

PARLIAMENT OF CEYLON

4th Session 1959-60



Institute of Chartered Accountants Act, No. 23 of 1959

Date of Assent : September 12, 1959

Printed on the Orders of Government

Printed at the GOVERNMENT PRESS, CEYLON. To be purchased at the GOVERNMENT PUBLICATIONS BUREAU, COLOMBO Annual Subscription (including Bills) Rs. 25, payable in advance to the SUPERINTENDENT, GOVERNMENT PUBLICATIONS BUREAU, POST OFFICE BOX 500, SECRETARIAT, COLOMBO 1

Price: 55 cents.

Postage: 20 cents.

L. D.—O. 7/50.

AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF AN INSTITUTE OF CHARTERED ACCOUNTANTS OF CEYLON AND OF A COUNCIL OF THE INSTITUTE WHICH SHALL BE RESPONSIBLE FOR THE MANAGEMENT OF ITS AFFAIRS AND FOR THE REGISTRATION AND CONTROL OF AND THE MAINTENANCE OF PROFESSIONAL STANDARDS AND DISCIPLINE BY PERSONS PRACTISING OR ACTING AS ACCOUNTANTS IN CEYLON AND FOR MATTERS CONNECTED WITH OR INCIDENTAL TO THE MATTERS AFORESAID.

[Date of Assent: September 12, 1959.]

BE it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Representatives of Ceylon in this present Parliament assembled, and by the authority of the same, as follows:—

1. This Act may be cited as the Institute of Chartered Accountants Act, No. 23 of 1959, and shall come into operation on such date (hereinafter referred to as "the appointed date") as may be appointed by the Minister by Order published in the *Gazette*.

Short title
and date of
operation.

ESTABLISHMENT OF INSTITUTE AND MEMBERSHIP.

2. There shall be an Institute with the name "The Institute of Chartered Accountants of Ceylon" (hereinafter referred to as "the Institute").

Establishment
of Institute
of Chartered
Accountants
of Ceylon.

3. (1) The persons for the time being enrolled as members of the Institute shall be a body corporate with the name "The Institute of Chartered Accountants of Ceylon".

Incorporation
of Institute.

(2) The Institute shall have perpetual succession and a common seal and may sue or be sued in its corporate name and may hold, acquire and dispose of any property, movable or immovable.

4. (1) Subject to the provisions of section 15, the following persons shall be eligible for membership of the Institute:—

Eligibility
for member-
ship of
Institute.

(i) a person who passes the qualifying examinations for membership of the Institute to be conducted by the Council under this

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Act and completes practical training of such description and for such period as may be prescribed by the Council;

- (ii) a person who is a member of any society or institute of accountants by whatever name called and approved by regulations made by the Council as being in the opinion of the Council an association of equivalent status to the Institute:

Provided, however, that notwithstanding the approval of any such society or institute the Council may declare that any specified class or description of members of the society or institute shall not be eligible for membership of the Institute;

- (iii) a person who was, at the appointed date, registered as an Auditor under the Companies' (Auditors) Regulations, 1941; and
- (iv) an Accountant and Auditor registered under section 13 who satisfies the requirements specified in regulations made under section 14.

(2) Any regulations made by the Council prescribing practical training for the purposes of paragraph (i) of sub-section (1) may contain such special provision as the Council may deem expedient declaring that a person—

- (a) who had commenced prior to the appointed date and completed or completes, whether prior to or after that date, training of such description and duration as may be specified in the regulations, or
- (b) who has service in a post and who completes training of such description and duration as may be specified in the regulations,

shall be deemed to have completed the training prescribed for the purposes of the aforesaid paragraph (i).

(3) Any regulations made by the Council by which any society or institute is approved for the purposes of paragraph (ii) of sub-section (1) may provide, as a condition of such approval, that a member of such

society or institute shall not be eligible for membership of the Institute of Chartered Accountants of Ceylon, unless he has undergone such training or has acquired such practical experience in the subject of accountancy, as may be specified or described in the regulations.

5. (1) Subject to the provisions of section 15 a person who is eligible for membership of the Institute shall be enrolled as a member upon payment to the Council of a fee of one hundred and twenty-five rupees or such other amount as may be substituted therefor by regulation. Such fee shall be paid to the President of the Council or if the Council has not been constituted to the Registrar of Companies.

