ICAI GUIDELINES ON NETWORKING 2021

ICAI Council View – how to increase the capacity of firms

Opportunity for Pooling resources, Expertise, build PAN India Presence

Tap Global Opportunities, growing big and no compromise in identity

Form LLPs, merge to form larger structure with provision to demerge if objective not met, establish multi disciplinary firms, networking



ICAI Journey of Networking



2005

1.Rules of Merger and Demerger Formulated.

2. Network amongst firms called as affiliation registered with ICAI in India or outside India, resulting mutual interest.

3.Network not to carry business.

4 Consent of Client to engage affiliate

5. status: Partnership

2011

1. profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.
2. Status: Partnership, LLP, company subject to guidelines
3. Effect of Registration is deemed to be public notice, hence client consent not required.
4. Network not to carry business

2021

1. Three models of networking
2. Status: Association of Persons (AOP)
3. Network can do business – non attest functions
4. Restricted to domestic CA firms only
5. Only 100 networks registered under old guidelines
6. Effect of Registration is deemed to be public notice, hence client consent not required.



Networking Models 2021



Criteria	Alliance Model	Network Model	Lead Firm Model
Name	A & co, B & Co, C & Co and D & Co can form ABCD and Alliance	A & co, B & Co, C & Co and D & Co can form ABCD & Affiliates or Network	A & co, B & Co, C & Co and D & Co can form A & Co Affiliates, assuming A & Co is lead firm
Registration	ICAI will allot unique Alliance Registration Number (ARN)	ICAI will allot unique Network Registration Number (NRN)	ICAI will allot unique Network Registration Number (NRN)
Practice	Firms are free to carry on practice as independent firms, despite being constituents of Alliance. Alliance may direct the best practices to be followed by Individual constituent firms.	Firms are bound by internal Integration agreement, and practice as independent firms, subject to internal agreement. Network's decision prevails upon other firms.	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.

Criteria	Alliance Model	Network Model	Lead Firm Model
Empanelment	Their coming together is basically for non audit services. For audit practice, they all remain as independent Practitioners	ICAI will put in efforts to secure recognition of the Combined strength and resources.	ICAI will put in efforts to secure recognition of the Combined strength and Resources
Conflict	Audit & Non Audit services of same client & Rotation of auditor amongst firms not permitted	Audit & Non Audit services of same client & Rotation of auditor amongst firms not permitted	Audit & Non Audit services of same client & Rotation of auditor amongst firms not permitted

Networking Models 2021

Criteria	Alliance Model	Network Model	Lead Firm
Characteristics	Firms come together for mutual benefits Individual firms take up professional work on their own	Firms 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 Individual firms take up professional work on their own, and a partner of said firm can sign the reports and Documents	Firms 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 Individual firms take up professional work on their own, and a partner of said firm can sign the reports and Documents

Networking models 2021(cont.)

Criteria	Alliance Model	Network Model	Lead Firm
		Quality control is well documented and complied with, which is applicable to network as well as to individual constituent firms.	Quality control is well documented and complied with, which is applicable to network as well as to individual constituent firms.
Referral and Sharing of Fee	Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted.	Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted.	Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted.
Byelaws	should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines	should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines	should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines

Accountability

Criteria	Alliance Model	Network Model	Lead Firm
Accountability - Delinquency	In case delinquency occurs in a particular assignment, then the firms that have jointly executed the assignment will be accountable. Therefore, division of work needs to be well documented.	In case delinquency occurs in a particular assignment, then the firms that have jointly executed the assignment will be accountable. Therefore, division of work needs to be well documented.	In case delinquency occurs in a particular assignment, then the firms that have jointly executed the assignment will be accountable. Therefore, division of work needs to be well documented.
Code of Ethics	Applicable to firms are applicable to alliance	Applicable to firms are applicable to Network	Applicable to firms are applicable to Network
Reports and Certificates	A partner of firm that gets appointment.	A partner of firm that gets appointment.	A partner of firm that gets appointment.
Internal Agreement	To be signed by all authorised partners	To be signed by all authorised partners	To be signed by all authorised partners

