

EXPOSURE DRAFT

ICAI CODE OF ETHICS, VOLUME-III, 2025

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Issued by

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

New Delhi

1. GUIDELINES ON ETHICAL ISSUES, 2025

(Issued under Section 15 (2) (fa) of The Chartered Accountants Act, 1949)

Chapter I

Preliminary

1.0 Short title, commencement, etc.

- (a) These Guidelines have been issued by the Council of the Institute of Chartered Accountants of India under the provisions of The Chartered Accountants Act, 1949, as amended by The Chartered Accountants, The Cost and Works Accountants and The Company Secretaries (Amendment) Act, 2022
- (b) These Guidelines be called the 'Guidelines, on Ethical issues, 2025'.

1.1 Definitions

1.1.1 For the purpose of these Guidelines:

- (a) 'Act' means the Chartered Accountants Act, 1949.
- (b) "Chartered accountant" means a person who is a member of the Institute.
- (c) "Council" means the Council of the Institute constituted under section 9 of the Act.
- (d) "Institute" means the Institute of Chartered Accountants of India constituted under the Act.

1.1.2 All other words and expressions used but not defined herein have the same meaning as assigned to them within the Chartered Accountants Act, 1949 and the Rules, Regulations and Guidelines made there under.

1.2 Applicability of the Guidelines

These guidelines shall be applicable to all the Members of the Institute whether in practice or not wherever the context so requires.

Chapter II

Conduct of a Member being an employee

2.0 A member of the Institute who is an employee shall exercise due

diligence and shall not be grossly negligent in the conduct of his duties.

Chapter III

Maintenance of books of account

- 3.0** A member of the Institute in practice or the firm of Chartered Accountants of which he is a partner, shall maintain and keep in respect of his / its professional practice, proper books of account in electronic or physical form.
- 3.1** The minimum requirements for maintenance of books of account are:
- - (i) a Cash Book;
 - (ii) a Ledger.
 - (iii) Bill Register

¹Chapter IV

Tax Audit assignments under Section 44 AB of the Income Tax Act, 1961

- 4.0** A member of the Institute in practice shall not accept, in a financial year, more than the “specified number of tax audit assignments” under Section 44AB of the Income Tax Act, 1961.

Provided that in the case of a firm of Chartered Accountants in practice, the “specified number of tax audit assignments” shall be construed as the specified number of tax audit assignments for every partner of the firm.

Provided further that where any partner of the firm is also a partner of any other firm or firms of Chartered Accountants in practice, the number of tax audit assignments which may be taken for all the firms together in relation to such partner shall not exceed the “specified number of tax audit assignments” in the aggregate.

Provided further that where any partner of a firm of Chartered

¹ * This Chapter IV shall be continue to be valid till 31st March 2026. The revised guidelines issued vide Notification dt. 25th July, 2025 No. F.1-CA(7)/234/2025 will come into effect from 1st April ,2026 onwards.

Accountants in practice accepts one or more tax audit assignments in his individual capacity, the total number of such assignments which may be accepted by him shall not exceed the “specified number of tax audit assignments” in the aggregate.

Provided also that the audits conducted under Section 44AD, 44ADA² and 44AE of the Income Tax Act, 1961 shall not be taken into account for the purpose of reckoning the “specified number of tax audit assignments”.

4.1 Explanation:

For the above purpose, “the specified number of tax audit assignments” means -

- (a) in the case of a Chartered Accountant in practice or a proprietary firm of Chartered Accountant, 60³ tax audit assignments, in a financial year, whether in respect of corporate or non-corporate assesses.
- (b) in the case of firm of Chartered Accountants in practice, 60⁴ tax audit assignments per partner in the firm, in a financial year, whether in respect of corporate or non-corporate assesses.

- 4.1.1** In computing the “specified number of tax audit assignments” each year’s audit would be taken as a separate assignment.
- 4.1.2** In computing the “specified number of tax audit assignments”, the number of such assignments, which he or any partner of his firm has accepted whether singly or in combination with any other Chartered Accountant in practice or firm of such Chartered Accountants, shall be taken into account.
- 4.1.3** The audit of the head office and branch offices of a concern shall be regarded as one tax audit assignment.
- 4.1.4** The audit of one or more branches of the same concern by one Chartered Accountant in practice shall be construed as only one tax audit assignment.
- 4.1.5** A Chartered Accountant being a part time practicing partner of a firm

² As inserted by the Council pursuant to decision at its 368th Meeting held on 10th to 12th Aug., 2017 (Section 44AF, earlier appearing, was repealed).

³ As amended by the Council at its 331st Meeting held on 10th to 12th February, 2014.

shall not be taken into account for the purpose of reckoning the tax audit assignments of the firm.

- 4.1.6** A Chartered Accountant in practice shall maintain a record of the tax audit assignments accepted by him in each *assessment*⁴ year in the format as may be prescribed by the Council.
- 4.1.7** The limit on number of tax audit assignments per partner in a CA Firm may be distributed between the partners in any manner whatsoever. However, it should be in accordance with the Standard on Quality Control (SQC) 1: Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.⁵

Chapter V

Appointment of an Auditor in case of non-payment of undisputed fees

- 5.0** A member of the Institute in practice shall not accept the appointment as auditor of an entity in case the undisputed audit fee of another Chartered Accountant for carrying out the statutory audit under the Companies Act, 2013 or various other statutes has not been paid:

Provided that in the case of sick unit, the above prohibition of acceptance shall not apply.

Provided further that in case of a company for which insolvency resolution process has been initiated and the Resolution Professional has been appointed, the above prohibition of acceptance shall not apply.

5.1 Explanation 1:

For this purpose, the provision for audit fee in accounts signed by both - the auditee and the auditor *along with applicable taxes and other expenses, if any, incurred by the auditor in connection with the audit*⁶, shall be considered as “undisputed audit fees”

⁴ As amended by the Council at its 333rd Meeting held on 14th & 15th May, 2014 (earlier “financial year”).

⁵ As incorporated (para 6.1.7) pursuant to decision of Council at its 388th Meeting held on 6th and 7th Feb., 2020.

⁶ As amended by the Council at its 388th Meeting held on 6th and 7th Feb., 2020.

5.2 Explanation 2:

For this purpose, “sick unit” shall mean *a unit registered for not less than five years, which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.*⁷

Chapter VI

Specified number of audit assignments

6.0 A member of the Institute in practice shall not hold at any time appointment of more than the “specified number of audit assignments” of Companies under Section 141 of the Companies Act 2013.

Provided that in the case of a firm of Chartered Accountants in practice, the “specified number of audit assignments” shall be construed as the specific number of audit assignments for every partner of the firm.

Provided further that where any partner of the firm of Chartered Accountants in practice is also a partner of any other firm or firms of Chartered Accountants in practice, the number of audit assignments which may be taken for all the firms together in relation to such partner shall not exceed the “specified number of audit assignments” in the aggregate.

Provided further where any partner of a firm or firms of Chartered Accountants in practice accepts one or more audit of Companies in his individual capacity, or in the name of his proprietary firm, the total number of such assignments which may be accepted by all firms in relation to such Chartered Accountant and by him shall not exceed the “specified number of audit assignments” in the aggregate.

6.1 Explanation:

For the above purpose, the “specified number of audit assignments” means –

- (a) in the case of a Chartered Accountant in practice or a proprietary firm of Chartered Accountant, 40 audit assignments whether in respect of private Companies or other Companies, *with the exception of one person Companies and dormant*

⁷ Ibid.

companies.

- (b) in the case of Chartered Accountants in practice, 40 audit assignments per partner in the firm, whether in respect of private Companies or other Companies, *with the exception of One person Companies and dormant companies*⁸.

6.2 In computing the “specified number of audit assignments”-

- (a) the number of audit of such Companies, which he or any partner of his firm has accepted whether singly or in combination with any other Chartered Accountant in practice or firm of such Chartered Accountants, shall be taken into account.
- (b) the audit of the head office and branch offices of a Company by one Chartered Accountant or firm of such Chartered Accountants in practice shall be regarded as one audit assignment.
- (c) the audit of one or more branches of the same Company by one Chartered Accountant in practice or by firm of Chartered Accountants in practice in which he is a partner shall be construed as one audit assignment only.
- (d) the number of partners of a firm on the date of acceptance of audit assignment shall be taken into account.

6.3 A Chartered Accountant in practice, whether in full-time or part-time employment elsewhere, shall not be counted for the purpose of determination of “specified number of audit of Companies” by firms of Chartered Accountants.

6.4 A Chartered Accountant being a part time practicing partner of a firm shall not be taken into account for the purpose of reckoning the audit assignments of the firm.

6.5 A Chartered Accountant in practice as well as firm of Chartered Accountants in practice shall maintain a record of the audit assignments accepted by him or by the firm of Chartered Accountants, or by any of the partners of the firm in his individual name or as a partner of any other firm, as far as possible, in the

⁸ As incorporated pursuant to decision of Council at its 388th Meeting held on 6th and 7th Feb., 2020.

following format:

S. No.	Name of the Company	Regis- tration Number	Date of Appoint- ment	Date of Accep- tance
1	2	3	4	5

Chapter VII

Appointment as Statutory auditor

- 7.0** A member of the Institute in practice shall not accept the appointment as statutory auditor of Public Sector Undertaking(s)/ Government Company(ies)/Listed Company(ies) and other Public Company(ies) having turnover of Rs. 250 crores or more in a year where he accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/ Company(ies) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Provided that in case appointing authority(ies)/regulatory body(ies) specify(ies) more stringent condition(s)/restriction(s), the same shall apply instead of the conditions/restrictions specified under these Guidelines.

- 7.1** The above restrictions shall apply in respect of fees for other work(s) or service(s) or assignment(s) payable to the statutory auditors and their associate concern(s) put together.

- 7.2** For the above purpose,

- (i) the term “other work(s)” or “service(s)” or “assignment(s)” shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 but shall not include: -
 - (a) audit under any other statute;
 - (b) certification work required to be done by the statutory auditors; and
 - (c) any representation before an authority;

- (ii) the term “associate concern” means any corporate body or partnership firm which renders the Management Consultancy and all other professional services permitted by the Council wherein the proprietor and/or partner(s) of the statutory auditor firm and/or their “relative(s)” is/are Director/s or partner/s and/or jointly or severally hold “substantial interest” in the said corporate body or partnership;
- (iii) the terms “relative” and “substantial interest” shall have the same meaning as are assigned thereto under Appendix (9) to the Chartered Accountants Regulations, 1988.

7.3 In regard to taking up other work(s) or service(s) or assignment(s) of the undertaking/company referred to above, it shall be open to such associate concern or corporate body to render such work(s) or service(s) or assignment(s) so long as aggregate remuneration for such other work(s) or service(s) or assignment(s) payable to the statutory auditor/s together with fees payable to its associate concern(s) or corporate body(ies) do/does not exceed the aggregate of fee payable for carrying out the statutory audit.

Chapter VIII

Appointment of an auditor when he is indebted to a concern

8.0 A member of the Institute in practice or a partner of a firm in practice or a firm, *or a relative⁹ of such member or partner¹⁰* shall not accept appointment as auditor of a concern while indebted to the concern or given any guarantee or provided any security in connection with the indebtedness of any third person to the concern, for limits fixed in the statute and in other cases for amount exceeding Rs. 5,00,000

Explanation : For the above purpose, the term “auditor” shall not include internal auditor, concurrent auditor or an auditor giving report

⁹ ‘Relative’ shall have the same meaning as is assigned thereto under Appendix (9) to the Chartered Accountants Regulations, 1988

¹⁰ As incorporated pursuant to decision of Council at its 388th Meeting held on 6th and 7th Feb., 2020

to the management.¹¹

Chapter IX

Directions in case of unjustified removal of auditors

- 9.0** A member of the Institute in practice shall follow the direction given, by the Council or an appropriate Committee or on behalf of any of them, to him being the incoming auditor(s) not to accept the appointment as auditor(s), in the case of unjustified removal of the earlier auditor(s).

Chapter X

Minimum Fee in respect of Professional Services

- 10.0** A member of the Institute in practice shall not charge fees less than the minimum fees mandated by the Central or State government or a Regulator; or prescribed by the Council for any professional service prescribed under any law, rules or regulation for the time being in force.

Chapter XI

Non-payment of undisputed Audit fees

- 11.0** A member of the Institute in practice shall not sign the audit report of an entity being a Public Interest Entity for carrying out the Statutory Audit under the Companies Act, 2013 or various other Statutes, if the undisputed Audit fees of the said entity for the previous year, having audited by him, has not been paid.

Provided that in the case of an entity which is not a Non-Public Interest Entity, the above restriction shall apply if the undisputed audit fees of the said entity for two consecutive previous years have not been paid.

Provided further that in case of a company for which insolvency resolution process has been initiated and the Resolution Professional

¹¹ As incorporated pursuant to decision of Council at its 400th Meeting held on 18th and 19th March, 2021

has been appointed, the above prohibition shall not apply.

11.1 Explanation 1:

For this purpose, the term 'Public Interest Entity' shall have the same meaning assigned to it as mentioned under the Volume-I of the Code of Ethics.

11.2 Explanation 2:

The provision for audit fee in accounts signed by both - the auditee and the auditor along with applicable taxes and other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as "undisputed audit fees".

2. Guidelines for Practice in Corporate Form of Practice

As per the existing Code of Ethics, a member in practice is permitted generally to be a 'Director Simplicitor' in any company and as such he is not required to obtain any specific permission in this regard irrespective of whether he and/or his relatives hold substantial interest in that company. However, a member in practice shall not hold the position of Managing Director or Whole-time Director of a Body Corporate if he and/or his relatives hold substantial interest in such concern. In the alternative, a member in practice can occupy such positions by surrendering his Certificate of Practice (COP). Where substantial interest is not so held, a member in practice can hold these positions only after obtaining specific and prior approval of the Council in which case the member will be regarded as being in part-time practice and therefore, can neither do attest function nor he can train articled/audit assistants.