(2) The enrolment of a person as a member of the Institute shall be effective until the thirty-first day of December of the year of enrolment; and the enrolment may be renewed annually upon payment to the Council of the prescribed fee in respect of each such renewal.

6. (1) The members of the Institute shall be divided into two classes consisting respectively of Fellows and Associate Members.

Fee for
membership
of Institute.

Classification
of members as
Fellows and
Associates.

(2) Any member of the Institute who satisfies the Council that he has been in continuous practice as an accountant for not less than five years, whether before or after the appointed date, or partly before and partly after that date, shall on application made to the Council in that behalf and on payment to the Council of a prescribed fee be registered by the Council as a Fellow of the Institute and shall be entitled to use the addition " F. C. A. " after his name to indicate that he is a Fellow.

(3) Every member of the Institute who is not registered under sub-section (2) as a Fellow of the Institute shall be an Associate Member and shall have the right to use the addition " A. C. A. " after his name to indicate that he is an Associate Member.

(4) Every member of the Institute shall be entitled to take and use the title " Chartered Accountant ".

THE COUNCIL.

7. (1) There shall be a Council of the Institute, in this Act referred to as " the Council ".

Constitution
of Council.

(2) The Council shall consist of a President and eleven other members appointed or elected as herein-after provided:

Provided, however, that the number of members of the Council other than the President shall, until a Registered Accountant and Auditor is appointed under sub-section (3) to be a member of the Council, be ten.

(3) During the period of five years commencing on the appointed date, the President and the other members of the Council shall be appointed by the Minister, and of the members so appointed—

(a) at least six shall be persons who are members of the Institute, of whom not more than four shall be practising accountants, and

(b) one shall be a Registered Accountant and Auditor.

(4) After the expiration of the period of five years referred to in sub-section (3), the President of the Council shall be elected by the members of the Institute from themselves, and the remaining members of the Council shall consist of—

(a) four members appointed by the Minister,

(b) six members elected by the members of the Institute from among its members, of whom not more than four shall be practising accountants, and

(c) one member elected by the Registered Accountants and Auditors from themselves:

Provided, however, that—

(i) where the Minister fails to appoint, within three months after the expiration of the period of five years referred to in sub-section (3), one or more of the members specified in paragraph (a) of this sub-section, or

(ii) where the Minister fails to appoint, within three months after the death of, or vacation of office by, a member of the Council

appointed under paragraph (a) of this sub-section, another person in place of such member,

the members of the Institute may elect from themselves such number of persons as may be necessary to make up the number of members specified in paragraph (a) of this sub-section.

(5) The elections under sub-section (4) shall be conducted in accordance with such provisions in that behalf as may be made by the Minister by Order published in the *Gazette*.

8. (1) Every member of the Council shall, unless he earlier vacates his office, hold office for a period of two years from the date of his appointment or election:

Term of office of members of the Council.

Provided, however, that the members appointed under sub-section (3) of section 7 and holding office at the expiration of a period of five years from the date referred to in that sub-section shall thereupon vacate office.

(2) A member of the Council shall vacate office by resignation therefrom or if he ceases to be a member of the Institute.

(3) In the event of the death of, or vacation of office by, a member of the Council, another person shall, in accordance with the provisions of section 7, be appointed or elected, as the case may be, in place of such member, and shall hold office during the remaining part of the term of office of such member.

(4) Any member of the Council who vacates office by effluxion of time shall be eligible for re-appointment or re-election as a member.

9. (1) The Council shall be charged with the administration and management of the Institute and shall be responsible for carrying out the provisions of this Act and the functions and duties conferred or imposed upon the Council by this Act.

General powers and duties of Council.

