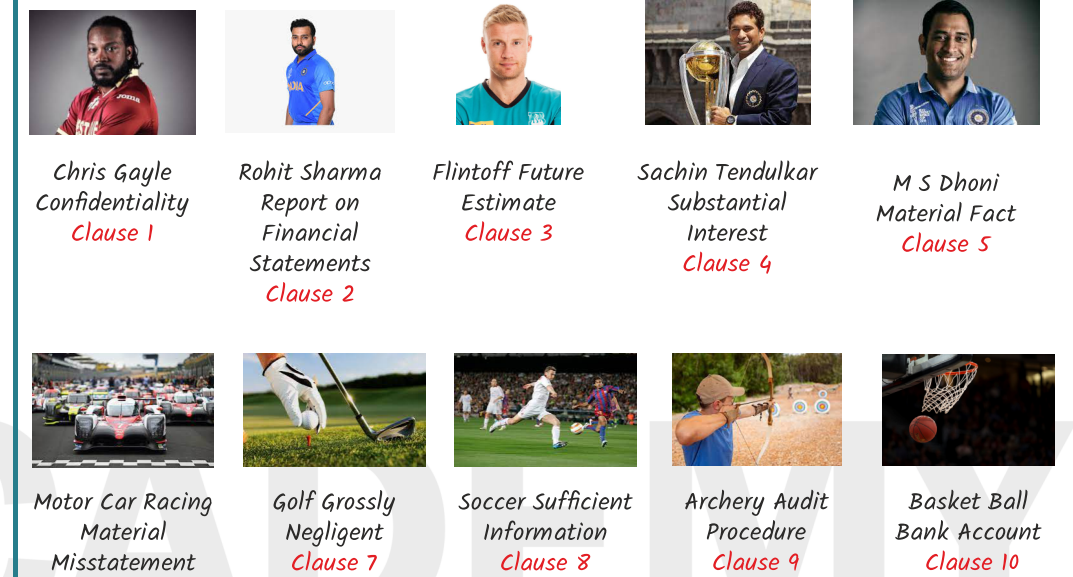
PART - IV



Part 3 - SECOND SCHEDULE

IMAGE RECOGNITION TECHNIQUE OF SECOND SCHEDULE

Second Schedule Part - I



Second Schedule Part II

Second Schedule Part III
Over Other Misconduct Clause 1

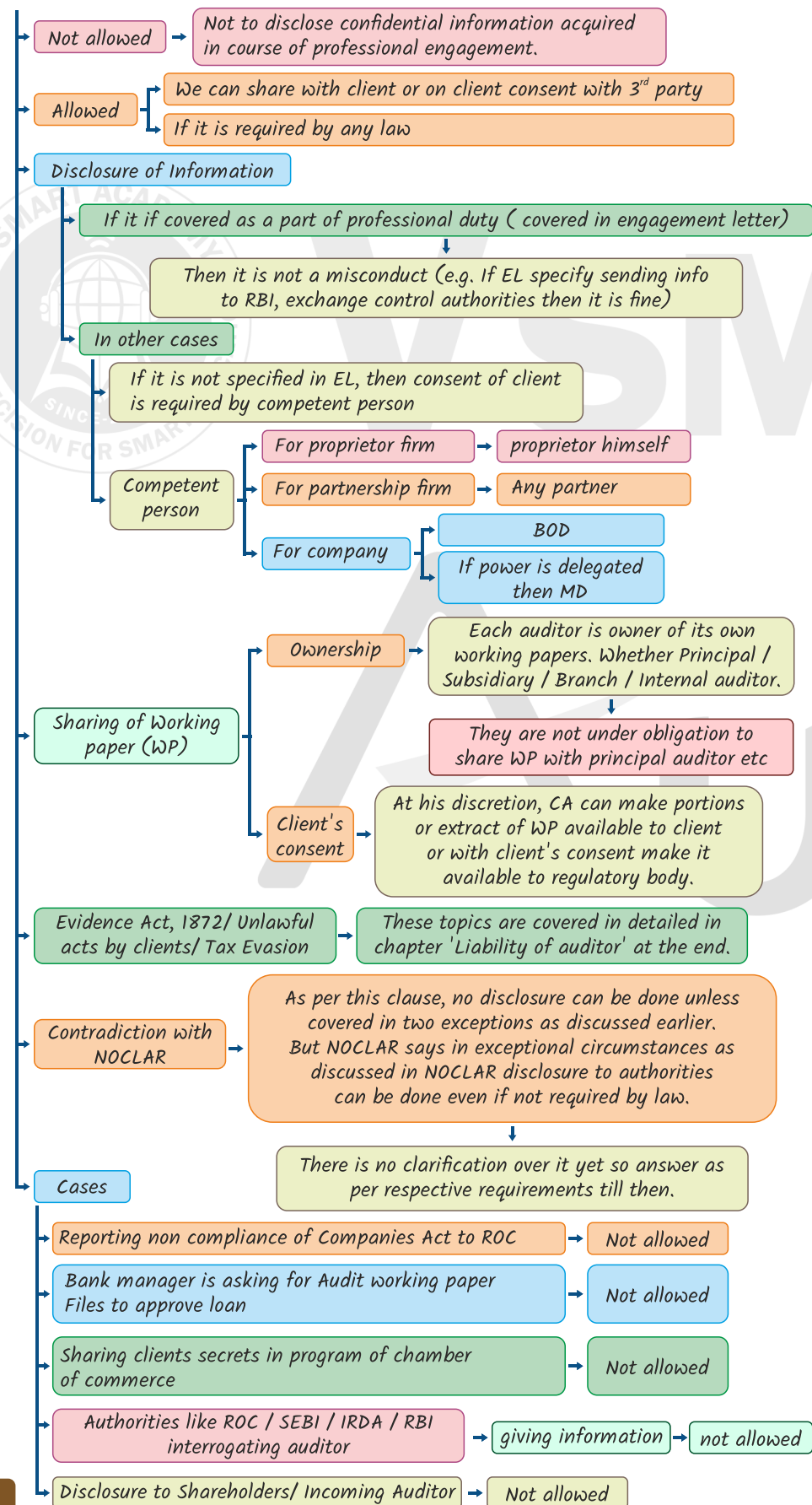
SECOND SCHEDULE

PART - I

CLAUSE 1

