

# **Exposure Draft**

## **DRAFT GUIDELINES FOR OVERSEAS NETWORK**

**[Last Date for comments is 27<sup>th</sup> June 2025]**



Issued by  
Committee for Aggregation of CA Firms  
**The Institute of Chartered Accountants of India**  
(Set up by an Act of Parliament)

## **EXPOSURE DRAFT ON PROPOSED GUIDELINES FOR OVERSEAS NETWORK FOR PUBLIC COMMENTS**

Committee for Aggregation of CA Firms (CACAF) has been constituted in 2024-25 to make concerted efforts to study, review and revise various guidelines pertaining to CA firms among others.

The draft Guidelines for Overseas Network proposed by the CACAF, were considered by the Council at its 442<sup>nd</sup> meeting and it was advised to expose the same for the public comments.

Comments on the abovementioned Exposure Draft may be submitted through any of the following modes **latest by 27<sup>th</sup> June 2025**:

1. Electronically: <https://forms.gle/aNbDXFYJJWZ11Q8K7>
2. Email: [cacaf\[at\]icai\[dot\]in](mailto:cacaf[at]icai[dot]in)
3. Postal  
Secretary, Committee for Aggregation of CA Firms,  
The Institute of Chartered Accountants of India,  
ICAI Bhawan, Post Box No. 7100,  
Indraprastha Marg, New Delhi 110 002

Further clarifications on this Exposure Draft may be sought by e-mail to [cacaf\[at\]icai\[dot\]in](mailto:cacaf[at]icai[dot]in)

**Comments are most helpful if they contain a clear rationale and, where applicable, provide specific suggestions.**

# **EXPOSURE DRAFT ON PROPOSED GUIDELINES FOR OVERSEAS NETWORK FOR PUBLIC COMMENTS**

## **CONTENTS**

<b>Provision No.</b>		<b>Page No.</b>
	Preamble	5
1.	Short Title, Extent & Commencement	6
<b>CHAPTER I PRELIMINARY</b>		
2.	Definitions and Interpretations	7
<b>CHAPTER II REGISTRATION OF OVERSEAS NETWORK</b>		
3.	Rendering Professional Services	10
4.	Application and approval of name of Overseas Network	10
5.	Registration of Overseas Network	11
6.	Nodal Officer cum Contact Point	12
7.	Changes in composition of Overseas Network Post Registration	14
<b>CHAPTER III PERMITTED &amp; PROHIBITED SERVICES, CONSEQUENCES OF REGISTRATION, ANNUAL REPORTING &amp; ETHICAL COMPLIANCE</b>		
8.	Permitted Services amongst constituents of the Overseas network	15
9.	Prohibited Services	15
10.	Consequences of Registration	16
11.	Annual Reporting	18
12.	Ethical Compliance	19
13.	Call and Review of Records	20
14.	Consent of Client	20
15.	Limitations	20
<b>CHAPTER IV MISCELLANEOUS PROVISIONS</b>		
16.	Mode of service of Notice	21
17.	Reciprocity	21
<b>APPENDICES</b>		
Appendix I	Determination as to whether an Association is an Overseas Network	23
Appendix II	Approval of Name of Overseas Network	25

## **FORMS**

Form AO	Application for approval of name for Overseas Network	26
Form BO	Application for registration of Overseas Network	30
Form CO	Declaration for change in constitution of registered Overseas Network and Nodal Officer	36
Form DO	Declaration to be filed for Overseas Network with firms/entities outside India	41
Form EO	Application for De-registration of Overseas Network	44

## **ANNEXURES**

Annexure 1	Justification for bringing the proposed framework	48
Annexure 2	Best Practices-Global & Domestic	55

## **DRAFT**

### **GUIDELINES FOR OVERSEAS NETWORK**

**[Issued by Council of the Institute of Chartered Accountants of India (ICAI) in terms of authority conferred under clause (fa) of sub-section (2) of section 15 of the Chartered Accountants Act, 1949]**

**Whereas it is deemed expedient to** create an enabling framework in India to regulate and develop professional networks<sup>1</sup> of chartered accountancy profession;

And to augment and strengthen the professional avenues in the emerging trade order; domestically and internationally for ICAI firms; by enabling a level playing field to foster culture of innovation and competition;

And to make provision for ICAI member firms to collaborate with Overseas Networks domestically and internationally;

And to bring the working of Overseas Networks under the regulatory domain of India in so far as the operation of such Overseas Networks have an impact on chartered accountancy profession in Indian market through their provision and rendition of services in India,

And to further strengthen the quality of professional services in accordance with the best practices accepted worldwide for global positioning in local and international markets;

And to further enhance and synergise the capacity of domestic Chartered Accountants firms by enabling exposition to best practices through provision of latent and emerging knowledge and technology sharing including tools and processes;

And to further integrity and resilience of the profession.

The Council of the Institute of Chartered Accountants of India hereby makes the following Guidelines:-

---

<sup>1</sup>Please see Annexure 1, Decision at 378<sup>th</sup> meeting of the Council of ICAI

## **1. Short Title, Extent & Commencement**

- (i) These guidelines may be called “Guidelines for Overseas Network”.
- (ii) These Guidelines are meant to promote Networking amongst one or more Chartered Accountant firm (s) registered with ICAI with networks or entities established and registered outside India in their respective jurisdiction.
- (iii) These Guidelines shall come into force from the day on which these guidelines are issued under Section 15 (2) (fa) of the Act.
- (iv) The Guidelines shall be applicable to existing Overseas Networks as well as those which may be formed and registered after the commencement of these Guidelines.

## **CHAPTER I**

### **PRELIMINARY**

#### **2. Definitions and Interpretations**

I. In these Guidelines, unless the context otherwise requires, --

- (a) “Act” means The Chartered Accountants Act, 1949 as amended from time to time.
- (b) “Chartered Accountant” means a person who is the member of the ICAI in terms of section 4 of the Act.
- (c) “Code of Ethics” means the Code of Ethics issued by the Council of The Institute of Chartered Accountants of India.
- (d) The expression “Constituent”, Constituent Firm(s), Member Firm(s) shall mean and include Constituent(s), member(s), Constituent Firm(s), Member Firm(s) of the Network by whatever name called.
- (e) “Council” means the Council of the ICAI constituted under section 9 of the Act.
- (f) “Domestic Entity” means a ‘Firm’ as defined in section 2(ca) of the Act , and ‘Management Consultancy Services’ formed under ‘Guidelines for Practice in Corporate Form of Practice’ registered with ICAI.
- (g) “Firm” shall have the same meaning as assigned under clause (ca) of Section 2(1) of the Act.<sup>5</sup>
- (h) “Good Standing” of a member is when he pays the prescribed annual fee regularly, complies with the CPE hours and no disciplinary proceedings<sup>2</sup> are pending against the said member.
- (i) “ICAI” means the Institute of Chartered Accountants of India set up by the Chartered Accountants Act, 1949.

---

<sup>2</sup>Kindly refer to the decision of the 288<sup>th</sup> meeting of the Council ( Annexure 1) wherein it is stated “the disciplinary proceedings against a member or a firm is construed to be pending from the date on which the Board of Discipline or the Disciplinary Committee, as the case may be, considers the prima facie opinion of the Director (Discipline) and decides to proceed further with the investigation/enquiry”

- (j) “Nodal Officer cum contact point” shall be a member of ICAI and part of Domestic Entity; designated as such by the Overseas Network and who shall be responsible for ensuring abidance of these Guidelines.
- (k) “Overseas Entity” for the purpose of these guidelines means an Entity which is incorporated, registered and/or operating from outside India, for provision, accreditation, affiliation or rendition of professional services namely accounting, assurance, or like services.
- (l) “Overseas Network” means a Network or arrangement between Domestic Entity and an Overseas Entity.

Explanation:

For the purpose of these Guidelines, Network is an arrangement, alliance, or association, drawn in writing, (irrespective of its nomenclature) where -

- (a) it is clearly aimed at cost sharing among the constituents within the structure; or
- (b) the constituents within the structure share common quality control policies and procedures, which are designed, implemented and monitored across the Network; or
- (c) the constituents within the Network share a common operational strategy; or
- (d) the constituents within the Network share the use of a common brand name, common initials or a common name, logo or insignia; or
- (e) the constituents within the Network share the use of common website or common domain name (other than domain name available to public at large either free or on subscription basis) for email; or
- (f) the constituents within the Network share a significant part of professional resources including common systems, partners and staff (excluding articled assistants), common technical resources, audit methodology or audit manuals, training courses and facilities; or
- (g) any other circumstances wherein the conduct or actions of the constituents are intended to convey that they are associated in such a way that a distinction of being separate entities may not be relevant.
- (h) use of coworking space will not be covered in above



- (m) “Partner” shall have the same meaning assigned to it in section 4 of the Indian Partnership Act<sup>3</sup> or in clause (q) of sub-section (1) of section 2 of the Limited Liability Partnership, 2008<sup>4</sup>, as the case may be.
- (n) “Partnership” means ‘partnership’ as defined in section 4 of the Indian Partnership Act, 1932; or a limited liability Partnership. However, no company can be a partner in partnership under Partnership Act or Limited Liability Partnership, as provided under Section 25 of the Chartered Accountants Act, 1949.
- (o) “Regulations” means The Chartered Accountants Regulations, 1988 as amended from time to time.

II. Words and expressions used but not defined in these Guidelines and defined in the Act or the Regulations shall have the meanings respectively assigned to them in the Act and the Regulations or the connotations they carry in the other specified enactments, regulations, guidelines, notifications framed under such specified enactments.

---

<sup>3</sup> No. 9 of 1932.

<sup>4</sup> No. 6 of 2009

## CHAPTER II

### REGISTRATION OF OVERSEAS NETWORK

#### 3. **Rendering Professional Services:**

Domestic Entity (ies), being constituents of the Overseas Network, shall render services in India permitted under the “Act”. It shall be required to mandatorily follow these Guidelines.