Criteria	Alliance Model	Network Model	Lead Firm
Reconstitution	Firms are free to join and exit Alliance.	Firms are bound by Network's internal Integration agreement.	Firms are bound by Network's internal Integration agreement.
Reconstitution Communication	Reconstitution has to be registered with ICAI	Reconstitution has to be registered with ICAI	Reconstitution has to be registered with ICAI
Exit\Closure	Much more easier to quit the arrangement	Easy to quit the arrangement	Easy to quit the arrangement
If one or more firms quit	The Alliance, it will not deprive the remaining firms from doing the work they have already secured by virtue of Alliance.	The Network, it will not deprive the remaining firms from doing the work they have already secured by virtue of Network.	The Network, it will not deprive the remaining firms from doing the 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

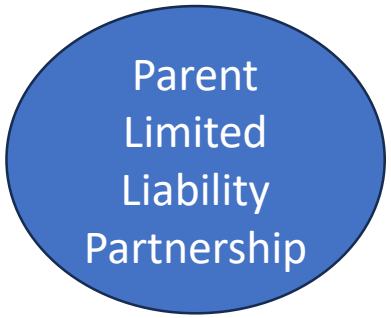
Criteria	Alliance Model	Network Model	Lead Firm Model
One Network	Can be part of only one of the three models	Can be part of only one of the three models	Can be part of only one of the three models
Empanelment	All firms in Alliance can apply for empanelment separately as individual firms.	All firms belonging to Network can apply for empanelment, separately as individual firms.	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 (Aggregation of LLPs) Guidelines 2024

By

Pradeep Kumar

Definitions





LLP NETWORKING - Eligibility

Two Full Time Practicing Chartered Accountant

LLP >50% partners are practicing chartered accountants

Majority of Individual in number and share of profits shall me more than 50% at any point of time.

For 50% both Number of partners and share of profits both in LLPs and Network LLPs

Practice

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The Board of Management shall be constituted by the parent LLP and it should comprise of the authorized Managing Partners from the partner LLPs and the parent LLP’s decision shall prevail over other partner LLPs for all assurance, non-assurance audit works and for other assignments.

Powers of Board

- Regulatory, Legal Compliances
- Manage affairs of firm
- Strategic decision not limited to business strategy, financial management, profit appropriation, cost sharing, hiring of personnel, risk management, infrastructure management etc.
- SSP, additional and removal of partners update to ICAI
- Restrictions on audit and non audit
- Dispute resolution mechanism, goodwill and other issues
- Tender participation – who has to participate parent or partner

Networking 2021 Vs 2024

Feature	Network Guidelines (2021)	LLP Aggregation Guidelines (2024)
Model Type	Decentralized collaboration of firms	Centralized governance of LLPs
Parent or Central Entity	Not applicable	✓ Parent LLP governs via Board of Management
Attest Function Control	✗ Cannot be governed or shared across firms (Clause 6.3)	✓ Can be centrally governed (BoM decision prevails)
Execution of Attest Work	Only by firm directly engaged	Only by LLP directly engaged (CA Act compliance)

Feature	Network Guidelines (2021)	LLP Aggregation Guidelines (2024)
Non-Attest Work Sharing	✓ Allowed across networked firms	✓ Allowed with common infrastructure, brand, and personnel
Common Branding	✓ Allowed with disclosure	✓ Allowed under defined naming structure
Client Disclosure Requirement	✓ Yes	✓ Yes
Registration with ICAI	✓ Required	✓ Required
Independence & Ethics Compliance	✓ Code of Ethics applies	✓ Code of Ethics applies

Execution of attest function by any LLP in the network requires all LLPs (including Parent) to maintain independence as per Section 144. A breach by even one Partner LLP disqualifies the entire network from audit eligibility. can you give the source of this

Regulation	Provision	Relevance
ICAI Code of Ethics, 2019 (Volume I)	Para 540.6 A1(b)	Extends independence requirements across network firms
ICAI Networking Guidelines	Clause 7	Treats the network as a single unit for misconduct and independence
Companies Act, 2013 – Sec 144	Prohibits auditors from rendering specific services	ICAI ensures network-wide compliance for audit eligibility