(2) It shall be the duty of the Council—

(a) to conduct or provide for the conduct of the qualifying examinations for membership of the Institute or for registration as a

Registered Accountant and Auditor under this Act and to prescribe or approve courses of study for such examinations;

- (b) to supervise and regulate the engagement, training and transfer of articled clerks;
- (c) to specify the class of persons who shall have the right to train articled clerks, and to specify the circumstances in which any person of that class may be deprived of that right;
- (d) to fix the maximum amount of the premia or fees to be charged from articled clerks and the conditions subject to which such fees are to be charged;
- (e) to maintain and publish a Register of members of the Institute, a Register of persons authorised to practise in Ceylon as Chartered Accountants and a Register of persons authorised to practise in Ceylon as Registered Accountants and Auditors;
- (f) to secure the maintenance of professional standards among persons who are members of the Institute or who are Registered Accountants and Auditors, and to take such steps as may be necessary to acquaint such persons with the methods and practices necessary to maintain such standards;
- (g) to maintain a library of books and periodicals relating to accountancy and to encourage the publication of such books in Ceylon; and
- (h) to encourage research in Ceylon on the subject of accountancy and generally to secure the well being and advancement of the profession of accountants.

**Officers of
the Council.**

10. The Council may appoint a Secretary and such other officers and servants as it may deem necessary.

**Financial
provisions.**

11. (1) The Council shall establish and maintain a fund under its management and control into which shall be paid all moneys received by the Council and out of which shall be met all expenses and liabilities incurred by the Council in carrying out its powers, functions and duties under this Act.

(2) The Council may invest moneys in the fund in any securities issued or guaranteed by the Government of Ceylon or in any other securities approved by the Minister.

(3) The Council may maintain an account in any bank or banks in Ceylon.

(4) The annual accounts of the Council shall be subject to audit by a member of the Institute (not being a member of the Council) in practice as a Chartered Accountant in Ceylon who shall be appointed for the purpose each year by the Council.

(5) As soon as may be after the end of each financial year of the Council, the accounts for the preceding year shall be published in the *Gazette* and copies thereof shall be furnished to the Minister and to each member of the Institute.

(6) As soon as convenient after the appointed date, the Government shall donate to the Council a sum of two hundred thousand rupees.

(7) The Minister of Finance may from time to time decide that a temporary loan shall, subject to such conditions as he may determine, be made to the Council from the Consolidated Fund of Ceylon in order to enable the Council to meet any current liabilities pending the receipt of income by the Council. Any sum which is to be lent to the Council under this sub-section is hereby charged on the Consolidated Fund of Ceylon:

Provided, however, that the total amount of such loans to the Council outstanding at any time shall not exceed ten thousand rupees.

12. (1) The Council may make regulations for or in respect of any matter required or authorised by this Act to be prescribed or of any matter relating to or connected with its powers, functions and duties under this Act or the proper exercise, discharge or performance thereof.

Power to make regulations.

(2) Without prejudice to the generality of the provisions of sub-section (1), the Council may make regulations in respect of all or any of the following matters:—

(a) the summoning and holding of meetings of the Council, the times and places of such meetings and the conduct of business thereat;

- (b) the management of the property of the Council, the custody of its funds and the maintenance and audit of its accounts;
- (c) the election or appointment by the Council of standing or other committees, the powers, functions and duties of such committees, and the conditions subject to which such powers may be exercised and such functions and duties performed;
- (d) the powers, functions and duties of the Secretary and other officers of the Council and the salaries, fees, allowances and conditions of service of such officers and servants;
- (e) the establishment and regulation of a Provident Fund for the benefit of the officers and servants and their dependants or nominees, and the contributions to be made by the Council and by such officers and servants to such Fund;
- (f) the exercise of disciplinary control over officers and servants of the Council;
- (g) the time and manner of the payment of enrolment, registration and renewal fees, the termination of membership upon failure to pay renewal fees and the conditions of restoration to membership in such cases;
- (h) the fees to be paid to the Council by students admitted to the qualifying examinations or for courses of instruction provided by the Council, and the engagement and remuneration of lecturers and examiners; and
- (i) the grant of assistance, whether financial or otherwise, to societies of students.

REGISTERED ACCOUNTANTS AND AUDITORS.

Registered
Accountants
and Auditors.

13. (1) Subject to the provisions of section 15, any person (not being a person eligible for membership of the Institute) who holds any of the qualifications prescribed by the Council for the purposes of this section shall be eligible to be registered as an Accountant and Auditor.

Before the Council prescribes any qualifications for the purposes of this section, the Council—

- (a) shall cause the qualifications proposed to be prescribed to be published in the *Gazette* together with a notice stating that representations regarding such qualifications may be made in writing to the Council on or before the date specified in the notice, and
- (b) shall consider the representations made to the Council.