#### 4. **Application for approval of Name of Overseas Network**

- (i) An application for the approval of the Name of Overseas Network along with the fee of INR 10,000/- shall be filed by the Domestic Entity (ies) through its Nodal Officer cum contact point of the Overseas Network in **Form ‘AO’** towards administrative cost in accordance with these Guidelines.
- (ii) The application in Form ‘AO’ shall be accompanied with such documents as specified in Form ‘AO’ thereto.
- (iii) The Overseas Network would have a distinct name which should be approved by ICAI. The names of the network may be as mentioned in **Appendix II**.
- (iv) The ICAI may reject any undesirable name and the provisions in respect of names of companies as prescribed in the Companies Act, 2013 and governing Indian laws of Trademark, Copyright, designs and Intellectual Property laws shall be applicable. However, an opportunity of hearing shall be granted by ICAI to the applicant before rejecting the name as undesirable.
- (v) The Overseas Network shall use the suffix, “Network” after its name.
- (vi) The intimation on approval or rejection of the name of the Overseas Network shall be intimated by ICAI to the Nodal Officer at his/her address mentioned in **Form ‘AO’** within a period which shall not ordinarily be later than 30 days from the date of receipt of the said Form.
- (vii) Upon approval of the name of the Network, ICAI shall reserve such name for a period of 90 days from the date of approval.
- (viii) Approval of name of Overseas Network by ICAI would not amount to its registration with ICAI. The Network shall get itself registered with ICAI within a period of 90 days by fulfilling the requirements and following the process under these Guidelines, failing which the name assigned shall stand cancelled on the expiry of the said period.

- (ix) Firms which are already a constituent or a member of any Overseas Network (whether already declared their Overseas Network/ affiliation as per **Form D** under the 2011 Guidelines or not) will have to make an application in Form 'AO'.

## **5. Registration of Overseas Network**

- (i) All Network arrangements between Domestic Entity and Overseas Network are mandatorily required to be registered with ICAI upon commencement of these Guidelines.
- (ii) All arrangements entered between Domestic Entity (ies) and one or more Overseas Network shall be required to be registered with the ICAI by sharing details and following processes laid down in these Guidelines and as per the forms specified herein.
- (iii) The Nodal Officer cum contact point as to provisions stated herein, shall take steps to get Overseas Network registered with the ICAI by applying in prescribed **Form 'BO'** within a period of 90 days from the date of approval of name of the Overseas Network by the ICAI.
- (iv) Application on behalf of the Overseas Network shall also be filed along with the documents prescribed in Form 'BO' and such other documents as may be relevant to demonstrate compliance with the requirements of these Guidelines along with the fee of INR 40,000/- towards administrative cost.
- (v) The ICAI may require such other additional documents as it may deem necessary, and the Nodal Officer shall be required to submit such additional documents if so requisitioned by ICAI within a period of 60 days on behalf of the Overseas Network.
- (vi) If the application and the documents establish compliance with these Guidelines, ICAI shall approve the application for registration of the Overseas Network and shall allot Unique Registration Number and intimate the Nodal Officer cum contact point.
- (vii) If the application or documents are not sufficient to establish compliance with these Guidelines, then within 60 days from receipt of such requisitioned information or documents, if any, as required in 5(v) above, ICAI shall reject the application for registration after recording reasons therefor and intimate to Nodal Officer cum contact point. However, a fresh application for registration complying with all the requirements shall be considered within a period of 90 days from the date of approval of name of the

Overseas Network by the ICAI as specified in 5(iii) above.

- (viii) A firm registered with ICAI is allowed to become member of more than one Overseas Network at a given point of time registered respectively under these Guidelines.
- (ix) For formation of the said Network, fee for approval of name, registration, and change in constitution of Overseas Network/change of Nodal Officer towards administrative cost shall be payable as may be prescribed by the Council from time to time.
- (x) The aforesaid provisions shall apply mutatis mutandis to all existing network arrangements, if any, which are continuing as on date of commencement of these Guidelines and such Networks shall be required to be registered with ICAI within 120 days from the commencement of these guidelines.
- (xi) Upon approval of such Network, the framework as stated in the Act and Regulations shall become applicable to all Domestic Entity (ies) of the network.

## 6. Nodal Officer cum Contact Point <sup>5</sup>

- (i) At the time of application for name approval in Form 'AO' , the Overseas Network shall designate a member as Nodal Officer<sup>6</sup> cum contact point who shall be responsible; as a professional of reasonable prudence; for ensuring abidance of these

<sup>5</sup>Draft Illustration 1: Overseas Network A designates Member B, a Managing Partner and ICAI member in good standing, as the Nodal Officer cum contact point at the time of registration. Member B is responsible for ensuring compliance with the Guidelines governing the network's operations in India. As the designated Nodal Officer, Member B receives an OTP during the registration process, confirming the registration of Overseas Network A with ICAI. Once registered, Member B oversees the network's adherence to policies, procedures, and legal requirements, ensuring continuous compliance with Indian laws and the Guidelines. If any changes occur in the composition of Overseas Network A, such as adding or removing partners, Member B receives an OTP to confirm these changes, and they are officially recorded. Member B remains accountable for any violations of the Guidelines. If Overseas Network A or any of its constituents is found to have breached the Guidelines, in case, the Network fails to declare any of its other partners as "member answerable" for the alleged violations, then the disciplinary proceedings shall be conducted against the Nodal Officer as per 'The Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007'.

<sup>6</sup> E.g., appointing an officer for the purpose of compliance can be found in different legislations such as Regulations known as International Financial Services Centers Authority (Book-keeping, Accounting, Taxation and Financial Crime Compliance Services) Regulations, 2024 framed under the International Financial Services Centers Authority Act, 2019 and the SEBI (Prohibition of Insider Trading) Regulations, 2018. Please see Regulation 11 of IFSCA (BATFCCS) Regulation, 2019 hosted at <https://ifsc.gov.in/Legal/Index/ogGPF3wx5GE>.

Further also see [https://www.wto.org/english/tratop\\_e/tbt\\_e/tbt\\_enquiry\\_point\\_guide\\_e.pdf](https://www.wto.org/english/tratop_e/tbt_e/tbt_enquiry_point_guide_e.pdf) which provides for Enquiry Points. To be able to participate in international trade, individuals and companies have to know as much as possible about the conditions of trade. Getting relevant information on regulations and policies can, however, be very time-consuming and costly. For this reason, all WTO agreements have important transparency obligations aimed at facilitating access to information. The Technical Barriers to Trade (TBT) Agreement is no exception. Ever since the TBT Agreement entered into force in 1995, transparency has been an important pillar in its implementation, and a successful one at that. In some senses, transparency has become the face of the TBT Agreement. There are two keyways by which the Agreement promotes transparency. The first is through the practice of regular notifications by members of technical regulations and conformity assessment procedures. The "notification", which follows a simple template, gives the other members a "heads up" alert about regulations in the pipeline. It is a simple but highly effective practice, one which has driven more than two decades of exchanges in the TBT Committee, based on real and actual trade measures, and with significant engagement of the members, which send notifications to the Committee via their delegations. The second key promoter of transparency is the obligation for each member to establish an enquiry point capable of answering questions relating to its implementation of TBT transparency obligations. Enquiry points thus have a central role in facilitating access to information. For many members they have become not only a place to respond to questions but a focal point for the implementation of the TBT Agreement, a coordinating hub. In this sense, enquiry points are very much at the heart of the implementation of the TBT Agreement.

First, enquiry points function differently across the membership of the WTO; they undertake a wide range of tasks, ranging from basic functions to more than was originally envisaged by the TBT Agreement and the Committee. This is normal, as it is the prerogative of each member to decide who operates their enquiry point, and how this is done. For example, the majority of members (80 per cent) responding to the WTO's survey indicated that enquiry points are involved in the submission of TBT notifications to the WTO, while 20 per cent are not. So, while members have an obligation to make TBT notifications under certain circumstances, and also an obligation to establish at least one enquiry point, there is flexibility in implementation: some use enquiry points to make notifications, others do not. A second consideration is that while some 66 members (and one acceding country) responded to the survey, the WTO has 164 members (at the time of writing in the second quarter of 2018). So, while the results of the survey are significant and probably give a fairly good indication of current practices, they are not necessarily representative of the WTO membership as a whole.

- Guidelines *interse* amongst the operation of registered Overseas Network in India as far as the Chartered Accountant firm registered with ICAI is concerned.
- (ii) The person designated as a Nodal Officer cum contact point of the Overseas Network shall be–
    - a. a Member of the ICAI in good standing<sup>7</sup> who shall continue to remain in good standing with ICAI;
    - b. either Managing Partner or Joint Managing Partner or Designated Partner of LLP or the Partner with highest partnership share in terms of profit sharing and/or highest contribution in capital; and
  - (iii) The Nodal Officer cum contact point can be from any of the Domestic Constituents registered with ICAI registering under these guidelines.
  - (iv) As Nodal Officer under these Guidelines, a one-time password shall be sent to him at the time of registration, as well as to effect changes in constitution of Network post registration. The OTP confirmation received from the Nodal Officer shall be treated as substantive proof for registering the Overseas Network and for effecting the changes i.e. additions and deletions made in the composition of the Overseas Network.
  - (v) The Nodal Officer, acting in good faith, shall be responsible for the compliance of policies, procedures, maintenance of records and the implementation of the requirements as specified under these Guidelines and other applicable laws in force at the time of Registration and on a continuous basis. Any violation of these Guidelines by any of the constituents of the Overseas Network, benefiting directly or indirectly a constituent Chartered Accountant firm registered with ICAI, shall be considered as a professional misconduct within the meaning of Item (1) of Part II Second Schedule to the Act.
  - (vi) In case, the Network fails to declare any of its other partners as member answerable for the alleged violations, then the disciplinary proceedings shall be conducted against the Nodal Officer and shall be liable for the consequential actions under the Act as per ‘The Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007’
- Explanation: For the purpose of these Guidelines; member of the “ICAI” includes a person who was a member of the Institute on the date of the alleged contravention of

---

<sup>7</sup>A member is said to have Good Standing if he pays the prescribed annual fee regularly, complies with the CPE hours and no disciplinary proceedings are pending against the said member.

the provisions of these Guidelines and of the Act although he has ceased to be a member of the Institute at the time of the inquiry.

- (vii) Post-registration, the Nodal Officer shall intimate the relevant requirements of the ICAI Act, Regulations, Code of Ethics and various guidelines to its domestic and Overseas constituents.

