

Chapter - 19 "PE and Liabilities of Auditors"

⑩ Council General Guidelines, 2008 : [violation - Professional Misconduct
clause 1, Part II of 2nd schedule]

Chapter - I : Applicability

Chapter - II : Conduct of a member in Service (Due Diligence - No Gross Negligence)

Chapter - III : Omitted

Chapter - IV : Omitted

Chapter - V : Maintenance of Books of account (Practicing CA - CASH Book and LEDGER)

Chapter - VI : Specified no. of tax audit assignments:

(Form No. 3CA/3CB + 3CD)

↓
Individual CA / Prop. firm of CA



60

↓
Partnership firm - CAs



60 per partner

Notes: (1) Audits conducted u/s 44AD, 44ADA and 44AE - not considered

(2) Audit of H.O. + ≥ 1 Branch of same Entity = 1 Audit

(3) Audit of H.O. only (No Branch) = 1 Audit

(4) Audit of ≥ 1 Branch(es) only of same Entity = 1 Audit

Imp: (5) In case of a firm of CAs, tax audit reports can be signed by any partner on behalf of the firm.

Example: If there are 6 partners in a firm and firm is having 360 audits, a single partner can sign all 360 tax audit reports, on behalf of the firm.

Chapter VII: Non payment of Undisputed Audit Fees:

- A Practising CA is not allowed to accept statutory audit of a Entity if undisputed audit fees of predecessor auditor is unpaid.
- However, audit can be accepted in case of sick units.
- Sick unit: Units regd > 5 years and
Accumulated losses at end of FY > NW.

Audit office for FY 23-24
31.03.2023 - Acc-ta-2022
NW - 18 cr
Unit > 8 year

Example:

Mr. X appointed as auditor in place of Mr. R

No Prior Communication
by Mr. X before accepting
the audit

Prior Communication by Mr. X before acceptance
of audit

Response of Mr. R

Non payment of
Undisputed Audit
fees

Non-compliance of
Sec. 139 and 140 of
Companies Act, 2013

Non payment of
Disputed audit
fees

Sick
unit

Not a Sick
Unit

①

② Mr. X accepted
audit

③ Mr. X accepted
Audit

④ Mr. X accepted
audit

⑤ Mr. X accepted
audit

Professional
Misconduct

No
Misconduct

Professional
Misconduct

Professional
Misconduct

No
Misconduct

cl. 8, P-I, S-I

cl. 1, P-II, S-2 (ch VII)

cl. 9, P-I, S-1

Chapter VIII: Specified no. of audit assignments in case of a company:

For Individual CA / Prop. firm of CA

30 Audits

For Partnership firm - CAs

30 Audit Per Partner

Note: While computing 30 audit assignments, audit of private companies shall be included with exception of OPC and Dormant Companies.

Note: As per Sec. 141(3)(g) of Companies Act, 2013, specified no. is 20 that does not include: OPC

- Small Co.
- Dormant Co.

- Pvt. Co having PUC < 100 Cr.

Companies Act, 2013

CA = 20 - Exclusion - OPC

- Small Co.

- Dormant Co.

- Pvt. Co. PUC < 100 Cr.

[Sec. 137(1) - default]

C.G.G., 2008

CA - 30 - Exclusion - OPC

- Dormant Co.

20 + Small Co. + Pvt. < 100 Cr. = 30

Note: Record of Audit Assignment:

Practising CA / Firm of CAs, shall maintain a record of audit assignments, including the following:

- (1) S.No.
- (2) Name of Company
- (3) Regn. No. of Company.
- (4) Date of Appointment
- (5) Date of Acceptance

Ex: CA X is doing audit of 30 small companies; how much audit he can accept in addition and of which companies → OPC and Dormant Co - Unlimited

Under the provisions of Companies Act, 2013 →

20 → Companies [Other than OPC, Small Co. Dormant, Pvt. PUC < 100 Cr.]

Unlimited -

Chapter IX: Acceptance of Audit in case of certain entities:

A member in practice/^{Firm of CAs} shall not accept statutory audit, in case of PSU / Govt. Companies / Listed Companies and Other Public Companies having Tlo \geq 50 Crores in a year

↓ if

he is rendering 'Other work' or 'Services' to that entity at a remuneration which is higher than the fees payable for the audit.

(i.e. Audit fees \gt fees for 'other work' or 'Services')
↓

Management Consultancy and other Services prescribed u/s 2(a)(iv).

Note: Statutory Auditor of a company cannot render certain 28 services (as prescribed u/s 144 of Companies Act, 2013) to the company, its subsidiary or holding; directly or indirectly.

Chapter X: Acceptance of audit in case of indebtedness:

A practicing CA shall not accept audit of an Entity in which he is indebted or provide any guarantee or security, for amount (a) as prescribed by law under which audit is to be conducted; or (b) ₹ 1,00,000 (if no provision exist in the law).

	x Utd.	NIL	70000	20	50
J. tax	✓	x	x	x	x
C. law	✓	✓	✓	✓	x

[Note: Allowed limit for Indebtedness - under company law - ₹ 5 lakh
- " J-tax law = Nil
- Others = ₹ 1 lakh]

Chapter XI: Directions in case of unjustified removal of auditor:

Incoming auditor shall comply with the directions given by the Council of ICAI.

Chapter XII : Minimum scale of fees : - Repealed -

Note: Committee of ICAI, prescribed a scale of minimum fees for members in practice, which is recommendatory in nature.

