

ICAI guidelines for auditors

The audit and certification season has already commenced. Three Important points to be noted as below while signing the financial statements for the year ending 31.03.2021

1. This is to kindly bring to your notice that a recent guideline has come from Disciplinary Committee of ICAI. As per Section 410.7 sub clause A1 of The ICAI Act,1949 an Auditor can not sign the Audit Report of any assessee if there is any audit fee pending for previous years as on the date of audit report signing.

This is due to the reason that in spite of the pending Audit Fees, the Auditors used to sign the Audit Report. In such a case the auditor would be treated as related party of the assessee under section 511 which will instigate disciplinary action on the CA as well as on the CA firm signing such balance sheet.

2. The Institute has been receiving queries from the members as to whether Statutory Auditor of a Company can give feedback of the said Company to the Credit Rating Agencies (CRAs).

It is hereby clarified that under the provisions of Chartered Accountants Act,1949 it is not permissible to members to share client information with the CRAs, except if permitted by the Auditee client.

3. The Institute of Chartered Accountants of India (ICAI) has clarified that there is NOT a bar in the revised Code of Ethics on acceptance of more than 15% fees from a single client.

The ICAI clarified that there is NOT a bar in the revised Code of Ethics on acceptance of more than 15% fees from a single client. There is the only requirement of disclosure, and taking safeguards prescribed therein, if the total gross annual professional fees from the audit client and its related entities represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements of the client for two consecutive years. Accordingly, the Audit may be continued while taking safeguards as mentioned in the said Paragraph.

The rule applies ONLY where such Fees are received from an AUDIT CLIENT.

The ICAI further clarified that this rule would not apply in case of audit of Government Companies, public undertakings, nationalized banks, public financial institutions, or where appointments are made by Government; OR where the total gross annual fees of the Firm does not exceed five lakhs of rupees.