## **7. Changes in composition of Overseas Network Post Registration**

- (i) Post-registration, any, induction of additional or leaving of any constituents or any other changes would be intimated by the Nodal Officer cum contact point on behalf of the Overseas Network.
- (ii) In case of exit or entry of any domestic constituent in the registered Overseas Network, such changes shall be communicated to ICAI by Nodal Officer cum contact point by filing prescribed **Form 'CO'** within a period of 30 days from the date of such change along with the fee of INR 10,000/ towards administrative cost.
- (iii) The Nodal Officer cum contact point would undertake to notify ICAI of any amendments within 30 days of such, amendments for and on behalf of the Overseas Network.
- (iv) Further the Domestic Entity of Overseas Network would intimate the change of the Nodal Officer in form "CO" within 30 days from the date of such change.
- (v) The network agreements should take care of permissions and prescriptions prescribed in these Guidelines, Act, Regulations and the law of land.

**CHAPTER III**  
**PERMITTED & PROHIBITED SERVICES,**  
**CONSEQUENCES OF REGISTRATION, ANNUAL REPORTING &**  
**ETHICAL COMPLIANCES**

**8. Permitted Services amongst constituents of the Overseas network**

- (i) Domestic Entity registered with ICAI is permitted to create Networks or seek affiliate arrangements *inter alia* with Domestic or Overseas entity for Network include the following:
  - a. access to tools and technology to derive synergies of shared resources and ability to deploy (without building) digital platforms on pay per use for their work or other terms as may be agreed;
  - b. reputational value associated with being part of such networks and member firms having international recognition which would result in better access to the clientele;
  - c. gain confidence to service markets beyond local geographies either by themselves or by outsourcing work to competent members of the network;
  - d. enable larger role in international M&A, due diligence transactions for their local clients in India;
  - e. opportunity of the domestic constituents firm(s) to seek access /contribute to building tools, process and technology for the international network affiliates themselves;
  - f. member firms are allowed to pay such one-time and recurring fees at such intervals as may be mutually agreed to be part of the further network;
  - g. for detailed explanation Appendix '1' may be referred to.

**9. Prohibited Services**

- (i) The Nodal Officer cum contact point shall ensure that all transactions in relation to services rendered/ obtained by Domestic Entity (ies) in the Overseas Network are at arm's length basis and in strict compliance with Indian laws and regulations. In case, any transactions are found to be in violation of Code of Ethics of ICAI, ICAI shall reserve the right to initiate disciplinary proceedings. In the said light, following illustrative situations will fall under prohibited services:

- a. The constituents of the Overseas Network registered with the ICAI shall not be permitted, under any circumstance, to perform any prohibited services for their audit clients as specified under section 144 of the Companies Act, 2013.
- b. As per ICAI Code of Ethics, sharing of fees or profits is not allowed with members of the network other than between Indian Chartered Accountants forming part of the network. Specifically, to state, no referral of work, or referral fees for client identification shall be charged by/ paid by the member firms.

## 10. Consequences of Registration

- (i) The Nodal Officer cum contact point being the duly authorized representative(s) of the Firms, who are constituent of the Overseas Network, shall file the annual return of the Overseas Network with the ICAI in prescribed **Form 'DO'** within 120 days of close of each financial year.
- (ii) In all professional stationery (printed or electronic media), the Domestic Entity as a part of the Overseas Network is entitled to mention the fact of it being a Member Firm of any Overseas Network registered with the ICAI. Firm can write “Member of \*\*\* (Name of Overseas Network)” or “Member Firm of \*\*\* (Name of Overseas Network)” in addition to its name on its professional stationery.
- (iii) In order to determine whether any Domestic Firm is Constituent of any Overseas Entity or not, ICAI can seek information and documents as it may deem reasonable and necessary and upon such request being made by the ICAI, the Firm shall provide the requested information or documents within 30 days, or such extended time as may be permitted by the ICAI.
- (iv) Following actions or omissions shall be treated as ‘professional misconduct’ within the meaning of Item (2) of Part III of the First Schedule and Item I Part II of the Second Schedule to the Act and action shall be taken against such Domestic Entity as well its partners for such misconduct–
  - (a) Domestic entity becoming constituent of any Overseas Network which is not registered with the ICAI<sup>8</sup> ;

<sup>8</sup>Draft Illustration 2: Firm A, a domestic entity, joins Overseas Network B, but Overseas Network B is not registered with the ICAI. Despite the requirement to do so, Firm A continues to operate as a constituent of this unregistered network. After an inquiry, the ICAI determines that Firm A has violated the Guidelines by associating with an unregistered network. Consequently, if professional misconduct is established, it attracts disciplinary proceedings.



- (b) Non-furnishing of any information or document(s) sought by ICAI as per these Guidelines to determine whether the Firm is Constituent of any Overseas Network or not; or
  - (c) Firm failing to file prescribed Form AO under these Guidelines in respect of Form D filed earlier under 2011 Guidelines or not.
  - (d) Any non-disclosures or other non-compliances which ICAI may notify from time to time.
- (v) For any new entity inducted as a part of Overseas Network, as Constituent in contravention of requirements of these Guidelines, the Domestic Entity shall forthwith withdraw itself to remain Constituent of such Overseas Network under intimation to ICAI. If the Domestic Entity continues to remain Constituent of such Overseas Network beyond 30 days from the date on which such contravention is known to it, the same shall be considered as ‘professional misconduct’ within the meaning of Item (1) of Part II of the Second Schedule to the Act and action shall be taken against such Domestic Entity and the Nodal Officer for such misconduct<sup>9</sup>.
- (vi) Any Member of the ICAI or Domestic Entity claiming or mentioning, itself as a Constituent of any Overseas Network which is not registered with the ICAI, in any medium (printed or electronic) shall be considered as ‘professional misconduct’ within the meaning of Item (1) of Part II of the Second Schedule to the Act and action shall be taken against such Member and/or Firm as the case may be for such misconduct.

---

<sup>9</sup>Draft Illustration 3: Firm A, a domestic entity, becomes part of Overseas Network X. However, the induction of Overseas Network X into the network is in contravention of the requirements outlined in the Guidelines. Upon realizing this violation, Firm A immediately withdraws its association with Overseas Network X and informs the ICAI within the prescribed timeframe, thereby avoiding any penalties.

Firm B, another domestic entity, similarly joins Overseas Network Y, which does not comply with the Guidelines. Despite becoming aware of this breach, Firm B continues to remain a constituent of Overseas Network Y beyond thirty days without rectifying its collaboration or notifying the ICAI. Consequently, Firm B attracts disciplinary proceedings

## 11. Annual Reporting

- (i) Annual reporting of compliances by the Nodal Officer is envisaged for review and ensuring adherence to these guidelines.
- (ii) The Nodal Officer shall file an annual return with ICAI in prescribed Form 'DO' within 120 days of the close of the financial year in such manner as may be prescribed from time to time and such inter alia include information but not limited to capital structure, capital infusion if permitted, cost sharing etc.<sup>10</sup>
- (iii) Such annual return shall be certified by the Nodal Officer along with a declaration as to its correctness<sup>11</sup>.
- (iv) Additionally, ICAI may call for any details relating to any constituent of Overseas Network in order to reassure about compliance with law at the stage of application including its right to call for any additional document or information or further as it may deem appropriate during the continuance of Network from the Nodal Officer cum contact point within 180 days of filing of annual returns. However, the limit of 180 days will not apply in respect of disciplinary proceedings.

---

### <sup>10</sup>Transparency Reporting

Information as to Constituents of network that audit companies be sought for as a measure of transparency. Analogy has been drawn from the

- (i) final report of the Board of International Organization of Securities Commission (FR24/2015 hosted at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD511.pdf>
- (ii) In its mandate to promote fair, efficient and transparent functioning of securities markets; through securities regulation include protecting investors; the International Organization of Securities Commissions (IOSCO) pursues to address these issues. IOSCO tends to achieve this through one of avenues which is to consider the role of audit firms, and in particular the practices employed by audit firms to be transparent in their own reporting to investors and other stakeholders about the firm itself, notably, with respect to firm governance and elements of their system of quality control for their financial statement audits ("audit firm transparency reporting" or merely "transparency reporting"). IOSCO recognizes that audit firm transparency reporting is a fairly recent practice that continues to evolve, as evidenced by its work in this area. IOSCO further suggests that transparency reporting can foster internal introspection and discipline within audit firms and may encourage audit firms to sharpen their focus on audit quality, which would also be of benefit to investors and other stakeholders. IOSCO further believes that an audit firm transparency report could be considered of high quality if the information in the report includes, among other matters, reporting on the following elements: the audit firm's legal and governance structure; the audit firm's measures to foster audit quality; the audit firm's internal indicators of audit quality; and the audit firm's indicators of audit quality as generated by the work of external bodies.
- (iii) Article 13 ,EU Audit Regulations hosted at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0537> (last accessed on 16.07.2024).
- (iv) Form 2 of NFRA Rules mandates for filing of such information by the auditor

<sup>11</sup> EU Transparency Directive provides for furnishing of information as to the production of periodic financial reports; shareholders to disclose major shareholdings; the dissemination of regulated information; and the provision of central mechanisms for sharing regulated information. EU Transparency Directive, Irish Auditing & Accounting Supervisory Authority AVAILABLE ONLINE AT <https://iaasa.ie/faqs/what-is-the-eu-transparency-directive/>; The EU Transparency Directive (Directive 2004/109/EC) (last accessed at 16.07.2024).

