REVISED GUIDELINES OF NETWORK

1. These Guidelines are called Guidelines for Network amongst the firms Registered with The Institute of Chartered Accountants of India.

2. Definition.

(i) Network -

“Network amongst two or more firms means an arrangement to facilitate the better functioning of the affiliate member firms in the interest of the profession and not for acquisition of any gain. Such Network shall include the formal Network to use the collective resources such as turnover, infrastructures, manpower, location for execution of Professional services of one or more type.

[Explanation –

1. An affiliation as referred to above shall also include: -

(i) having an association with an accounting entity within or outside India such that it results directly or indirectly in a common professional economic or beneficial interest.
(ii) one or more of the entities holding out that it is so affiliated or networked.

2. An entity shall not be treated as an affiliate of another merely for the reason that they

(a) share professional knowledge and data base;
(b) refer certain professional assignments or authorize the other to represent certain specific matters.

3. If different Indian firms are networked with a common Multi National Accounting Firm (MAF) then irrespective of the presence/absence of any ‘affiliate’ relationship between the Indian firms inter-se, they shall be considered as part of a network.]

(ii) Formal Network - Formal network means a network amongst two or more firms registered with The Institute of Chartered Accountants of India (ICAI), where the object of network is to use the collective resources of the affiliates for execution of professional services of one or more types at one and/or at multi-locational points. The resources would include financial, technical and other logistic support required to execute the professional assignments. In such type of network, the common resources may be pooled and exhibited together before the service user as those belonging to one particular set of professionals.

(iii) Referal Practice – Referal Practice means a practice to refer professional work by a firm to one of its associate/affiliate either situated at a different place or rendering professional services not provided by it, to the user of the services. The pre-dominant objective of such a network is not to pool in their collective resources and exhibit them as those belonging to one particular set of professionals.

(iv) Act – Act means The Chartered Accountants Act, 1949.

(v) Regulations – Regulations means Chartered Accountants Regulations, 1988.

(vi) Code of Ethics – Code of Ethics means the Code of Ethics issued by the Institute and decisions of the Council in this regard.

(vii) Institute – Institute means the Institute of Chartered Accountants of India.

(viii) Council – Council means the Central Council of the Institute.

(ix) Member – Member means a Member in Practice. Member in Practice means a Member in Practice as defined in the Chartered Accountants Act, 1949.

3. Name of Network:

(i) The Network may have distinct name which should be approved by the Institute. To distinguish a "Network" from a "firm" of Chartered Accountants, the words "& Affiliates" should be used after the name of the network and the words "& Co." /"& Associates" should not be used. The prescribed format of application for approval of Name for Network is at Form 'A' (enclosed).

(ii) Standards prescribed in Regulations 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of Network. 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 Institute shall reject any undesirable name and the provisions in respect of names of companies as prescribed in the Companies Act, 1956 shall be applicable in spirit.

(iii) The network should neither be permitted to advertise nor to use logo. The firms constituting the network are permitted to use the words "Affiliates/Members of ……" (a network of Indian CA firms) on their professional stationery.

(iv) Network may work without a Name also.

4. Registration:

(i) A Formal Network is required to be registered with the Institute in a prescribed Form 'B' (enclosed).

(ii) Referal Practice requires no registration.

(iii) It is for each firm to decide whether its affairs and relations with another firm results in creation of a Formal Network. Network shall evaluate for itself whether or not it is a formal network requiring registration with the Institute.

(iv) If different Indian firms are networked with a common Multinational Accounting Firm (MAF) then irrespective of the presence/absence of any 'affiliate' relationship between the Indian firms inter-se, they shall be considered as part of a network. As such, for these firms the registration with the Institute is not mandatory. It is only if these Indian firms decide to constitute a Formal Network, then the registration with the Institute is mandatory.

5. Ethical Compliance:

Once the relationship of network arises, whether registered or not with the Institute, it will be necessary for such a network to comply with all applicable ethical requirements prescribed by the Institute from time to time in general and the following requirements in particular: -

(a) 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 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 Network as follows: -

i) For a constituent member of a Network who is doing statutory audit (including its associate concern and/or firm(s) having common partnership), it shall be the same as mentioned in the said notification; and

ii) For other constituent member(s) of the same Network collectively, it shall be 3 times of the fee payable for carrying out the statutory audit of the same undertaking/company.

(c) In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of the network can accept appointment as an auditor in place of any member firm of the network which is retiring. However, this restriction shall not apply in case of appointment as Statutory Central Auditor of Government agencies/Undertakings such as Public Sector Undertakings (PSUs), Public Sector Banks and Financial Institutions etc.

(d) The Constituent member firms of a Network & the Network shall comply with all the Ethical Standards prescribed by the Council from time to time.

6. Consent of Client:

The network shall obtain consent of the client to engage an affiliate in discharging the professional assignments.

7. Constitution of Network:

(i) Proprietary/partnership firm(s) as well as individual member(s) are permitted to form a Network.

(ii) A proprietary/partnership firm as well as individual Member are allowed to join only one Formal network.

(iii) Firms having common partners shall join only one network.

8. Object of Network:

The Network itself will not carry on any business for acquisition of gain for itself and only act as a facilitator for its members/constituent Member firms to pursue their professional jobs.

9. Responding to Enquiries:

Only one firm/Member can apply on behalf of the network showing the collective strength of all the constituent firms of the network, when responding to any enquiry.

10. Issuing Reports:

Only the firm(s)/Member(s) forming Network are eligible to issue/sign/attest any certificate/Report/professional document/assignment.

11. Violation of Act:

In case of alleged violation of the provisions of the Act, Regulations framed thereunder, guidelines/directions laid down by the Council from time to time and Code of Ethics by the Network firm, the proprietary/partnership firm(s)/individual Member constituting the Network would be answerable.

