

Significant changes in Volumes-I, II and III of Code of Ethics

Changes: Volume-I

The existing (12th) edition of ICAI Code of Ethics had been issued w.e.f 1.7.2020 in three volumes as under:-

- Volume-I : It represents the part as aligned with the 2018 edition of the International Code of Ethics issued by the IESBA.
- Volume-II : Contains provisions based on domestic laws, regulations, and guidelines, opinions issued by the Council and other authorities from time to time.
- Volume-III: Case Laws Referencer.

The Institute recommends following amendments in Volume-I of Code of Ethics , which are being brought vide this communication:-

1. Volume- I, based on the IESBA 2018 edition, has now been revised to reflect changes made in convergence with the IESBA Code of ethics, 2024 edition.
2. Changes due to technology related revisions in the Code and consequential changes resulting therefrom.
3. Includes a new Chapter 5: Ethics Standards for Sustainability Assurance, outlining requirements for sustainability assurance providers while providing sustainability assurance engagement. It is based on the *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* issued by IESBA subsequent to issuance of 2024 edition which addresses critical risks to the integrity, quality and effectiveness of sustainability reporting and assurance such as bias, conflicts of interest, pressure to act unethically, fraud including greenwashing, non-compliance with laws and regulations, and threats to the independence of the assurance practitioners.
4. Incorporation of tradition linked provisions : shloka at beginning of Code of Ethics धर्मो रक्षति रक्षितः, background of ICAI emblem.
5. Authority for the Code - Pursuant to enactment of clause (fa) in Section 15(2) of the Act
6. Changes due to corresponding change in Standards on Auditing SQM1. SQM2 and ISA 220 (revised)
7. Changes in terminology "professional accountant" replaced with "Chartered Accountant", "professional accountant in public practice" replaced with "Chartered Accountant in practice", " professional accountant in service" replaced with "Chartered Accountant in service"
8. Inclusion of honesty and Satyameva Jayate (Sanskrit: सत्यमेव जयते) in fundamental principle of "Integrity"
9. Concept of "Bias" elaborated under Conceptual Framework.
10. Changes in Section 360 "Responding To Non-Compliance with Laws And Regulations" (NOCLAR) during the Course Of Audit Engagements Of Listed Entities :the criterion of ₹250 crores has been removed, making NOCLAR

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provisions applicable to all listed entities and material subsidiaries and inclusion of the provisions of imminent breach.

11. Proposed revision in Total Fees – Fee Dependency: 2 years and 20% threshold for PIE clients; 5 years for non-PIE clients while maintaining the 40% threshold.
12. Insertion of new independence provisions like Non acceptance of Audit of PIE where Non-Assurance Service of same entity was done prior etc.
13. Change in definition of Public Interest Entity (PIE) to include entity one of whose main functions is to take deposits from the public.
14. Change in Section 511 (Loan to audit clients) to include materiality quantified to be Rs. 5 lakhs
15. Reference to revised Networking guidelines by ICAI
16. Changes in Non assurance services to Audit Clients to follow a consistent structure. Includes additional prohibitions for Public Interest Entities in cases involving a self-review threat.
17. Changes in definition like “Engagement Quality Reviewer”, “Engagement team”, “Confidential information”, “responsible party” etc.
18. Other structural , consequential and miscellaneous changes

Changes : Volume-II

The 12th edition of ICAI Code of Ethics had been issued w.e.f 1.7.2020 in three volumes as under:-

- Volume-I : It represents the part as aligned with the 2018 edition of the International Code of Ethics issued by the IESBA.
- Volume-II : Contains provisions based on domestic laws, regulations, and guidelines, opinions issued by the Council and other authorities from time to time.
- Volume-III: Case Laws Referencer.

The Institute recommends amendments in Volume-II of Code of Ethics , which are being brought vide this communication as under:-

- 19.Changes resulting from amendments to the CA, CS, CWA (Amendment) Act, 2022, particularly in Sections 6, 8, 20, 24, 25, 26, Clause (9) of Part I of the First Schedule to the Act, and newly inserted Clause (5) of Part II of the Second Schedule to the Act.
- 20.Guidelines issued by the Council, mentioned in 12th edition of Volume-II of Code of Ethics to be separate publication as Volume III of the Code of Ethics.