## 12. Ethical Compliance

- (i) Domestic constituents of Overseas Network are expected to work more cohesively with each other as well as with other members or constituents of the Overseas Network. Domestic Entities/ constituents of Overseas Network shall be required to comply with all applicable law of the land and ethical requirements prescribed by ICAI from time to time in general and the following requirements in particular:
  - (a) In accordance with section 144 of the Companies Act, if one of the constituents of the Overseas Network is the statutory auditor of an entity, then other constituents of the Network shall not, directly or indirectly, accept professional assignments which are prohibited for the statutory auditor;
  - (b) In those cases where rotation of firms is prescribed under any law or by any regulatory authority, the Nodal Officer cum contact point shall intimate the constituents the provisions as apply in India;
  - (c) Firm is permitted to share profits with other Firms registered with ICAI. However, sharing of fees, profits or having partnership is not permitted between Firm(s) registered with ICAI and any constituent not registered with ICAI. Firms in Overseas Networks may share costs with other constituents, the details of which should be furnished to ICAI by the Network when called for. The cost details should be specific and itemized;
  - (d) Ethical compliance will include all advisories and guidelines issued by the Council of ICAI and/or forming part of the Code of Ethics as amended from time to time.
- (ii) Wherever the Code of Ethics is silent, the provisions of the IESBA Code of Conduct shall apply.
- (iii) Domestic Entities who are constituents of Overseas Network are expected to be working independently from each other in so far as Section 144 services are concerned and, therefore; they shall be subjected to requirements on Ethical Standards arising out of being constituent of the Overseas Network. However, this shall not entitle them to accept an appointment which is restricted or prohibited under any law for the time being in force or Guidelines issued by ICAI.

### **13. Call and Review of Records**

ICAI may call for and review any of the records, documents and information as necessary from the domestic entity in respect of any violation of these guidelines within the time prescribed in the Act, Regulations and Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007', guidelines among others, if any.

### **14. Consent of Client**

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

### **15. Limitations**

- (i) The Domestic Entity, which do not have any network arrangement with any Overseas entity, but which are registered under (i) the Guidelines for Alliance; or the Guidelines for Networking or (iii) the Guidelines for Networking with Lead Firm Concept, issued by the Council of ICAI in March, 2021 as "Revised Guidelines for Networking of Indian CA firms, 2021", will continue to be regulated by ICAI as such<sup>12</sup>.
- (ii) The Guidelines permit adoption of international best practices, processes and tools, not repugnant of the law of the land by Indian Chartered Accountant firms by a process of mutual support and cooperation with international entities to enable enhancement and uniformity of service quality by such firms and to be able to compete globally and to be recognized as International Service Providers.
- (iii) Any rules or regulations applicable to the respective constituents of the Overseas Network will continue to apply. These Guidelines are not intended to override specific regulations applicable to such entities.

---

<sup>12</sup>Draft Illustration 4: Firm A, a domestic CA firm, is part of a network arrangement under the "Revised Guidelines for Networking of Indian CA Firms, 2021" but has no affiliation with any Overseas entity. Firm A continues to be regulated by ICAI under these networking guidelines, without the need to comply with the Overseas Networking Guidelines. The firm's compliance with existing ICAI regulations remains unaffected by the new guidelines concerning Overseas Networks.

## CHAPTER IV

### MISCELLANEOUS PROVISIONS

#### 16. Mode of service of Notice

Any process, notice, or other document required to be served on Overseas Network shall be deemed to be sufficiently served, if the same is addressed to Nodal Officer whose name(s) and address(es) have been furnished to ICAI and left at, or sent by post to, the address which has been so delivered to ICAI or by electronic mode.

#### 17. Reciprocity

Where no MRA is operational, the Nodal Officer cum contact point shall take up with each Overseas association or constituent of the Overseas Network to make endeavor to facilitate for bridging a mechanism between the regulatory authorities in India and Overseas Institutions/regulatory bodies in their respective national jurisdictions for recognition of ICAI's qualification, licensing and quality control and related measures and vice-versa.<sup>13</sup>

18. The collaborative arrangement/agreement entered into and the subsequent modifications thereto, if any, between the Domestic and Overseas constituents of the Network in respect of capital structure, capital infusion (if permitted), cost sharing etc., shall be shared with ICAI within 30 days. Such agreement/arrangement of the Overseas Network shall be in compliance of all applicable rules and regulations as laid by the laws from time to time.

19. The Domestic Constituent of each Overseas Network and the constituents, thereof, shall ensure that the working of Overseas Network shall comply with its obligation under relevant data protection laws at their own cost and they shall indemnify ICAI for any contravention of provision of these laws.

---

<sup>13</sup> Section 29 of the Act; Reciprocity: (1) Where any country, specified by the Central Government in this behalf by notification in the Official Gazette, prevents persons of Indian domicile from becoming members of any institution similar to the Institute of Chartered Accountants of India or from practising the profession of accountancy or subjects them to unfair discrimination in that country, no subject of any such country shall be entitled to become a member of the Institute or practise the profession of accountancy in India.

(2) Subject to the provisions of sub-section (1), the Council may prescribe the conditions, if any, subject to which foreign qualifications relating to accountancy shall be recognised for the purposes of entry in the Register of members.

2 2.1 ICAI shall after one year assess and review the endeavors so made by the nodal officer cum contact point and may further grant an extension of time.

20. Constituents of Overseas Network shall carry out their own due diligence as to the professional standing, competence, technology, infrastructure, human as well as the physical resources, capabilities of the other parties. In the event of any disputes arising out of an issue or interpretation under these Guidelines, the parties shall endeavor to resolve such disputes amicably and independently. Should such a resolution not be possible, disputes shall be referred to arbitration in accordance with the Arbitration and Conciliation Act, 1996.
21. Operation of Overseas Network in India shall be subject to compliance of all the laws of the land.
22. For effective implementation of controls, procedures and for compliance with laws and regulations, ICAI, may adopt the best practices followed across jurisdictions.<sup>14</sup>
23. Overseas Entity shall make disclosures as may be intimated by Nodal Officer cum contact point as required by the ICAI from time to time.
24. Notwithstanding the coming into force of these Guidelines, any misconduct committed under the Act prior to the commencement of these Guidelines shall not be deemed to be validated, condoned or legalized. All actions, proceedings, investigations or penalties initiated or pending prior to the commencement of these Guidelines shall continue to be governed by the laws, rules and regulations in force at the time of commission of such misconduct.

---

<sup>14</sup> Certain Best Practices followed across jurisdiction are identified and enclosed as Annexure-2

**Determination as to whether an Association is an Overseas Network**

**(Referred to in para 8 of the Guidelines for Overseas Network and forms an integral part of the Guidelines)**

The purpose of Network is to enhance capacity, improve quality of services, share common resources and compete effectively which will result in taking up bigger assignments, and thus improving the revenues. At the same time, it is imperative that ethical requirements are met in letter and spirit. These Guidelines for Overseas Network seek to strike the right balance, and are developed based on the following principles:

1. To enhance their ability to provide professional services, firms frequently form larger structures with other firms and entities. Whether these larger structures create a Network depends on the particular facts and circumstances and does not depend on whether the firms and entities are legally separate and distinct. For example, a larger structure 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 it is aimed at co- operation and the firms share a common brand name, a common system of quality control, or significant professional resources and consequently is deemed to be a Network.
2. The judgment as to whether an Association is a Network shall be made in light of whether a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that the entities are associated in such a way that a network exists. This judgment shall be applied consistently throughout the network.
3. Where an Association is aimed at co-operation and it is clearly aimed at cost-sharing among the entities within the structure, it is deemed to be a Network. However, the sharing of immaterial costs does not in itself create a Network. In addition, if the sharing of costs is limited only to those costs related to the development of audit methodologies, manuals, or training courses, this would in itself create a Network.
4. Where an Association is aimed at cooperation, it is deemed to be a Network. This could be achieved by contract or other means.
5. Where an Association is aimed at co-operation and the entities within the structure share common quality control policies and procedures, it is deemed to be a Network. For this purpose, common quality control policies and procedures are those designed, implemented and monitored across the Network.
6. Where an Association is aimed at co-operation and the entities within the structure share a common operational strategy, it is deemed to be a Network. Sharing a common operational strategy involves an agreement by the entities to achieve common strategic

objectives. An entity is not deemed to be a Network merely because it co-operates with another entity solely to respond jointly to a request for a proposal for the provision.

7. Where an Association is aimed at co-operation and the entities within the structure share the use of a common brand name, it is deemed to be a Network. A common brand name includes common initials or a common name. A firm is deemed to be using a common brand name if it includes, for example, the common brand name as part of, or along with, its firm name, when a partner of the firm signs an audit report.
8. Where an Association is aimed at co-operation and the entities within the structure share a significant part of professional resources, it is deemed to be a Network. Professional resources include:
  - Common systems that enable firms to exchange information such as client data, billing and time records;
  - Partners and staff;
  - Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements;
  - Audit methodology or audit manuals; and
  - Training courses and facilities.
9. The determination of whether the professional resources shared are significant, and, therefore, the firms are network firms, shall be made based on the relevant facts and circumstances. Where the shared resources are limited to common audit methodology or audit manuals, with no exchange of personnel or client or market information, it is unlikely that the shared resources would be significant. The same applies to a common training endeavour. Where, however, the shared resources involve the exchange of people or information, such as where staff are drawn from a shared pool, or a common technical department is created within the Network to provide participating firms with technical advice that the firms are required to follow, a reasonable and informed third party is more likely to conclude that the shared resources are significant.



**Approval of Name of Overseas Network**

**(Referred to in para 4 (iii) of the Guidelines for Overseas Network and forms an integral part of the Guidelines)**

Illustrative examples of names of Overseas Network\*:

- a) AB & Network
- b) AB Network
- c) A & Network

\*where A denotes entity registered with ICAI;

\*B denotes an entity or Network existing abroad

\* Where there is more than one domestic constituent, then 'A' may consist of a combination of any one of them or all of them with the agreement amongst themselves or as specified in 'The Guidelines for Networking, 2021'



## DRAFT

Form 'AO'  
No. \_\_\_\_\_

### THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI)

#### APPLICATION FOR APPROVAL OF NAME FOR OVERSEAS NETWORK\*

[See the relevant rule of Guidelines for Overseas Network between Domestic entities/ firms registered with The Institute of Chartered Accountants of India and Overseas entities]

- Proposed name of Overseas Network: i) (in   
order of preference) ii)   
iii)   
iv)
- Details of constituent entities. (Please indicate all entities whether domestic or Overseas). Please attach a separate sheet if required).

S.No.	Name(s) of the entity(ies) forming Overseas Network	Constituents of each entity	Jurisdiction under which the Overseas entity is registered	Relevant Law under which Overseas entity is registered	TRC/ TIN No. of Overseas Network
i					
ii					
iii					
iv					

- Address of Principal place of business of Overseas Entity.