To empower the members to face the emerging challenges in the service sector as well as to equip them for the opportunities in the non-audit service area, the Council at its 261st meeting held from 1st to 3rd August, 2006 reviewed the aforesaid position and in the interest of the profession, decided to allow members in practice to render Management Consultancy and Other Services in Corporate form, subject to the guidelines to be issued by the Institute in this regard.

The Council decided to allow members in practice to hold the office of Managing Director, Whole-time Director or Manager of a body corporate within the meaning of the Companies Act, 2013 provided that the body corporate is engaged exclusively in rendering Management Consultancy and Other Services permitted by the Council in pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 and complies with the conditions(s) as specified by the Council from time to time in this regard.

The members can retain full time Certificate of Practice besides being the Managing Director, Whole-time Director or Manager of such Management Consultancy Company. There will be no restriction on the quantum of the equity holding of the members, either individually and/ or along with the relatives, in such Company. Such members shall be regarded as being in full-time practice and therefore can continue to do attest function either in individual capacity or in Proprietorship/Partnership firm in which capacity they practice and wherein they are also entitled to train articled/audit assistants.

The name of the Management Consultancy Company is required to be approved by the Institute and such Company has to be registered with the Institute. The guidelines alongwith the prescribed application forms for approval of name and registration, provisions of ethical compliance and other details have been issued and the same will come into force w.e.f 1.10.2006.

By abundant caution, it may be clarified that no audit practice can be done in Corporate Form. The consultancy practice hitherto done in Individual or Firm Status alone is now intended to be permitted in Corporate Form also.

The guidelines for Corporate Form of Practice are as follows:

1. Definition

- (i) **Managing Director, Whole-time Director and Manager** - The term "Managing Director", "Whole- time Director" and "Manager" shall have the same meaning as defined/understood in the Companies Act, 2013. For this purpose, the member in practice who is a Managing Director, Whole-time Director or Manager shall be full-time practitioner/proprietor/partner in a Chartered Accountants firm.
- (ii) **Act** – Act means The Chartered Accountants Act, 1949.
- (iii) **Regulations** – Regulations means the Chartered Accountants Regulations, 1988.
- (iv) **Code of Ethics** – Code of Ethics means the Code of Ethics issued by the Institute and decisions of the Council in this regard.
- (v) **Institute** – Institute means the Institute of Chartered Accountants of India.
- (vi) **Council** – Council means the Central Council of the Institute.
- (vii) **Member** – Member means a Member in Practice. Member in Practice means a 'Member in Practice' as defined in the Chartered Accountants Act, 1949 and its Regulations.
- (viii) **Management Consultancy & Other Services** – Management Consultancy & Other Services or MCS means 'Management Consultancy & Other Services' permitted by the Council in pursuance to Section 2(2)(iv) of the Chartered Accountants Act, 1949. The definition of the expression "Management Consultancy and other Services" as appears at pages 8-10 of the Code of Ethics, 2005 edition is as under:

The expression “Management Consultancy and other Services” shall not include the function of statutory or periodical audit, tax (both direct taxes and indirect taxes) representation or advice concerning tax matters or acting as liquidator, trustee, executor, administrator, arbitrator or receiver, but shall include the following:

- (i) Financial management planning and financial policy determination.
- (ii) Capital structure planning and advice regarding raising finance.
- (iii) Working capital management.
- (iv) Preparing project reports and feasibility studies.
- (v) Preparing cash budget, cash flow statements, profitability statements, statements of sources and application of funds etc.
- (vi) Budgeting including capital budgets and revenue budgets.
- (vii) Inventory management ,material handling and storage.
- (viii) Market research and demand studies.
- (ix) Price-fixation and other management decision making.
- (x) Management accounting systems, cost control and value analysis.
- (xi) Control methods and management information and reporting.
- (xii) Personnel recruitment and selection.
- (xiii) Setting up executive incentive plans, wage incentive plans etc.
- (xiv) Management and operational audits including Information System Audit..
- (xv) Valuation of shares and business and advice regarding amalgamation, merger and acquisition.
- (xvi) Business Policy, corporate planning, organisation development, growth and diversification.
- (xvii) Organisation structure and behaviour, development of human resources including design and conduct of training programmes, work study, job- description, job evaluation and evaluation of work loads.
- (xviii) Systems analysis and design, and computer related services

including selection of hardware and development of software in all areas of services which can otherwise be rendered by a Chartered Accountant in practice and also to carry out any other professional services relating to EDP.

(xix) Acting as advisor or consultant to an issue, including such matters as: -

- (a) Drafting of prospectus and memorandum containing salient features of prospectus. Drafting and filing of listing agreement and completing formalities with Stock Exchanges, Registrar of Companies and SEBI.
- (b) Preparation of publicity budget, advice regarding arrangements for selection of (i) ad-media, (ii) centres for holding conferences of brokers, investors, etc., (iii) bankers to issue, (iv) collection centres, (v) brokers to issue, (vi) underwriters and the underwriting arrangement, distribution of publicity and issue material including application form, prospectus and brochure and deciding on the quantum of issue material (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).
- (c) Advice regarding selection of various agencies connected with issue, namely Registrars to Issue, printers and advertising agencies.
- (d) Advice on the post issue activities, e.g., follow-up steps, which include listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work.

Explanation: For removal of doubts, it is hereby clarified that the activities of broking, underwriting and portfolio management are not permitted.

- (xx) Investment counseling in respect of securities [as defined in the Securities Contracts (Regulation) Act, 1956 and other financial instruments.] (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).
- (xxi) Acting as registrar to an issue and for transfer of shares/other securities. (In doing so, the relevant provisions of the Code of

Ethics must be kept in mind).

- (xxii) Quality Audit.
- (xxiii) Environment Audit.
- (xxiv) Energy Audit.
- (xxv) Acting as Recovery Consultant in the Banking Sector.
- (xxvi) Insurance Financial Advisory Services under the Insurance Regulatory & Development Authority Act, 1999, including Insurance Brokerage.
- (xxvii) Administrative Services
- (xxviii) Forensic Accounting and Investigation.
- (xxix) Research analyst recognized by a Regulator
- (xxx) Assessment and evaluation of Social Impact, CSR Impact, Business Responsibility and Sustainability Reporting, and the like
- (xxxi) Artificial Intelligence (AI) Consultancy in areas of services which can be rendered by a chartered accountant in practice

(ix) **Management Consultancy Company**– Management Consultancy Company means a Company, which complies with the Guidelines for Practice in Corporate Form issued by the Institute.

(x) **Relative** – Relative means “Relative” as defined in Appendix (9) of the Chartered Accountants Regulations, 1988, 2013 edition.

2. **Name of the Management Consultancy Company:**

- (i) The Management Consultancy Company shall have a distinct name which shall be approved by the Institute. The prescribed format of application for approval of name for Management Consultancy Company is at Form ‘G’ .
- (ii) Standards prescribed in Regulations 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of the Management Consultancy Company. However, even if a name is provided and subsequently it is found that the same is undesirable then, the said name can be withdrawn at any time by the Institute. The provisions in respect of name of

companies as prescribed in the Companies Act, 2013 shall be applicable in letter and spirit.

- (iii) The name of Management Consultancy- Company may indicate the area of 'Management Consultancy & Other Services' permitted by the Council from time to time.
- (iv) The Management Consultancy Company shall neither be permitted to advertise nor to use logo.
- (v) The Management Consultancy Company can have its own website*.

3. Registration:

After approval of the name under Guideline 3 and incorporation under the Companies Act, 2013, the Management Consultancy Company is required to be registered with the Institute in a prescribed Form 'H'.

4. Ethical Compliance:

- (i) Once the Management Consultancy Company is Registered with the Institute as per the Guidelines, it will be necessary for such a Company to comply with the following requirements: -
 - (a) If the individual practitioner/sole-proprietorship firm/partnership firm is the statutory auditor of an entity then the Management Consultancy Company should not accept the internal audit or book-keeping or such other professional assignments, which are prohibited for the statutory auditor firm.
 - (b) The Notification No. 1-CA(7)/60/2002 dated 8th March, 2002 (enclosed) in respect of ceiling on Non-audit fees is applicable in relation to a Management Consultancy Company.
 - (c) The Management Consultancy Company shall comply with clauses (6) & (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 and such other directives as may be issued by the Institute from time to time.
- (ii) The Management Consultancy Company shall give an undertaking that it shall comply with clauses (6) & (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 and such other directives as

* Subject to requisite amendments which will be notified by the Institute.

may be issued by the Institute from time to time.

5. Object of Management Consultancy Company:

The Management Consultancy Company shall engage itself only in Management Consultancy & Other Services. The Management Consultancy Company shall give an undertaking that it shall render only Management Consultancy & Other Services prescribed by the Council pursuant to powers under section 2 (2)(iv) of the Chartered Accountants Act, 1949.

The Object Clause should restrict itself only to the Management Consultancy & Other Services permitted by the Council in pursuance to Section 2(2)(iv) of the Chartered Accountants Act, 1949.

6. Violation of Act:

In case of alleged violation of the provisions of the Act, Regulations framed there under, guidelines/directions laid down by the Council from time to time and Code of Ethics issued by the Council, the individual practitioner/sole- proprietorship firm/partnership firm in general and the Managing Director/Whole-time Director/ Manager of such company in particular, would be answerable.

7. Applicability of Companies Act, 2013 and other laws:

All the provisions of the Companies Act, 2013 and other laws that are applicable to a Company formed under the Companies Act, 2013 shall be applicable to the Management Consultancy Company. The Guidelines are in addition to the provisions contained in the Companies Act, 2013.

8. Benefits available to members if the Guidelines framed are complied with:

- (i) The member can retain full time Certificate of Practice besides being the Managing Director/Whole-time Director/Manager of Management Consultancy Company.
- (ii) The member will be entitled to train articled/ audit assistant(s).
- (iii) There will be no restrictions on the quantum of the equity holding of the member, either individually and/or along with his relatives, in such a company.

9. Transitory Provisions:

- (i) Any member who wishes to become Managing Director/Whole-time Director/ Manager of an existing Company, which is rendering Management Consultancy & Other Services, and wishes to take other benefit contained in the Guidelines, shall comply with the Guidelines for Practice in Corporate Form.
- (ii) The Company is required to take approval of name and then apply for registration with the Institute.
- (iii) If the Institute has reservation over the name of an existing Company that wishes to come under the provisions of this Guidelines, the Company shall be required to apply for change in name.
- (iv) The Company is also required to change its object clause, if the same contains objects other than those provided in the Guidelines.

3. Guidelines of the Council in the context of use of designation etc. and manner of Printing of Letter-heads and visiting cards

The Council issued guidelines/directions in the context of use of designation etc. and manner of printing letter-heads and visiting cards, of the President, Vice-President of the Institute, Members of the Council, Chairmen of various Non- Standing Committees of the Institute; Chairmen, other office- bearers and Members of the Regional Councils; Chairmen, other office bearers and Members of the Managing Committees of Branches, which are appearing hereunder.

Recently, the Council at its 280th Meeting held on 9th August, 2008 decided to revise the guidelines/directions on visiting cards. The guidelines/directions in full including the revised guidelines/directions on visiting cards are given hereunder:

LETTER-HEADS

1. The Institute will print the letter-heads for President and Vice-President of the Institute with their names, designation and address of the Institute with emblem. In these letter-heads, the President's or Vice-President's personal addresses, including their professional and residential addresses shall not be printed.
2. The Regional Councils and their Branches shall print the letter- heads for official use of the Chairmen of the respective Regional Councils/Branches with their designation, address of the Regional Council/Branch concerned and the Institutes emblem without mentioning their names in the letter-heads. As far as other office-bearers of Regional Councils and Branches are concerned, they should use the common letter-head bearing the name and address of the Regional Council or the Branch, as the case may be, and their designation may be typed below their signatures.
3. It is clarified that no member of the Council or any Regional Council or the Managing Committee of any Branch shall print any letter-head in relation to the position he holds in various Committees or as a member of the Council/Regional Council/ Managing Committee, at his cost.

VISITING CARDS

1. The visiting cards will be printed for both the elected and nominated Council members. The visiting cards be also printed for members of Regional Councils and Managing Committees of the branches. The visiting cards will be used only for official work of the Institute. The Head office of the Institute will print the visiting cards for President, Vice-President and Members of Council including Chairman / Vice – Chairman of the Committees of the Council. The offices of Regional Councils and Branches will print the visiting cards for respective Regional Councils and Branches. The members themselves will not print the visiting cards.
2. In the visiting card, the designation viz., President/ Vice-President/Member, Council/Chairman/Vice – Chairman of the respective Committee(s) of the Council/Chairman of the Regional Council/Chairman of the Branch / Vice-Chairman of the Regional Council/Vice-Chairman of the Branch/Secretary of the Regional Council/Secretary of the Branch/Treasurer of the Regional Council/Treasurer of the Branch/Member of the Regional Council/Member of the Managing Committee of Branch of Regional Council will be used. There will not be any mention of any other designation. Besides the above, Council members who hold the office of Chairman/Vice Chairman of any of the Committees of the Council may mention such position in their visiting cards specifying the name of the Committee concerned and the relevant period for which they are holding such position. If a member of the Council holds Chairmanship/Vice-Chairmanship of more than one Committee of the Council, he may have separate cards printed as above for each such Committees.
3. The full term of the Council/Regional Council/Branch will be mentioned for example 2007 to 2010. In case of the President/Vice-President/ Chairman/Vice – Chairman of Committees of the Council/ Chairman, Regional Council and Branch/Vice-Chairman, Regional Council and Branch/ Secretary, Regional Council and Branch/Treasurer, Regional Council and Branch, the year of Presidentship/Vice-Presidentship/Chairmanship/Vice Chairmanship/ Secretaryship/ Treasurership will be mentioned, for example, 2008-2009. The President, Vice-President, Chairman/Vice Chairman of Committees of the Council/ Chairmen of Regional Councils and Branches, Vice-Chairmen of Regional Councils and Branches, Secretary of Regional Councils and Branches and Treasurer of

Regional Councils and Branches will use their cards for the year in which they are elected. It is permissible to mention the last highest position held in Institute and the term as elected representative on the visiting card, provided it is mentioned without the emblem of Institute and the visiting card is of the individual member only, and not of the Chartered Accountants Firm, wherein he may be the partner.