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21. Revisions in the commentary to the chapter 1 on the authority attached to documents based on changes brought vide the respective Committees of the Institute.
22. Changes "Management Consultancy and Other Services" issued by Council under Section 2(2)(iv) of the CA Act, 1949 to include services of Forensic Accounting, Research Analyst, Social Impact Assessment and Evaluation, Artificial Intelligence, etc.
23. Changes in the commentary to Clause (4) of Part I of the First Schedule for permission for CAs in practice to form partnerships with other professionals under IPE/RVE.
24. Changes in commentary on Clause (6) of Part I of the First Schedule of the Chartered Accountants Act 1949 for certain permissions for mentioning CA Firm name in certain eventualities.
25. Changes in commentary on Clause (7) of Part I of the First Schedule of the Chartered Accountants Act 1949 with regard to event sponsorship and permission to conduct of Webcast by members/CA firm , etc.
26. Amendments to the commentary on Clause (8) of Part I of the First Schedule of the Chartered Accountants Act, 1949 to include speed post with acknowledgment due, etc.
27. Additional commentary in amended Clause (9) of Part I of the First Schedule to the Act, and newly inserted Clause (5) of Part II of the Second Schedule to the Act.
28. Changes to Clause (10) of Part I of the First Schedule of the Chartered Accountants Act, 1949 to permit quoting or accepting audit fees based on a percentage or range of turnover.
29. Removal of the commentary to Clause (11) of Part I of the First Schedule which elaborated entry to s.n. (iv) of permission granted specifically in Appendix(9) to CA Regulations, 1988 i.e *"Interest in family business concern or concern in which interest has been acquired as a result of relationship and in the management of which no active part is taken."*
30. Changes in Council Guidelines for Advertisement, 2008 to make them more contemporary, including inclusion of "Contemporary form," "Directories," in the definition of "Write-up.", removal of limit of font size and the requirement to mention membership number/FRN.
31. Amendments to the Website Guidelines to align them with present times, and making the same applicable to recognised domestic networks also.
- 32.. Changes in Appendix (9) of the Chartered Accountants Regulations, 1988 permitting additional business/occupation activities, dispensing with the category of specific permission, and with reference to intimation in case of certain activities, and relaxation in entitlement to attest functions in certain cases.
33. Revision in the definition of "Relative" under Appendix (9) of the Chartered Accountants Regulations, 1988 to include financial dependents.
34. Relevant changes in the Appendices. New CA Logo Guidelines.

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35. Other drafting changes and consequential amendments

Changes: Volume-III

36. Guidelines issued by the Council, mentioned in 12th edition of Volume-II of Code of Ethics to be separate publication as Volume III of the Code of Ethics. The hitherto applicable Volume-III (Case Laws Referencer) will be a separate publication, apart from the Code of Ethics.
37. Change in terminology of 'Council General Guidelines, 2008' to 'Guidelines on Ethical Issues, 2025.
38. Changes in Guidelines on Ethical Issues, 2025 to mention exemptions to indebtedness, increasing limit of indebtedness to Rs. 5 lacs from 1 lac, covering insolvency proceedings as exemption to non-acceptance of Audit in case of pending audit fees, threshold for Chapter Appointment as Statutory auditor increased to Rs. 250 crores. etc, Change in limit of Specified number of audit assignments to 40 companies.
39. Addition of two new chapters under the Guidelines on Ethical Issues, 2025: Minimum fees in respect of professional fees; Non-payment of undisputed audit fees.
40. Revisions to the guidelines for letterheads and visiting cards of elected representatives.
41. Amendments to the Guidelines for Practice in Corporate Form to include services such as forensic accounting, administrative services, research analysis recognized by a regulator, social impact assessment and evaluation, CSR impact, business responsibility and sustainability reporting, and artificial intelligence and permitting the development of websites, subject to requisite amendments.