(2) A person who is under this section eligible to be registered as an Accountant and Auditor shall be so registered upon payment of the prescribed fee.

(3) The registration under this section of a person as an Accountant and Auditor shall be effective until the thirty-first day of December of the year of registration; and the registration shall be renewed annually upon payment to the Council of the prescribed fee in respect of each such renewal.

(4) Every person who is registered under this section as an Accountant and Auditor shall be known as a Registered Accountant and Auditor and shall be entitled to use the addition "R. A." after his name to indicate that he is a Registered Accountant and Auditor.

14. The Council may make regulations specifying the requirements (including, if the Council so determines, the requirement of passing any examination prescribed by the Council for the purpose), subject to which an Accountant and Auditor registered under section 13 will be eligible for membership of the Institute.

Regulations
for admission
of registered
accountants
and auditors
to membership
of Institute.

QUALIFICATIONS FOR ENROLMENT AND REGISTRATION, AND PROVISIONS AS TO DISENROLMENT, ETC.

15. (1) No person shall be enrolled as a member of the Institute or be registered under section 13 as an Accountant and Auditor—

General dis-
qualifications.

- (a) unless he has attained the age of twenty-one years and is either a citizen of Ceylon or has ordinarily resided in Ceylon for a period of not less than three years;

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- (b) if he has been adjudged by a competent court to be of unsound mind;
 - (c) if having been adjudged an insolvent or bankrupt, he has not been granted by a competent court a certificate to the effect that his insolvency or bankruptcy has arisen wholly or partly from unavoidable losses or misfortunes;
 - (d) if he has been convicted by a competent court, whether in Ceylon or elsewhere, of any offence involving moral turpitude and punishable with imprisonment or similar punishment and has not been granted a free pardon.
- (2) The Council shall disenrol any person who is a member of the Institute or shall cancel the registration under section 13 of any person as an accountant and auditor, if he becomes subject to any disqualification mentioned in paragraph (b) or paragraph (c) or paragraph (d) of sub-section (1) of this section:

Provided, however, that such disenrolment or revocation shall not prevent the Council from subsequently re-enrolling or re-registering such person if satisfied that he is fit to practise the profession of an accountant and auditor.

**Disenrolment
or revocation
of registration
for professional
misconduct.**

16. (1) The Council may disenrol any individual who is a member of the Institute, or revoke the registration of a person registered under section 13 as an accountant and auditor, if satisfied that he is unfit to practise the profession of an accountant and auditor by reason that he has been guilty of professional misconduct.

(2) The disenrolment or the revocation of the registration of any person under sub-section (1) shall not prevent the Council from subsequently re-enrolling or re-registering that person, if satisfied that he is fit to practise the profession of an accountant and auditor.

**Inquiries by
Disciplinary
Committees.**

17. (1) The Council shall not, under section 16, disenrol any person or revoke the registration of any person, unless a Disciplinary Committee has, after inquiry, made a report to the Council that the person has been guilty of professional misconduct.

(2) Where the Council has reasonable cause to believe, whether upon complaint made to it or otherwise, that any person who is a member of the Institute or a Registered Accountant and Auditor has been guilty of professional misconduct, the Council may appoint a Disciplinary Committee for the purpose of holding an inquiry into the conduct of that person.

(3) The provisions of the First Schedule to the Act shall apply in relation to the constitution of and the procedure to be followed by Disciplinary Committees appointed under this section, the proceedings at inquiries held by such Committees and the powers exercisable by such Committees.

(4) The Minister may, upon the recommendation of the Council, by Order published in the *Gazette*, amend or alter or add to or revoke any or all of the provisions of the First Schedule.

(5) The provisions of the First Schedule for the time being in force shall be as valid and effectual as if they were herein enacted.

18. In any case where the Council is by section 16 empowered to disenrol any person from membership of the Institute or to revoke the registration of any person, the Council may, in lieu of exercising that power, suspend the person from membership or revoke his registration under section 13, as the case may be, for such period as the Council may deem fit.

Suspension in
lieu of
disenrolment
or revocation of
registration.

19. (1) Any person aggrieved by a decision of the Council under section 16 or section 18 may appeal against that decision to the Supreme Court.