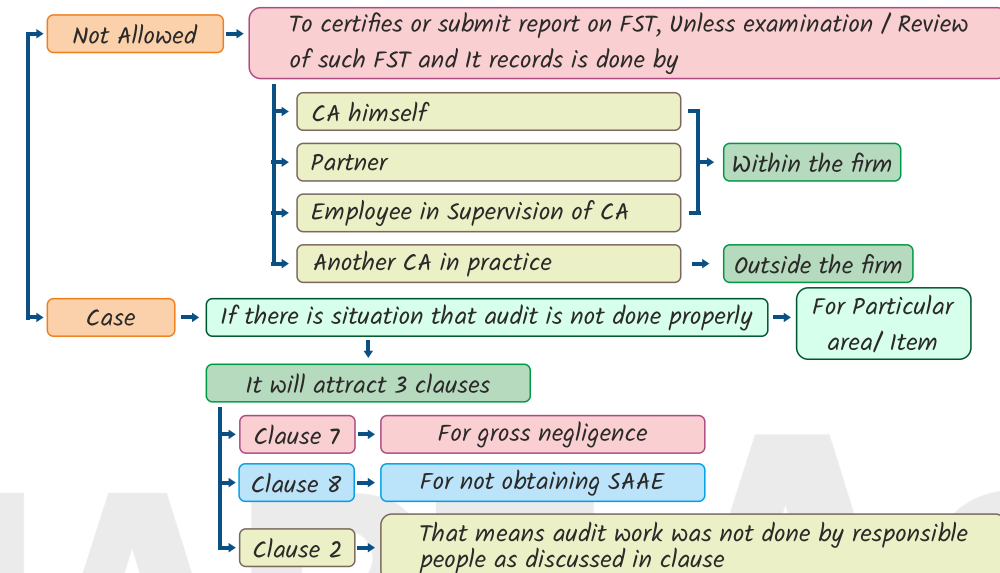
CONFIDENTIALITY

Professional misconduct in relation to CA's in PRACTICE



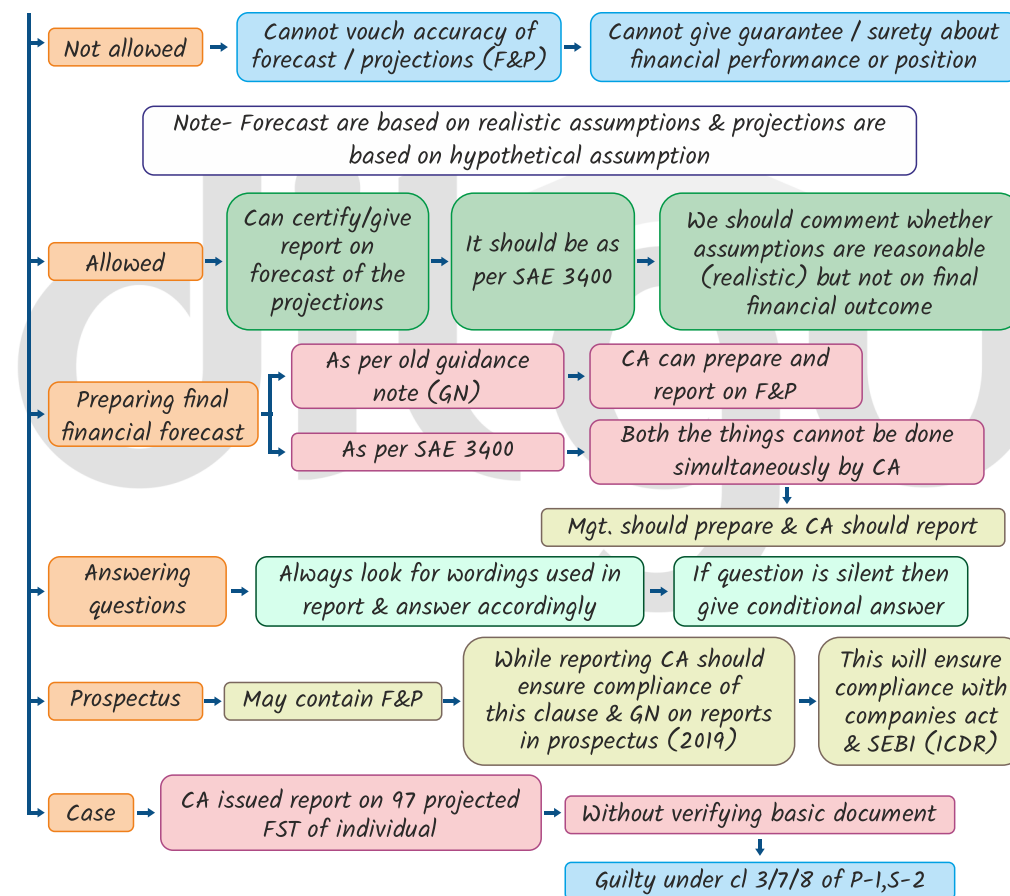
CLAUSE 2

REVIEW/ EXAMINATION



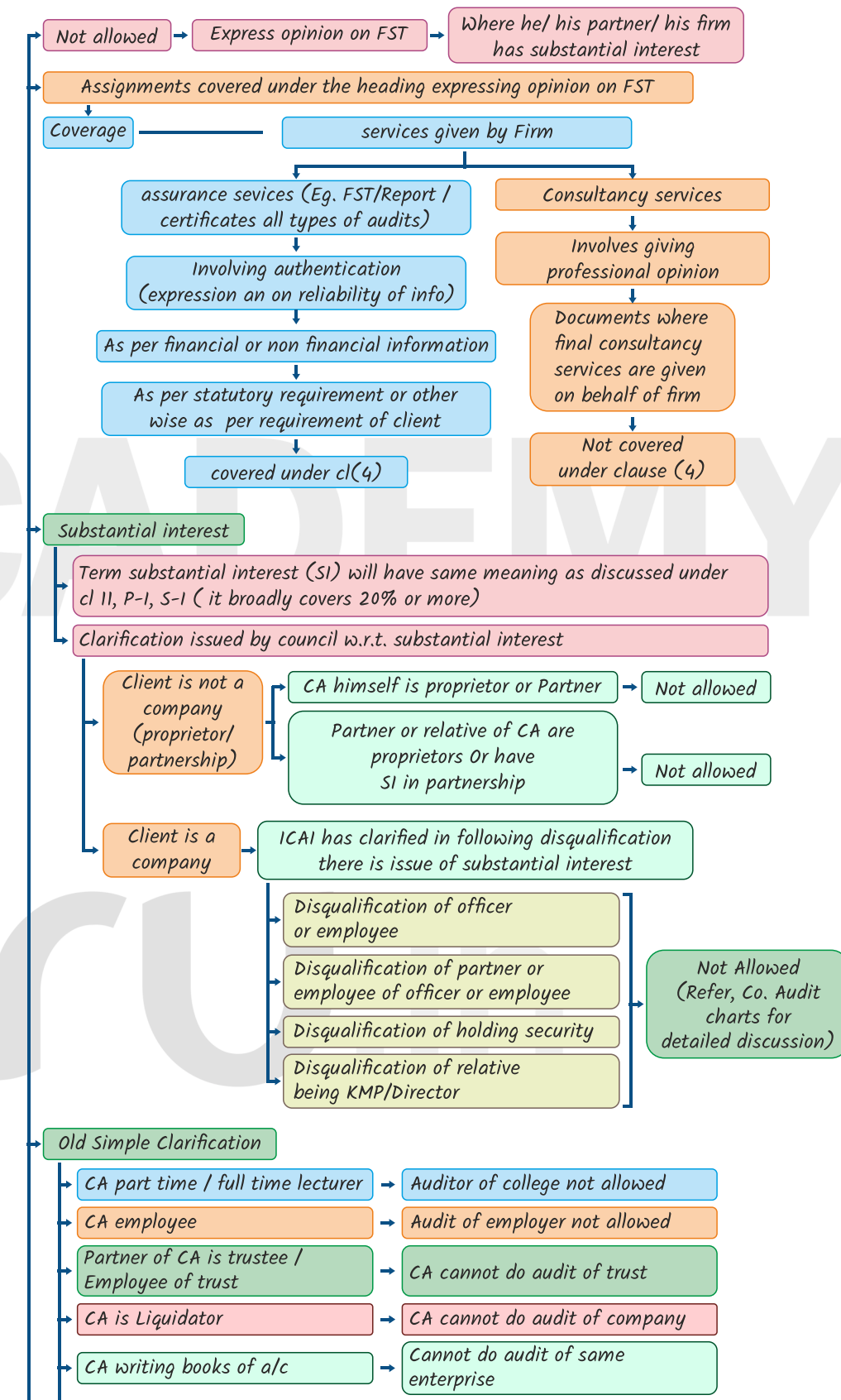
CLAUSE 3

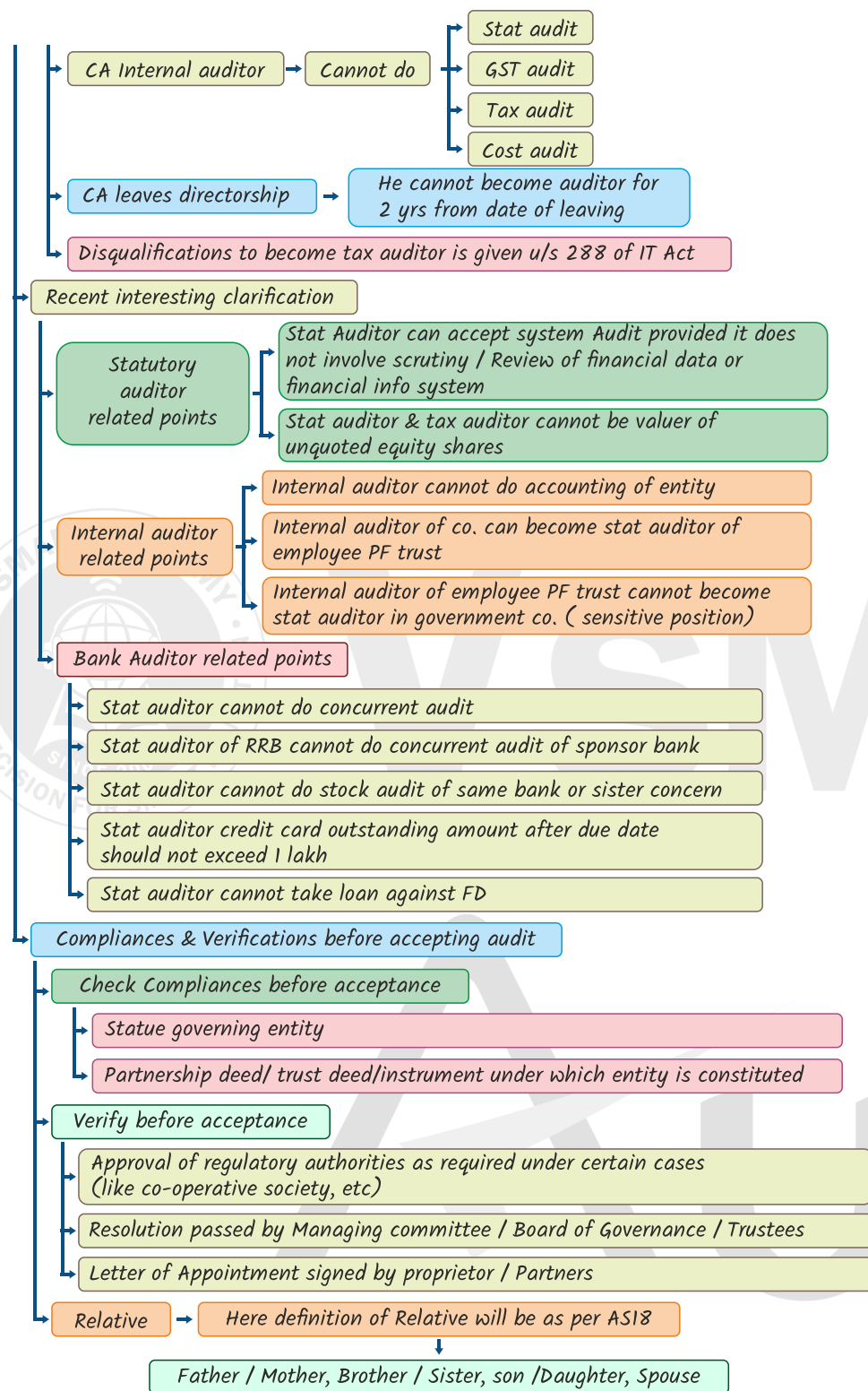
FORECAST / PROJECTIONS



