

The Guidelines for Networking of Indian CA firms, 2021



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[Set up by an Act of Parliament]

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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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.

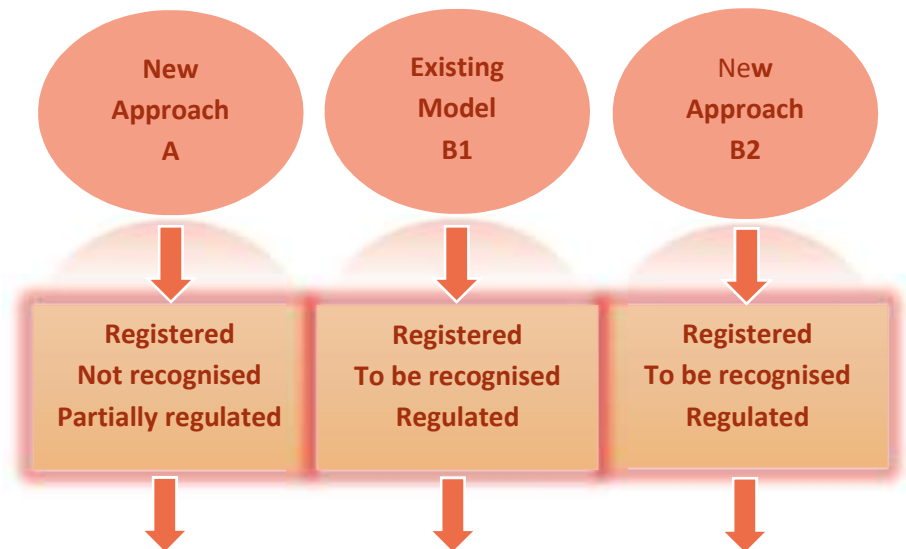
Approach II – Different firms coming together to form a Network with a new Network name and practicing in the name of firms belonging to Network. This Model is subdivided into following two options:



Network of firms in existing model by practising in individual firm name

Network of firms with a **Lead firm**¹ acting on behalf of constituent firms of Network

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:



S.No.	Criteria	APPROACH A Alliance Model	APPROACH B1 Network Model	APPROACH B2 Lead Firm Model
1	Name	When four firms viz. A & Co., B & Co., C & Co. and D & Co. come	When four firms viz. A & Co., B & Co., C & Co. and D & Co. come	When four firms viz. A & Co., B & Co., C & Co. and D & Co. come

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
		<p>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".</p> <p>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.</p>	<p>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".</p> <p>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.</p>	<p>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"</p> <p>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.</p>
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	<p>Firms are free to carry on practice as independent firms, despite being constituents of Alliance.</p> <p>Alliance may direct the best practices to be followed by individual constituent firms.</p> <p>Firms belonging to one Alliance can't be allowed to become</p>	<p>Firms are bound by internal integration agreement, and practice as independent firms, subject to internal agreement. Network's decision prevails upon other firms.</p> <p>Firms belonging to one Network can't be allowed to become</p>	<p>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.</p>

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
		<p>Individual firms take up professional work on their own</p> <p>Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted.</p> <p>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</p>	<p>by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit</p> <p>Quality control is well documented and complied with, which is applicable to network as well as to individual constituent firms.</p> <p>Individual firms take up professional work on their own, and a partner of said firm can sign the reports and documents</p> <p>Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted.</p> <p>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</p>	<p>by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit</p> <p>Quality control is well documented and complied with, which is applicable to network as well as to individual constituent firms.</p> <p>Individual firms take up professional work on their own, and a partner of said firm can sign the reports and documents</p> <p>Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted.</p> <p>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</p>
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
		<p>the firms that have jointly executed the assignment will be accountable. Therefore, division of work needs to be well documented.</p> <p>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</p> <p>A partner of firm that gets appointment will sign reports and certificates</p> <p>Alliance shall have to submit to ICAI copy of internal agreement signed by an authorised partner of all constituent firms.</p>	<p>the firms that have jointly executed the assignment will be accountable. Therefore, division of work needs to be well documented.</p> <p>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</p> <p>A partner of firm that gets appointment will sign reports and certificates</p> <p>Network shall have to submit to ICAI copy of internal agreement signed by an authorised partner of all constituent firms</p>	<p>the firms that have jointly executed the assignment will be accountable. Therefore, division of work needs to be well documented.</p> <p>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</p> <p>A partner of lead firm will sign reports and certificates, as it is the lead firm which will get the appointment in its name</p> <p>Network shall have to submit to ICAI copy of internal agreement signed by an authorised partner of all constituent firms</p>
8	Reconstitution	<p>Firms are free to join and exit Alliance.</p> <p>Reconstitution has to be registered with ICAI</p>	<p>Firms are bound by Network's internal integration agreement.</p> <p>Reconstitution has to be registered with ICAI</p>	<p>Firms are bound by Network's internal integration agreement.</p> <p>Reconstitution has to be registered with ICAI</p>
9	Exit/ closure	<p>Much more easier to quit the arrangement</p> <p>If one or more firms quit the Alliance, it will not deprive the remaining firms</p>	<p>Easy to quit the arrangement</p> <p>If one or more firms quit the Network, it will not deprive the remaining firms from doing the</p>	<p>Easy to quit the arrangement</p> <p>If one or more firms quit the Network, it will not deprive the remaining firms from doing the</p>

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.

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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

(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.*

(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.*

(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.*

**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)/ Proprietor(s) of the firms constituting Alliance**

Date :

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

**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.

**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
Partner(s)/Proprietor(s) of the firms

Date :

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

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.

(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.*

(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.*

(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.*

**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)/ Proprietor(s) of the firms constituting Network
Date :	

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

**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.

**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
Partner(s)/Proprietor(s) of the firms**

Date :

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 firm² 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 professional body in India, i.e., The

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

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

**(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

(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.*

(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.*

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)/ Proprietor(s) of the firms constituting Network
Date :

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

**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
Partner(s)/Proprietor(s) of the firms

Date :

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