4. It is permissible to mention the nomination, or membership of national or international body(ies) where nomination is made by the Institute or where Institute is represented, including in one-time or special purpose Committee, along with the emblem of Institute. It is also permissible to use the logo of such national or international body, if permitted by such body. The member is permitted to use such visiting cards till the completion of period of nomination or membership in international body(ies), including where his membership in Council ceases to exist beforehand.
5. The address of the Institute in the case of Council members including Chairman/Vice Chairman of Committees of the Council, that of the concerned Regional Council in the case of Regional Council members and that of the concerned Branch in the case of Members of the Managing Committee of the Branch will be printed. The Telephone No., Fax No. & E-mail address of the Institute, Member's name, his E-mail identity and Mobile No. in the case of Council Member, those of concerned Regional Council in the case of the Regional Council Member and those of the concerned Branch in the case of Member of Managing Committee of the Branch will be given in the front of the visiting card. However, members of the Council including Chairman/Vice-Chairman of the Committees of the Council, members of the Regional Councils and of Managing Committees of Branches may print either their residential address or office address including telephone/fax no. without mentioning the firm's name on the back of the visiting cards.
6. It is permissible to use a logo which has been advised by the Central Government to use and popularize.
7. The visiting cards will be returned to the offices of the Institute as soon as the term of the President and Vice-President, the Membership of the Council/ Chairmanship/Vice Chairmanship of respective Committees of the Council/ Chairmanship/ Vice Chairmanship/ Secretaryship/ Treasurership/ Membership of the Regional

Council/Managing Committee of the Branch expires.

8. The number of cards permissible to be printed for the Council member will be initially 500 and thereafter as and when requisition is made. The number of visiting cards permissible to be printed for Chairman, Vice-Chairman, Secretary, Treasurer and Member of Regional Councils and Branches will be 250 and 100 per year, respectively. The Council further decided not to permit any visiting cards to the office-bearers of study circle/chapters. For President and Vice-President, the number of cards to be printed will be left to be decided by them.
9. The visiting cards will be printed in the prescribed formats. The type of paper, printing, colour of ink of the visiting cards will be uniform and of the same type and manner.
10. In the visiting cards of Regional Councils and Branches, the name of the respective Regional Council and Branch will be printed in bold letters and the name of the Institute in normal letters.
11. In case, any further clarification/direction is required, the matter may be referred to the President.

4. Guidelines on Unique Document

Identification Number (UDIN)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(set up by an Act of Parliament)

NOTIFICATION

New Delhi, the 2nd August, 2019

No.1-CA(7)/192/2019.—Whereas, to curb the malpractice of false certification/attestation by the unauthorized persons & to eradicate the practice of bogus certificates and to save various regulators, banks, stakeholders etc. from being misled, the Council of the Institute decided to implement an innovative concept to generate Unique Document Identification Number (UDIN) mandatorily for all kinds of the certificates/GST and Tax Audit Reports and other attest function in phased manner, for which members of the ICAI were notified through the various announcements published on the website of ICAI www.icaai.org at the relevant times.

Now, in exercise of the powers conferred on it under Item No.(1) of Part- II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute of Chartered Accountants of India hereby issue the following guidelines for information of public and necessary compliance by members of the Institute -

- (i) A member of the Institute in practice shall generate Unique Document Identification Number (UDIN) for all kinds of the certification, GST and Tax Audit Reports and other Audit, Assurance and Attestation functions undertaken/signed by him which made mandatory from the following dates through announcements published on the website of the ICAI www.icaai.org at the relevant time: -
 - For all Certificates w.e.f. 1st February, 2019.
 - For all GST and Tax Audit Reports w.e.f. 1st April, 2019.
 - For all other Audit, Assurance and Attestation functions w.e.f. 1st July, 2019.
- (ii) The above Guidelines shall come into force from the above dates for the various services respectively.

RAKESH SEHGAL, Acting Secy.

[ADVT.III/4//Exty./170/19]

5. Guidelines on Tenders

[PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA,
EXTRAORDINARY, DATED 7TH APRIL, 2016]

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

7th April, 2016

NOTIFICATION

Guideline No. 1-CA(7)/03/2016 - In exercise of the powers conferred on it under Item (1) of Part II of the Second Schedule of the Chartered Accountants Act, 1949, the Council of the Institute of Chartered Accountants of India hereby issue the following guidelines for compliance by the members of the Institute -

- (i) A member of the Institute in practice shall not respond to any tender issued by an organization or user of professional services in areas of services which are exclusively reserved for chartered accountants, such as audit and attestation services. However, such restriction shall not be applicable where minimum fee of the assignment is prescribed in the tender document itself or where the areas are open to other professionals along with the Chartered Accountants.
- (ii) This Guideline shall come into force with immediate effect.

(V. Sagar)
Secretary

8. Guidelines of CA India Logo



CA INDIA
LOGO

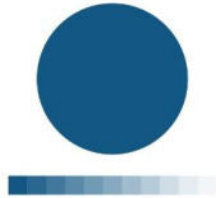
Logo





Incorporation of Tricolor:

The incorporation of the tricolor into the logo is a powerful symbol of the Institute's connection to India. The three colors of the Indian flag represent unity, diversity, and sovereignty, and they reflect the brand's commitment to serving the people of India and contributing to the nation's development. The tricolor has been used in such a fashion that it hints at motion, a flight, and a journey toward progress, showcasing the Institute's forward-thinking approach.



Significance of blue color:

The primary color of the new logo is blue, which has been culled from the ICAI logo. Blue is a color that is associated with divinity, immortality, bravery, and determination. It reflects vastness, being the colour of the sky and ocean, and has been an integral part of the Indian cultural, political, and social landscape over the years. Blue is also culturally significant, as it has been a part of the Indian tradition for more than 5,000 years.



Adaptability on all platforms:

The new logo can be adapted for use on all platforms, digital and analog, which is essential for a modern brand. This versatility ensures that the Institute's brand is consistent across all channels, helping to strengthen its identity and credibility. The adaptability of the new logo also makes it more accessible to the Institute's stakeholders, including members, students, and the general public.



In a nutshell:

The new logo of CA India reflects the brand's connection to India while retaining its existing identity. The incorporation of the tricolor, the significance of the blue color, and adaptability on all platforms are all essential elements of the new logo. The design is intended to be aesthetically pleasing and culturally significant, making it a strong representation of the Institute's values and commitment to serving the people of India.

Colour Palette



Guidelines (2023)

for using the new CA India logo for CA members



- The logo consists of the letters 'CA' in blue colour with a tri colour tick mark (upside down) with white background. The blue colour not only stands out on any background but also denotes creativity, innovativeness, knowledge, integrity, trust, truth, stability, and depth. The upside-down tick mark, typically used by Chartered Accountants, has been included to symbolise the wisdom and value of the professional.

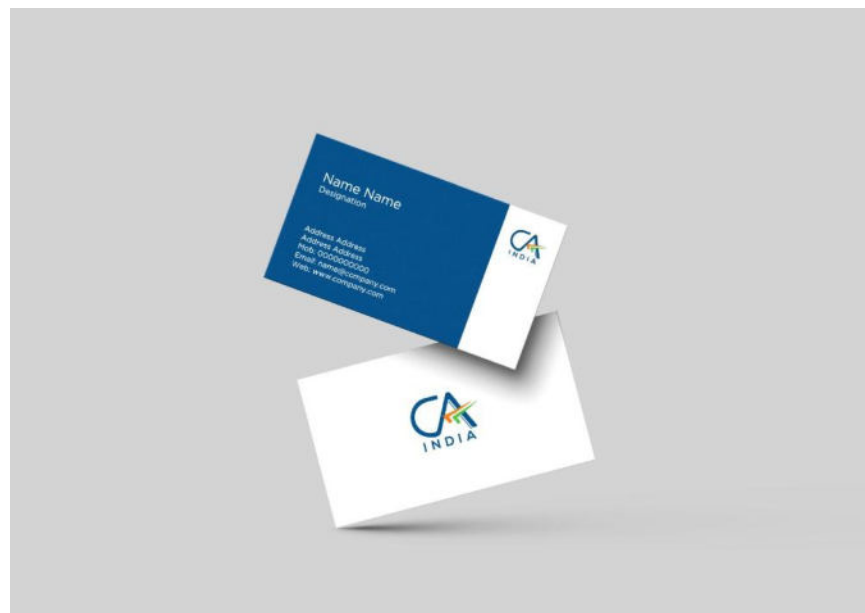
'India' is also added in the logo, as it epitomizes the Institute's connection to India First approach and commitment to serve the Indian economy in public interest.

- There should be no alteration of the font (colour, bold/unbold, size). Moreover, there should be no change in spacing and dimensions.
- The colour palette is



- Do not change the design and colours including the white background.
- Refrain from rotating or tilting the logo clockwise and anti-clockwise.
- The logo should not be shrunk or distorted changing the original proportion.
- While members are encouraged to use the new CA India Logo as published on letterheads, visiting cards, website etc, a transition time of one year has been provided to use existing stationary/signage replacement etc.

*Effective from 24th November, 2023.



9. Revised Guidelines for Networking of Indian CA firms, 2021

1. Preamble

- 1.1 Over the years, our Members have adopted different models of practice viz.
- Practice in individual name
 - Practice as a sole proprietary firm
 - Practice as a partnership / Limited Liability Partnership firm
 - Merger of two or more firms
 - Network firms
- 1.2 All the above forms of practice are recognised by the ICAI.
- 1.3 Amongst the above, networking is generally considered as the most effective platform for capacity building. It facilitates multi locational presence of the firm, strengthening partnerships and enhanced functioning of the CA firms. Though Members are at liberty to adopt any form of practice as they choose, it is overwhelmingly felt that to see exponential growth of one's practice, **Networking** is one of the preferred choices.
- 1.4 In this context, the Council of ICAI issued Network Guidelines for the first time in the year 2005 and thereafter, the same was revised by the Council in the year 2011.
- 1.5 Members may note that the Council, at the present, is focussing on revision in Networking guidelines in order to enable the Indian CA firms to develop a sound Network of

Firms, and after a gestation period, move towards allowing foreign firms to join the Indian CA networks. Therefore, this paper is limiting itself to networking amongst domestic CA firms only. At a later stage, the Council may consider further modifications in the present Networking Guidelines so as to pave way for Indian CA Networks to enter into networking arrangement with foreign accounting firms and have networking arrangements with foreign networks.

- 1.6 The previous guidelines did not fetch expected level of enthusiasm from members and only close to 100 networks could get registered with ICAI as on date. This threw up the need to review the Guidelines in order to make it more relevant and attractive in terms of current professional scenario.

- 1.7 Therefore, the Council of ICAI decided to modify the Guidelines to make it easier for the Indian CA firms to form network and also remove any impediments and bottlenecks that dissuade the firms from growing bigger by joining a network. Another equally critical concern was not only to protect the professional practice of the small and medium firms, but also their identity. Therefore, an attempt is made to mitigate the hardships in the revised Guidelines and encourage practising Members to consider Networking.
- 1.8 With the above intent in mind, the Council formed a Group of Council members in March, 2020 to have holistic review/ study of the Guidelines for Networking. The Group held several rounds of discussions and came out with a proposal to offer to the Members different options, which the Members can choose depending upon what suits them the best. The Council at its 396th meeting held in September-October, 2020 decided to conduct Outreach Programmes, so that the views of Members be heard, collated and placed before the Council for approving the revised Guidelines.
- 1.9 Accordingly, Outreach Programmes were held in January, 2021 and views of members were collected. The same were considered by the Council at its 397th meeting held on 9th-11th January, 2021 at Kumarakom, Kerala and thereafter at its 398th meeting held on 9th-10th February, 2021 at New Delhi. Accordingly, the existing Guidelines have been revised and the same are given at **Annexure I “The Guidelines for Alliance”, Annexure II “The Guidelines for Networking” (revised) & Annexure III “The Guidelines for Networking with Lead Firm concept”** to this Paper.
- 1.10 The Council decided that the the existing Guidelines be revised in the light of above and brought into force from 9th February, 2021, and an appropriate ecosystem be developed in the Self Service Portal for registration and regulation of the Alliance, the Network and the Lead Firm in Network Models.

2. Concerns relating to growth of Indian CA firms

- 2.1 The practising CA firms in India have generally done well. The common features noticed with Indian CA profession are –
- Majority CA firms are small sized firms.
 - A large number of firms have confined practice to audit and taxation.

- Many firms have audits allotted through the ICAI-PDC empanelment process.
 - Members have attachment with their firm name and do not want to go for Merger or Network due to fear of loss of identity.
 - When client grows bigger, they tend to switch over to a larger firm with an expectation that a larger firm will better cater to the diversified and growing needs.
 - Firms that have ventured into newer areas of practice have found success and have been able to scale up.
 - Firms that have developed expertise or specialisation have prospered.
 - Firms that have networked and formed a larger structure have by and large scaled up.
- 2.2 Technology is gradually replacing human intervention. Competition from other professionals has been a perennial challenge and will continue to be so in areas other than audit. Merger of public sector banks and consequent reduction in number of branches, increase of tax audit limits, etc are also factors to be taken note of.
- 2.3 The Council of ICAI, with a view to ensuring small and medium practitioners (SMPs) to stay relevant with the times, has enabled the CA firms to –
- form LLPs so as to overcome the limitation of number of partners;
 - merge so as to form a larger structure, with a provision to demerge within 5 years, if merger is not meeting the objective;
 - establish multidisciplinary firms, working together with other professionals such as Cost Accountants, Company Secretaries, Advocates, Engineers, Architects and Actuaries (the modalities for same are presently being developed and will be notified in due course);
 - form Network with other firm(s).