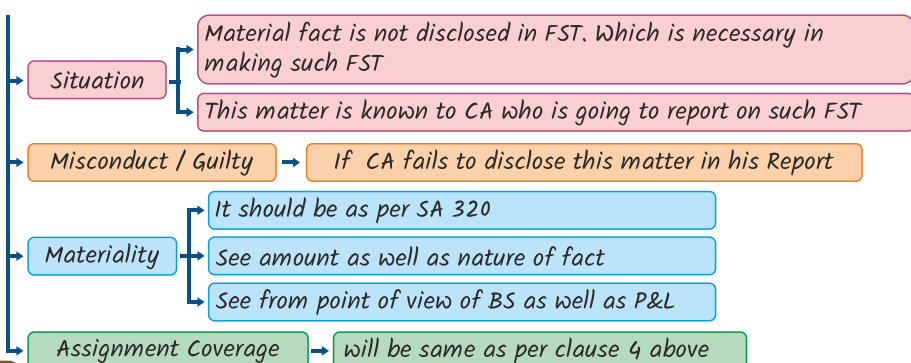
CLAUSE 4

SUBSTANTIAL INTEREST

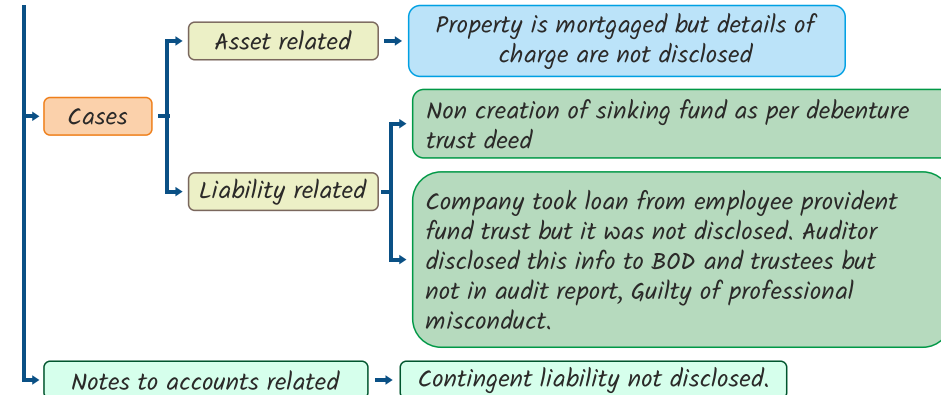
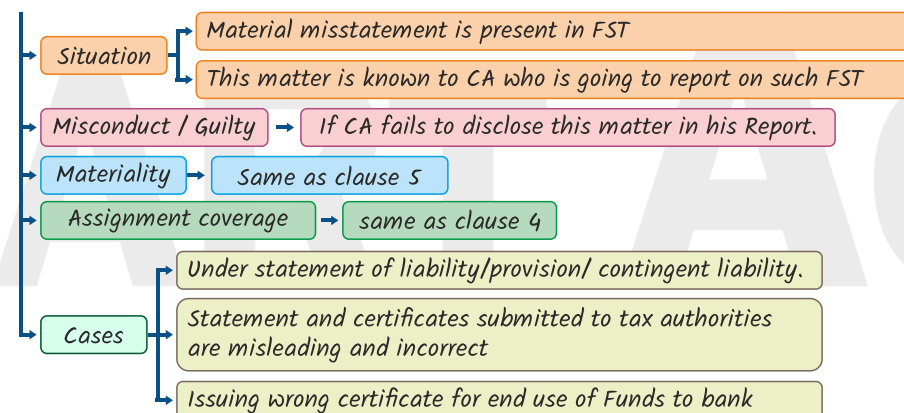




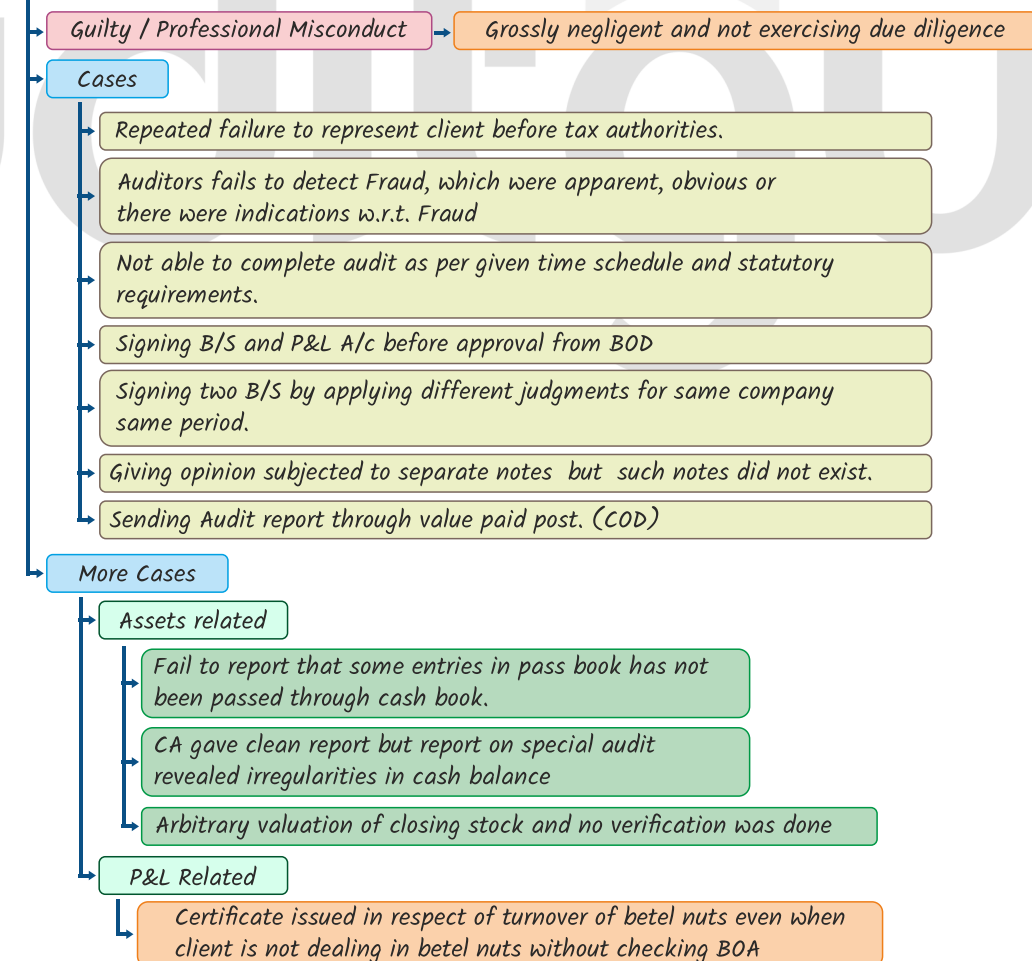
CNO—PE.1040

CLAUSE 5**MATERIAL FACT IS NOT DISCLOSED**

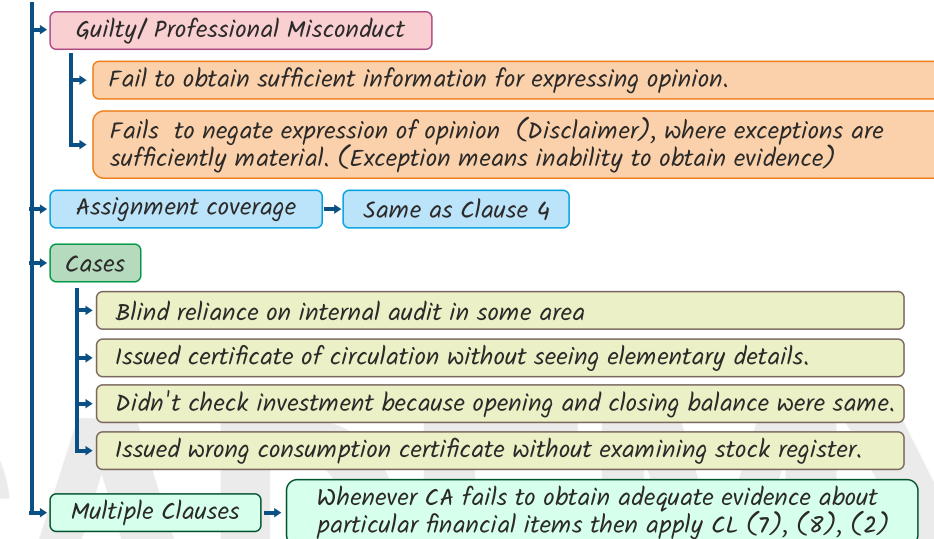
Continue on next column...