12. Exit From Network:

A constituent Member firm/Member of a Network can exit from the network by sending the declaration in Form ‘C’ (enclosed) to the Institute and also to each and every constituent of the network. The concurrence/acceptance of the same by other firms forming part of the network firm shall not be required.

13. Network with entities outside India -

13.1 The duly authorized representative(s) of the Indian Member firm (s)/Member Constituting the Network shall file a declaration with the Institute in Form 'D' for registration.

13.2 Proprietary/Partnership firms as well as individual members shall be permitted to join such Network with entities outside India.

Provided that the proprietary/partnership as well as individual member are allowed to join only one formal network and firms having common partners shall join only one such network.

14. Framework of Internal Byelaws of Network requiring Registration:

To streamline the networking, a network shall formulate operational byelaws. Byelaws may contain the following clauses on which the affiliates of the network may enter into a written agreement among themselves:

(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 assignment (engagement partner)
(v) Dispute settlement procedures through arbitration and conciliation
(vi) Development of training materials for members of the network
(vii) Issue of News-letters for staff and clients
(viii) Development of softwares for different types of assignments
(ix) Development and maintenance of data bases relevant for different types of assignments
(x) Library
(xi) Appointment of a technical director to whom references can be made
(xii) Determining the methodology for drawing resources from each member firm
(xiii) Determining compensation to member firms for resources to be drawn from them
(xiv) Peer review of the member firms

These clauses are illustrative.

Form 'A'

APPLICATION FOR APPROVAL OF NAME FOR NETWORK OF FIRMS

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[See Rule 3 of Guidelines of Network amongst the firms registered with The Institute of Chartered Accountants of India]

1. Proposed name of Network (in order of preference) if the Network has a distinct name
   1. ________________
   2. ________________
   3. ________________
   4. ________________

2. Name(s) of the firm(s)/Member(s) forming network

	Firm Name/ Member Name	Firm Regn. No./ M.No.
1.	______________	________________
2.	______________	________________
3.	______________	________________
4.	______________	________________

3. Address of the Office of the Network
   ____
   ____
   ____
   ___________________Pin _______________
   E-mail (if any) ________________________

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

Place : ....

Date : ....

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

Form 'B'

DECLARATION FOR REGISTRATION OF FORMAL NETWORK AMONGST FIRMS REGISTERED WITH ICAI

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

PARTICULARS OF NETWORK HAVING INDIAN AFFILIATION

1. Name of the Network

2. Address of the Network

3. Names and addresses of firms/Member constituting the Network

Names and addresses of Firm(s)/Member(s)	Firm Registration No./M.No.

4. (a) Date of formation of Network

   (b) Date on which present network arrangement was entered into

5. We undertake to comply with the guidelines/directions laid down by the Council regarding Network from time to time.

We hereby declare that:

(a) the network constituents have entered into an agreement to form this network.

(b) that the partner(s) signing this declaration has been duly authorized by the other partners of the firm

Place : ....

Date : ....

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

Notification No.1-CA(7)/60/2002 8th March, 2002

1-CA(7)/60/2002: In exercise of the powers conferred by clause (ii) of Part II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute of Chartered Accountants of India hereby specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts 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. 50 crores or more in a year and 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 in this Notification.

Explanation:

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;

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: -

      (i) audit under any other statute;
      (ii) certification work required to be done by the statutory auditors; and
      (iii) 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 under Appendix (10) [now Appendix (9)] to the Chartered Accountants Regulations, 1988.

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.

4. This notification is applicable for any appointment(s) on or after 1st April, 2002.

Form 'C'

DECLARATION FOR DISSOCIATION FROM A NETWORK

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

[See Rule 12 of Guidelines of Network amongst the firms registered with The Institute of Chartered Accountants of India]

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)/Member(s)	Firm Registration No./M. No.

4. Name and address of the firm/member willing to dissociate from the Network

Name and address of Firm(s)/Member(s)	Firm Registration No./M. No.

In pursuance to the Rule 12 of Guidelines of the Network issued by The Institute of Chartered Accountants of India, We/I hereby declare our dissociation from the Network w.e.f. ....

I hereby declare that I have been duly authorised by the other partners to issue this declaration.

Place : ....

Date : ....

Name with Membership No(s).
and signature(s) of duly authorized
Partner(s)/Proprietor of the firm/
Member dissociating from the Network

Form 'D'

DECLARATION TO BE FILED FOR NETWORK WITH ENTITIES OUTSIDE INDIA

THE INSTITUTE OF CHARTERED ACCOUNTATNS OF INDIA

PARTICULARS OF NETWORK WITH ENTITIES OUTSIDE INDIA

1. Name of the Network

2. Date on which the Indian firms have joined the present Network arrangement:

3. Name(s) & address(es) of all the Indian firm(s) joined/joining the Network

   Name(s) of Firm(s) Firm Registration Number(s)

Verification

I/We solemnly declare and affirm that the information provided is true and correct to my/our knowledge and belief.

Place: .... Name(s) with Membership No(s) and signature(s) of a duly authorised

Date: .... Partner of the Indian firm(s)/ Member joining the Network

Note:

(i) All existing Network should file this declaration on or before 30th June, 2009.

(ii) Any new network arrangement shall file this declaration within 30 days of entering into the Network arrangement.

(iii) A copy of the authorisation to be filed with the Institute by the Partner signing the declaration on behalf of the firm.

(iv) The declaration may be filed jointly or separately with the ICAI by the firms entering the Network.

(v) Proprietary/partnership firms(s) as well as individual Member(s) are permitted to form a Network.

(vi) A proprietary/partnership firm as well as individual Member are allowed to join only one Formal Network.

(vii) Firm having common partners shall join only one network.