<input type="text"/>	
<input type="text"/>	
<input type="text"/>	Zip/Pin <input type="text"/>

Latitude	Longitude
<input type="text"/>	<input type="text"/>

Email:	<input type="text"/>
Phone No:	<input type="text"/>

Please attach separate sheet/ insert additional rows to table hereto wherever required



4. Address of Principal place of business of Domestic Entity.

	Zip/Pin

Latitude	Longitude

Email:

Phone No:

5. Address of the Designated Nodal officer on behalf of Proposed Network.

Name:

Email:

Mobile:

Address:

Latitude	Longitude

Zip Code:

ICAI Membership No.:

Date of issue of Good Standing Certificate

Validity of Good Standing Certificate up till  
(state date/period)  
(Attach the Certificate)



6. Details of Scrutiny fees of INR 10,000/- submitted along with the application. (attach proof)

7. Declaration:

I hereby affirm and declare that the information furnished in this application is true, complete and accurate to the best of my knowledge and belief. I further affirm that no material information has been omitted, misrepresented, or concealed in any manner.

I undertake to inform the Institute of Chartered Accountants of India (ICAI) promptly of any changes or updates to the details submitted herein, within the prescribed timeframe, as mandated under the applicable guidelines.

I further declare that the proposed name of the Overseas Network is distinct and is in compliance with the applicable provisions of the Companies Act, 2013, the Trademarks Act, 1999, the Copyright Act, 1957 and any other governing laws relating to Intellectual Property Rights in India. I acknowledge that the name is subject to ICAI's approval as per the prescribed guidelines, and ICAI reserves the right to reject any undesirable name.

This undertaking is executed with full responsibility and in good faith.

Place: \_\_\_\_\_

Date: \_\_\_\_\_

For and on behalf of Overseas Network

Nodal Officer cum contact point



---

Instructions: Document to be submitted: -

- a) A copy of the authorization to be filed with ICAI by the Partners signing the declaration on behalf of the firm forming constituent(s) of the Network.
- b) Copy of the Network agreement entered into with the Overseas entity (ies) with the domestic entity(ies).
- c) Copy of the supplement agreement (s) entered between Overseas Entity.
- d) Registration Certificate of the entities entering into the network arrangement issued by respective jurisdiction, if any.
- e) Unique Identity Proof of Constituent Firm.
- f) Details of requisite fee paid in respect of this application.



Form 'BO'

No. \_\_\_\_\_

## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI)

## APPLICATION FOR REGISTRATION OF OVERSEAS NETWORK

[See relevant Rule of Guidelines for Registration of Overseas Network between the Domestic entities/ firms registered with The Institute of Chartered Accountants of India and Overseas entities]

1. Name of the Overseas Network:   
As approved by ICAI
2. Address of the Principal place of business of Overseas Entity.  
  
  
 Zip/Pin   

Latitude	Longitude
<input type="text"/>	<input type="text"/>

Email:

Phone No.

3. Names and addresses of firms constituting the Overseas Network:

S. No	Name and Addresses of Firm(s)	Firm Registration No.
i)		
ii)		
iii)		
iv)		

- A) Provide the total numbers of Chartered Accountants (Partners and Employee) in the Domestic Entity.

S.No	MRN	Name	Designation (CA Partner/ CA Employee)	Mobile No	Address for Communication with Zip code	Contact, Email Id
i.						
ii.						



- B) Details of Key Managerial personnel (KMPs) of Domestic Entity (ies) in India. (To be provided in respect of 2 KMPs in order of % of remuneration/profit share of network).

S.no	MRNs	Name of KMP	D.O. B	Unique Identification No	Mobile No with Country Code	Address for Communication with Zip code	Contact, Email Id	Date of issue of Good Standing Certificate	Validity of Good Standing Certificate up till (state date/period)
i)									
ii)									

4. Address of Principal place of business of Domestic Entity.

	Zip/Pin
Latitude	Longitude

Email:

Phone No:

5. Date and approval number of Overseas Network name given by Institute:

6. Date of formation of Overseas Network:

7. Address of the Designated Nodal officer behalf of Proposed Network.

Name:

Email:

Address:

Zip Code:

Please attach separate sheets/ insert additional rows to table hereto wherever required.



Mobile:

Latitude	Longitude
<input type="text"/>	<input type="text"/>

ICAI Membership No.:

8. I. Total number of civil, criminal or disciplinary cases or proceedings against any partner or Chartered Accountant employee of the Domestic Entity(ies) in the last five years.

II. Details of cases e.g. - civil, criminal or disciplinary pending as per point I.

Provide the following details :-

a) Nature o Criminal o Civil o Disciplinary

b) Person against whom proceedings have taken place o Partner o CA Employee

c) Name of the Partner /CA employee

d) Name of the regulator/agency that has initiated the disciplinary action.

e) The date of initiation of the proceedings

f) Status of the matter on the date of making this application.

9. Details of the Network agreement (s) along with supplement agreements (attach the support documents) entered into between the domestic entity and Overseas entities. All the Documents being submitted must be attested as per applicable authority.

S.no	Date of Agreement	Agreement Type	Duration of Agreement	Name of the Parties	Country/ies	Attach the Supporting Documents
i)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
ii)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>





- 
10. Select the clauses being agreed upon between the domestic entity and the Overseas entity to form a Network (Multiple Options can be selected. Attach proof)
- a) It is clearly aimed at cost sharing among the constituents within the structure.
  - b) The constituents within the structure share common quality control policies and procedures, which are designed, implemented, and monitored across the Network.
  - c) The constituents within the Network share a common operational strategy.
  - d) The constituents within the Network share the use of a common brand name, common initials, or a common name, logo, or insignia.
  - e) The constituents within the Network share the use of a common website or common domain name (other than domain name available to the public at large either free or on a subscription basis) for email.
  - f) The constituents within the Network share a significant part of professional resources, including common systems, partners and staff (excluding articled assistants), common technical resources, audit methodology or audit manuals, training courses, and facilities.
  - g) Any other circumstances wherein the conduct or actions of the constituents are intended to convey that they are associated in such a way that a distinction of being separate entities may not be relevant.
  - h) use of coworking space will not be covered in above
  - i) **All of the above**
11. List of documents to be submitted along with this form:
- A) Copy of Network Agreement/ any other Arrangements.
  - B) Name, Membership Number and contact details of Nodal Officer:
12. We undertake to comply with the guidelines/ directions laid down by the Council regarding the Overseas Network from time to time.



13. Declaration

- i. We hereby confirm that all the details submitted by us earlier in “Form AO” maybe treated as part and parcel of this form and there is no change from the details furnished in AO.
- ii. We hereby confirm that all the Network firms/ entities have entered into an understanding to work as a network in accordance with the Guidelines for Overseas Network between the firms registered with the Institute and Overseas firms/ entities and further affirm and confirm that the partner/Nodal Officer signing the application has been duly authorized by the other partners of the respective Constituent(s).
- iii. I hereby affirm and declare that the information furnished in this application is true, complete and accurate to the best of my knowledge and belief. I further affirm that no material information has been omitted, misrepresented, or concealed in any manner.
- iv. I undertake to inform the Institute of Chartered Accountants of India (ICAI) promptly of any changes or updates to the details submitted herein, within the prescribed timeframe, as mandated under the applicable guidelines.
- v. I further declare that the proposed name of the Overseas Network is distinct and is in compliance with the applicable provisions of the Companies Act, 2013, the Trademarks Act, 1999, the Copyright Act, 1957 and any other governing laws relating to Intellectual Property Rights in India. I acknowledge that the name is subject to ICAI’s approval as per the prescribed guidelines, and ICAI reserves the right to reject any undesirable name.
- vi. This undertaking is executed with full responsibility and in good faith.

Place: .....

Date: .....

For and on behalf of Overseas Network

Nodal Officer cum contact point



---

Instructions: Document to be submitted: -

- a) A copy of the authorization to be filed with ICAI by the partners, signing the declaration on behalf of the firm forming constituent of the Network.
- b) Certified or Apostille Copy of the Network agreement entered into with the Overseas entity.
- c) Registration Certificate of the entities entering into the network arrangement issued by respective jurisdiction, if any.
- d) Confirmation of KMPs at S.no 3B in respect of aforesaid authorization
- e) Details of requisite fee paid in respect of this application.



Form 'CO'  
No. \_\_\_\_\_

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI)

**DECLARATION FOR CHANGE IN CONSTITUTION OF REGISTERED OVERSEAS  
NETWORK**

[See relevant Rule of Guidelines for Overseas Network between the Domestic entities/  
firms registered with The Institute of Chartered Accountants of India and Overseas  
entities]

1. Name of the Overseas Network:   
As approved by ICAI

2. Overseas Network Registration Number:

3. Address of the Principal place of business of Overseas Entity.


Zip/Pin:

Latitude	Longitude

Email:

Phone No:

4. Address of the Principal place of business of Domestic Entity.


Zip/Pin:

Latitude	Longitude

Email:

Phone No:

Please attach separate sheet/ insert additional rows to table hereto wherever required

**DRAFT**



5. Names and addresses of firms constituting the Overseas Network

S. No.	Name and Addresses of Firm (s)	Firm Registration No.
i)		
ii)		
iii)		

6. Name and address of the firm willing to enter/ exit into/ from the Overseas Network:

S. No.	Name and Addresses of Firm (s)	Firm Registration No.
i)		
ii)		
iii)		
iv)		

7. Provide the total numbers of Chartered Accountants (Partners and Employee) in the Domestic Entity.

S.No	MRN	Name	Designation (CA Partner/ CA Employee)	Mobile No	Address for Communication with Zip code	Contact, Email Id
i.						
ii.						

8. Details of Key Managerial personnel (KMPs) of Domestic Entity (ies) in India. (To be provided in respect of 2 KMPs in order of % of remuneration/profit share of network).