**CLAUSE 6****MATERIAL MISSTATEMENT IN FST**

CNO—PE.1040

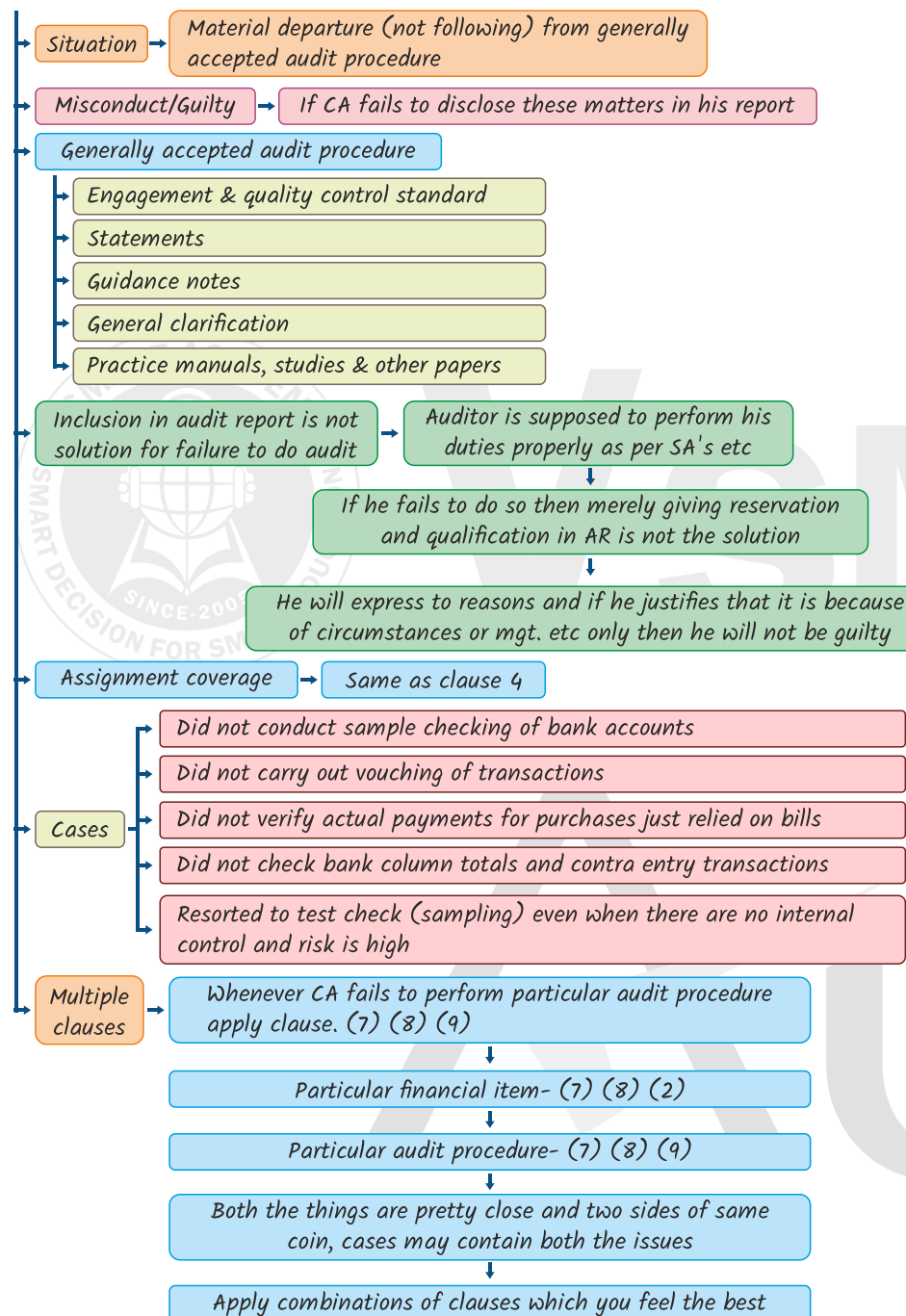
CLAUSE 7**GROSS NEGLIGENCE**

CNO—PE.1040

CLAUSE 8**OBTAIN SUFFICIENT INFORMATION**

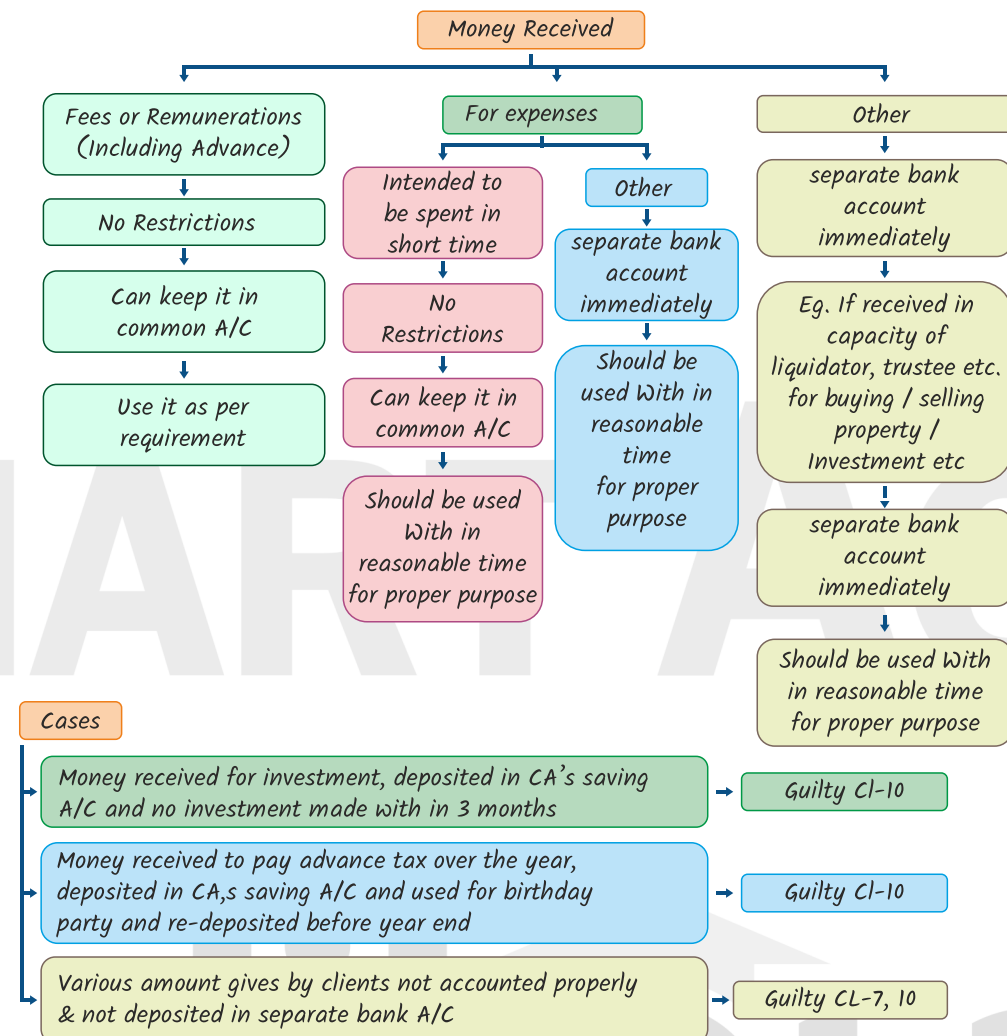
CLAUSE 9

AUDIT PROCEDURE



CLAUSE 10

SEPARATE BANK ACCOUNT



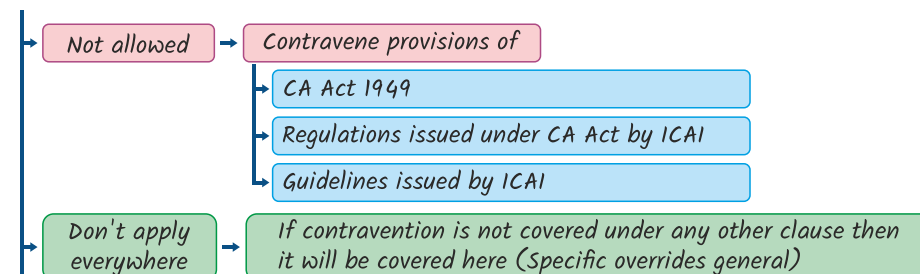
SECOND SCHEDULE

PART - II

Applicable to CA's in GENERAL (PRACTICE/SERVICE/OTHERS)

CLAUSE 1

CONTRAVENTION



Continue on next column...

Regulations Related to Articles

Articleship registration Related (Regulation 47)

- Don't ask for premium
- Don't ask for Security Deposit from article or his Father
- Don't ask for Loan from article or his family business
- Don't register without COP or beyond vacancy

Working hours related

- Flexible hours withdrawn
- Office hours shall not start after 11:00 A.M or end before 5:00 PM
- Office hours not before 9:00 AM or after 7:00 PM
- Working hours shall be 35 hours in a week excluding lunch break
- If there is exigencies (Need / demand), working hours can increase but not beyond 45 hours per week. Further compensatory leave shall be granted for hours exceeding 35

Other working Related

- Without prior permission from ICAI cannot pursue other Course/training/business/occupation
- Not attend College/other institution during normal working hours (Take into account travel time)

Stipend Related (Regulation 47)

- Stipend should be paid Monthly in bank account
- Either through account payee Cheque or depositing cash