Appeal to the
Supreme Court
from decisions
of the Council
under section 16
or section 18.

(2) Every appeal under sub-section (1) against a decision—

- (a) shall be made by petition in writing bearing a stamp of one rupee;
- (b) shall be preferred within ten days after the date of that decision; and
- (c) shall be heard and decided by a Judge of the Supreme Court after such summary inquiry as that Judge may deem requisite.

20. (1) For the purposes of this Act, "professional misconduct," means any act or omission which is for the time being specified in the Second Schedule to this Act.

Meaning of
"professional
misconduct"

(2) The Minister may, upon the recommendation of the Council, by Order published in the *Gazette*, amend or alter or add to any or all of the provisions of the Second Schedule.

RESTRICTIONS ON PRACTICE AS ACCOUNTANTS.

Restrictions
on practising
as accountant.

21. (1) No person who is a member of the Institute or is a Registered Accountant and Auditor or is a partner of any such firm of accountants as is referred to in sub-section (3) of section 22 shall practise as an Accountant unless he is the holder of a certificate to practise which is for the time being in force.

(2) Every certificate to practise shall be issued by the Council upon payment of the prescribed fee; different fees may be prescribed in respect of Fellows, Associate Members, Registered Accountants and Auditors, and partners of any such firm of accountants as is referred to in sub-section (3) of section 22 respectively.

(3) Every certificate to practise shall be in force until the thirty-first day of December of the year of issue of that certificate, and may from time to time be renewed upon payment of the fee prescribed as provided in sub-section (2).

(4) Where each of the partners in a firm of accountants is the holder of a certificate to practise, no such certificate shall be required to authorize the firm to practise as accountants.

(5) The preceding provisions of this section shall not come into operation until such date as may be fixed by the Minister by Order published in the *Gazette*.

(6) No person who is a Registered Accountant and Auditor shall perform for any company which is not a private company or for any corporation whose capital or a part of whose capital is provided by the Government, any service which involves the auditing or verification of financial transactions books, accounts or records, or the preparation, verification, or certification of financial accounting and related statements.

(7) Where all or any of the partners of a firm of accountants are not citizens of Ceylon and are not qualified to be members of the Institute by reason of the fact that they have not ordinarily resided in Ceylon

for a period of not less than three years, then, if the number of partners who are not such citizens and are not so qualified is increased by the admission to that firm of a partner who is not a citizen of Ceylon and who has not ordinarily resided in Ceylon for a period of not less than three years, that firm shall not practise as accountants.

RESTRICTIONS AS TO USE OF TITLES, ETC.

22. (1) No person, not being a member of the Institute, shall take or use the title "Chartered Accountant", or any addition mentioned in section 6.

(2) Notwithstanding anything in sub-section (1), any firm of accountants, each of the partners of which is a member of the Institute, may take and use the title "Chartered Accountants".

(3) Notwithstanding anything in sub-section (1), any firm of accountants all or any of the partners of which are not citizens of Ceylon and are not qualified to be members of the Institute by reason of the fact that they have not ordinarily resided in Ceylon for a period of not less than three years may, if that firm was in practice on the ninth day of February, 1959, take and use the title "Chartered Accountants".

(4) No person, not being a person for the time being registered under section 13, shall take or use the title "Registered Accountant and Auditor".

(5) Notwithstanding anything in sub-section (4), any firm of Accountants, each of the partners of which is an Accountant and Auditor registered under this Act, may take and use the title "Registered Accountants and Auditors".

MISCELLANEOUS PROVISIONS.

23. (1) Any person who contravenes any provision of this Act shall be guilty of an offence and shall be liable, on conviction after summary trial before a Magistrate, to imprisonment of either description for a term not exceeding six months or to a fine not exceeding one thousand rupees or to both such imprisonment and fine.

Restrictions as
to use of titles
conferred under
this Act.

Offences and
Penalties.

(2) Any person who is declared by any rule in the First Schedule to be guilty of an offence under this Act shall be liable, on conviction after summary trial before a Magistrate, to a fine not exceeding five hundred rupees.

(3) No prosecution for any offence under this Act shall be instituted except by a member or officer of the Council authorized in writing for the purpose by the Council.

Meaning of
"practise".