S.no	MRNs	Name of KMP	D.O. B	Unique Identification No	Mobile No with Countr y Code	Address for Communication with Zip code	Conta ct, Email Id	Date of issue of Good Standing Certificate	Validity of Good Standing Certificate up till (state date/period)
i)									
ii)									

9. Date of change in the constitution:

10. Address of the Previous Designated Nodal officer on behalf of Overseas Network:

Name:

Email:

Mobile:

Address:

**DRAFT**



Latitude	Longitude

Zip Code:

ICAI Membership No.:

11. Address of the New Designated Nodal officer on behalf of Overseas Network, if any:

Name:

Email:

Mobile:

Address:

Latitude	Longitude

Zip Code:

ICAI Membership No.:

Date of issue of Good Standing Certificate

Validity of Good Standing Certificate up till  
(state date/period)  
(Attach the Certificate)

12. I. Total number of civil, criminal or disciplinary cases or proceedings against any partner or Chartered Accountant employee of the Domestic Entity(ies) in the last five years.

II. Details of cases e.g. - civil, criminal or disciplinary pending as per point I.

Provide the following details :-

a. Nature o Criminal o Civil o Disciplinary

b. Person against whom proceedings have taken place o Partner o CA Employee

**DRAFT**



c. Name of the Partner/CA employee

d. Name of the regulator/agency that has initiated the disciplinary action.

e. The date of initiation of the proceedings

f. Status of the matter on the date of making this application.

13. Details of the Network agreement (s) along with supplement agreements (attach the support documents) entered into between the domestic entity and Overseas entities. All the Documents being submitted must be attested as per applicable authority.

S.no	Date of Agreement	Agreement Type	Duration of Agreement	Name of the Parties	Country/ies	Attach the Supporting Documents
i)						
ii)						

14. We hereby confirm that except the above, no other change in any details submitted by us earlier in 'Form AO'.

15. We hereby declare that the above firm(s) propose to enter/ exit into/ from the Overseas Network in accordance with the Guidelines for Overseas Network between the firms registered with the Institute of Chartered Accountants of India and Overseas firms/ entities and further affirm and confirm that the partner/Nodal Officer signing the application has been duly authorized by the other Constituents of Overseas Network.

Place : .....

Date : .....

For and on behalf of Overseas Network

Nodal Officer cum contact point



---

**Instruction: A copy of the authorization to be filed with ICAI by the partner signing the declaration on behalf of the firm.**

Instructions: Document to be submitted: -

- a) A copy of the authorization to be filed with ICAI by the partners signing the declaration on behalf of the firm forming constituent of the Network.
- b) In case of any change in the Nodal Officer, a copy of the authorization from the previous Nodal Officer, duly signed and acknowledging the transfer of all responsibilities to the newly designated Nodal Officer, to be filed with the ICAI.
- c) Copy of the Network agreement entered into with the Overseas entity.
- d) Copy of the revised Network agreement entered into amongst the constituent Firms.
- e) Registration Certificate of the new entity entering into the network arrangement issued by respective jurisdiction, if any.
- f) Unique Identity Proof of Constituent Firm.
- g) Details of requisite fee paid in respect of this application.



DRAFT



Form 'DO'  
No. \_\_\_\_\_

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

**FORMAT OF ANNUAL RETURN TO BE FILED FOR OVERSEAS NETWORK**

[See relevant rule of Guidelines for Overseas Network between the Domestic entities/  
firms registered with The Institute of Chartered Accountants of India and Overseas  
entities]

1. Name of the Overseas Network:   
As approved by ICAI.
2. Address of the Principal place of business of Overseas Entity.  
  
  
Zip/Pin 

Latitude	Longitude
<input type="text"/>	<input type="text"/>

Email   
Phone No
3. Date of formation and Network Registration no of the Overseas Network:
4. Address of the Principal place of business of Domestic Entity.  
  
  
Zip/Pin

**DRAFT**



Latitude	Longitude

Email

Phone No

5. Total Turnover of the Network, Constituent(s) wise :

6. Total No of Constituent Firms:

7. 7A Particulars of revenue received and paid by Domestic Constituent(s) registered with ICAI during the financial year in INR \_\_\_\_:  
(to be filed within 120 days of close of each financial year)

7B Total fees and expenses paid or received by the Domestic entity from/to Overseas Entity/Network for last 3 years in INR .

	Paid	Received
i) Statutory Audit Services	<input type="text"/>	<input type="text"/>
ii) Tax Audit and other taxation services	<input type="text"/>	<input type="text"/>
iii) Attestation and certification services	<input type="text"/>	<input type="text"/>
iv) Non-audit services	<input type="text"/>	<input type="text"/>
v) Out-of-pocket expenses	<input type="text"/>	<input type="text"/>

Payout made to: \_\_\_\_\_(Name of the entity)

Purpose	In local currency	In foreign currency
Technology		
Manpower outsourcing		
Training & Development		
License fee		
Others: (Please specify)		

The above table to be filled up in respect of each constituent of the Overseas Network.

**DRAFT**



---

Verification

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

Place : .....

Date : .....

For and on behalf of Overseas Network  
Nodal Officer cum contact point



Form 'EO'  
No. \_\_\_\_\_

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI)

APPLICATION FOR DE-REGISTRATION OF OVERSEAS NETWORK

[See relevant Rule of Guidelines for Overseas Network between the Domestic entities/  
firms registered with The Institute of Chartered Accountants of India and Overseas  
entities]

1. Name of the Overseas Network:   
As approved by ICAI
2. Overseas Network Registration Number:
3. Address of the Principal place of business of Overseas Entity.  
  
  
Zip/Pin:   

Latitude	Longitude
- Email:   
Phone No:
4. Address of the Principal place of business of Domestic Entity.  
  
  
Zip/Pin:   

Latitude	Longitude
- Email:   
Phone No:

Please attach separate sheet/ insert additional rows to table hereto wherever required



5. Names and addresses of firms constituting the Overseas Network

S. No.	Name and Addresses of Firm (s)	Firm Registration No.
i)		
ii)		
iii)		

6. Name and address of the firms willing to deregister from the Overseas Network:

S. No.	Name and Addresses of Firm (s)	Firm Registration No.
i)		
ii)		
iii)		
iv)		

7. Address of the Designated Nodal officer on behalf of Overseas Network:

Name:

Email:

Mobile:

Address:

Latitude	Longitude
<input type="text"/>	<input type="text"/>

Zip

Code:

ICAI Membership No.:

Date of issue of Good Standing Certificate

Validity of Good Standing Certificate up till  
(state date/period)  
(Attach the Certificate)



8. I. Total number of civil, criminal or disciplinary cases or proceedings against any partner or Chartered Accountant employee of the Domestic Entity(ies) in the last five years.

- II. Details of cases e.g. - civil, criminal or disciplinary pending as per point I.

Provide the following details :-

- a. Nature o Criminal o Civil o Disciplinary
- b. Person against whom proceedings have taken place o Partner o CA Employee
- c. Name of the Partner/CA employee
- d. Name of the regulator/agency that has initiated the disciplinary action.

- e. The date of initiation of the proceedings
- f. Status of the matter on the date of making this application.

9. We hereby declare that all the domestic entities or firm(s) propose to de-register from the Overseas Network, Overseas firms/ entities in accordance with the Guidelines for Overseas Network between the firms registered with the Institute of Chartered Accountants of India.

We further affirm and confirm that the partner/Nodal Officer signing this application has been duly authorized by all the other constituents of the Overseas Network to submit this declaration on their behalf.

We also confirm that there are no ongoing proceedings, disputes, or regulatory actions pending that may impede or affect the de-registration process.

Accordingly, we request that the Overseas Network Registration No.  be struck off from the records of the Institute.

Place : .....

Date : .....

For and on behalf of Overseas Network

Nodal Officer cum contact point

**Disclaimer:** *The Institute of Chartered Accountants of India (ICAI) reserves the right to accept or reject any application for de-registration of an Overseas Network, without assigning any reason thereof.*



**Instruction: A copy of the authorization to be filed with ICAI by the partner signing the declaration on behalf of the firm.**

Instructions: Document to be submitted: -

- a) A copy of the authorization to be filed with ICAI by the partners signing the declaration on behalf of the firm forming constituent of the Network.
- b) Copy of the revised Network agreement entered into amongst the constituent Firms.
- c) Registration Certificate of the new entity entering into the network arrangement issued by respective jurisdiction, if any.

### **Justification for bringing the proposed framework - Council Decision**

The Council at its 378<sup>th</sup> meeting held from 26<sup>th</sup> to 27<sup>th</sup> September 2018 had approved the Report of the Group on the Operations of Multinational Accounting Firms in India set up pursuant to the judgement dated 23<sup>rd</sup> February 2018 of the Honorable Supreme Court of India. The same is reproduced below:

The Secretary gave a brief background of the matter and thereafter presented Report of the Group on the operations of the Multinational Accounting Firms in India, set up pursuant to the Judgement dated 23<sup>rd</sup> February, 2018 of the Hon'ble Supreme Court of India containing key issues and recommendations of the Group. Thereafter, the members expressed their views as under: -

ICAI being a regulator will need to regulate the Indian firms having affiliation with international network by whatever name called and for that purpose such firms will be required to file the network documents along with the annual information statements as per the Institute norms.

There is no notification issued by the Government under section 29 of the Chartered Accountants Act, 1949 preventing subjects of foreign countries from becoming members of the Institute or to practice the profession of Chartered Accountancy in India. There is need to take up the matter with the Ministry of Commerce on incentives to encourage export of services by Indian Chartered Accountants and firms by removing artificial barriers like visa/work permit restrictions on Indian professionals.

For the development of the profession and in tune with the trends in the global economy, international networking should be allowed and ICAI should regulate the same. There is need to open up the profession of Chartered Accountancy to a more globalized environment where India could not afford to get itself isolated.

Reciprocity and networking are not comparable. Object of having reciprocity is different from the object of Networking.

There is an urgent need to revisit the Networking Guidelines.

The Council discussed the report at length, subject to modifications as suggested in the meeting including the following:

- (i) Write to the Ministry of Commerce for encouraging export of Auditing services to provide new opportunities for Indian Chartered Accountants overseas within WTO norms.