Regulations related to CA's

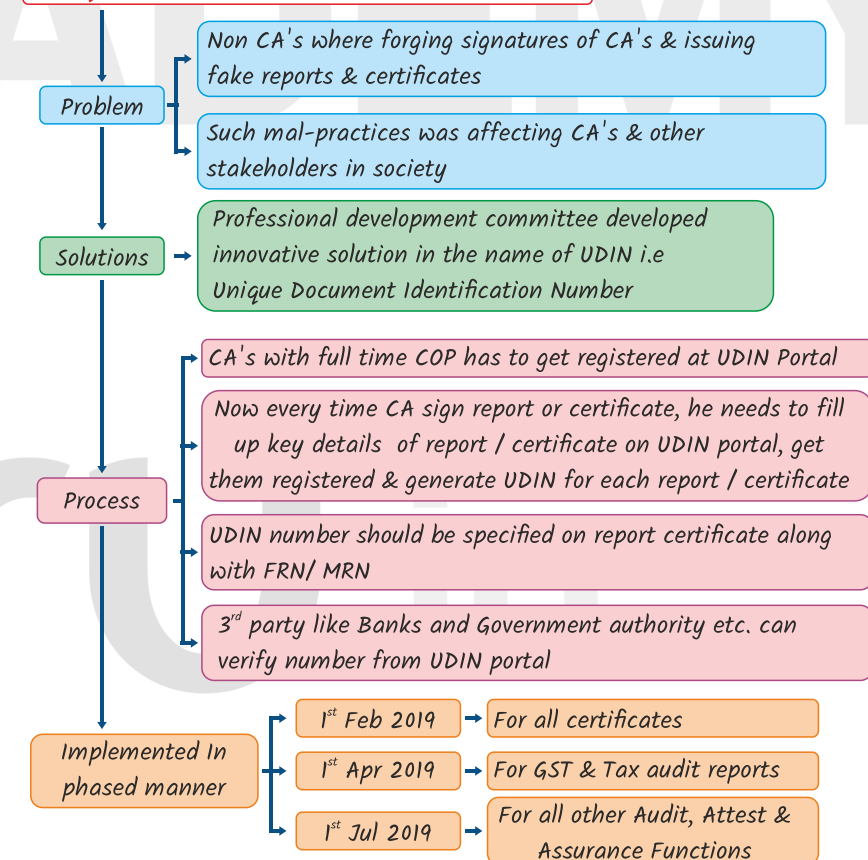
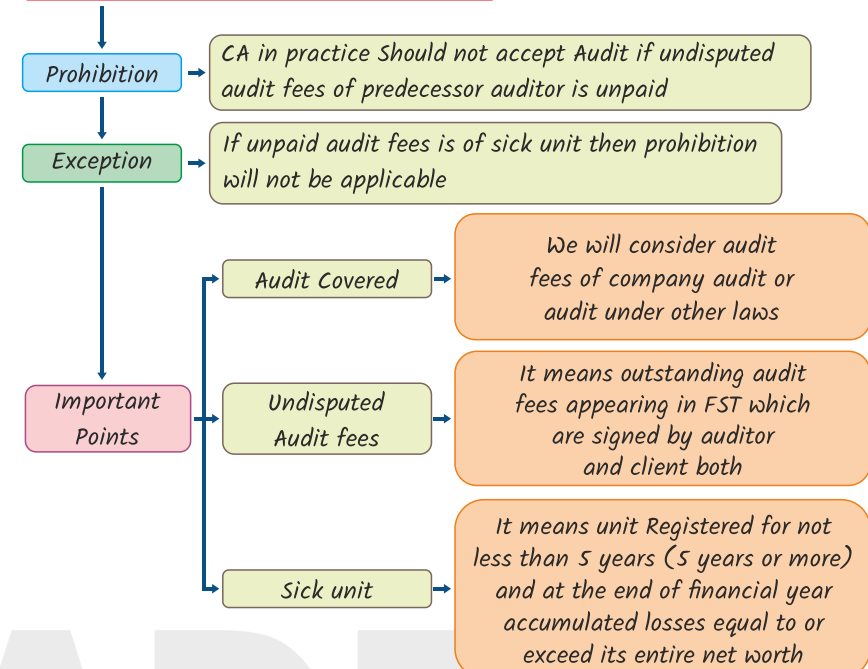
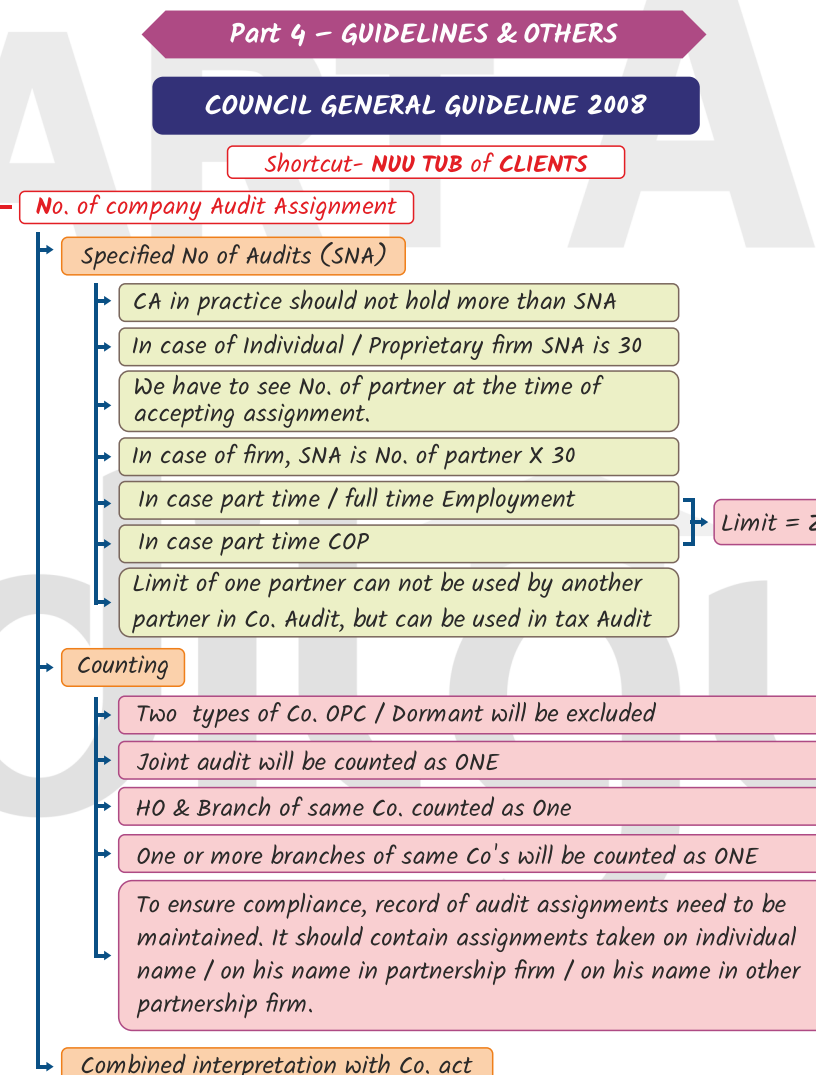
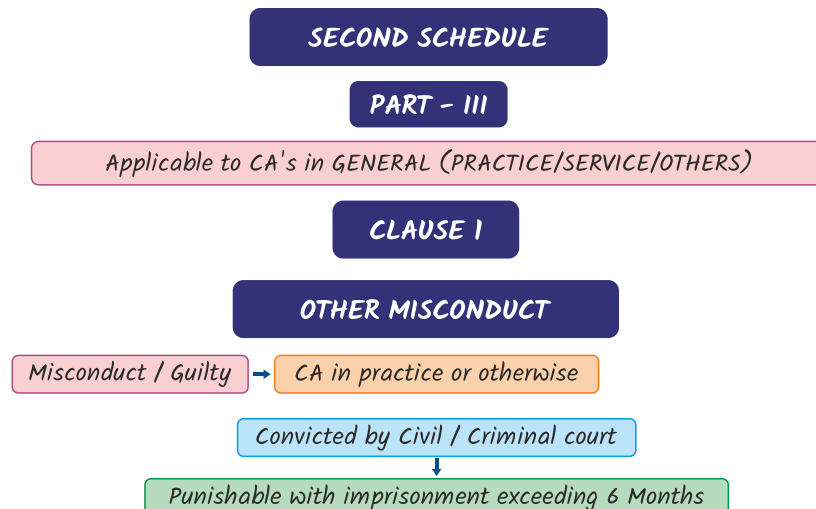
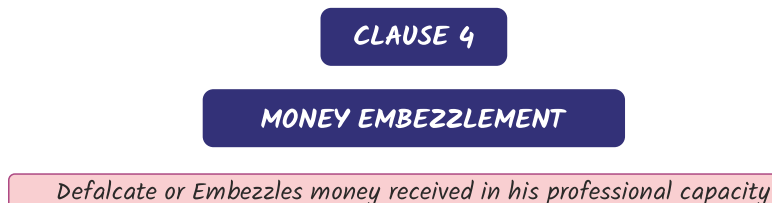
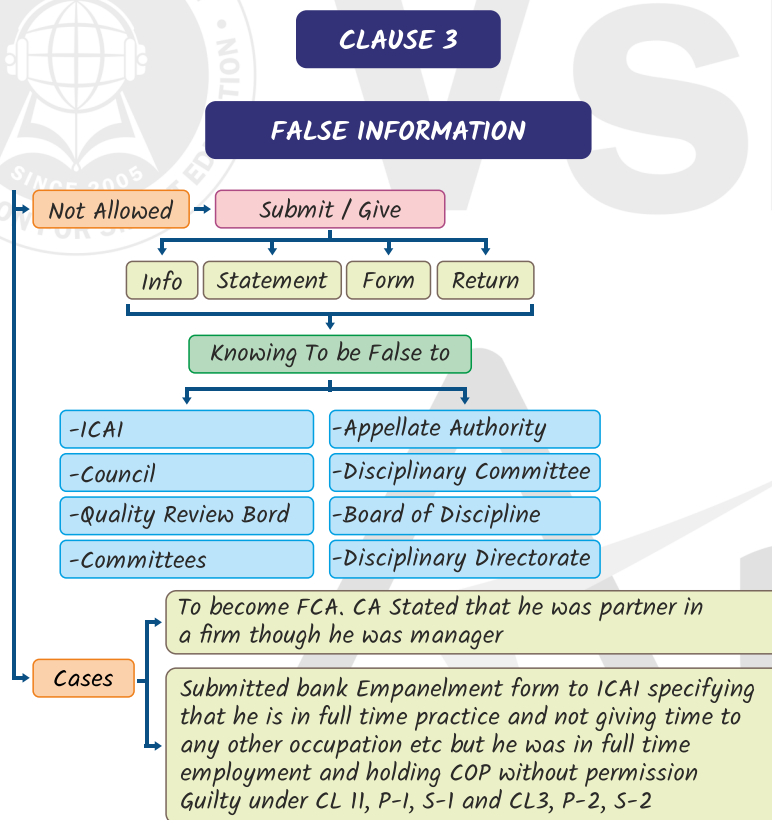
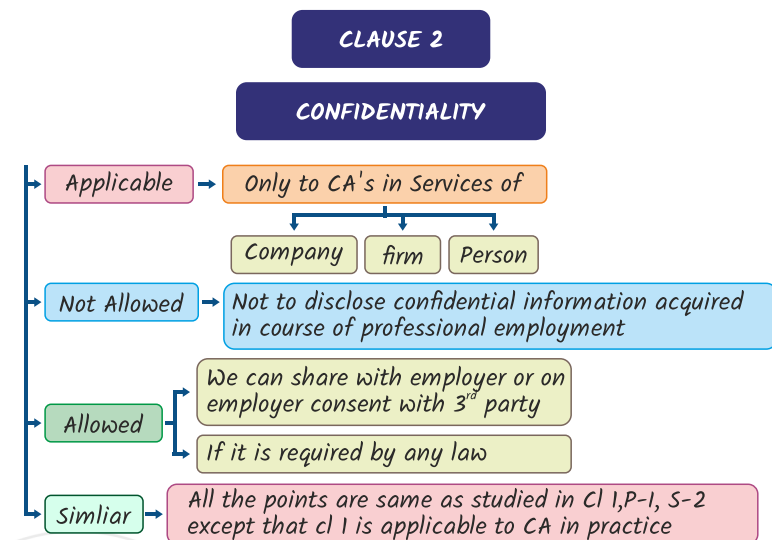
- Complete CPE hrs. (Continuing Prof. Education)
- Advised not to take Coaching classes Between 9:30 AM to 5:30 PM
- Obtain peer review Certificate for audit of listed companies
- Put FRN / MRN / UDIN on all reports and certificate

- Guidelines** → If there is misconduct under Council Guidelines 2008, or Council advertisement Guidelines 2008, if it is not covered under any clause always apply this clause along with Guidelines

Cases → Almost all Cases Covered above, Certain cases apart from above

- Articleship Registration form not forwarded to ICAI as per regulations
- Signing/issuing reports or Certificates without COP is Contravention of sec.6
- Accepting audit even when undisputed fees is unpaid
- Signing 468 Tax audit reports not as per council guidelines





T - Maximum Tax audit Assignments

Specified no. of Audit (SNA)

- CA in practice should not hold more than SNA
- In case of Individual / Proprietor firm SNA is 60
- We have to see No. of partners at the time of accepting assignment
- In case of firm SNA is No. of partners X 60
- Limit per Partner will be considered as ZERO, in case, of non-CA partner / Partner is part time or full time employment / Partner practice is in part time practice
- If CA is practicing as Individual / Proprietary firm and also one or more partnership firm then, aggregate No. of assignments on his name should not exceed 60
- Limit of one partner can be used by another partner in tax audit.
E.g. If there are 10 partners, firm limit is 600, all 600 reports can be signed by 1 partner

Counting

- We will count corporate as well as non-corporate tax audit assignment.
- If we are doing audit of more than IFY of same client then each year will be counted as separate audit assignment

Following are included

- 44 AD → Small business
- 44 ADA → Small profession
- 44 AE → Small Transport business

- Joint Audit will be counted as ONE
- HO & Branch of same co. counted as ONE
- One or more branches of same co's will be counted as ONE
- To ensure compliance record of audit assignments need to be maintained. It should contain assignments taken on Individual Name / On his Name in Partnership Firm / On his Name in other Partnership Firm
- Distribution of assignment can be done in any manner as the firm decided. But Quality of the assignment shall be maintained as per SQC I.