3. Why Networking?

- 3.1 It is of paramount importance to enable Indian CA Firms to come together and grow stronger so that they can serve the need of the country as we move to become a \$5 trillion economy and also render services in the global market. The Government of India has a firm commitment for export of accounting services and has listed same as one of the champion sectors for export promotion. It is also in line with the vision expressed

by Hon'ble Prime Minister of India when he addressed the profession from the precincts of I.G. Indoor Stadium, New Delhi on the 68th Chartered Accountants Day held on 1st July, 2017, and called upon the CA profession to form 100 big Indian firms.

- 3.2 The Indian CA firms have to be given opportunity for pooling resources, expertise and build a Pan India presence. The focus eventually ought to be on how to enable Indian network firms to tap global opportunities by growing big, without compromising with their identity.
- 3.3 It is acknowledged that no model of network will be successful, unless the firms meet some reasonable economic considerations. Unless networking can result in substantially more earnings to all the firms in the network, any model presented to the firms will only remain on paper. Therefore, it is imperative that ICAI through its relevant Committees should make all out efforts to secure recognition to the Network model of practice from appointing authorities by making representations to different Government Departments, PSUs, autonomous bodies etc. Initially, the networks may achieve limited success, but consistent and sustained efforts will secure governmental recognition to them, and this in turn will encourage the stand alone practitioners to upgrade their model of practice.
- 3.4 It needs to be understood that Networking per-se may not create new professional opportunities. Most Indian firms who have tried networking have had wrong expectation that clients will be referred, work shared, geographical demarcation, etc – these are totally wrong expectations. Networking will only enable:
 - Cost sharing
 - IP/ knowledge sharing
 - Common branding and marketing efforts
 - Common work procedures (best practice)
 - Common IT Infrastructure (hardware and software)
 - Common quality control procedures

The individual firms in network have to put their efforts to grow/ add clientele etc. Initially tangible benefits may not be visible, but eventually, if the model succeeds, the firms will stand to gain substantially.

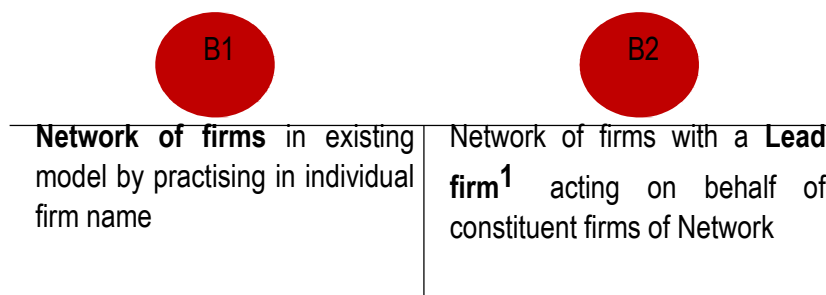
4. Three models of networking – Options offered to Members

- 4.1 Following approaches are placed before the Members in practice, any one of which can be adopted by those desirous of expanding their practice:

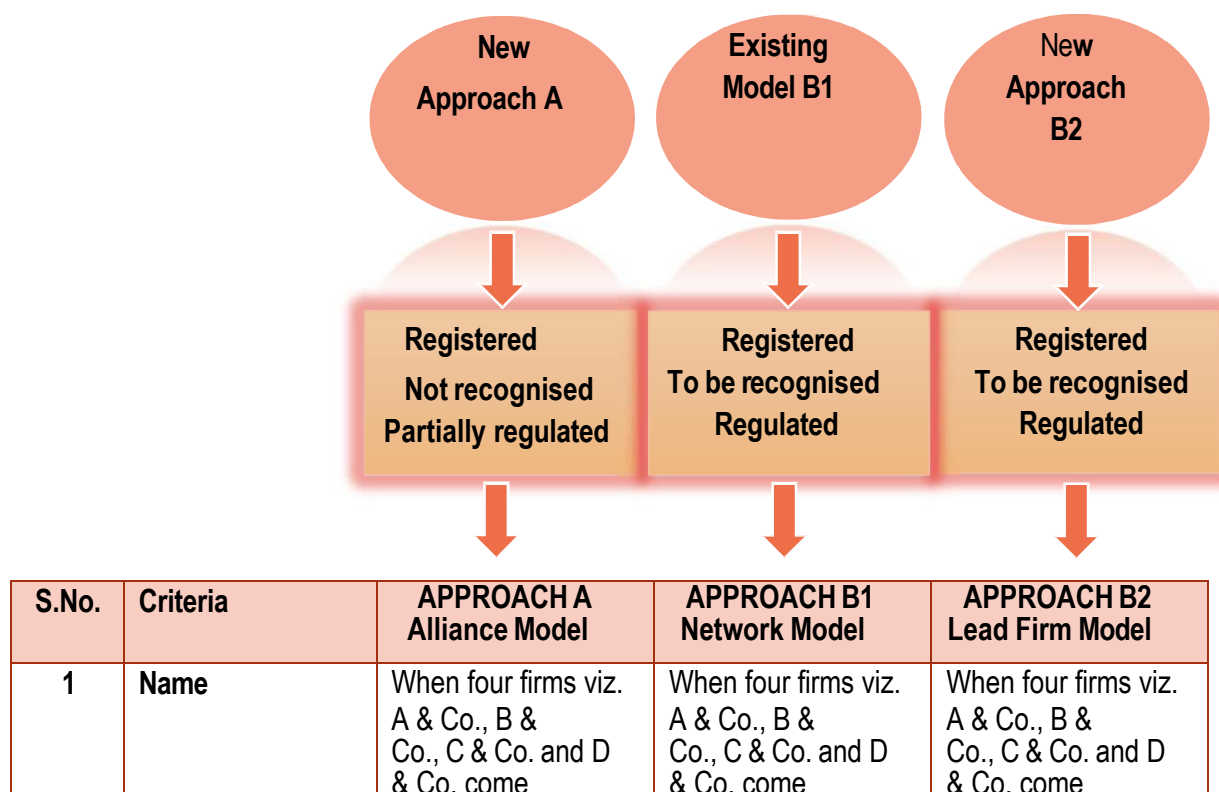


Approach I – Different firms coming together to form an **Alliance** with a new name of Alliance and continuing to practice independently and can showcase as an Alliance to the world.

Approach II – Different firms coming together to form a Network with a new Network name and practicing in the name of firms belonging to Network. This Model is sub- divided into following two options:



- 4.2 Firms may adopt any of the three Models that will be best suited for expansion of practice. It may be noted that different models may be suitable for different practitioners, depending upon their needs and inhibitions. Therefore, the intention is not to force any one particular model upon members, rather members are at liberty to continue with their existing model of practice and need not adopt any of the following models:



¹ Lead Firm model is explained at the end of the Table

S.No.	Criteria	APPROACH A Alliance Model	APPROACH B1 Network Model	APPROACH B2 Lead Firm Model
		together to form an Alliance, they may name their Alliance as "ABCD". In case they wish to use suffix, they will use the suffix "& Alliance" to their common name to make it "ABCD & Alliance". In all professional stationery, the member-firms can mention that they are member-firms of so & so Alliance. The Alliance can also mention in its professional stationery that so & so firms are part of its Alliance.	together to form a Network, they may name their Network as "ABCD". In case they wish to use suffix, they will use the suffix "& Affiliates" or "Network" to their common name to make it "ABCD & Affiliates" or "ABCD Network". In all professional stationery, the member-firms can mention that they are member-firms of so & so Network. The Network can also mention in its professional stationery that so & so firms are part of its Network.	together to form a Network, they will suffix "& Affiliates" or "Network" to one of the firms selected by constituent firms as Lead firm e.g. if A & Co. is chosen as Lead firm, then name of Network will be "A & Co. & Affiliates" In all professional stationery, the member-firms can mention that they are member-firms of so & so Network. The Network can also mention in its professional stationery that so & so firms are part of its Network.
2	Registration	Alliance will be registered with ICAI. ICAI will allot unique Alliance Registration Number (ARN)	Network will be registered with ICAI. ICAI will allot unique Network Registration Number (NRN)	Network will be registered with ICAI. ICAI will allot unique Network Registration Number (NRN)
3	Practice	Firms are free to carry on practice as independent firms, despite being constituents of Alliance. Alliance may direct the best practices to be followed by individual constituent firms. Firms belonging to one Alliance can't be allowed to become	Firms are bound by internal integration agreement, and practice as independent firms, subject to internal agreement. Network's decision prevails upon other firms. Firms belonging to one Network can't be allowed to become	Firms can have an internal agreement recognising one of the firms as the lead firm, depending upon the specialism and expertise required for each assignment. The individual firms can carry on practice as independent firms.

S.No.	Criteria	APPROACH A Alliance Model	APPROACH B1 Network Model	APPROACH B2 Lead Firm Model
		Associates of another Alliance or Network, so that regulatory complexities are avoided.	Associates of another Network or Alliance, so that regulatory complexities are avoided.	The lead firm and its constituents can't be allowed to become Associates of another Network or Alliance, so that regulatory complexities are avoided.
4	Empanelment	All firms in Alliance can apply for empanelment separately as individual firms. Their coming together is basically for non- audit services. For audit practice, they all remain as independent practitioners	All firms belonging to Network can apply for empanelment, separately as individual firms. ICAI will put in efforts to secure recognition of the combined strength and resources.	Lead firm is entitled to apply for empanelment in its own name, but by way of internal agreement, it will be on behalf of entire Network. When Lead firm applies for empanelment, other constituent firms cannot apply. ICAI will put in efforts to secure recognition of the combined strength and resources
5	Conflict	Conflict exists e.g. if one firm does statutory audit of an entity, another firm in Alliance cannot do internal audit. If one firm does audit work, another firm in the Alliance cannot perform non-audit services of same client. Rotation of audit amongst constituent firms will not be permitted	Conflict exists e.g. if one firm does statutory audit of an entity, another firm in Network cannot do internal audit. If one firm does audit work, another firm in the Network cannot perform non-audit services of same client. Rotation of audit amongst constituent firms will not be permitted	Conflict exists e.g. if one firm does statutory audit of an entity, another firm in Network cannot do internal audit. If one firm does audit work, another firm in the Network cannot perform non-audit services of same client. Rotation of audit amongst constituent firms will not be permitted
6	Characteristics	Firms come together for mutual benefits	Firms come together for mutual benefits	Firms come together for mutual benefits

S.No.	Criteria	APPROACH A Alliance Model	APPROACH B1 Network Model	APPROACH B2 Lead Firm Model
		Individual firms take up professional work on their own Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted. They should have own bye-laws, the provisions of which should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines	by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit Quality control is well documented and complied with, which is applicable to network as well as to individual constituent firms. Individual firms take up professional work on their own, and a partner of said firm can sign the reports and documents Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted. Bye-laws / agreement is entered by all firms, the provisions of which should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines	by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit Quality control is well documented and complied with, which is applicable to network as well as to individual constituent firms. Individual firms take up professional work on their own, and a partner of said firm can sign the reports and documents Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted. Bye-laws / agreement is entered by all firms, the provisions of which should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines
7	Accountability	In case delinquency occurs in a particular assignment, then	In case delinquency occurs in a particular assignment, then	In case delinquency occurs in a particular assignment, then

S.No.	Criteria	APPROACH A Alliance Model	APPROACH B1 Network Model	APPROACH B2 Lead Firm Model
		the firms that have jointly executed the assignment will be accountable. Therefore, division of work needs to be well documented. Whatever is taboo for a firm under Code of Ethics, is taboo for the Alliance as well i.e. whatever cannot be done by a firm, cannot be done by Alliance as well A partner of firm that gets appointment will sign reports and certificates Alliance shall have to submit to ICAI copy of internal agreement signed by an authorised partner of all constituent firms.	the firms that have jointly executed the assignment will be accountable. Therefore, division of work needs to be well documented. Whatever is taboo for a firm under Code of Ethics, is taboo for the Network as well i.e. whatever cannot be done by a firm, cannot be done by Network as well A partner of firm that gets appointment will sign reports and certificates Network shall have to submit to ICAI copy of internal agreement signed by an authorised partner of all constituent firms	the firms that have jointly executed the assignment will be accountable. Therefore, division of work needs to be well documented. Whatever is taboo for a firm under Code of Ethics, is taboo for the Network as well i.e. whatever cannot be done by a firm, cannot be done by Network as well A partner of lead firm will sign reports and certificates, as it is the lead firm which will get the appointment in its name Network shall have to submit to ICAI copy of internal agreement signed by an authorised partner of all constituent firms
8	Reconstitution	Firms are free to join and exit Alliance. Reconstitution has to be registered with ICAI	Firms are bound by Network's internal integration agreement. Reconstitution has to be registered with ICAI	Firms are bound by Network's internal integration agreement. Reconstitution has to be registered with ICAI
9	Exit/ closure	Much more easier to quit the arrangement If one or more firms quit the Alliance, it will not deprive the remaining firms	Easy to quit the arrangement If one or more firms quit the Network, it will not deprive the remaining firms from doing the	Easy to quit the arrangement If one or more firms quit the Network, it will not deprive the remaining firms from doing the

S.No.	Criteria	APPROACH A Alliance Model	APPROACH B1 Network Model	APPROACH B2 Lead Firm Model
		from doing the work they have already secured by virtue of Alliance.	work they have already secured by virtue of Network.	work they have already secured by virtue of Network. If Lead firm quits the network, after having secured professional work, then it will have to share the fees with other constituent firms. A clause to this effect can be incorporated in the internal agreement

Lead Firm model – B2

The Network guidelines was issued by the Council in the year 2005 and thereafter was amended in the year 2011. These guidelines have not evinced desired level of interest from firms, so much so that till date close to 100 networks have been formed. The Group considered the probable reasons as to why firms are not forming a Network, which are illustrated hereunder:

- Network amongst Indian CA firms is not recognized by appointing authorities
- Confusion as to under which legislation, a Network should be registered
- Network cannot take up assignment in its own name
- Fear of being over-shadowed by Network, thereby loss of identity by individual firms.

