

## Documentation is Key to Revised Code of Ethics

‘Documentation is the key’ - and the revised set of Code of Ethics announced by ICAI has followed this theme at every node (right from accepting the client, to execution to conclusion of professional services), while making all such requirements **MANDATORY from RECOMMENDATORY** (the earlier regime) for the members.

When change becomes inevitable, we must get set and ready to change to adapt the new environment. As it generally goes that “we can't change the direction of the wind, but can always adjust our sails to reach the destination” – more particularly when the change is for good and fulfills the expectation of the stakeholders. It will also help our community to face various challenges thrown open, by this more regulated business and economic environment in the country.

Now, to stay afloat with the changed scenario across the world, particularly in terms of accountability of auditors and transparency in their operations, the ICAI has also strived to handhold its members in keeping up to these requirements by reforming the Code of Ethics, in line with provisions of International Federation of Accountants (IFAC) and International Ethical Standards Board for Accountants (IESBA).

The gist of documentation to be focused by the PU's (Practice units), effective as on 1<sup>st</sup> July, 2020, is given below for your quick reference –

1. Know Your Client (KYC) norms.
2. Communication with Previous CA.
3. Identification and evaluation of any threats\* at the time of, or after, acceptance of client/work and the manner/ safeguards for addressing the same.
4. Identification of any personal, financial or other conflict of interests between the firm/ network firm, partners and the client/ particular work engagement, with evaluation of impact and specific safeguards addressing the same.
5. In case of unpaid fees outstanding for long, basis of continuing the work and not considering it as equivalent to loan.
6. Identification of non-assurance services to the client, evaluating any threats to independence and addressing the same.
7. Periodical review of client relationships to assess whether to continue or not.
8. Specific requirements under SQC 1 (Standard on Quality Control) and Standards on Auditing, Review and other Assurance Engagements (SA, SRE and SAE).

*\*Threats – Self-interest threats, Self-review threats, Advocacy threats, Familiarity threats and Intimidation threats.*

Therefore, the need of the hour is to embrace this documentation key as a basic function and make it part and parcel of our professional life.

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