U - Unjustified Removal of Auditor

- If there is unjustified removal of earlier / predecessor auditor
- He will intimate / complain to council or appropriate committee of ICAI or any person on behalf of them
- They may send direction to incoming auditor to not accept the audit
- It is obligation of Incoming auditor to follow direction

B - Maintenance of Book of Accounts

- Mandatory for all CA's in practice / CA firm
- To maintain proper books of A/c's including Cash book & Ledger
- Irrespective of 44AA or 44AB of Income Tax Act 1961
- This is over & above record of audit assignment as discussed earlier

C - Corporate form of Practice

ICAI allowed corporate form of practice

- Traditional work of Accounting / Auditing / Taxation
- Work covered in Mgt. consultancy services (MCS) as discussed in section 2(2) (iv) earlier
- Should be done as Individual / Proprietor / Firm
- This can be done in traditional form or in the form of Mgt. consultancy Co. (MCC)

Formation of MCC

- Forms & procedure → Issued by ICAI and come into force on 01/10/2006
- Name Approval → Name should be approved by ICAI
- Register Co. with ROC → CA's / Relatives can hold equity shares in any quantum
- CA's can be MD / WTD / Manager
- If CA takes this position in any Co. then he will be considered as CA in part time practice
- But if it is a MCC he will still be in full time practice so he can attest / Report / certificate and train articles
- Get Co. registered with ICAI

Functioning of MCC

- MCC has to give undertaking that they will only provide Management Consultancy services
- Accounting, Statutory or periodical audits, taxation are not covered in MCS, So these things can not be done by MCC
- Compliance of section 144 of companies Act 2013
- If traditional firm of CA in practice is a statutory auditor of a company than his MCC can not provide prohibited services as given under section 144 of companies Act 2013
- Compliance with clause 6 & 7 → MCC has to give undertakings and then comply with Clause 6 & 7 of Part I of First Schedule
- Non-Audit Fees → Where traditional firm is giving audit services and MCC is giving consultancy services. Ensure that overall non-audit fees should not exceed audit fees as discussed in these council guidelines 2008

L - Logo

- Rounded rectangle
- White colored background
- CA letters in blue
- Blue stands out, corporate colour denotes integrity, knowledge, creativity and depth
- Upside down tick mark in green
- Symbol of wisdom and value
- Green is for growth and freshness
- Not allowed → To change design, To change colour, To rotate

I - Indebtedness limit

- For → CA in practice (CAIP), Firm/ Partners, Relative of CAIP or Partner
- Cumulative limit for everyone taken together
- Limit is for indebtedness + guarantee or security given on behalf of TP
- Follow limit given by respective laws
- Eg. Co. Audit 5,00,000/-
- Tax Audit Zero (1,00,000 + for relative)
- If law is silent limit will be 1,00,000/-
- Eg. Internal audit 1,00,000/-
- GST Audit 1,00,000/- (Now NA)
- Concurrent Audit 1,00,000/-

E - Conduct of CA in employment (services)

- Exercise due diligence and no gross negligence
- In past, ICAI covered such cases in other misconduct, So specify this also
- If CAIP, then apply CL-7 of P-I, S-2

N - Guidelines for network

- See separate charts given latter

T - Guidelines on tender

- Already covered under clause 6 of Part I, First schedule
- If Ques. is on tender, refer CL-6, and council guidelines, 2008

S - Statutory Auditor

- Applicability → CA in practice shall not accept the appointment as statutory auditor of listed Co. / Govt. Co / Public sector undertaking / Pub. Co. having turnover of 50 crore or more
- Condition → CA in practice / Firm can do statutory audit provided statutory audit fees is not less than other works services and assignment (O-WSA) earned by CA in practice / firm / Associate concern
- CA in practice / Firm / Associate concern can render O-WSA provided in aggregate fees should not be more than statutory audit fees
- O-WSA → Inclusion → Management consultancy, All other Prof. service permitted by the concern
- Exclusion → Audit under any other statute, Certification work done by statutory auditors, Any Representation before an authority
- Associate Concern → They are firms / Body corporates whose partner or Directorship position is held by individual Auditors / Partner of audit firms / their Relatives or these people holds substantial interest (20% or more)

COUNCIL GUIDELINES FOR ADVERTISEMENT, 2008 (AMENDED TIME TO TIME)


Shortcut - **WOW** corona is **DEAD**

W - Write up (WU)

Meaning

- It is written piece of information like article giving info about him and his services
- It should contain details strictly as specified in guidelines and also comply with condition
- ICAI will never approve WU or own any responsibility about info in WU
- Permission of WU is originally provided under Cl-7, P-I, S-I

Info allowed in WU

Particulars	Firm (proprietor / Partnership)	Individual
1. LOGO 	only CA Logo Allowed	Same
2. Firm Details	Name- FRN- Year of Establishment- Affiliation with Network-	NA
3. No. of Partners / Employees / Articles	Partners- CA's- Other Professionals- Articles- Other employees-	Same except number of partners
4. Personal Details	Name- MRN- Age- Date of ACA- Date of FCA- Date of COP- Other qualification- Languages- Passport style photo- Group position held as Director or MD in MCC-	Same
5. Services Provided	Nature of services without client name and fees	Same
6. Address & Contact Details	Telephone / Mobile No- Professional Address- Website- e-mail-	Same
7. Authentication	Signature- Place & Date-	Same

Further conditions (Fair Value METHOD)

- Font size not exceeding 14
- Not violation of any provision of CA Act, 1949 or any Guidelines of the Council
- Membership No / FRN is mandatory to be mentioned
- No exaggerated claims for the services offered or qualifications or experience
- Not contain testimonials or endorsements or the fees charged
- Honest and truthful
- Not make any disparaging (downgrade) ref. or unsubstantiated comparisons to the work of others
- Not to bring the profession into disrepute

O - Online 3rd Party platform

- Non-CA Entities → Entities like Newspapers, Banks, FI are providing advisory services like taxation etc. which are generally provided by CA's

Allowed & Not Allowed

- CA firms CA's can collaborate with them
- They can provide consultancy service through these websites
- Name of firm can come without suffix-Chartered Accountants
- Name of individual CA can also be specified
- Professional achievements or status should of not be advertised
- Contact details should not be specified

- Cl 6 → Earlier ICAI covered website related guidelines under Cl 6
- So, whenever there is website related clarification refer cl 6 also

W - Website

1 Preliminary matters

- Free to create their own website
 - No need to intimate any one about website
 - Any standard or actual format for design of website is not given / suggested by ICAI
- Any design/ format/ colour is allowed

2 Name & main content of website (Information to be allowed)

- Members name / Trade name / Firm name
 - Name of the website can be different from firm name but it should be as near as possible to the name of individual name / Trade name / Firm name
- Year of establishment
- Address of Firm / Members
- Contact detail
 - Tel. No
 - Fax No.
 - Email ID
- Partners detail
 - Partner's name
 - Year of Qualification
 - Other Qualification
 - Area of experience (pull basis)
 - Contact details
- Employee detail
 - Profession / Other
 - Name
 - Designation
 - Area of experience (pull basis)

- No. of Article Assistant (pull basis)
- Display of passport style photograph
- Nature of Service rendered (pull basis)
- Nature of Assignment handled (pull basis)
 - Name of client & fee charged can not be given
- If required by Law / Regulation in India or outside. Fees charged can also be displayed
- It should be mentioned on website (In Italics) below such disclosure that it is required under the regulation
- Online Advices the firm provides whether free of charge or on payment basis

Other Information

- Job Vacancy
- Articles, professional Info. bulletin boards, professional updation, other matters of professional interest
- Educational video on topic of professional relevance
- Chats rooms, confidentiality protocol to be observe
- Can provide link of its page on social networking site, not solicit people to visit on their respective page
- Link of ICAI regional Council, Branches & website of government / govt. department / regulatory authority / other professional bodies.
- Link to CA association Rotary / lions. Club / Chamber of commerce is not allowed.
- Unwanted info (like live cricket score / horoscope etc) should not be Displayed
- Mandatory Info about last update to be mentioned.

After Making website.

- Run on a "Pull" model not a push model
- Info. In the website cannot be circulated there on through email or any other mode or technique except on specific pull request
- Not to issue any circular or advertisement of any other material which solicit people to visit there website
- Permitted to mention there website on there professional Stationery and email

Secrecy & compliance

- Adequate secrecy of the matters of the client
- It should not contain material variance as per ICAI record
- Does not amount to soliciting client or professional work
- Any content / technical feature violates professional code of conduct and ethics or any restriction in the CA Act, direction given by ICAI, then appropriate action by ICAI in terms of its disciplinary mechanism, suo-moto or on complain under CA act 1949



D - Directories

- Name of CA's / CA firm can be included in telephone directories or other directories like Trade / Social directories (Chamber of commerce / Community) (Printed or electronic form)
- Can make special request or make payment for inclusion for name
- If directories belong to particular city or town, it should be open for all CA's / CA firm. Further name should be include only when CA firm belongs to that particular town / city
- Name should appear only in section category of Chartered Accountants
- It should be in alphabetical order.
- It should not be different or prominent giving Publicity / Advertisement

E - Exemption

- Allowed**
 - Name and address of CA / CA firm can be included in advertisement
 - Ad should not be prominent than others
 - Name should not be bolder than content of ad
- Ad only for following purpose**
 - For own office staff recruitment
 - On behalf of clients
 - For recruiting staff
 - For buying or selling business or property
 - For professional capacity as liquidator/ receiver/ trustee
 - For sell of business or property
- Prohibition**
 - Don't use expression such as (well known firm) or include any other promotional element
 - Don't claim that services offered are superior than others

A - Service Provider Aggregators

- Online application which aggregates the service providers under 1 roof like businessmen, technicians, maintenance workers, event organizers
- Not permissible for members to list themselves

D - Special Directories

- IF CA / firm is member of any particular body and if they are issuing specialised directories for limited circulation among member of the firm than name can be induced keeping in mind above condition
- Refer cl 6 as ICAI earlier use to cover it under this clause