There is one parent LLP and 20 Partner LLPS who can apply for tendering, who can execute the tendering who have to comply 141 and 144 of companies act, is scenario is different if it is non attest tendering

Aspect	Attest Assignment	Non-Attest Assignment
Who can apply for tender?	Parent LLP (default), or Partner LLP (if approved by Board)	Parent or Partner LLP (as per Board decision)
Who can execute?	Only the LLP eligible under Sec. 141 (either Parent or Partner LLP)	Any LLP (Parent or Partner), as per Board direction
Who must comply with Sec. 141?	Executing LLP	❌ Not applicable
Who must comply with Sec. 144?	Entire LLP Network	❌ Not applicable
Role of Board of Management	Must decide tender participation, execution, and compliance	Must decide participation and resource allocation

Why ICAI introduced "Aggregation" instead of "Networking"?

Reason	Networking (2021)	Aggregation (2024)
Attest Function	✗ Cannot be shared	✓ Can be centrally governed
Governance	Decentralized	Centralized via Parent LLP
Branding	Disclosed, separate	Unified, single brand allowed
Client Perception	Multiple firms, alliance	One firm, one face
Objective	Collaboration	Integration & growth
Global Alignment	Not competitive	Moves toward global practice models

Network Practice Management Software

Technologies - Technologies to make Chartered Accountants mobile



- **Am I sharing every client information in networking mode?**
- **Does my firm lose control of the clients being on networking platform?**
- **My firm is having shortage of employees can I use the resource of other alliance entities to execute the work, what is the level of Access and confidentiality?**
- **What is the advantage of desktop application with cloud data and doing work in networking mode, compared to application and data management in cloud?**
- **Is alliance a knowledge sharing platform or expert advice platform or referral platform or work execution platform?**

Technologies - **Technologies to make Chartered Accountants mobile**



- Technology as Enabler of Trust:
- Alliance can choose cloud solutions providing centralized platform that enables decentralized, collaborative, scalable functioning platforms.
- Data transfer amongst alliance entities can be handled with security and at the required level of access through cloud based office management software.
- Virtual servers enable alliance entities to work on projects collaboratively and remotely which enables outsourcing opportunities across the world. Usage of virtual servers for specific projects or amongst agreed alliance entities or for whatever reason enables control of data that can be shared as per the requirement which is enabler of trust.