In order to overcome the above impediments, it is proposed in Network Guidelines that firms may come together to form a Network and register the same with ICAI. By way of an internal agreement amongst the firms, one of the firms will be chosen as the Lead firm. This Lead firm will bid for professional work on the basis of the combined strength and resources of the Network firms. ICAI will consistently persuade the Government and other appointing authorities to recognize strength of Network for the purpose of determining eligibility to bid for tenders. While doing so, the ICAI will also emphasise merit points based on longevity of association of firms in Network.

The Network firms will then discuss and decide amongst themselves the strategy for execution of the professional work. They may distribute the work on the basis of expertise possessed by each firm or on the basis of geographical location of the firms or on any basis mutually acceptable to them. They will also decide how the fees will be distributed amongst the firms, on the basis of quantum of work, mandays and expenses involved. Initially, some firms may sacrifice a bit in order

to sustain and continue in the Network, but gradually when work starts flowing in, all firms are benefitted and can grow bigger. More importantly, when big professional work starts flowing in, it will enhance the competency of all the firms in Network. Capacity building and capability building will take care by itself.

The constituent firms will be at liberty to choose a different constituent firm as the Lead firm to represent the Network, depending upon the specialism and expertise required for a particular assignment.

Since it may not be possible to obtain and execute work in the name of Network, the lead firm will secure work and distribute tasks amongst the constituent firms, provided the client has no objection for such an arrangement. There are enormous opportunities available other than audits allotted by authorities, and consultancy works, which can be executed under lead firm concept. Once work starts to flow in the name of Network itself, lead firm concept can be done away with.

ICAI may prescribe certain do's and don'ts in the Internal agreements, so as to guide the firms as to what is permissible and what is not. The general prescription will be to adhere to ICAI's Code of Ethics and Council Guidelines.

The issues that need to be kept in mind is wherever appointment letter is taken in the name of Lead firm, other firms, though they may contribute in completing the assignment, but may not be able to claim credit of experience of task. The situation can be met by entering into Agreement listing out respective tasks.

5. Further guidance given by Council

Based on views collected at Outreach Programmes and based on deliberations within the Council, the Council has given following further guidance to the members:

- a) Firms might need to have detailed knowledge of other firms to make up their mind as to with which firm they will go for Alliance/ Networking. Therefore, data of firms will be made available in the Self Service Portal for the members to view and take informed decision.
- b) Any firm of Chartered Accountants can become a part of any one Alliance or any one Network. If it intends to become part of one Alliance, it cannot become part of a Network, and vice versa.
- c) ICAI will consider providing a Model deed/ template.
- d) Name of Alliance/ Network should resemble name of member-firms or a combination of acronym. Alliance/ Network should not bear the name of God/ Goddess/ deity or which has no relationship with name of member-firms. Descriptive names will not be allowed. Names which smack of publicity will not be allowed. Names which resemble any of the existing firms or network will not be allowed. Brand name should be owned only by Indian citizen who is resident in India.

- e) Alliance/ Network will be permitted as joint ventures for specific assignments.
- f) Documents such as deeds, MOUs, forms can be signed by the Managing Partner of each of the member-firms and need not be signed by all partners.
- g) Only firms and LLPs can become member-firms in Alliance/ Network. Individual practitioners are not permitted to be part of Alliance/ Network.
- h) Every agreement, bye-law, MOUs, by whatever name called, must be filed with ICAI, without which registration will not be given.
- i) The legal status of Alliance/ Network can be that of AOP as recognised by tax laws. Alliance/ Network may open bank accounts in its own name, obtain PAN and GST registration.
- j) Alliance/ Network can take up non-attest assignments in its own name, if work is so assigned.
- k) Alliance/ Network may prepare a common balance sheet and get the same audited.
- l) Alliance/ Network can have website of its own. Appropriate guidelines will be prepared by Ethical Standards Board of ICAI.

-X-

ANNEXURE I**THE GUIDELINES FOR ALLIANCE****1. Short Title & Commencement**

- (i) These guidelines may be called “The Guidelines for Alliance”, hereinafter referred as “The Alliance Guidelines”.
- (ii) The Alliance Guidelines have come into force on the 9th February, 2021.

2. Objective

- 2.1 The objective of the Alliance Guidelines is to provide a framework for a firm of Chartered Accountants seeking benefits from Alliance, such as:
- Wider co-operation amongst the professionals
 - Sharing of common name of Alliance, if desired by Alliance firms, and to showcase their combined strength for securing professional work.
 - Wider professional reach
 - Referral practices
 - Wider geographical presence
- 2.2 The objective of the Alliance Guidelines is not to establish/ generate an Alliance, when it is not intended to do so. An Alliance will only be recognized, if registered with the ICAI, as mentioned in **para 6** hereinbelow.
- 2.3 Any specific regulations applicable to the respective constituents of the Alliance will continue to apply. The Alliance Guidelines do not intend to override specific regulations applicable to such entities.

3. Definitions

In the Alliance guidelines, unless there is anything repugnant in the subject or context, --

- (a) Act – “Act” means The Chartered Accountants Act, 1949.
- (b) Alliance - “Alliance” means a larger structure of a group of Indian CA Firms that have come together for mutual benefits by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit. Please refer to the guidance in **Appendix 1** of this Annexure.
- (c) Alliance Entity – “Alliance Entity” means an Indian CA firm that belongs to an Alliance.
- (d) Code of Ethics – “Code of Ethics” means the Code of Ethics issued by the ICAI and relevant Council Guidelines.
- (e) Cooperation - “Co-operation” means the act of working or acting together for a common purpose or benefit.
- (f) Council – “Council” means the Council of the ICAI.
- (g) Entity - “Entity” means a sole proprietor firm, partnership firm, limited liability partnership, or any such form of entity as may be permitted by law and in the context of the Alliance Guidelines, would comprise of those

registered with the recognized professional body in India, i.e., The Institute of Chartered Accountants of India

- (h) ICAI – “ICAI” or the “Institute” means the Institute of Chartered Accountants of India.
- (i) Member – “Member” means a Member of the ICAI as defined in Section 2(x) of The Chartered Accountants Regulations, 1988.
- (j) Referral practice - “Referral practice” means the arrangements to facilitate access to and transfer of knowledge, database, tools, technology, resources, best practices and/ or referral of clients, sharing of fees & cost.
- (k) Regulations – “Regulations” means Chartered Accountants Regulations, 1988.

4. Concept and Forms of Network

The concept of Alliance is explained in **Appendix 1**, which forms an integral part of the Alliance Guidelines.

- 4.1 An Alliance may either be an Alliance of those entities registered with the ICAI or other entities referred to in para 3(e). (Refer to **para 6** hereinbelow)
- 4.2 A registration of Alliance or an affiliation/ membership referred to in **para 4.1** above, may only be initiated by a firm of Chartered Accountants registered with the ICAI.
- 4.3 The form of Alliance shall be as under:

An Alliance will act as a facilitator for the constituents of the Alliance. The constituents will be free to carry out any professional practice on their own. Alliance may be constituted as a group of firms and may register as AOP as recognised under income-tax laws.
- 4.4 An Alliance may consist of proprietorship firm, partnership, limited liability partnership, as may be permitted under applicable laws/ regulations.
- 4.5 An entity is allowed to join only one Alliance. Firms belonging to one Alliance are not allowed to become Associates of another Alliance or Network firm.
- 4.6 Entities having majority of common partners shall join only one Alliance.
- 4.7 Modalities of working of an Alliance are contained in **Appendix 2** to this Annexure.

5. Approval of name of Alliance amongst entities

- 5.1 The Alliance shall have a distinct name. When four firms viz. A & Co., B & Co., C & Co. and D & Co. come together to form an Alliance, they will name their Alliance as “ABCD”. In case they wish to use suffix, they will use the suffix “& Alliance” to their common name to make it “ABCD & Alliance”. The name should be approved by the ICAI. The prescribed format of application for approval of name for Alliance is at **Form “A”** as enclosed. The name of Alliance may be as mentioned in **Appendix 3** to this Annexure.
- 5.2 In all professional stationery, the member-firms can mention that they are member-firms of so & so Alliance. The Alliance can also mention in its professional stationery that so & so firms are part of its Alliance.
- 5.3 Provisions of Regulation 190 of the Chartered Accountants Regulations, 1988 shall

be applicable to the name of an Alliance. However, even if a name is approved and subsequently it is found that the same is undesirable, the said name may be withdrawn at any time by the ICAI.

- 5.4 The ICAI shall approve or reject the name of an Alliance and intimate the same to the Alliance at its address mentioned in the prescribed **Form "A"** within a period which shall not be later than 30 days from the date of receipt of the said Form.

6. Registration of an Alliance

- 6.1 After the name of an Alliance is approved as per the provisions under **para 5** of the Guidelines, the ICAI shall reserve such name for a period of three (3) months from the date of approval.
- 6.2 An Alliance shall come into existence only if it is registered with the ICAI and for which an application in the prescribed **Form "B"** shall be duly filed. Every agreement, bye-law, MOUs, by whatever name called, must be filed with ICAI, without which registration will not be given. The ICAI shall register or reject the application within 30 days of filing the application or submission of information as desired by the ICAI.
- 6.3 In order to use the name of an Alliance within the meaning of the Alliance Guidelines, its registration with the ICAI is mandatory. An Alliance Registration Number (ARN) and a certificate of registration to this effect will be issued by the ICAI.
- 6.4 Unregistered Alliances, if any, are not permitted to derive undue advantage over registered Alliances. However, all restrictions imposed by Alliance Guidelines on registered Alliances will be applicable to them. Hence, they are advised not to operate unless registered with ICAI.

7. Change in constitution of a registered Alliance

- 7.1 In case of change in the constitution of a registered Alliance on account of any entry into or exit from or a discontinuation of the Alliance, the Alliance shall communicate the same to the ICAI by filing a prescribed **Form "C"** within a period of thirty (30) days from the date of such change and a revised certificate of registration will be issued by the ICAI in this regard. In case, an intimation is received at ICAI beyond 30 days, then the change in constitution or discontinuation, as the case may be, will be reckoned from the date of receipt of intimation at ICAI.
- 7.2 The Alliance will cease to exist, in case only one entity remains in Alliance on account of change in constitution of Alliance.

8. Ethical Compliance

- 8.1 Once an Alliance as referred to in **para 4.1** is registered with the ICAI, it will be necessary for such an Alliance and its constituent entities to comply with the Code of Ethics prescribed by ICAI and relevant Council Guidelines.
- 8.2 If one firm of the Alliance is the statutory auditor of an entity then the associate [including the Alliance firm(s)] or the said firm directly/ indirectly shall not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm. If one firm does audit work, another

firm in the Alliance cannot perform non-audit services of same client.

- 8.3 In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of an Alliance can accept appointment as an auditor in place of any member firm of the Alliance which is retiring.
- 8.4 An Alliance may advertise the Alliance to the extent permitted by the Advertisement Guidelines issued by the ICAI. The firms constituting the Alliance are permitted to use the words “A Member Firm of A B” or “A Member Firm of A B & Alliance” on their professional stationery. The Council will make appropriate changes to this effect in Code of Ethics.

9. Consent of Clients

The effect of registration of an Alliance with the ICAI will be deemed to be a public notice of the Alliance and, therefore, consent of client will be deemed to have been obtained.

10. Framework of internal byelaws of an Alliance

An Alliance arrangement, as referred to in **para 3** above may include the following (illustrative only):

- (i) Administration of the Alliance
- (ii) Dispute settlement procedures through arbitration and conciliation and assumption of liabilities
- (iii) Resource sharing arrangements

Appendix-1

(Referred to in para 4 of the Guidelines for Alliance and forms an integrated part of the Guidelines)

Concept

- 1.1 *To enhance their ability to provide professional services, firms frequently form larger structures of a group of entities with other entities. Whether these larger structures create an Alliance, depends on the particular facts and circumstances. The firms enjoy more freedom to operate in comparison to constituents of Network. For example, a larger structure of a group of entities may be aimed only at facilitating the referral of work, which in itself does not meet the criteria necessary to constitute an Alliance. However, a larger structure of a group of Indian CA firms that have come together for mutual benefits may be deemed as an “Alliance” if so intended.*
- 1.2 *Where the larger structure of group of entities is aimed at wider co-operation amongst professionals, wider professional reach and wider geographical presence, and it is clearly aimed at profit or cost sharing amongst the entities within the structure, it may be an Alliance. However, the sharing of costs does not in itself create an Alliance. Further, an association between firms to jointly provide a service or develop a product may in itself create an Alliance.*
- 1.3 *Where the larger structure of a group of entities is aimed at co-operation and the entities within the structure share professional work and fees, without common ownership, control or management, it may be an Alliance.*
- 1.4 *Where the larger structure of a group of entities is aimed at co-operation and the entities within the structure share the use of a common name, it may be an Alliance. A firm which is part of Alliance, may project itself as “An Independent Member Firm of A B” or “An Independent Member Firm of A B & Alliance”.*
- 1.5 *If an entity does not belong to an Alliance, it should not give the appearance that it belongs to an Alliance in any manner.*
- 1.6 *Several factors may contribute in reaching a conclusion, whether a structure constitutes an Alliance or not. A written arrangement demonstrating an intention to co-operate and create an Alliance would play a significant role, along with the registration with the ICAI.*

Appendix-2

(Referred to in para 4.7 of the Guidelines for Alliance and forms an integrated part of the Guidelines)