- (ii) Registering and Regulating the Foreign Accounting Firms subject to compliance with Indian laws and the Regulatory jurisdiction of ICAI in all respects including matters relating to Code of Ethics, Discipline, Referral fees, Filing of periodical Returns, Reports and information as mandated by the Institute including information relating to remittances received from and made abroad, and all other consequential and incidental matters.
- (iii) Ensure that Domestic Accounting firms are not placed in a disadvantageous position vis-à-vis foreign accounting firms.
- (iv) Providing level playing field and equal opportunity between domestic and Foreign Accounting Firms.
- (v) With regard to treating an entity as an MAF, the Council, apart from other criteria as stated in the Report of the Group, also noted the following observations of the Supreme Court: -  
  

“The principle of lifting the corporate veil has to apply when the law is sought to be circumvented.....If the premises are same, phone number/fax number is same, brand name is same, the controlling entity is same, human resources are same, it will be difficult to expect that there is full compliance on mere separate registration of a firm. The prohibition under Section 25 of the CA Act can be held to be defeated”
- (vi) As regards rendering of ‘other services’ by the chartered accountants, the Council was of the view that the same shall be subject to section 144 of the Companies Act, 2013 and Code of Ethics of the Institute.

Surrogate practices should come out into the open and be subjected to Indian Laws and Regulatory Jurisdiction of ICAI.

It was clarified that presently under the networking guidelines 2011, information relating to any affiliation with foreign network is merely filed in Form D which does not amount to registration.

The Council noted the status of 171 cases which were earlier referred to the Director Discipline for initiating action under the Chartered Accountants Act, 1949 and rules framed thereunder and desired that they be expeditiously disposed of in light of the Supreme Court Judgement.

Subject to the above modifications, the Council approved the Report of the Group. Office to update the Report and circulate to all the members of the Council and thereafter to be sent to the Ministry of Corporate Affairs for their necessary action.

## **JUDGEMENT IN THE CASE S. SUKUMAR VS. THE SECRETARY, INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA & ORS.**

It is important to highlight the directions provided in the judgement that states as under:

- (i) The Union of India may constitute a three-member Committee of experts to look into the question whether and to what extent the statutory framework to enforce the letter and spirit of Sections 25 and 29 of the CA Act and the statutory Code of Conduct for the CAs requires revisit so as to appropriately discipline and regulate MAFs. The Committee may also consider the need for appropriate legislation on the pattern of the Sarbanes Oxley Act, 2002 and Dodd Frank Wall Street Reform and Consumer Protection Act, 2010 in US or any other appropriate mechanism for oversight of the profession of the auditors.

Question whether on account of conflict of interest of auditors with consultants, the auditors' profession may need an exclusive oversight body may be examined. The Committee may examine the Study Group, and the Expert Group Reports referred to above, apart from any other material. It may also consider steps for effective enforcement of the provisions of the FDI policy, and the FEMA Regulations referred to above. It may identify the remedial measures which may then be considered by appropriate authorities. The Committee may call for suggestions from all concerned. Such Committee may be constituted within two months. Report of the Committee may be submitted within three months thereafter. The UOI may take further action after due consideration of such a report.

- (ii) The ED may complete the pending investigation within three months;
- (iii) ICAI may further examine all the related issues at an appropriate level as far as possible within three months and take such further steps as may be considered necessary. The matters stand disposed of accordingly.

Under the heading "consideration of the issue" before concluding para 53 of the judgment, the Court had discussed as under:

... ..

44. The above resume of facts and pleadings shows the following:

- i) There is a bar under CA Act to practice as CAs for a company which includes a limited liability common partnership which has company as its partners.
- ii) The Code of Conduct for the CAs prohibits fee sharing, advertisements but the MAFs by using international brands and mixing other services with the services to be provided as part of practice of chartered accountancy violate the said Code of Conduct for which there is no regulatory regime as the MAFs do not register with ICAI. Indian firms using similar brand names are registered with the ICAI but the real entities being MAFs, ICAI is unable to take requisite action for violation of Code of Ethics by the MAFs. Thus, revisit of existing legal framework may become necessary so as to have an oversight mechanism to regulate MAFs on the touchstone of Code of Ethics.

- iii) Need for amendment of law to separate regulatory regime for auditing services on the pattern of Sarbanes Oxley Act enacted in US making a foreign public accounting firm preparing audit reports to be accountable to the Public Company Accounting. Similar oversight body may need to be considered in India.
  - iv) Section 29 of the CA Act provides that if a specified country, prohibits persons of Indian domicile from becoming members of any institution similar to ICAI or practicing the profession of accountancy or subjects them to unfair discrimination in that country, no subject 66 of any such country shall be entitled to become a member of the Institute or practice the profession of accountancy in India.
  - v) FDI Policy and the RBI Guidelines framed under the FEMA prohibit the investment by a person outside India to make investment by way of contribution to the capital of a firm or a proprietary concern without permission of the RBI
  - vi) PwC Services BV Netherlands has made investments in Indian firms. According to the petitioners, the investment is also intended to acquire an audit firm through a circuitous route of giving interest free loans and further investments are in the form of grants for enhancement of skills. Profit sharing is in the form of license fees/network charges. According to the network, the partners are all Indian partners and use of common brand name is only for uniform standard and giving of grants is for maintaining the said standard. There was no investment by an entity outside India. Nor it amounts to profit sharing by the Indian accountancy firms with an entity outside India.
45. It is an undisputed fact that there are remittances from outside India. The same could be termed as investment even though the remittances are claimed to be interest free loans to partners. The amount could also be for taking over an Indian chartered accountancy firm. Relationship of partnership firms, though having Indian partners, operating under a common brand name from same infrastructure, with foreign entity is not ruled out. It is not possible to rule out violation of FDI policies, FEMA Regulations and the CA Act. Thus, appropriate action may have to be taken in pending proceedings or initiated at appropriate forum.
46. The investigation so far carried out cannot be held to be complete in all respects. The investigation by income tax authorities is only for assessment of income tax. Action by the ROC also does not cover the issue raised herein. The investigation by the ED is said to be still pending, though several persons are said to have been examined and documents collected, which are under scrutiny. The said investigation relates to FEMA violations. The ICAI has initiated action with regard to foreign remittances and is said to have written a letter dated 19<sup>th</sup> March 2012 to the RBI to enquire whether investigation was conducted by the RBI. However, according to ICAI, its investigation can only be in respect of 68 members registered with it, for the misconduct conducted by them. The ICAI does not claim to have conducted complete investigation for want of complete information into the issue whether the chartered accountancy firms by receiving remittances from outside India or remitting licence fee/network charges outside India have allowed participation of a company or a foreign entity in the accountancy business in violation of Section 25 of the CA Act and whether use of common brand name by the network firms is in violation of reciprocity stipulated under Section 29 of the CA Act. The ICAI should have taken the matter to logical

end, by drawing adverse inference, if information was withheld by the concerned groups.

47. No doubt, the report of the committee of experts of ICAI dated 29th July, 2011 does not specifically name the MAFs involved, groups A,B,C, D are mentioned. The ICAI ought to constitute an expert panel to update its enquiry. Being an expert body, it should examine the matter further to uphold the law and give a report to concerned authorities for appropriate action. Though the Committee analyzed available facts and found that MAFs were involved in violating ethics and law, it took hyper technical view that non availability of complete information and the groups as such were not amenable to its disciplinary jurisdiction in absence of registration. A premier professionals body cannot limit its oversight functions on technicalities and is expected to play proactive role for upholding ethics and values of the profession by going into all connected and incidental issues.
48. Thus, a case is made out for examination not only by ED and further examination by the ICAI but also by the Central Government having regard to the issues of violation of RBI/FDI policies and the CA Act by secret arrangements.
49. It can hardly be disputed that the profession of auditing is of great importance for the economy. Financial statements audited by qualified auditors are acted upon and failures of the auditors have resulted into scandals in the past. The auditing profession requires proper oversight. Such an oversight mechanism needs to be revisited from time to time. It has been pointed out that post Enron Anderson Scandal, in the year 2000, Sarbanes Oxley Act was enacted in U.S. requiring corporate leaders to personally certify the accuracy of their company's financials.

The Act also lays down rules for the functioning of audit companies with a view to preventing the corporate analysts from benefiting at the cost of public interest. The audit companies were also prohibited from providing non audit services to companies whose audits were conducted by such auditors. Needless to say, that the absence of adequate oversight mechanism has the potential of infringing public interest and rule of law which are part of the fundamental rights under Articles 14 and 21. It appears necessary to realize that auditing business is required to be separated from the consultancy business to ensure independence of auditors. The accounting firms could not be left to self-regulate themselves.

50. While we appreciate that it is for the policy makers to take a call on the issue of the extent to which globalization could be allowed in a particular field and conditions subject to which the same can be allowed. Safeguards in the society and economy of the country in the process are of paramount importance. This Court may not involve itself with the policy making but the policy framework can certainly be looked at to find out whether safeguards for enforcement of fundamental rights have been duly maintained.

In the present context, having regard to the statutory framework under the CA Act, current FDI Policy and the RBI Circulars, it may prima facie appear that there is violation of statutory provisions and policy framework effective enforcement of which has to be ensured. Statutory regulatory provisions intended to advance the object of law have to be enforced meaningfully. No vested interest can flout the same by manifesting compliance only in form. Compliance has to be in substance. The law enforcing agencies are expected to see the real situation. As found by the Expert Committee in its report, there is a compliance by MAFs only in form and not in substance, by having got registered partnership firms with the Indian partners, the real beneficiaries of transacting the business of chartered accountancy remain the companies of the foreign entities.

The partnership firms are merely a face to defy the law. The principle of lifting the corporate veil has to apply when the law is sought to be circumvented. In expanding horizons of modern jurisprudence, it is certainly permissible. Its frontiers are unlimited. The horizon of the doctrine is expanding. While the company is a separate entity, the Court has come to recognize several exceptions to this rule. One exception is where corporate personality is used as a cloak for fraud or improper conduct or for violation of law. Protection of public interest being of paramount importance, if the corporate personality is to be used to evade obligations imposed by law, the real state of affairs needs to be seen.

The same principle applies while overseeing the compliance of applicable ethics of not permitting profit sharing or complying with the ceiling limit for the business 1 State of Rajasthan vs. Gotan Lime Stone Khanji Udyog Pvt. Ltd. (2016) 4 SCC 469, paras 24 to 28; State of Karnataka vs. Selvi J. Jayalalitha (2017) 6 SCC 263, paras 205 to 211 72 which is violated by using the technique of sub contracts for outsourcing. If the premises are the same, phone number/fax number is the same, brand name is same, the controlling entity is same, human resources are same, it will be difficult to expect that there is full compliance on mere separate registration of a firm. The prohibition under Section 25 of the CA Act can be held to be defeated. It is perhaps for this reason that the network firms avoided giving the information sought by the Committee. The issue of separate oversight bodies for auditing work and updating existing legal framework appear to be necessary.