Technologies to make Chartered Accountant Mobile

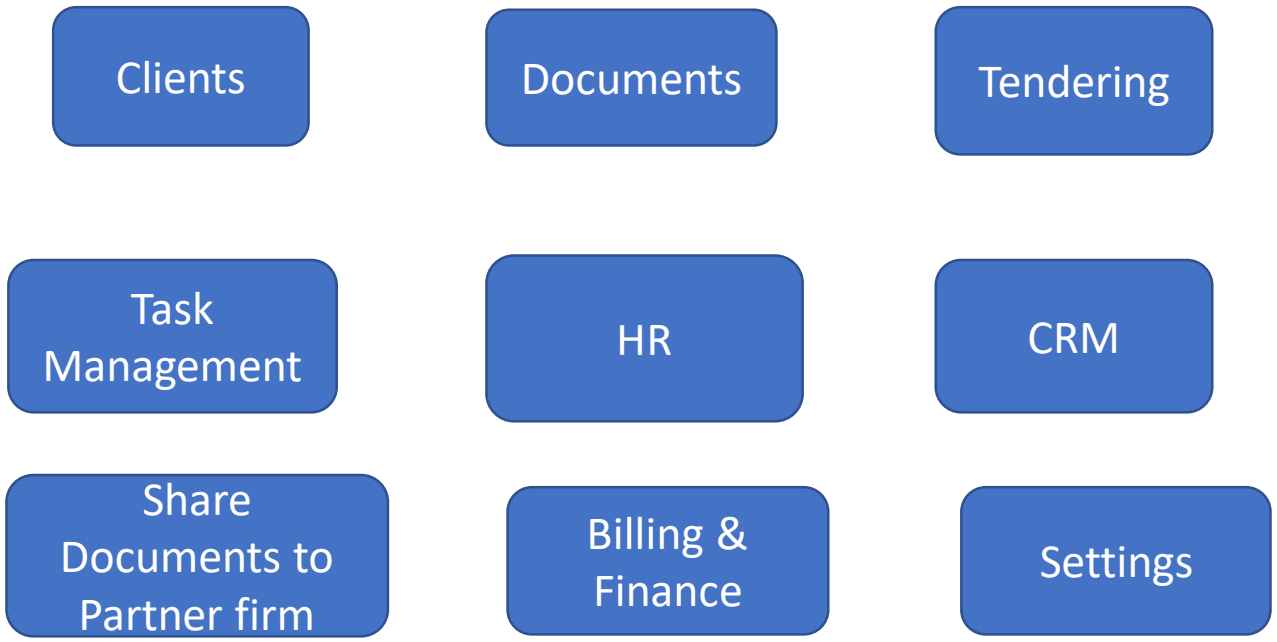
Office Management Systems

- CA Practice Management by ICAI
- Webtel
- JAMUKU
- Pappilo
- Artha
- Simplify Practice
- My Task