Modalities of Working

- 2.1 *Alliances may not be given professional assignment in their own name, but their combined strength may be recognised. Potential clients can assign non-attestation work in the name of Alliance. Consistent efforts will be made by ICAI to enable Alliances to secure work in their own name.*
- 2.2 *While submitting a bid, individual member firms belonging to the Alliance may be assessed in terms of their own strength. All firms belonging to Alliance can apply for empanelment separately as individual firms. ICAI will make efforts to secure recognition to the model of practice from appointing authorities by making representations to different Government Departments, PSUs, Autonomous bodies etc.*
- 2.3 *Name approval and registration of Alliance will be centralized. Unique Alliance Registration Number (ARN) to be allotted to all Alliances by ICAI.*
- 2.4 *If one firm in the Alliance is performing Central Statutory audit of an entity, another firm in the same Alliance cannot be allowed to perform internal/ concurrent/ branch audit of the same entity. However, both the Firms be allowed simultaneously to perform branch audits or concurrent audits of different branches if no firm in the Alliance is central statutory auditor.*
- 2.5 *Rotation of audit amongst the constituent firms in an Alliance is not permitted.*
- 2.6 *The provisions of Section 144 of the Companies Act, 2013 which restricts auditor from rendering other services to the same client, will apply to all constituent firms in the Alliance.*
- 2.7 *Standard on Quality Control (SQC) 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by ICAI is applicable to firms and Alliances.*
- 2.8 *In a situation where the client or empanelment/ appointment authority awards work based on the combined strength of Alliance, a subsequent change in constitution of the Alliance will not debar rest of the constituent firms from executing the work. In a worst case scenario, if the Alliance is unable to discharge the work because one or more firms have left, it can always resign from the assignment.*
- 2.9 *Alliances can register themselves as AOPs as recognised under income-tax laws. Alliances may form AOP and open bank account in their own name, obtain PAN and GST registration. Income received by AOP can be distributed as per MOU entered into amongst the member-firms of Alliance. IT returns will have to be filed by AOP.*
- 2.10 *AOPs can prepare common balance sheet and get it audited.*

Appendix-3

(Referred to in para 5.1 of the Guidelines for Alliance and forms an integrated part of the Guidelines)

Naming the Alliance & Name Approval

- 3.1 *The Alliance can be named as “A B” or “A B & Alliance”*
- 3.2 *The member firms of Alliance can project themselves as “An Independent Member Firm of A B” or “An Independent Member Firm of A B & Alliance”, in their professional stationery and letterheads.*
- 3.3 *Following naming provisions as are applicable for approval of firm/ trade name under Regulation 190(2)(ii) will be applicable for approval of Alliance name:*
- *Name approval will be subject to availability of proposed name.*
 - *Name of Alliance should resemble name of member-firms or a combination of their acronym.*
 - *Alliance should not bear the name of god/ goddess/ deity or which has no relationship with name of member-firms*
 - *Descriptive name will not be allowed*
 - *Names which smack of publicity will not be allowed.*

Form 'A'

APPLICATION FOR APPROVAL OF NAME OF ALLIANCE OF FIRMS**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See the relevant Rule of The Guidelines for Alliance amongst the firms registered with The Institute of Chartered Accountants of India]

- | | | | |
|----|---|----|--|
| 1. | Proposed name of Alliance
(in order of preference) | 1. | |
| | | 2. | |
| | | 3. | |
| | | 4. | |

- | | | |
|----|--|----------------|
| 2. | Names of the firms(s) forming Alliance | Firm Regn. No. |
| 1. | | |
| 2. | | |
| 3. | | |
| 4. | | |

3. Address of the Office of the Alliance
- _____
- _____
- _____

_____ Pin _____

E-mail (if any) _____

Phone/ Mobile Nos. _____

4. We hereby declare that the above firm(s)/ Member(s) proposed/ have entered into an understanding to form an Alliance in accordance with the Guidelines for Networking amongst the firms registered with The Institute of Chartered Accountants of India and further affirm and confirm that the partners signing the application have been duly authorised by the other partners of the respective firms.

Place :

.....

Name(s) with Membership No(s). and
signature(s) of duly authorized Partner(s)/ Date :
Proprietor(s) of the firms constituting
Alliance

Instruction: A copy of the authorisation to be filed with the ICAI by the partners signing the declaration on behalf of the firms.

Form 'B'

**APPLICATION FOR REGISTRATION OF ALLIANCE OF FIRMS THE
INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See relevant Rule of The Guidelines for Alliance amongst the firms registered with The
Institute of Chartered Accountants of India]

PARTICULARS OF ALLIANCE

- 1. Name of the Alliance**
- 2. Address of the Alliance**
- 3. Names and addresses of firms constituting the Alliance**

Names and addresses of Firm(s)	Firm Registration No.
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____

- 4. Date and approval number of Alliance name given by the ICAI**
- 5. Date of formation of Alliance**
- 6. We undertake to comply with the guidelines/ directions laid down by the Council regarding Alliance from time to time.**
- 7. We hereby confirm that all the Alliance firms have entered into an understanding to work as an Alliance in accordance with the Guidelines for Alliance amongst the firms registered with the Institute of Chartered Accountants of India and further affirm and confirm that the partners signing the application have been duly authorized by the other partners of the respective firms.**

Place :

Date:

**Name(s) with membership No(s).
and signature(s) of duly authorised
Partner(s)/Proprietor(s) of the Firms
constituting Alliance**

Instruction: Copy of agreement, bye-law, MOUs, by whatever name called, must be filed with ICAI, without which registration will not be given.

Form 'C'

DECLARATION FOR CHANGE IN CONSTITUTION OF REGISTERED ALLIANCE**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See relevant Rule of The Guidelines for Alliance amongst the firms registered with The Institute of Chartered Accountants of India]

1. Name of the Alliance:
2. Address of the Alliance:
3. Alliance Registration Number (ARN):
4. Names and addresses of firms constituting the Alliance

Names and addresses of Firm(s)		Firm Registration No.
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____

5. Name and address of the firm(s) willing to enter/ exit into/ from the Alliance

Name and address of Firm(s)		Firm Registration No.
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____

6. Date of change in the constitution:
7. We hereby declare that the above firm(s) propose to enter/exit into/from the Alliance in accordance with the Guidelines for Alliance amongst the firms registered with the Institute of Chartered Accountants of India and further affirm and the confirm that the partners signing the application have been duly authorized by the other partners of the respective firms.

Place :
:

Name(s) with Membership No(s).
and signature(s) of duly authorized Date
Partner(s)/Proprietor(s) of the firms

Instruction: A copy of the authorisation to be filed with the ICAI by the partners signing the declaration on behalf of the firms.

ANNEXURE II**THE GUIDELINES FOR NETWORKING (REVISED)****1. Short Title & Commencement**

- (i) These guidelines may be called “The Guidelines for Networking”, hereinafter referred as “The Networking Guidelines”.
- (ii) The Networking Guidelines have come into force on the 9th February, 2021.

2. Objective

2.1 The objective of the Networking Guidelines is to provide a framework for a firm of Chartered Accountants seeking benefits from networking, such as:

- Wider co-operation amongst the professionals
- Sharing of common name of Network, if desired by Network firms, and to showcase their combined strength for securing professional work.
- Pooling of knowledge, guidance, training, resources and infrastructure.
- Wider professional reach
- Sharing of methodologies, practices, strategy etc., in domestic and international markets
- Referral practices
- Wider geographical presence

2.2 The objective of the Networking Guidelines is not to establish/ generate a Network, when it is not intended to do so. A Network will only be recognized, if registered with the ICAI, as mentioned in **para 6** hereinbelow.

2.3 Any specific regulations applicable to the respective constituents of the Network will continue to apply. The Networking Guidelines do not intend to override specific regulations applicable to such entities.

3. Definitions

In the Networking guidelines, unless there is anything repugnant in the subject or context, --

- (a) Act – “Act” means The Chartered Accountants Act, 1949.
- (b) Code of Ethics – “Code of Ethics” means the Code of Ethics issued by the ICAI and relevant Council Guidelines.
- (c) Cooperation - “Co-operation” means the act of working or acting together for a common purpose or benefit.
- (d) Council – “Council” means the Council of the ICAI.
- (e) Entity - “Entity” means a sole proprietor firm, partnership firm, limited liability partnership, or any such form of entity as may be permitted by law and in the context of the Networking Guidelines, would comprise of those registered with the recognized professional body in India, i.e., The Institute of Chartered Accountants of India
- (f) ICAI – “ICAI” or the “Institute” means the Institute of Chartered Accountants of India.

- (g) Member – “Member” means a Member of the ICAI as defined in Section 2(x) of The Chartered Accountants Regulations, 1988.
- (h) Network - “Network” means a larger structure of a group of Indian CA Firms that have come together for mutual benefits by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit.
- (i) Network arrangement - “Network arrangement” means a written arrangement with an intent to create a Network in accordance with the Networking Guidelines. Please refer to the guidance in **Appendix 1** of this Annexure.
- (j) Network Firm – “Network Firm” means a firm or Entity that belongs to a Network.
- (k) Referral practice - “Referral practice” means the arrangements to facilitate access to and transfer of knowledge, database, tools, technology, resources, best practices and/ or referral of clients, sharing of fees & cost.
- (l) Regulations – “Regulations” means Chartered Accountants Regulations, 1988.

4. Concept and Forms of Network

The concept of Network is explained in **Appendix 1**, which forms an integral part of the Networking Guidelines.

- 4.1 A Network may either be a Network of those entities registered with the ICAI or other entities referred to in para 3(e). (Refer to **para 6** hereinbelow)
- 4.2 A registration of Network or an affiliation/ membership referred to in **para 4.1** above, may only be initiated by a firm of Chartered Accountants registered with the ICAI.
- 4.3 The form of Network shall be as under:

A Network may be constituted as a group of firms and may register as AOP as recognised under income-tax laws.
- 4.4 Network may consist of proprietorship firm, partnership, limited liability partnership, as may be permitted under applicable laws/ regulations.
- 4.5 An entity is allowed to join only one Network. Firms belonging to one Network are not allowed to become Associates of another Alliance or Network firm.
- 4.6 Entities having majority of common partners shall join only one Network.
- 4.7 Modalities of working of a Network are contained in **Appendix 2** to this Annexure.

5. Approval of name of Network amongst entities

- 5.1 The Network shall have a distinct name. When four firms viz. A & Co., B & Co., C & Co. and D & Co. come together to form a Network, they will name their Network as “ABCD”. In case they wish to use suffix, they will use the suffix “& Affiliates” or “Network” to their common name to make it “ABCD & Affiliates” or “ABCD Network”. The name should be approved by the ICAI. The prescribed format of application for approval of name for Network is at **Form “A”** as enclosed. The name of Network may be as mentioned in **Appendix 3** to this Annexure.

- 5.2 In all professional stationery, the member-firms can mention that they are member-firms of so & so Network. The Network can also mention in its professional stationery that so & so firms are part of its Network.
- 5.3 Provisions of Regulation 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of a Network. However, even if a name is approved and subsequently it is found that the same is undesirable, the said name may be withdrawn at any time by the ICAI.
- 5.4 The ICAI shall approve or reject the name of a Network and intimate the same to the Network at its address mentioned in the prescribed **Form "A"** within a period which shall not be later than 30 days from the date of receipt of the said Form.

6. Registration of a Network

- 6.1 After the name of a Network is approved as per the provisions under **para 5** of the Guidelines, the ICAI shall reserve such name for a period of three (3) months from the date of approval.
- 6.2 A Network shall come into existence only if it is registered with the ICAI and for which an application in the prescribed **Form "B"** shall be duly filed. Every agreement, bye-law, MOUs, by whatever name called, must be filed with ICAI, without which registration will not be given. The ICAI shall register or reject the application within 30 days of filing the application or submission of information as desired by the ICAI.
- 6.3 In order to use the name of a Network within the meaning of the Network Guidelines, its registration with the ICAI is mandatory. A Network Registration Number (NRN) and a certificate of registration to this effect will be issued by the ICAI.
- 6.4 Unregistered Networks, if any, are not permitted to derive undue advantage over registered networks. However, all restrictions imposed by Network Guidelines on registered Networks will be applicable to them. Hence, they are advised not to operate unless registered with ICAI.

7. Change in constitution of a registered Network

- 7.1 In case of change in the constitution of a registered Network on account of any entry into or exit from or a discontinuation of the Network, the Network shall communicate the same to the ICAI by filing a prescribed **Form "C"** within a period of thirty (30) days from the date of such change and a revised certificate of registration will be issued by the ICAI in this regard. In case, an intimation is received at ICAI beyond 30 days, then the change in constitution or discontinuation, as the case may be, will be reckoned from the date of receipt of intimation at ICAI.
- 7.2 The Network will cease to exist, in case only one entity remains in Network on account of change in constitution of Network.

8. Ethical Compliance

- 8.1 Once a Network as referred to in **para 4.1** is registered with the ICAI, it will be necessary for such a Network and its constituent entities to comply with the Code of Ethics prescribed by ICAI and relevant Council Guidelines.
- 8.2 If one firm of the network is the statutory auditor of an entity then the associate

[including the networked firm(s)] or the said firm directly/ indirectly shall not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm. If one firm does audit work, another firm in the Network cannot perform non-audit services of same client.

- 8.3 In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of a Network can accept appointment as an auditor in place of any member firm of the Network which is retiring.
- 8.4 A Network may advertise the Network to the extent permitted by the Advertisement Guidelines issued by the ICAI. The firms constituting the Network are permitted to use the words "A Member Firm of A B" or "A Member Firm of A B & Affiliates" or "A Member Firm of A B Network" on their professional stationery. The Council will make appropriate changes to this effect in Code of Ethics.

9. Consent of Clients

The effect of registration of a Network with the ICAI will be deemed to be a public notice of the Network and, therefore, consent of client will be deemed to have been obtained.

10. Framework of internal byelaws of a Network

A Networking arrangement, as referred to in **para 3** above may include the following (illustrative only):

- (i) Appointment of a Managing Committee, from among the managing partners of the member firms of the Network and the terms and conditions under which it should function. The minimum and maximum number of members of the Managing Committee shall also be agreed upon.
- (ii) Administration of the Network
- (iii) Contribution of membership fees to meet the cost of the administration of the Network.
- (iv) Identifying a partner of any of the member firms of the Network to be responsible for the administration of the Network
- (v) Dispute settlement procedures through arbitration and conciliation and assumption of liabilities
- (vi) Development of training materials for members of the Network
- (vii) Development and maintenance of data bases relevant for different types of assignments
- (viii) Library
- (ix) Appointment of a technical director to whom references can be made
- (x) Development of software and tools for the use of member firms
- (xi) Resource sharing arrangements

11. Repeal and saving

The Networking Guidelines issued in 2011 shall stand withdrawn from this date.