CNO-PE.1300

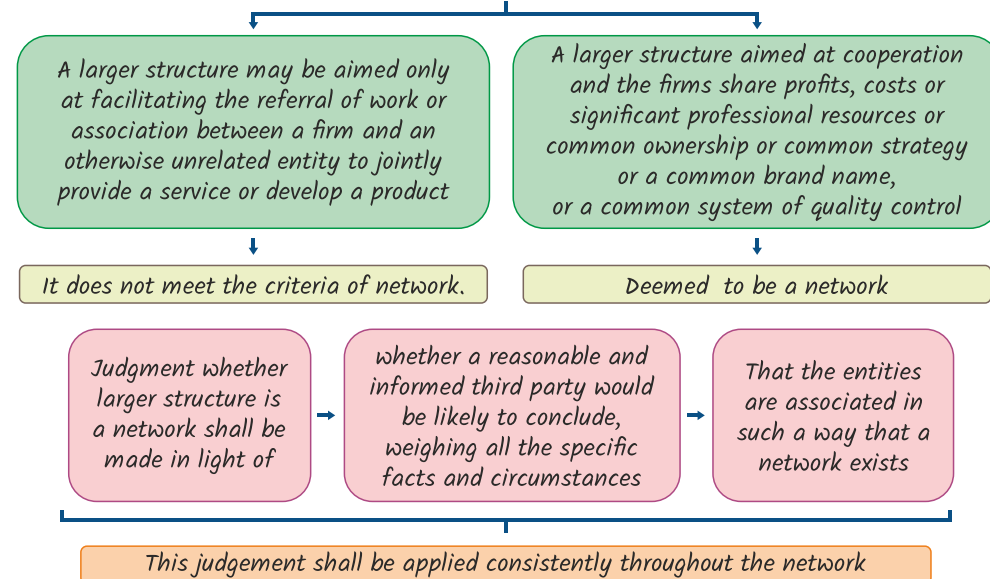
NETWORK GUIDELINES

CONCEPT OF NETWORK

To enhance ability to provide professional services, firms forms larger structures with other firms and entities.

Whether this creates a network depends on the particular facts and circumstances and does not depend on whether the firms and entities are legally separate and distinct.

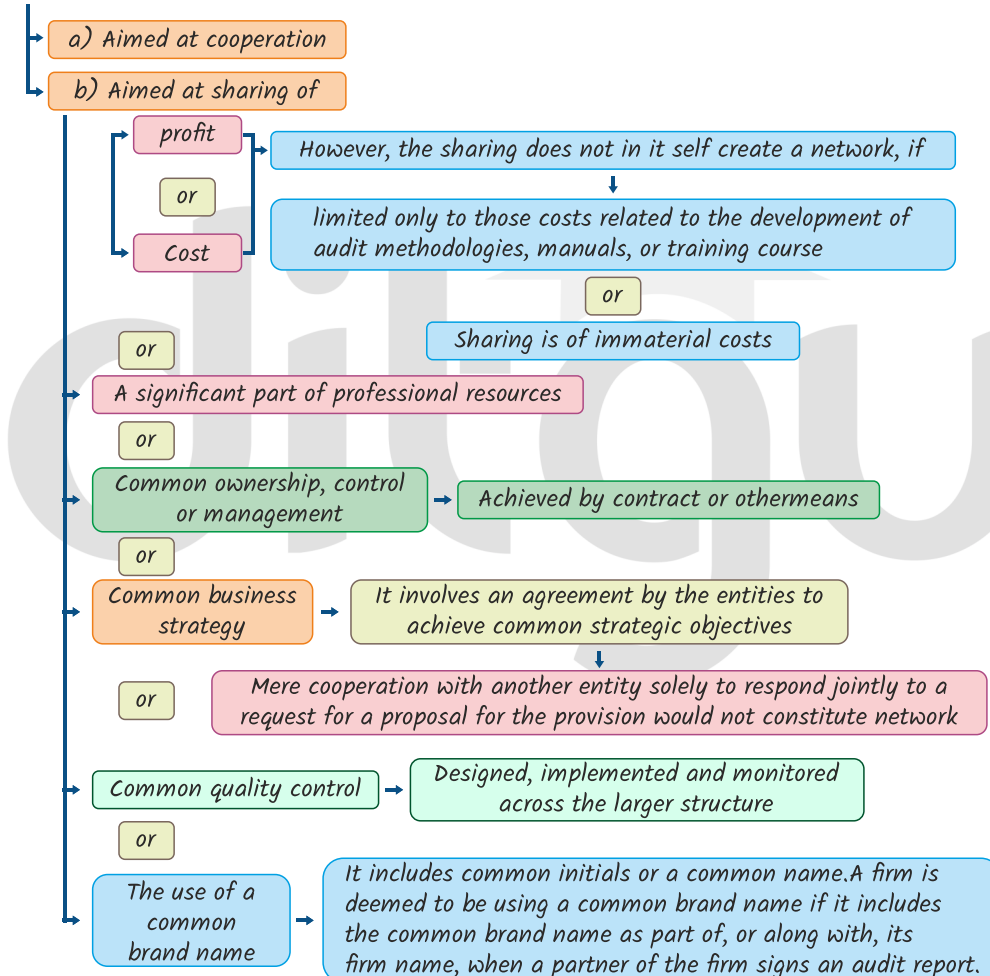
Example



CNO-PE.1300

DEEMED NETWORK

Large Structure



CNO-PE.1320

JOINING / ASSOCIATING WITH NETWORK BY CA IN PRACTICE

Network is registered with the institute. (it can comprise only ca's or ca firms)

YES

Association with "Networks" by Members in Practice & Medium of referral of Professional Work

Permissible

NO

Association with "Networks" by Members in Practice

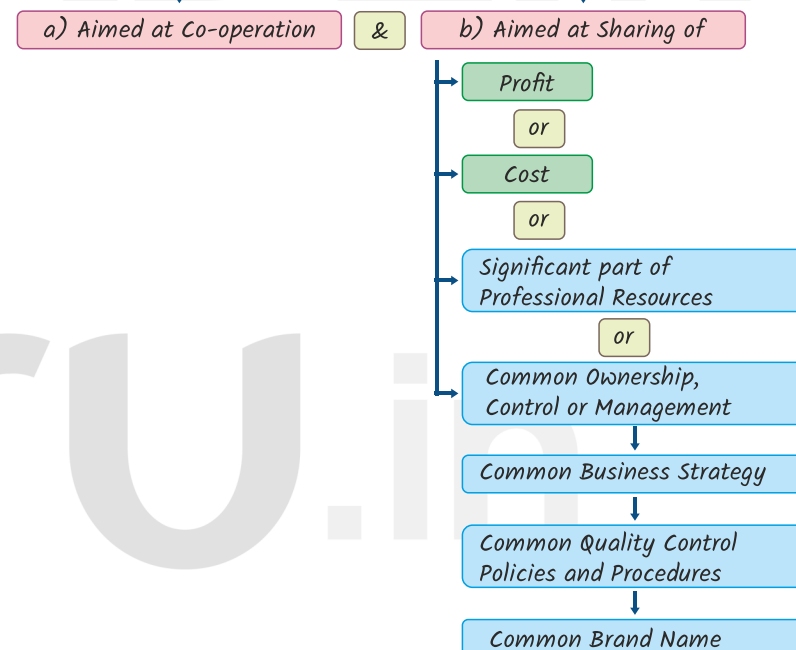
Non-compliance of the above stated provisions of the Act

