

REVISED NETWORKING GUIDELINES

Presented by:-

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Chartered Accountants

Batgach

& Affiliates


A Network Approved by ICAI

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BACKGROUND

- Need for change
 - Group formation - March'20
 - Outreach programmes - January '21
 - Council decision - 9th February' 21 – 398th meeting
 - Coverage - Networking amongst domestic CA firms
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3 MODELS

- Alliance.
 - Networking.
 - Networking with lead Firm concept.
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COMPARATIVE ANALYSIS

	Alliance	Networking	Lead Firm Networking
1. Name (suffix)	"& Alliance"	"& Affiliates " or "Network"	" & Affiliates" or "Network"
2. Applicability of Regulation 190	Yes	Yes	Yes
3. Use of Firm's name in Network stationery	Allowed	Allowed	Allowed
4. Use of Network name in Firm's stationery	Allowed	Allowed	Allowed
5. Registration	Compulsory	Compulsory	Compulsory
6. Registration - Centralised/Decentralised	Centralised	Centralised	Centralised
			<i>Cont'd...</i>

COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Network	Lead Firm Networking
7. Unique Registration Number	ARN	NRN	NRN
8. Membership of multiple networks	Not allowed	Not allowed	Not allowed
9. Firm with majority common partners in different network	Not allowed	Not allowed	Not allowed
10. Restrictions in practice in firm name	NIL	Subject to internal agreement of Network	Subject to internal agreement of Network
11. Empanelment by Individual Firms	Allowed	Allowed	Lead Firm will apply on behalf of entire Network
12. ICAI Efforts for recognising Combined Strength	No effort as Alliance is basically for non audit services	Yes	Yes
			<i>Cont'd...</i>

COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Networking	Lead Firm Networking
13. Internal/ Statutory Conflict	Not Allowed	Not Allowed	Not Allowed
14. Rotation inside network	Not Allowed	Not Allowed	Not Allowed
15. Referral	Allowed	Allowed	Allowed
16. Sharing of Fees/ Profits	Allowed	Allowed	Allowed
17. Network Bye Laws/ Agreement	Mandatory	Mandatory	Mandatory
18. Submission of Bye Law/ Agreement to ICAI	Mandatory	Mandatory	Mandatory
			<i>Cont'd...</i>


COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Networking	Lead Firm Networking
19. Quality Control documentation and compliance	Not Compulsory	Compulsory	Compulsory
20. Code of Ethics	Fully applicable	Fully applicable	Fully applicable
21. Advertisement Guidelines, Website Guidelines	Applicable	Applicable	Applicable
22. Combined Financials Statements	Allowed	Allowed	Allowed
23. Consent of clients	Not needed	Not needed	Not needed
			<i>Cont'd...</i>

COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Networking	Lead Firm Networking
24. Bank account	Yes	Yes	Yes
25. PAN/GST No.	Yes	Yes	Yes
26. Reconstitution	Free	Subject to Internal Agreement/ Bye Laws	Subject to Internal Agreement/ Bye Laws
27. Form Filing	Name Approval, Registration, Reconstitution	Name Approval, Registration, Reconstitution	Name Approval, Registration, Reconstitution

Special Issues Relating to Lead Firm Concept

- The Lead Firm can obtain and execute work in its own name and distribute among Constituent Firms.
 - The Lead Firm has to share the fees with other firms, if it quits the network.
 - Lead Firm will get Credit of Experience.
 - If work procurement in the name of Network is allowed in future, concept of Lead Firm will die.
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Points to be kept in mind

1. Registration will only be given when every Agreement, Bye Laws, MOUs have been filed with ICAI.
2. Deeds/MOUs, Forms can be signed by managing/designated partner of each of the member firms.
3. Legal status of Alliance/Network can be that of AOP.
4. If needed the Alliance/Network can take up non attest assignments in its own name.


Cont'd...

Points to be kept in mind (Cont'd...)


5. For specific assignments Joint ventures can be formed.
6. Alliance/Network can have a website of its own.
7. Only firms/LLPs are permitted to enter in Alliance/ Network
8. Detailed data of firms will be made available in the SSP for the members to view and take informed decision.
9. Logo - not allowed.

Cont'd...

Points to be kept in mind (Cont'd...)

10. With Passage of time, ICAI intends to move towards allowing Foreign Firms to Join Indian networks.
 11. If one Firm of a Network is Central Statutory Auditor of an entity, another Firm of the same network can't perform Internal/ Concurrent/ Branch Audit of the same entity.
 12. If no firm of a network is Central Statutory Auditor, different Firms of the same network can perform Branch Audit or Concurrent Audit of different branches of the entity.
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Points to ponder

- Modalities of combined financials - What view departments will take?
 - What happens to Firms with International Affiliations who are also members of Indian network?
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Thank You

