



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

Ethical Standards Board
The Institute of Chartered Accountants of India
29th September, 2022

ANNOUNCEMENT

Re. : Applicable date of certain deferred provisions of Volume-I of Code of Ethics, 2019.

As the members are aware, the revised 12th edition of Code of Ethics had come into effect from 1st July, 2020. It is accessible on www.icai.org at the following links: -

Code of Ethics Volume – I

<https://resource.cdn.icai.org/55133CodeofEthics-2019.pdf>

Code of Ethics Volume – II

<https://resource.cdn.icai.org/60018code-of-ethics-2020vol2.pdf>

Code of Ethics Volume –III (Case Laws Referencer)

<https://resource.cdn.icai.org/59111esb48239.pdf>

It may further be recalled that the applicability of following provisions of Volume-I of Code of Ethics, 2019 was deferred due to situations prevailing due to Covid and to ensure effective adoption and implementation by the membership at large (Ref. Announcement dt. 31.03.2022 <https://bit.ly/3d6YETG>): -

1. Responding to Non-Compliance with Laws and Regulations (NOCLAR)
[Sections 260 and 360]

2. Fees - Relative Size
[Paragraphs 410.3 to R410.6]

3. Tax Services to Audit Clients
[Subsection 604]

The Council at its 413th meeting held in August, 2022 decided the above-mentioned deferred provisions contained in Volume-I of Code of Ethics, 2019 which have been deferred from 1st July, 2020 till 30th September, 2022 will be made applicable **from 1st October 2022 with certain amendments.**

The significant amendments are as under: -

S. No.	Existing provision	Revised provision
Fees - Relative Size [Paragraphs 410.3 to R410.6]		
1.	Disclosure is required where for two consecutive years, the gross annual professional fees from audit client represent more than 15% of the total fees of the firm.	Differentiated disclosure requirements:- For non Public Interest Entities (PIE)- Disclosure is required where for two

		consecutive years, the gross annual professional fees from an audit client represent more than 40% of the total fees of the firm. For public interest entities- Disclosure is required where for two consecutive years, the gross annual professional fees from an audit client represent more than 20% of the total fees of the firm.
2.	Exemption from applicability of the provision where total Fees received by Firm does not exceed 5 lacs of rupees.	Exemption from applicability of the provision where total Fees received by Firm does not exceed 20 lacs of rupees.
3.	Exemption from the applicability of the provision in the case of audit of government Companies, public undertakings, nationalised banks, public financial institutions or where appointments of auditors are made by the Government.	In addition to these categories, 'Regulators' has been added.
4.	Disclosure to Those Charge with Governance of audit client	Disclosure to the Institute
5.	Pre-Issuance review or Post issuance Review: Action to be taken to address the threat created due to fees dependency as aforesaid.	Repealed
Tax Services to Audit Clients [Subsection 604]		
6.	In case of Assistance in the resolution of Tax disputes, the term "Court" is explained as under: - "What constitutes a "Court" depends on how tax proceedings are heard in India"	In case of Assistance in the resolution of Tax disputes, the term "Court" is explained as under: - "For the purpose of this subsection, "Court" does not include a Tribunal".
Responding to Non-Compliance with Laws and Regulations (NOCLAR) applicable to Professional Accountants in service (Section 260)		
7.	Applicable to all employees of listed entities	Applicable to Senior Professional Accountants in service, being employees of listed entities.
8.	Senior professional accountants in service ("senior professional accountants") are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization's human, financial, technological, physical and intangible resources.	No Change. It is further explained that the senior professional accountants refer to key managerial personnel.

Responding to Non-Compliance with Laws and Regulations (NOCLAR) applicable to Professional Accountants in public practice (Section 360)

9.	Applicable to Audit engagement of all listed entities	Applicable to Audit engagements of entities the shares of which are listed on recognized stock exchange(s) in India and have net worth of 250 crores of rupees or more. The applicability of Section 360 will subsequently be extended to all listed entities, at the date to be notified later.
10.	The term "Audit Engagement" defined in Glossary as applicable to entire Code: - "A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with Standards on Auditing. This includes a Statutory Audit, which is an audit required by legislation or other regulation"	No change in definition with respect to rest of the Volume-I of Code of Ethics. "For the purpose of Section-360 "Audit" or "Audit engagement" shall mean a reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements give a true and fair view in accordance with an applicable financial reporting framework".
11.	Measures to be taken in case of imminent breach.	Repealed

The detailed provisions (with amendments) pertaining to Responding to Non-Compliance with Laws and Regulations (Sections 260 and 360), Fees-Relative Size (Paragraphs 410.3 to R410.6) and Tax Services to the Audit Clients (Subsection 604) contained in Volume I of Code of Ethics, 2019 may be accessed at <https://resource.cdn.icai.org/71660esb57664.pdf>

**CA. (Dr.) Jai Kumar Batra
Secretary, ICAI**