24. (1) For the purposes of this Act, a person shall be deemed to practise as an accountant if, in consideration of remuneration received or to be received, and whether by himself or in partnership with any other person, he—

- (a) engages himself in the practice of accountancy or holds himself out to the public as an accountant; or
- (b) offers to perform or performs service involving the auditing or verification of financial transactions books, accounts or records, or the preparation, verification, or certification of financial accounting and related statements; or
- (c) renders professional service or assistance in or about matters of principle or detail relating to accounting procedure or certification of financial facts or data; or
- (d) renders any other service which may be declared by the Council by regulation to be service constituting practice as an accountant.

(2) A person who is the salaried employee of the Government or of any one employer shall not, by reason only that he does any act referred to in sub-section (1) in his capacity as such employee, be deemed to practise as an accountant.

Transitional
arrangements.

25. Notwithstanding anything in the preceding sections of this Act, the following provisions shall apply in relation to the first enrolment of members of the Institute and the constitution of the first Council to hold office under this Act:—

(1) As soon as may be after the appointed date, the Minister shall in terms of sub-section (3) of section 7 appoint a person to be the President of the Council.

(2) The President shall, by notice published in the *Gazette* and in at least two daily newspapers circulating in Ceylon, call upon persons eligible for membership of the Institute to make application therefor.

- (3) The President shall, subject to the provisions of sections 5 and 15, enrol as members of the Institute all persons eligible for such membership who make application in that behalf within the period of three months immediately succeeding the appointed date.
- (4) The names of the persons enrolled under paragraph (3) of this section shall be presented to the Minister for the purpose of enabling him to make the other appointments for which provision is made in sub-section (3) of section 7.
- (5) As soon as may be after all appointments are made, the Minister shall by Order published in the *Gazette* specify the date on which the first Council established under this Act shall commence to hold office.

FIRST SCHEDULE.

(Section 17).

RULES AS TO INQUIRIES BY DISCIPLINARY COMMITTEES

1. For the purposes of any inquiry to be held under section 17 of the Act, the Council shall appoint, by drawing lots if the Council so determines, three persons from among its members to constitute a Disciplinary Committee, and shall appoint one of them to be Chairman of the Committee.

2. (1) The Council shall cause a statement to be prepared setting out the charges to be investigated by the Disciplinary Committee, and the Secretary shall transmit a copy of the statement to each member of the Committee and to the person whose conduct is the subject of the investigation.

(2) Where the inquiry is to be held in consequence of a petition or complaint alleging misconduct by any person, the Secretary of the Council shall in addition transmit a copy of that petition or complaint to that person and to each of the members of the Disciplinary Committee.

3. (1) The Secretary of the Council shall give notice of the first date fixed for the inquiry to the person whose conduct is the subject of the investigation. Every such notice shall, at least fourteen days before the date fixed for the inquiry, be delivered by hand at, or sent through the post by registered letter addressed to, the last known place of residence of that person.

(2) Where any person to whom a notice has been given under paragraph (1) fails to appear in person or is not represented by counsel, the inquiry may be held by the Disciplinary Committee in his absence.

(3) Notice of any date to which the inquiry may be adjourned shall be given by the Committee personally to the person whose conduct is the subject of inquiry or be given in manner provided in paragraph (1).

4. (1) If the Council is of the opinion that the evidence of any person, or the production by any person of any document, is necessary to enable any matter to be investigated by a Disciplinary Committee, the Council shall direct the Secretary of the Council to require the attendance of that person, or the production by that person of such document, at such time and place as may be specified in a notice which shall be delivered by hand at, or sent through the post by registered letter addressed to, the last known place of residence of that person.

(2) Where any person who has been served with a notice under paragraph (1), fails, without reasonable cause, to attend or to produce any document, as the case may be, at the time and place specified in the notice, he shall be guilty of an offence under the Act.

(3) The Secretary for the time being of the Council shall be the Secretary of every Disciplinary Committee and every notice issued under these rules shall be signed by him.

(4) A Disciplinary Committee shall have power to administer oaths or affirmations to all persons who are required to give evidence before such Committee, and every person who refuses to be sworn or affirmed, or to answer such questions as may be put to him concerning any matter in respect of which the inquiry is held, shall be guilty of an offence under the Act.