12. Existing Networks and affiliations registered with the ICAI

The existing Networks registered with the ICAI will be deemed to be registered under the new Guidelines as per its corresponding provisions. The Network should comply with the new Guidelines on a prospective basis.

Appendix-1

(Referred to in para 4 of the Guidelines for Networking and forms an integrated part of the Guidelines)

Concept

- 1.1 *To enhance their ability to provide professional services, firms frequently form larger structures of a group of entities with other entities. Whether these larger structures create a Network, depends on the particular facts and circumstances and does not depend on whether the entities are legally separate and distinct. For example, a larger structure of a group of entities may be aimed only at facilitating the referral of work, which in itself does not meet the criteria necessary to constitute a Network. Alternatively, a larger structure might be such that a group of Indian CA firms that have come together for mutual benefits by pooling resources, showcase their combined strength and have uniform policies, technology and collaterals, and showcase themselves as one big unit, and, consequently, may be deemed to be a Network, if so intended.*
- 1.2 *Where the larger structure of group of entities is aimed at wider co-operation amongst professionals, sharing of common name of network, pooling of knowledge, guidance, training, resources and infrastructure, sharing of methodologies, practices, strategies, common quality control policies and procedures and wider geographical presence, and it is clearly aimed at profit or cost sharing amongst the entities within the structure, it may be a Network.*
- 1.3 *Where the larger structure of a group of entities is aimed at co-operation and the entities within the structure share common ownership, control or management, it may be a Network.*
- 1.4 *Where the larger structure of a group of entities is aimed at co-operation and the entities within the structure share the use of a common name, it may be a Network. A firm which is part of Network, may project itself as "A Member Firm of A B" or "A Member Firm of A B & Affiliates" or "A Member Firm of A B Network".*
- 1.5 *If an entity does not belong to a Network, it should not give the appearance that it belongs to a Network in any manner.*
- 1.6 *Several factors may contribute in reaching a conclusion, whether a structure constitutes a Network or not. A written arrangement demonstrating an intention to co-operate and create a Network would play a significant role, along with the registration with the ICAI.*

Appendix-2

(Referred to in para 4.7 of the Guidelines for Networking and forms an integrated part of the Guidelines)

Modalities of Working

- 2.1 *Globally Networks are not given work, but their combined strength is recognised. Potential clients can assign non-attestation work in the name of Network. Consistent efforts will be made by ICAI to enable networks to secure work in their own name.*
- 2.2 *All firms belonging to Network can apply for empanelment separately as individual firms. ICAI will make efforts for credit points for combined strength to be given based on the mechanism in vogue with C&AG. Appropriate changes can be made in MEF. ICAI will make all out efforts to secure recognition to the model of practice from appointing authorities by making representations to different Government Departments, PSUs, Autonomous bodies etc.*
- 2.3 *Name approval and registration of Network will be centralized. Unique Network Registration Number (NRN) to be allotted to all Networks by ICAI.*
- 2.4 *If one firm in the Network is performing Central Statutory audit of an entity, another firm in the same Network cannot be allowed to perform internal/ concurrent/ branch audit of the same entity. However, both the Firms be allowed simultaneously to perform branch audits or concurrent audits of different branches if no firm in the Network is central statutory auditor.*
- 2.5 *Rotation of audit amongst the constituent firms in a Network is not permitted.*
- 2.6 *The provisions of Section 144 of the Companies Act, 2013 which restricts auditor from rendering other services to the same client, will apply to all constituent firms in the Network.*
- 2.7 *Standard on Quality Control (SQC) 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by ICAI is applicable to firms and networks.*
- 2.8 *In a situation where the client or empanelment/ appointment authority awards work based on the combined strength of Network, a subsequent change in constitution of the Network will not debar rest of the constituent firms from executing the work. In a worst case scenario, if the Network is unable to discharge the work because one or more firms have left, it can always resign from the assignment.*
- 2.9 *Networks can register themselves as AOPs as recognised under income-tax laws. Networks may form AOP and open bank account in their own name, obtain PAN and GST registration. Income received by AOP can be distributed as per MOU entered into amongst the member-firms of Network. IT returns will have to be filed by AOP.*
- 2.10 *AOPs can prepare common balance sheet and get it audited.*

Appendix-3

(Referred to in para 5.1 of the Guidelines for Networking and forms an integrated part of the Guidelines)

Naming the Network & Name Approval

- 3.1 *The Network can be named as “A B” or “A B & Affiliates” OR “A B Network”*
- 3.2 *The member firms of Network can project themselves as “A Member Firm of A B” or “A Member Firm of A B & Affiliates” or “A Member Firm of A B Network”, in their professional stationery and letterheads.*
- 3.3 *Following naming provisions as are applicable for approval of firm/ trade name under Regulation 190(2)(ii) will be applicable for approval of Network name:*
 - *Name approval will be subject to availability of proposed name.*
 - *Name of Network should resemble name of member-firms or a combination of their acronym.*
 - *Network should not bear the name of god/ goddess/ deity or which has no relationship with name of member-firms*
 - *Descriptive name will not be allowed*
 - *Names which smack of publicity will not be allowed.*

Form 'A'

APPLICATION FOR APPROVAL OF NAME OF NETWORK OF FIRMS**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See the relevant Rule of The Guidelines for Networking amongst the firms registered with The Institute of Chartered Accountants of India]

- | | | | |
|----|--|----|--|
| 1. | Proposed name of Network
(in order of preference) | 1. | |
| | | 2. | |
| | | 3. | |
| | | 4. | |

- | | | |
|----|---------------------------------------|----------------|
| 2. | Names of the firms(s) forming network | Firm Regn. No. |
| 1. | | |
| 2. | | |
| 3. | | |
| 4. | | |

3. Address of the Office of the Network

_____ Pin _____
 E-mail (if any) _____
 Phone/ Mobile Nos. _____

4. We hereby declare that the above firm(s)/ Member(s) proposed/ have entered into an understanding to form a network in accordance with the Guidelines for Networking amongst the firms registered with The Institute of Chartered Accountants of India and further affirm and confirm that the partners signing the application have been duly authorised by the other partners of the respective firms.

Place :

.....

Name(s) with Membership No(s). and
 signature(s) of duly authorized Partner(s)/ Date :
 Proprietor(s) of the firms constituting
 Network

Instruction: A copy of the authorisation to be filed with the ICAI by the partners signing the declaration on behalf of the firms.

Form 'B'

**APPLICATION FOR REGISTRATION OF NETWORK OF FIRMS THE
INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See relevant Rule of The Guidelines for Networking amongst the firms registered
with The Institute of Chartered Accountants of India]

PARTICULARS OF NETWORK

- 1. Name of the Network**
- 2. Address of the Network**
- 3. Names and addresses of firms constituting the Network**

Names and addresses of Firm(s)	Firm Registration No.
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____

- 4. Date and approval number of network name given by the ICAI**
- 5. Date of formation of Network**
- 6. We undertake to comply with the guidelines/ directions laid down by the Council regarding Network from time to time.**
- 7. We hereby confirm that all the Network firms have entered into an understanding to work as a network in accordance with the Guidelines for Networking amongst the firms registered with the Institute of Chartered Accountants of India and further affirm and confirm that the partners signing the application have been duly authorized by the other partners of the respective firms.**

Place :

Date:

Name(s) with membership No(s).
and signature(s) of duly authorised
Partner(s)/Proprietor(s) of the Firms
constituting Network

Instruction: Copy of agreement, bye-law, MOUs, by whatever name called, must be filed with ICAI, without which registration will not be given.

Form 'C'

DECLARATION FOR CHANGE IN CONSTITUTION OF REGISTERED NETWORK**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See relevant Rule of The Guidelines for Networking amongst the firms registered with The Institute of Chartered Accountants of India]

1. Name of the Network:
2. Address of the Network:
3. Network Registration Number (NRN):
4. Names and addresses of firms constituting the Network

Names and addresses of Firm(s)	Firm Registration No. 1.
2. _____	_____
3. _____	_____
4. _____	_____
5. Name and address of the firm(s) willing to enter/ exit into/ from the Network

Name and address of Firm(s)	Firm Registration No. 1.
2. _____	_____
3. _____	_____
4. _____	_____
6. Date of change in the constitution:
7. We hereby declare that the above firm(s) propose to enter/exit into/from the network in accordance with the Guidelines for Networking amongst the firms registered with the Institute of Chartered Accountants of India and further affirm and the confirm that the partners signing the application have been duly authorized by the other partners of the respective firms.

Place :

:

Name(s) with Membership No(s).
and signature(s) of duly authorized Date
Partner(s)/Proprietor(s) of the firms

Instruction: A copy of the authorisation to be filed with the ICAI by the partners signing the declaration on behalf of the firms.

ANNEXURE III**THE GUIDELINES FOR NETWORKING WITH LEAD FIRM CONCEPT****1. Short Title & Commencement**

- (i) These guidelines may be called “The Guidelines for Networking with Lead Firm Concept”, hereinafter referred as “The Networking Guidelines”.
- (ii) The Networking Guidelines have come into force on the 9th February, 2021.

2. Objective

2.1 The objective of the Networking Guidelines is to provide a framework for a firm of Chartered Accountants seeking benefits from networking, such as:

- Wider co-operation amongst the professionals
- Sharing of common name of Network, if desired by Network firms, and to showcase one lead firm²¹² with their combined strength for securing professional work.
- Pooling of knowledge, guidance, training, resources and infrastructure.
- Wider professional reach
- Sharing of methodologies, practices, strategy etc., in domestic and international markets
- Referral practices
- Wider geographical presence

2.2 The objective of the Networking Guidelines is not to establish/ generate a Network, when it is not intended to do so. A Network will only be recognized, if registered with the ICAI, as mentioned in **para 6** hereinbelow.

2.3 Any specific regulations applicable to the respective constituents of the Network will continue to apply. The Networking Guidelines do not intend to override specific regulations applicable to such entities.

3. Definitions

In the Networking guidelines, unless there is anything repugnant in the subject or context, --

- (a) Act – “Act” means The Chartered Accountants Act, 1949.
- (b) Code of Ethics – “Code of Ethics” means the Code of Ethics issued by the ICAI and relevant Council Guidelines.
- (c) Cooperation - “Co-operation” means the act of working or acting together for a common purpose or benefit.
- (d) Council – “Council” means the Council of the ICAI.
- (e) Entity - “Entity” means a sole proprietor firm, partnership firm, limited liability partnership, or any such form of entity as may be permitted by law and in the context of the Networking Guidelines, would comprise of those registered with the recognized

²Lead Firm concept explained in Modalities under Appendix-2 of Guidelines

professional body in India, i.e., The Institute of Chartered Accountants of India

- (f) ICAI – “ICAI” or the “Institute” means the Institute of Chartered Accountants of India.
- (g) Member – “Member” means a Member of the ICAI as defined in Section 2(x) of The Chartered Accountants Regulations, 1988.
- (h) Network - “Network” means a larger structure of a group of Indian CA Firms that have come together for mutual benefits by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit, with one lead firm acting on behalf of the member-firms
- (i) Network arrangement - “Network arrangement” means a written arrangement with an intent to create a Network in accordance with the Networking Guidelines. Please refer to the guidance in **Appendix 1** of this Annexure.
- (j) Network Firm – “Network Firm” means a firm or Entity that belongs to a Network.
- (k) Referral practice - “Referral practice” means the arrangements to facilitate access to and transfer of knowledge, database, tools, technology, resources, best practices and/ or referral of clients, sharing of fees & cost.
- (l) Regulations – “Regulations” means Chartered Accountants Regulations, 1988.

4. Concept and Forms of Network

The concept of Network is explained in **Appendix 1**, which forms an integral part of the Networking Guidelines.

- 4.1 A Network may either be a Network of those entities registered with the ICAI or other entities referred to in para 3(e). (Refer to **para 6** hereinbelow)
- 4.2 A registration of Network or an affiliation/ membership referred to in **para 4.1** above, may only be initiated by a firm of Chartered Accountants registered with the ICAI.
- 4.3 The form of Network shall be as under:

A Network may be constituted as a group of firms and may register as AOP as recognised under income-tax laws. The Network may authorise one of its member-firms as the lead firm³ to act as a facilitator for the constituents of the Network.
- 4.4 Network may consist of proprietorship firm, partnership, limited liability partnership, as may be permitted under applicable laws/ regulations.
- 4.5 An entity is allowed to join only one Network. Firms belonging to one Network are not allowed to become Associates of another Alliance or Network firm.
- 4.6 Entities having majority of common partners shall join only one Network.
- 4.7 Modalities of working of a Network are contained in **Appendix 2** to this Annexure.

³ Lead Firm concept explained in Modalities under Appendix-2 of Guidelines

5. Approval of name of Network amongst entities

- 5.1 The Network shall have a distinct name. When four firms viz. A & Co., B & Co., C & Co. and D & Co. come together to form a Network, they will name their Network as "ABCD". In case they wish to use suffix, they will use the suffix "& Affiliates" or "Network" to their common name to make it "ABCD & Affiliates" or "ABCD Network". The name should be approved by the ICAI. The prescribed format of application for approval of name for Network is at **Form "AA"** as enclosed. The name of Network may be as mentioned in **Appendix 3** to this Annexure.
- 5.2 In all professional stationery, the member-firms can mention that they are member-firms of so & so Network. The Network can also mention in its professional stationery that so & so firms are part of its Network.
- 5.3 Provisions of Regulation 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of a Network. However, even if a name is approved and subsequently it is found that the same is undesirable, the said name may be withdrawn at any time by the ICAI.
- 5.4 The ICAI shall approve or reject the name of a Network and intimate the same to the Network at its address mentioned in the prescribed **Form "AA"** within a period which shall not be later than 30 days from the date of receipt of the said Form.