51. The other aspect is of investment in CA firms, in violation of prohibition of FDI policy, by using a circuitous route of interest free loans to partners. The fact that the income tax authorities have taken the grants received as revenue receipts and taxed the same as such is not conclusive to hold that the receipt is not an investment which is impermissible. If investment is not permitted, the policy of law cannot be defeated by terming such investment as a grant for quality control specially when the grant has been used to acquire a chartered accountancy firm.

52. Absence of revisiting and restructuring oversight mechanism as discussed above may have adverse effect on the existing chartered accountancy profession as a whole on the one hand and unchecked auditing bodies can adversely affect the economy of the country on the other. Moreover, companies doing chartered accountancy business will not have personal or individual accountability which is required. Persons who are the face may be insignificant and real owners or beneficiary of prohibited activity may go scot free. As already noted, the Reports of the Study Group and Expert Group show that the enforcement mechanism is not adequate and effective. This aspect needs to be looked into by experts in the Government.

It may be considered whether on the pattern of the Sarbanes Oxley Act corporate leaders be required to personally certify the accuracy of the financial statements. Further, how to prevent corporate analysts from benefitting from the conflict of interests, how to check audit companies from providing non audit services and how to lay down protocol for auditors. It has also been brought to our notice that another law in US 'Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010' to ensure more transparency and accountability of financial institutions to decrease the risk of investing needs consideration. It sets up an oversight body called the Financial Stability Oversight Council (FSOC).

**BEST PRACTICES-GLOBAL & DOMESTIC**

**1. Transparency Reporting**

Information as to Constituents of network that audit companies be sought for as a measure of transparency. Analogy has been drawn from the-

- (i) final report of the Board of International Organization of Securities Commission (FR24/2015 hosted at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD511.pdf>
- (ii) In its mandate to promote fair, efficient and transparent functioning of securities markets; through securities regulations include protecting investors; the International Organization of Securities Commissions (IOSCO) pursues to address these issues. IOSCO tends to achieve this through one of avenues which is to consider the role of audit firms, and in particular the practices employed by audit firms to be transparent in their own reporting to investors and other stakeholders about the firm itself, notably, with respect to firm governance and elements of their system of quality control for their financial statement audits (“audit firm transparency reporting” or merely “transparency reporting”). IOSCO recognizes that audit firm transparency reporting is a fairly recent practice that continues to evolve, as evidenced by its work in this area. IOSCO further suggests that transparency reporting can foster internal introspection and discipline within audit firms and may encourage audit firms to sharpen their focus on audit quality, which would also be of benefit to investors and other stakeholders. IOSCO further believes that an audit firm transparency report could be considered of high quality if the information in the report includes, among other matters, reporting on the following elements: the audit firm’s legal and governance structure; the audit firm’s measures to foster audit quality; the audit firm’s internal indicators of audit quality; and the audit firm’s indicators of audit quality as generated by the work of external bodies.
- (iii) Article 13 ,EU Audit Regulations hosted at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0537> (last accessed on 16.07.2024).
- (iv) Form 2 of NFRA Rules mandates for filing of such information by the auditor. Section 132 of the Companies Act 2013 and Rule 5 of the NFRA Rules, 2018 respectively mandates as under:  
Section 132.Constitution of National Financial Reporting Authority

**2. Inspections of Non-U.S. Firms by PCOAB**

Under the Sarbanes-Oxley Act and the Board’s (PCAOB) rules, non-U.S. registered firms are subject to PCAOB inspections in the same manner as U.S. registered firms. In accordance with PCAOB Rule 4003, it conducts a continuing program of inspections of registered public accounting firms to assess a firm’s compliance with certain laws, rules, and professional standards in connection with its performance of audits, issuance of audit reports, and related matters involving public companies and other issuers. The Board issues a report on each such inspection, and a portion of each report is publicly available. Firms located in foreign jurisdictions are inspected to assess their compliance



with the Sarbanes-Oxley Act, the rules of the Board, the rules of the Securities and Exchange Commission, and professional standards in connection with their performance of audits, issuance of audit reports, and related matters involving issuers and brokers and dealers. The PCAOB has inspected non-U.S. registered firms since 2005. These inspections have generally been carried out in two ways: PCAOB-only inspections, where the PCAOB conducts the inspection on its own in coordination with the home country regulator; or inspections conducted jointly with the home country regulator. Under a cooperative framework for non-U.S. inspections that was adopted by the Board, the PCAOB may rely, to a degree deemed appropriate by the Board, on inspection work performed by the home country regulator. (Firm Inspection Reports, The Public Company Accounting Oversight Board (PCAOB), available online at <https://pcaobus.org/oversight/inspections/firm-reports?isinternational=International>).

### **Where the PCAOB has Conducted Oversight Outside the U.S. (current as of December 31, 2023)**

Since the inception of the PCAOB's international inspection program in 2004, the PCAOB has conducted inspections of one or more registered firms located in the following 57 non-U.S. jurisdictions on a cumulative basis:

Argentina, Australia, Austria, Bahamas, Belgium, Belize, Bermuda, Bolivia, Brazil, Canada, Cayman Islands, Chile, China, Colombia, Denmark, Finland, France, Germany, Ghana, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kazakhstan, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Pakistan, Panama, Papua, New Guinea, Peru, Philippines, Russia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, Vietnam.

**Way Forward:** The PCAOB often enters into formal cooperative arrangements with foreign audit regulators in order to minimize administrative burdens and potential legal or other conflicts that non-U.S. firms may face in the foreign jurisdiction in question. It is proposed that Govt Of India may consider to enter into dialogue with overseas audit regulators to facilitate ICAI enter in to cooperation agreements with the said audit regulators overseas.

### **3. Inspections by audit regulators**

The International Forum for Independent Audit regulators (IFIAR), which comprises independent audit regulators from 54 countries, requires that audit regulators, *should as a minimum*, conduct recurring inspections of audit firms undertaking audits of public interest entities in order to assess compliance with applicable professional standards, independence requirements and other rules, laws and regulations. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1875275#:~:text=The%20International%20Forum%20for%20Independent,to%20assess%20compliance%20with%20applicable>.

4. The quality management standards implement proactive and scalable tools, allowing firms to focus comprehensively on engagement quality. This replaces the retrospective ISQC1 review and 'tick box' checklist approach.

The revised standards offer flexibility, letting firms tailor the guidance to their specific type and assurance.

Key changes include:



- (i) embedding quality across the firm with a robust, tailored system of quality management (SOQM).
- (ii) Emphasizing risk assessment in assurance engagements.<sup>15</sup>

## 5. Transparency Measures

To be able to participate in international trade, individuals and companies have to know as much as possible about the conditions of trade. Getting relevant information on regulations and policies can, however, be very time-consuming and costly. For this reason, all WTO agreements have important transparency obligations aimed at facilitating access to information. The Technical Barriers to Trade (TBT) Agreement is no exception.

Ever since the TBT Agreement entered into force in 1995, transparency has been an important pillar in its implementation, and a successful one at that. In some senses, transparency has become the face of the TBT Agreement. There are two keyways by which the Agreement promotes transparency. The first is through the practice of regular notifications by members of technical regulations and conformity assessment procedures. The "notification", which follows a simple template, gives the other members a "heads up" alert about regulations in the pipeline. It is a simple but highly effective practice, one which has driven more than two decades of exchanges in the TBT Committee, based on real and actual trade measures, and with significant engagement of the members, which send notifications to the Committee via their delegations.

The second key promoter of transparency is the obligation for each member to establish an enquiry point capable of answering questions relating to its implementation of TBT transparency obligations. Enquiry points thus have a central role in facilitating access to information. For many members they have become not only a place to respond to questions but a focal point for the implementation of the TBT Agreement, a coordinating hub. In this sense, enquiry points are very much at the heart of the implementation of the TBT Agreement.

First, enquiry points function differently across the membership of the WTO; they undertake a wide range of tasks, ranging from basic functions to more than what was originally envisaged by the TBT Agreement and the Committee. This is normal, as it is the prerogative of each member to decide who operates their enquiry point, and how this is done. For example, the majority of members (80 per cent) responding to the WTO's survey indicated that enquiry points are involved in the submission of TBT notifications to the WTO, while 20 per cent are not. So, while members have an obligation to make TBT notifications under certain circumstances, and also an obligation to establish at least one enquiry point, there is flexibility in implementation: some use enquiry points to make notifications, others do not.

---

<sup>15</sup> Subsidiaries prepare for reporting change by Rebecca Pridham, qualifications technical adviser, ACCA; November 2022 issue <https://abmagazine.accaglobal.com/global/articles/2022/nov/practice/reforms-to-support-audit-quality.html> last visited on 16.07.202

The second consideration is that while some 66 members (and one acceding country) responded to the survey, the WTO has 164 members (at the time of writing in the second quarter of 2018). So, while the results of the survey are significant and probably give a fairly good indication of current practices, they are not necessarily representative of the WTO membership as a whole.

## **6. Similar Example in India**

### **A. On requirement of Reporting**

The preamble of the Chartered Accountants Act, 1949, gives an overarching power to regulate and develop the Chartered Accountancy profession.

That being the legal position however it is proposed that an express provision be inbuilt in the Act irrespective of providing inspections, investigations, and compliance reporting etc. Accordingly, the Act needs to be amended.

The Act applies to the members, firms registered with ICAI. Under the proposed dispensation, domestic entity would be the single point of contact for all compliances. Hence, it cannot be said that these guidelines are in any manner discriminatory to the framework as they stand in the forms of the Act, Rules and Regulations and Code of Ethics.

The Chartered Accountants Act is specific as to the accountancy profession. Acting upon professional misconduct, i.e., penalties specified under Section 21A (3) and 21 B (3) can be administered solely by ICAI either upon its own due process under the disciplinary mechanism or on orders passed by Competent tribunal/judicial forum or authorities including NFRA empowered under their respective Acts.