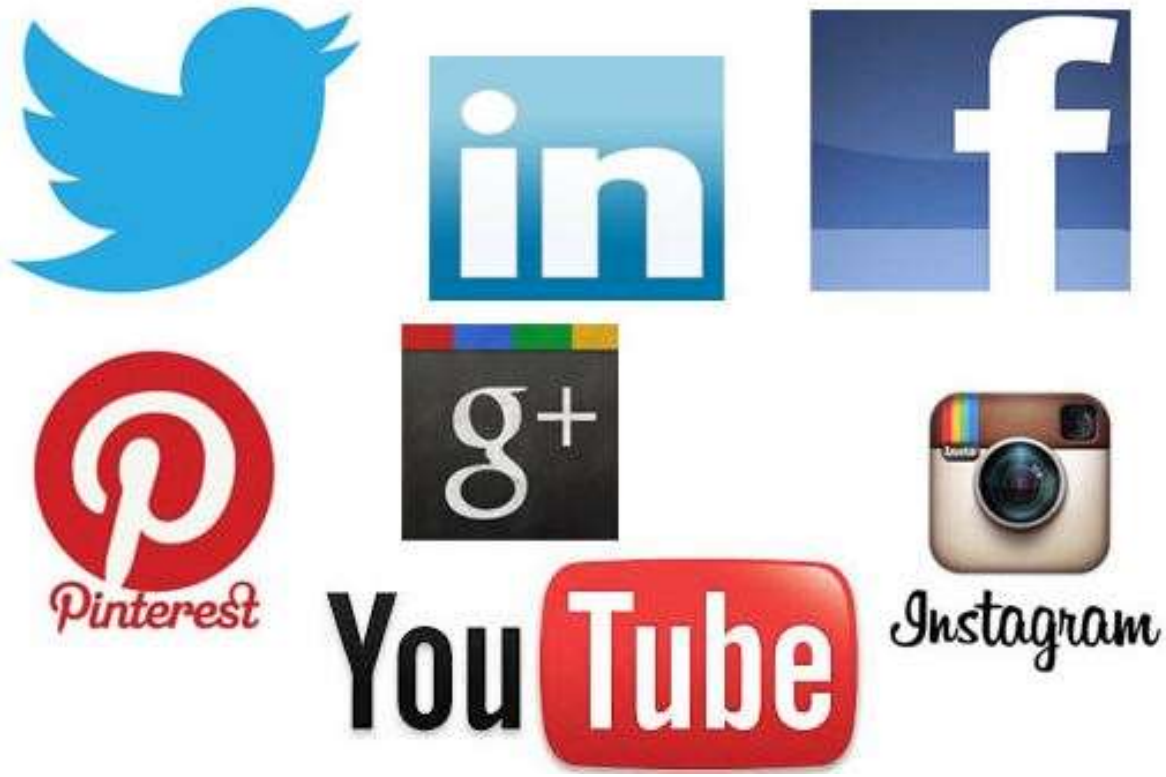
Remote Desktop Solutions

- Virtual Server
- Physical Server
- Google Drive
- Office 365
- Webtel

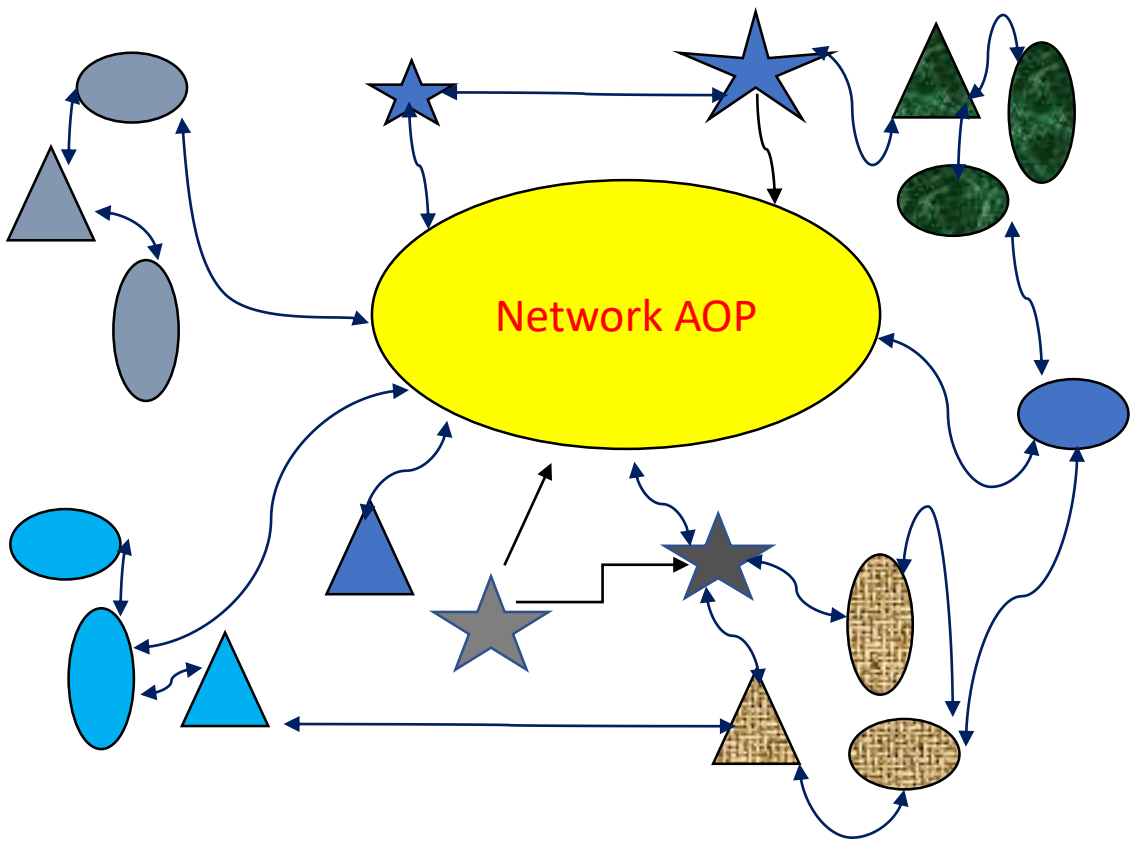
Technologies for Networking Entities

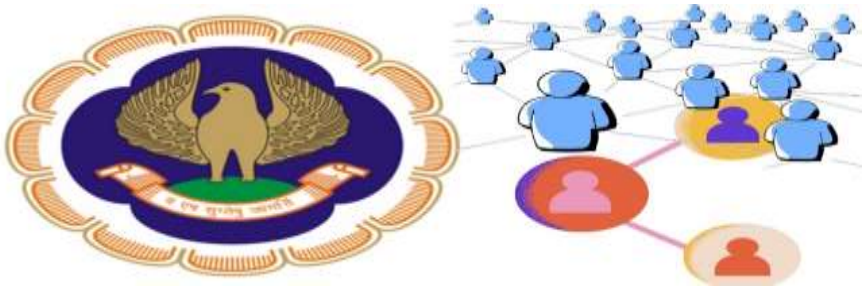


Social Networking



Network Enabled Practice Management Software for Indian Chartered Accountancy firms





By
Pradeep Kumar