6. Registration of a Network

- 6.1 After the name of a Network is approved as per the provisions under **para 5** of the Guidelines, the ICAI shall reserve such name for a period of three (3) months from the date of approval.
- 6.2 A Network shall come into existence only if it is registered with the ICAI and for which an application in the prescribed **Form "BB"** shall be duly filed. Every agreement, bye-law, MOUs, by whatever name called, must be filed with ICAI, without which registration will not be given. The ICAI shall register or reject the application within 30 days of filing the application or submission of information as desired by the ICAI.
- 6.3 In order to use the name of a Network within the meaning of the Network Guidelines, its registration with the ICAI is mandatory. A Network Registration Number (NRN) and a certificate of registration to this effect will be issued by the ICAI.
- 6.4 Unregistered Networks, if any, are not permitted to derive undue advantage over registered networks. However, all restrictions imposed by Network Guidelines on registered Networks will be applicable to them. Hence, they are advised not to operate unless registered with ICAI.

7. Change in constitution of a registered Network

- 7.1 In case of change in the constitution of a registered Network on account of any entry into or exit from or a discontinuation of the Network, the Network shall communicate the same to the ICAI by filing a prescribed **Form "CC"** within a period of thirty (30) days from the date of such change and a revised certificate of registration will be issued by the ICAI in this regard. In case, an intimation is received at ICAI beyond 30 days, then the change in constitution or discontinuation, as the case may be, will be reckoned from the date of receipt of intimation at ICAI.

- 7.2 The Network will cease to exist, in case only one entity remains in Network on account of change in constitution of Network.

8. Ethical Compliance

- 8.1 Once a Network as referred to in **para 4.1** is registered with the ICAI, it will be necessary for such a Network and its constituent entities to comply with the Code of Ethics prescribed by ICAI and relevant Council Guidelines.
- 8.2 If one firm of the network is the statutory auditor of an entity then the associate [including the networked firm(s)] or the said firm directly/ indirectly shall not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm. If one firm does audit work, another firm in the Network cannot perform non-audit services of same client.
- 8.3 In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of a Network can accept appointment as an auditor in place of any member firm of the Network which is retiring.
- 8.4 A Network may advertise the Network to the extent permitted by the Advertisement Guidelines issued by the ICAI. The firms constituting the Network are permitted to use the words “A Member Firm of A B” or “A Member Firm of A B & Affiliates” or “A Member Firm of A B Network” on their professional stationery. The Council will make appropriate changes to this effect in Code of Ethics.

9. Consent of Clients

The effect of registration of a Network with the ICAI will be deemed to be a public notice of the Network and, therefore, consent of client will be deemed to have been obtained.

10. Framework of internal byelaws of a Network

A Networking arrangement, as referred to in **para 3** above may include the following (illustrative only):

- (i) Appointment of one of the firms as the Lead Firm to act as a facilitator on behalf of the member-firms of the Network. The same may be agreed to by the member-firms by way of an internal agreement, a copy of which will have to be filed with the ICAI. The constituent firms will be at liberty to choose a different constituent firm as the Lead firm to represent the Network, depending upon the specialism and expertise required for a particular assignment.
- (ii) Appointment of a Managing Committee, from among the managing partners of the member firms of the Network and the terms and conditions under which it should function. The minimum and maximum number of members of the Managing Committee shall also be agreed upon.
- (iii) Administration of the Network
- (iv) Contribution of membership fees to meet the cost of the administration of the Network.
- (v) Identifying a partner of any of the member firms of the Network to be responsible for the administration of the Network
- (vi) Dispute settlement procedures through arbitration and conciliation and

assumption of liabilities

- (vii) Development of training materials for members of the Network
- (viii) Development and maintenance of data bases relevant for different types of assignments
- (ix) Library
- (x) Appointment of a technical director to whom references can be made
- (xi) Development of software and tools for the use of member firms
- (xii) Resource sharing arrangements

Appendix-1**(Referred to in para 4 of the Guidelines for Networking with Lead Firm Concept and forms an integrated part of the Guidelines)****Concept**

- 1.1 *To enhance their ability to provide professional services, firms frequently form larger structures of a group of entities with other entities. Whether these larger structures create a Network, depends on the particular facts and circumstances and does not depend on whether the entities are legally separate and distinct. For example, a larger structure of a group of entities may be aimed only at facilitating the referral of work, which in itself does not meet the criteria necessary to constitute a Network. Alternatively, a larger structure might be such that a group of Indian CA firms that have come together for mutual benefits by pooling resources, showcase their combined strength and have uniform policies, technology and collaterals, and showcase themselves as one big unit, and, consequently, may be deemed to be a Network, if so intended.*
- 1.2 *Where the larger structure of group of entities is aimed at wider co-operation amongst professionals, sharing of common name of network, showcasing one firm as the lead firm⁴, pooling of knowledge, guidance, training, resources and infrastructure, sharing of methodologies, practices, strategies, common quality control policies and procedures and wider geographical presence, and it is clearly aimed at profit or cost sharing amongst the entities within the structure, it may be a Network.*
- 1.3 *Where the larger structure of a group of entities is aimed at co-operation and the entities within the structure share common ownership, control or management, it may be a Network.*
- 1.4 *Where the larger structure of a group of entities is aimed at co-operation and the entities within the structure share the use of a common name, it may be a Network. A firm which is part of Network, may project itself as "A Member Firm of A B" or "A Member Firm of A B & Affiliates" or "A Member Firm of A B Network"*
- 1.5 *If an entity does not belong to a Network, it should not give the appearance that it belongs to a Network in any manner.*
- 1.6 *Several factors may contribute in reaching a conclusion, whether a structure constitutes a Network or not. A written arrangement demonstrating an intention to co-operate and create a Network would play a significant role, along with the registration with the ICAI.*

⁴ Lead Firm concept explained in Modalities under Appendix-2 of Guidelines

Appendix-2**(Referred to in para 4.7 of the Guidelines for Networking with Lead Firm concept and forms an integrated part of the Guidelines)****Modalities of Working**

- 2.1 *Globally Networks are not given work, but their combined strength is recognised. Potential clients can assign non-attestation work in the name of Network. Consistent efforts will be made by ICAI to enable networks to secure work in their own name. Till such time, a lead firm in the Network can secure work in its name on behalf of the Network.*
- 2.2 *The constituent firms will be at liberty to choose a different constituent firm as the Lead firm to represent the Network, depending upon the specialism and expertise required for a particular assignment.*
- 2.3 *By way of an internal agreement amongst the firms, one of the firms will be chosen as the Lead firm. Only the Lead firm can apply for empanelment and not the other member-firms. While submitting a bid, the lead firm belonging to the Network may get credit points for the combined resources of the whole of the Network firms. ICAI will make efforts for credit points for combined strength to be given based on the mechanism in vogue with C&AG. Appropriate changes can be made in MEF. ICAI will make all out efforts to secure recognition to the model of practice from appointing authorities by making representations to different Government Departments, PSUs, Autonomous bodies etc.*
- 2.4 *The Network firms may decide amongst themselves through agreement the strategy for execution of the professional work. They may distribute the work on the basis of expertise possessed by each firm or on the basis of geographical location of the firms or on any basis mutually acceptable to them. They will also decide how the fees will be distributed amongst the firms, on the basis of quantum of work, mandays and expenses involved. Initially, some firms may sacrifice a bit in order to sustain and continue in the Network, but gradually when work starts flowing in, all firms are benefitted and can grow bigger. More importantly, when big professional work starts flowing in, it will enhance the competency of all the firms in Network. Capacity building and capability building will take care by itself.*
- 2.5 *Name approval and registration of Network will be centralized. Unique Network Registration Number (NRN) to be allotted to all Networks by ICAI.*
- 2.6 *Since it may not be possible to obtain and execute work in the name of Network, the lead firm will secure work and distribute tasks amongst the constituent firms, provided the client has no objection for such an arrangement. There are enormous opportunities available other than audits allotted by authorities, and consultancy works, which can be executed under lead firm concept. Once work starts to flow in the name of Network itself, lead firm concept can be done away with.*
- 2.7 *The issues that need to be kept in mind is wherever appointment letter is taken in the name of Lead firm, other firms, though they may contribute in completing the assignment, but may not be able to claim credit of experience of task. The situation can be met by entering into Agreement listing out respective tasks.*

- 2.8 *If one firm in the Network is performing Central Statutory audit of an entity, another firm in the same Network cannot be allowed to perform internal/ concurrent/ branch audit of the same entity. However, both the Firms be allowed simultaneously to perform branch audits or concurrent audits of different branches if no firm in the Network is central statutory auditor.*
- 2.9 *Rotation of audit amongst the constituent firms in a Network is not permitted.*
- 2.10 *The provisions of Section 144 of the Companies Act, 2013 which restricts auditor from rendering other services to the same client, will apply to all constituent firms in the Network.*
- 2.11 *Standard on Quality Control (SQC) 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements” issued by ICAI is applicable to firms and networks.*
- 2.12 *In a situation where the client or empanelment/ appointment authority awards work based on the combined strength of Network, a subsequent change in constitution of the Network will not debar rest of the constituent firms from executing the work. In a worst case scenario, if the Network is unable to discharge the work because one or more firms have left, it can always resign from the assignment.*
- 2.13 *Networks can register themselves as AOPs as recognised under income-tax laws. Networks may form AOP and open bank account in their own name, obtain PAN and GST registration. Income received by AOP can be distributed as per MOU entered into amongst the member-firms of Network. IT returns will have to be filed by AOP.*
- 2.14 *AOPs can prepare common balance sheet and get it audited.*

Appendix-3**(Referred to in para 5.1 of the Guidelines for Networking with Lead Firm concept and forms an integrated part of the Guidelines)****Naming the Network & Name Approval**

- 3.1 *The Network can be named as “A B” or “A B & Affiliates” OR “A B Network”*
- 3.2 *The member firms of Network can project themselves as “A Member Firm of A B” or “A Member Firm of A B & Affiliates” or “A Member Firm of A B Network”, in their professional stationery and letterheads.*
- 3.3 *Following naming provisions as are applicable for approval of firm/ trade name under Regulation 190(2)(ii) will be applicable for approval of Network name:*
- *Name approval will be subject to availability of proposed name.*
 - *Name of Network should resemble name of member-firms or a combination of their acronym.*
 - *Network should not bear the name of god/ goddess/ deity or which has no relationship with name of member-firms*
 - *Descriptive name will not be allowed*
 - *Names which smack of publicity will not be allowed.*

Form 'AA'

APPLICATION FOR APPROVAL OF NAME OF NETWORK OF FIRMS**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See the relevant Rule of The Guidelines for Networking with Lead Firm concept amongst the firms registered with The Institute of Chartered Accountants of India]

1. Proposed name of Network (in order of preference)
 1. _____
 2. _____
 3. _____
 4. _____

2. Names of the firms(s) forming network Firm Regn. No./

1.		
2.		
3.		
4.		

3. Address of the Office of the Network

Pin

E-mail (if any)

Phone/ Mobile Nos.

4. We hereby declare that the above firm(s)/ Member(s) proposed/ have entered into an understanding to form a network in accordance with the Guidelines for Networking amongst the firms registered with The Institute of Chartered Accountants of India and further affirm and confirm that the partners signing the application have been duly authorised by the other partners of the respective firms.

Place :

.....

Name(s) with Membership No(s). and
signature(s) of duly authorized Partner(s)/ Date :
Proprietor(s) of the firms constituting
Network

Instruction: A copy of the authorisation to be filed with the ICAI by the partners signing the declaration on behalf of the firms.

Form 'BB'

APPLICATION FOR REGISTRATION OF NETWORK OF FIRMS**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See relevant Rule of The Guidelines for Networking with Lead Firm concept amongst the firms registered with The Institute of Chartered Accountants of India]

PARTICULARS OF NETWORK

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms constituting the Network

Names and addresses of Firm(s)	Firm Registration No.
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____

4. Date and approval number of network name given by the ICAI
5. Date of formation of Network
6. We undertake to comply with the guidelines/ directions laid down by the Council regarding Network from time to time.
7. We hereby confirm that all the Network firms have entered into an understanding to work as a network in accordance with the Guidelines for Networking amongst the firms registered with the Institute of Chartered Accountants of India and further affirm and confirm that the partners signing the application have been duly authorized by the other partners of the respective firms.

Place :

Date:

Name(s) with membership No(s).
and signature(s) of duly authorised
Partner(s)/Proprietor(s) of the Firms
constituting Network

Instruction: Copy of agreement, bye-law, MOUs, by whatever name called, must be filed with ICAI, without which registration will not be given.

DECLARATION FOR CHANGE IN CONSTITUTION OF REGISTERED NETWORK**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See relevant Rule of The Guidelines for Networking with Lead Firm concept amongst the firms registered with The Institute of Chartered Accountants of India]

1. Name of the Network:
2. Address of the Network:
3. Network Registration Number (NRN):
4. Names and addresses of firms constituting the Network

Names and addresses of Firm(s)

Firm Registration No.

1. _____
2. _____
3. _____
4. _____

- _____
- _____
- _____
- _____

5. Name and address of the firm(s) willing to enter/ exit into/ from the Network

Names and addresses of Firm(s)

Firm Registration No.

1. _____
2. _____
3. _____
4. _____

- _____
- _____
- _____
- _____

6. Date of change in the constitution:

7. We hereby declare that the above firm(s) propose to enter/exit into/from the network in accordance with the Guidelines for Networking amongst the firms registered with the Institute of Chartered Accountants of India and further affirm and the confirm that the partners signing the application have been duly authorized by the other partners of the respective firms.

Place :

:

Name(s) with Membership No(s).
and signature(s) of duly authorized Date
Partner(s)/Proprietor(s) of the firms

Instruction: A copy of the authorisation to be filed with the ICAI by the partners signing the declaration on behalf of the firms.