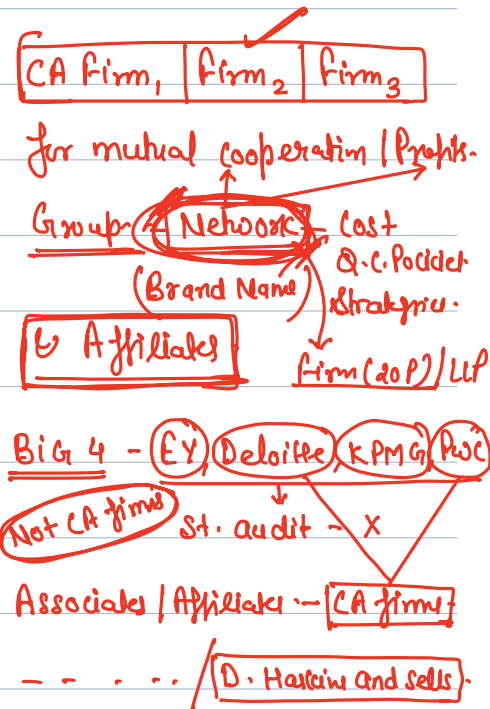
Chapter XIII : Guidelines on tenders : Already covered under clause 6 of Part I of First Schedule.

Chapter - XIV : UDIN: A member in practice shall generate UDIN for all kinds of Certification, Tax Audit Reports and Other Audits, Assurance and Attestation functions undertaken (Signed by him).

Chapter XV : Guidelines for Networking:

A Network is a larger structure that is aimed at co-operation and aimed at Profit; or aimed at sharing of:

- Cost
- Ownership, Control and Management;
- Quality Control Policies;
- Business Strategies;
- Brand Name; or
- Significant Professional Resources.



Note: - A larger structure that is aimed only at facilitating referral of work; does not create a network.

- Sharing of immaterial cost does not itself create a network.
- Sharing of audit methodology or audit tools will not be considered as significant

Professional Resources.

Forms of Network: (a) Network can be constituted as a Partnership firm (upto 20);
LLP or Company.

(b) A firm is allowed to join only One Network.

(c) Firms having Common partners shall join only One Network.

N_1 - FIRM₁ - A, B, C - N₁ *

N_2 - FIRM₂ - A, B, C, D, E - N₂ *

N_3 - FIRM₃ - B, D, E - N₃

YES

NO

Name/Regn. of Network: (a) The words " and Affiliates " shall be used after
name of network.

(b) Registration of network with the Institute is
mandatory.

Ethical Compliance: - Network shall comply with all relevant ethical
requirements prescribed by ICAI in General.
- Network shall comply ethical requirements, in particular,
in cases, where rotation of firms is prescribed, that

↓

no member firm of network should accept appointment
as an auditor in place of any member firm of
network, which is retiring.

(Similar restriction placed under Rule 6 of
Companies (Audit and Auditor's) Rules, 2014)

Chapter XVI: Logo Guidelines:

CA

- Members are encouraged to use common logo prescribed by ICAI.
- Do not change the design, colours including white background.
- Refrain from rotating or tilting the logo.

Chapter XVII: Guidelines for Corporate Form of Practice:

Members in practice are allowed to hold the office of MD, WTD or Manager of a Body Corporate provided it is exclusively engaged in providing [management consultancy and other services] permitted by the Council in pursuance of Sec. 2(2)(iv) and complies with following conditions:

- (i) Management Consultancy Company ^(MCC) shall have a distinct name, approved by the Institute.
- (ii) After approval of name and registration under Companies Act, 2013, MCC shall be regd. with Institute.
- (iii) MCC shall give an undertaking that it shall comply with clause (6) and (7) of Part I of First Schedule.
- (iv) If Member/Firm is statutory auditor of an entity, MCC shall not accept Internal audit, book keeping and other prohibited assignments.

Ex: Mr. A ————

[A and Associates]	→ Assurance function
[AX MCC (P) Ltd.]	→ Mngt. Consultancy and other
[Mr. A - M.O.]	Service

(11) Council Guidelines for Advertisement, 2008: - Recorded video -

(12) Self Regulatory Measures:

(1) Branch Audit: Should not be conducted by st. auditors (> 10 Members)
Should be conducted by local firm (< 10 Members).

(2) Joint Audit: Large Companies - Joint Audit by firms < 5 Members

(3) Ratio between Qualified and Unqualified Staff: 1:5

(4) Disclosure of fees to ICAI

In case of Public Int. Entities PIF

(Listed Entities, bank, Ins. Co.)

↓ Disclosure is required if
for 2 consecutive years

↓
Gross annual professional fees from an audit client $> 20\%$ of total fees of firm

Other Entities

↓
Disclosure is required if
for 2 consecutive years

annual ↓
Gross P. fees from an audit client. $> 40\%$ of total fees of firm.

Exception: - If total fees recd. by firm ≤ 20 lakh.

- Audit of Govt. Companies, Public undertakings, nationalised banks, PFI or regulators.

- Appointment of auditor by Govt.

Ex. Total fees 15 lakh - Single listed Co - 4 lakh = No disclosure

Total fees 25 lakh - State Bank of India - 6 lakh = " "

- ICICI Bank (P.I.E.) - 4.5 lakh = " " ($< 20\%$)

Total fees 1 Cr. - X Ltd. - 41 lakh = Disclosure required
(Unlisted Co.) (No PIF - $> 40\%$)