(5) Every person who upon examination upon oath or affirmation before a Disciplinary Committee wilfully gives false evidence shall be guilty of an offence under the Act.

(6) Any person whose conduct is the subject of investigation at an inquiry or who is in any way concerned or implicated in such inquiry may be represented by one or more advocates or proctors at the inquiry.

(7) The Council may authorize any advocate or proctor to assist the Disciplinary Committee as to the leading and taking of evidence.

(8) Every inquiry held by a Disciplinary Committee shall, unless the Council otherwise determines in any case, be held *in camera*.

(9) Any question before a Disciplinary Committee shall be determined by the decision of the majority of the members of that Committee.

(10) Upon the conclusion of an inquiry, the Disciplinary Committee shall prepare and transmit to the Council a report embodying the findings on the matters in respect of which the inquiry was held.

SECOND SCHEDULE.

(Section 20).

A. Each of the following acts on the part of a Chartered Accountant shall constitute professional misconduct:—

(1) allowing any other person to practise in his name as a Chartered Accountant unless such person is also a Chartered Accountant and is in partnership with or employed by himself;

(2) entering into partnership with any person other than a Chartered Accountant or securing, either through the services of a person not qualified to be a Chartered Accountant or by means which are not open to a Chartered Accountant, any professional business; and

- (3) engaging in any business or occupation other than the profession of Chartered Accountant unless permitted by the Council so to engage:

Provided, however, that nothing contained herein shall disentitle a Chartered Accountant from being a director of a company, unless he or any of his partners is interested in such company as an auditor.

B. Each of the following acts or omissions on the part of a Chartered Accountant or a Registered Accountant and Auditor shall constitute professional misconduct:—

- (1) paying or allowing or agreeing to pay or allow, directly or indirectly, to any person, other than a member of the Institute, a Chartered Accountant or Registered Accountant and Auditor or a retired partner or a nominee or the legal representative of such partner, any share, commission or brokerage out of the fee or profits for his professional services;
- (2) accepting or agreeing to accept any part of the profits of the professional work of a lawyer, auctioneer, broker or other agent who is not a Chartered Accountant or a Registered Accountant and Auditor;
- (3) soliciting clients or professional work either directly or indirectly, by circular, advertisement, personal communication or interview or by any other means;
- (4) advertising his professional attainments or services;
- (5) disclosing information acquired in the course of his professional engagement to any person other than his client, without the consent of his client, or otherwise than as required by any law for the time being in force;
- (6) accepting a position as auditor previously held by another Chartered Accountant or Registered Accountant and Auditor without first communicating with him in writing;

- (7) accepting an appointment as auditor of a company without first ascertaining from it whether the requirements of the Companies Ordinance, No. 51 of 1938, relating to the appointment of auditors have been duly complied with;
- (8) certifying or submitting in his name or in the name of his firm a report of an examination of financial statements unless the examination of such statements and the related records have been made by him or by a partner or an employee in his firm;
- (9) permitting his name or the name of his firm to be used in connexion with an estimate of earning contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast;
- (10) expressing his opinion on financial statements of any business or any enterprise in which he, his firm or a partner in his firm has a substantial interest, unless he discloses the interest also in his report;
- (11) charging in respect of any professional employment fees which are based on a percentage of profits or which are contingent on results;
- (12) failing to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary to make the financial statement not misleading;
- (13) failing to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity;
- (14) gross negligence in the conduct of his professional duties;
- (15) failing to obtain sufficient information to warrant the expression of an opinion;

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- (16) failing to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances;
- (17) failing to keep moneys of his client in a separate banking account or to use such moneys for purposes for which they are intended; and
- (18) including in any statement, return or form to be submitted to the Council any particulars knowing them to be false.

C. Notwithstanding anything to the contrary in paragraph A or paragraph B of this Schedule, a Chartered Accountant or a Registered Accountant and Auditor shall not be guilty of professional misconduct by reason only of any of the following acts:—

- (1) entering into or being in partnership with any person outside Ceylon who is a member of a society or institute of accountants of the description specified in section 4 (1) (ii) of the Act;
- (2) securing professional business by reason of such partnership;
- (3) allowing such partnership to be carried on in his name;
- (4) paying or allowing or agreeing to pay or allow to any such partner any share out of the fees or profits for professional services.