Resulting in disciplinary proceedings

CNO-PE.1340

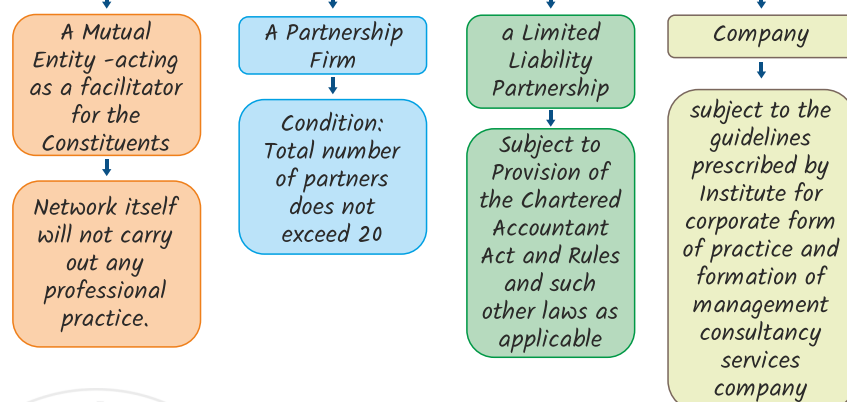
MEANING OF NETWORK

Large Structure



FORMS OF NETWORK

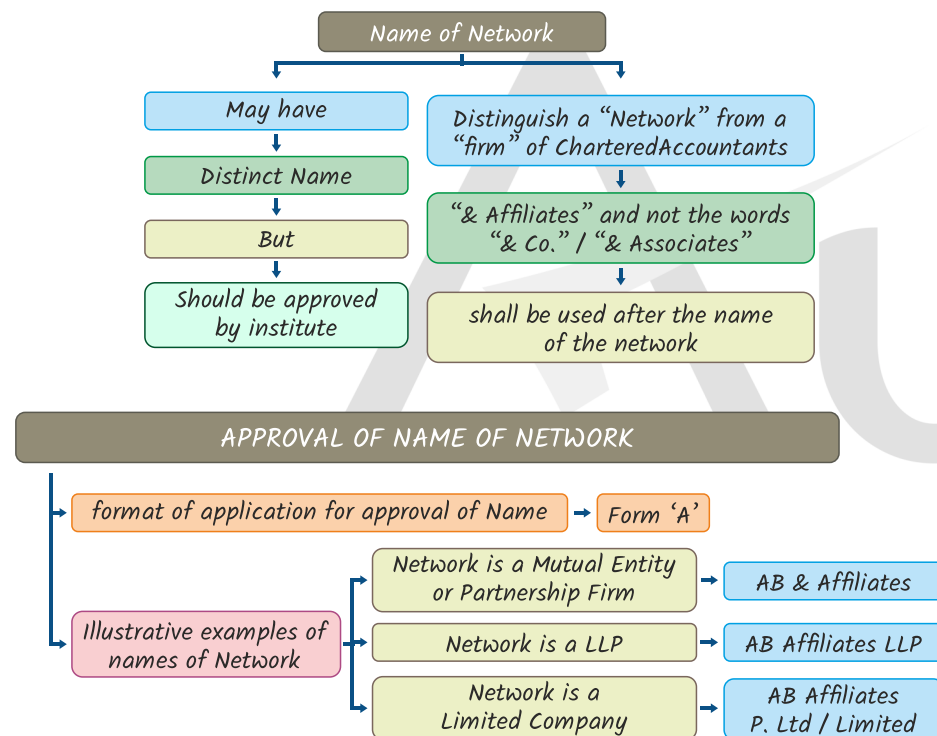
Network can be constituted as



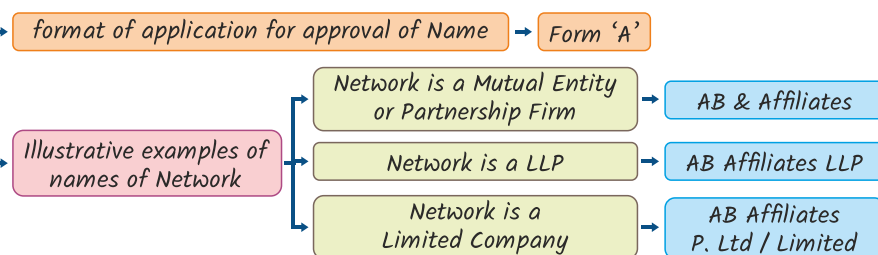
Conditions

1. Network Firms shall consist of sole Practitioner/proprietor, partnership or any such entity of professional accountants as may be permitted by the Act
2. A firm is allowed to join only one network. Firms having common partners shall join only one Network.

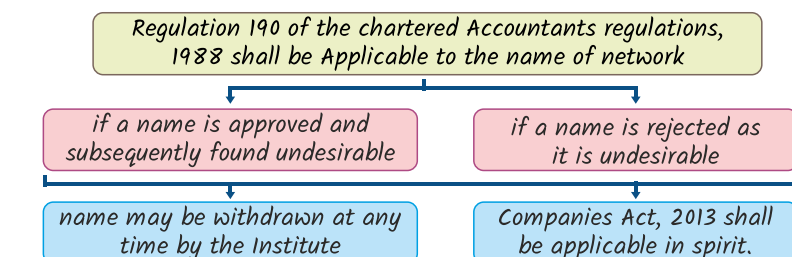
APPROVAL OF NAME OF NETWORK AMONGST FIRMS REGISTERED WITH INSTITUTE



APPROVAL OF NAME OF NETWORK



APPLICABILITY OF REGULATION 190



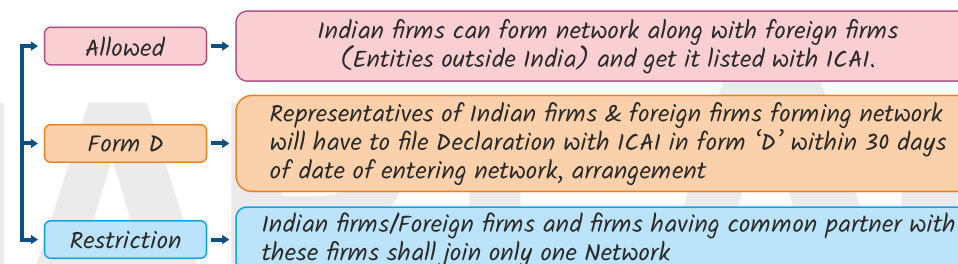
Approval or rejection of name within a time frame

The Institute shall approve or reject the name of the Network and intimate the same to the Network at its address mentioned in Form 'A' within a period which shall not be later than 30 days from the date of receipt of the said Form.

Approval v/s Entitlement to practice in its own name

Mere approval of the name of the Network shall not entitle the Network to carry on practice in its own name

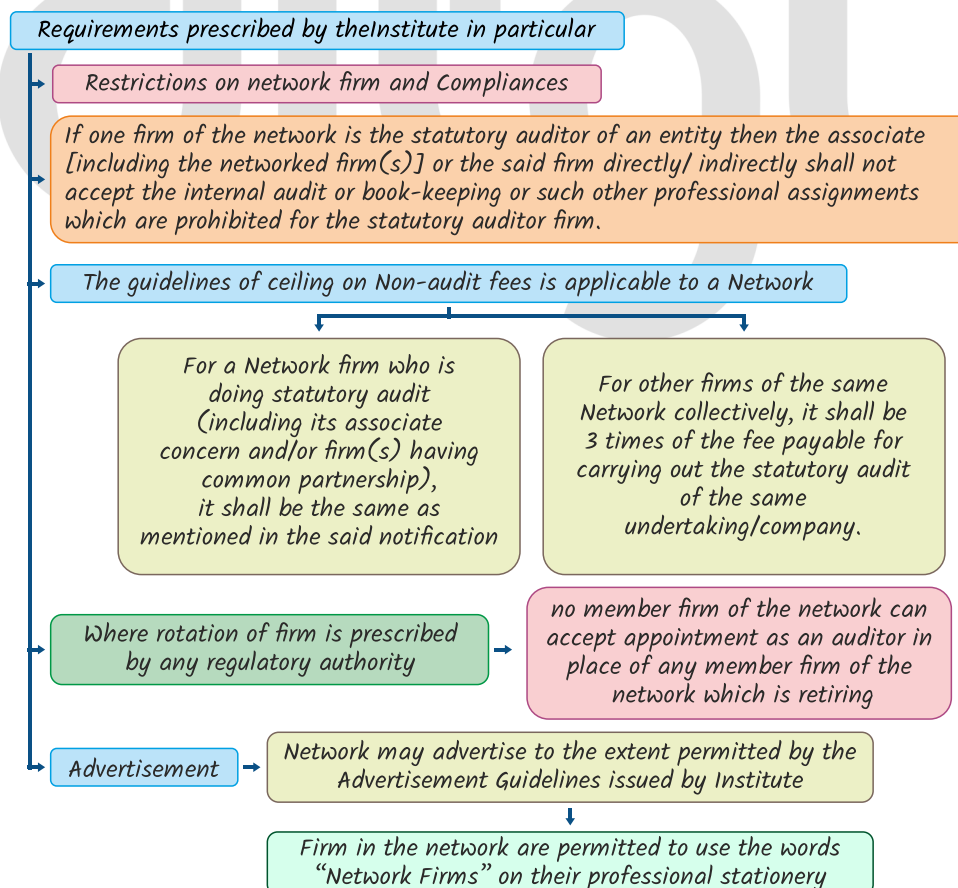
LISTING OF NETWORK WITH ENTITIES OUTSIDE INDIA



CHANGE IN CONSTITUTION OF NETWORK

Entry or exit from network shall be communicated in form C to ICAI within 30 days

ETHICAL COMPLIANCE



CONSENT OF CLIENT

Once network is registered it will be deemed that Public notice is given

Therefore no need to inform or take consent from clients

FRAMEWORK FOR SETTING BYE- LAWS OF NETWORK

Following clause can be incorporated in Bye-Laws

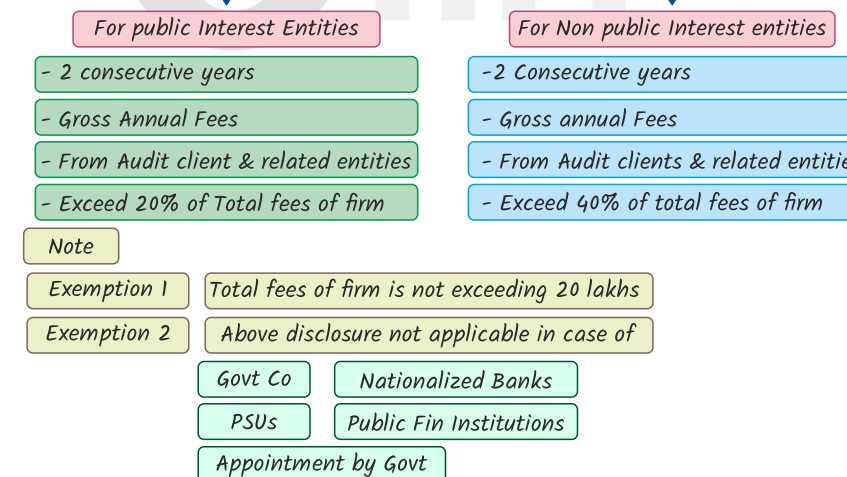
Shortcut : CPL Bye Laws by DRAFTSMEN

- C - How Compensation will be paid to firms for use of their resources
- P - Whether Peer Review is required for Member firms
- L - How Library will be maintained
- D - Disputes settlement procedures
- D - Database for different types of assignments
- R - How Resources will handle Administration of Network
- A - How will handle Administration of Network
- F - Fees to meet cost of administration of administration
- T - How Training Material will be developed
- T - How Technical Director will be appointed
- S - How Software will be developed for different types of assignments
- M - How Managing committee will be appointed
- E - How to identify Engagement Partner who will handle assignment received by network
- N - How News letters for staff & client will be issued

#Amendment

PROFESSIONAL ETHICS

DISCLOSURE OF FEES FACT TO ICAI



SELF-REGULATORY MEASURES

"DUMB JR" Measures

Meaning

- Policies framed by the council to be implemented while doing practice.
- It will help in growing the profession and having equitable workflow for everyone
- It is not mandatory and recommendatory in nature

D – Disclosure of Interest

Auditor should make a disclosure of money received for other services through the medium of other firm in which auditor is Partner/Proprietor

M – Minimum Scale of Fees

- It is recommendatory and not mandatory
- Minimum fees should be charged whenever CA provides his services
- Recommended for class A/B/C cities.

B – Branch Audit

Statutory auditor should not have team of 10 or more member for Branch Audit

Above restriction may not be applicable where

- Accounting record are maintained at HO &
- Significant operation are carried out at BO

J – Joint Audit (JA)

- Applicable to larger Co's
- It is advisable to associate with a firm with less than 5 members as JA
- It is the option with the client to appoint such a firm as JA
- Senior firm should not object the decision of client

R – Ratio

- CA/ CA firm engaged in audit work should have 1 member for every 5 non-qualified member of the staff
- Exclusion from non-qualified member Article & Audit assistant / Typist / Peons / Other persons not engaged in professional work

Notes By Students

