



Guidance: When is a practising certificate required?

Contents

Introduction	3
What are the requirements	3
Am I engaging in practice?	3
Are 'accountancy or related' services being provided?	4
Do services to charities, non-profit making organisations, and sporting organisations require a PC?	4
Do trustees, treasurers, committee and board appointments need a PC?	5
Do subcontractors and consultants need a PC?	5
FAQs: Do I need a PC?	5
Further information	8
How do I apply for a PC for the first time?	8
Once I have a PC how do I keep it up to date?	8
CPD Requirements: Retired Members Involved in Professional Work	9
Where can I get support and advice?	9

Introduction

This guide is designed to assist you in considering whether the services you provide constitute being in practice, for which you need a practising certificate (PC).

Details of how to apply for a PC for the first time are given on Page 9.

What are the requirements?

As a Chartered Accountant you are expected to adopt the following principles:

- conduct yourself with integrity, honesty, objectivity and high ethical standards
- have due regard to the public interest in your role as a CA
- abide by ICAS' Rules, Regulations and Code of Ethics
- give due consideration to the guidance and recommended good practice issued by ICAS, and maintaining a programme of continuous learning which is relevant to your professional development and current responsibilities

The ICAS Rules require that every Member who is engaging in practice must hold a PC. Practising without a PC may result in disciplinary action.

The Authorisation Committee is responsible for deciding whether a Member is in practice and needs a PC; however, it rests with you to make an initial consideration about whether to apply to the Committee for such a decision.

The purpose of this guide is to outline the relevant regulatory requirements and to provide some examples of circumstances in which a PC is required, but it is not definitive. If in doubt, please contact us.

Am I engaging in practice?

According to our Public Practice Regulations you shall be engaging in practice if you are:

- providing accounting and related services, to persons other than your employer, for a fee; or
- a Principal in a Firm providing accountancy or related services
- Principal is defined as an individual in sole practice (where the firm is a sole practice), a person who is a partner (including both salaried and equity partners) (where the firm is a partnership), a member of a limited liability partnership (where the firm is an LLP), a director (where the firm is a company) or any individual who is held out as being a company director, partner or member.

In addition, if you are carrying the risk in relation to the work you are conducting, and require Professional Indemnity Insurance (PII) because you are liable for the services being provided, this also indicates that a PC is required.

If in doubt you should consider whether your fellow Members of ICAS and the public would view the activities as being in practice, offering accountancy services to the public.

Responsible Individual (RI)

In addition to the above requirements, the Audit Regulations & Guidance require that all RIs must hold a PC. An RI is an individual who is responsible for carrying out audit work on behalf of a Registered Auditor. An RI can be either a principal or an employee of the Registered Auditor.

You are reminded that your firm cannot carry out audit work until it has been registered as a Registered Auditor by a Recognised Supervisory Body and you cannot take personal responsibility for audits until you are approved by that body as an RI.

For more information please search 'audit registration' on our website www.icas.com

Insolvency in the UK & Ireland

To be eligible to accept appointments as an Insolvency Practitioner in the UK, you will require to hold a current PC, in addition to the suitable insolvency licence. This is the case regardless of whether you are a principal or an employee of your firm, because you are holding ‘insolvency appointments’ which is defined as an accountancy service. ICAS currently grants full and partial (i.e. personal or corporate only) insolvency licences. To find out more about obtaining an ICAS insolvency licence, please search on “insolvency practitioner” at icas.com.

If you have passed the relevant Joint Insolvency Examination Board exam(s) (or meet the “grandfathering in” requirements) but do not, at this stage, wish to take appointments, the option of a non-appointment taking licence provides the ability to be recognised as an insolvency expert with demonstrable expertise and knowledge. A non-appointment taking licence is available for a nominal annual fee. There is no need to hold a PC (as no “insolvency appointments” are held), unless you require a PC for other reasons (such as being a principal in a firm).

To be eligible to accept personal insolvency appointments in the Republic of Ireland, you are required to obtain a Personal Insolvency Practitioner (PIP) licence from Insolvency Service Ireland (ISI). No specific insolvency licence is required by ICAS, but you will be required to hold a PC given you are holding “Insolvency appointments” which is an accountancy service. It is understood that ISI require such work to be conducted through an Irish registered company and you are advised to provide ICAS with the details of this company for regulatory purposes.

To be eligible to accept corporate insolvency appointments in the Republic of Ireland, you are required to hold a PC (given you are accepting “insolvency appointments”) but there are no additional licensing requirements. There are, however, additional Professional Indemnity Insurance (PII) requirements for liquidators. S 634 of the Companies Act 2014, which came into force on 1 June 2015, allowed the Irish Auditing & Accounting Supervisory Authority (IAASA) to set Professional Indemnity cover requirements. The Statutory Instrument (S.I.127 of 2016), which came into effect on 1 June 2016, requires a limit of liability for each and every claim (exclusive of defence costs) of not less than €1,500,000, and provide cover for defence costs.

Are ‘accountancy or related services’ being provided?

The following list is not definitive, but it does include activities most commonly considered by the Authorisation Committee to fall within the definition of ‘accountancy or related services’:

- bookkeeping (i.e. the entry of transactions into the accounting records)
- preparation of management or financial accounts
- external audit and assurance services
- internal audit of accounting and internal control systems
- advice or consultancy on accounting and financial reporting systems
- payroll services
- preparation of VAT returns
- dealing with personal/business tax returns
- providing tax advice
- representing a client in a tax situation (e.g. client is having an investigation and needs someone to deal with the tax authorities)
- investment business advice undertaken under a licence from a Designated Professional Body
- preparation of cash flows and budgets
- business funding advice
- due diligence (i.e. investigations into the accounting or financial aspects of a transaction such as a company take over)
- preparation of business plans
- management consulting on accountancy activities
- accepting insolvency appointments
- debt counselling and related services
- compliance services (including file reviews) supplied to firms of accountants
- valuing incorporated and unincorporated businesses, shares and related instruments, and intangible assets
- providing an opinion as an ‘evaluator’ of sales to connected parties out of administration

- insolvency appointments (personal and corporate)
- corporate restructuring
- forensic accounting.

These services are not normally regarded by the Authorisation Committee as 'accountancy or related services':

- investment business activities conducted under FSA authorisation
- acting as an unpaid trustee, treasurer or in similar role in a personal capacity
- training services to accounting firms or students
- lecturing on accountancy and business subjects
- business funding advice where this only involves seeking/negotiating the source of funds
- management consulting on non-accounting matters
- computer hardware and software installation but not data entry in financial packages
- computer training.

Is a PC required where accountancy or related services are not the core service being provided?

This is a complex area and Members are advised to obtain advice from ICAS.

Members who provide accountancy services which are **incidental** to core business services which are not accountancy related, or who are principals in a firm which provides accountancy services which are incidental to core business services, which are not accountancy or related services, may not require a Practising Certificate.

However, there is strict criteria for accountancy services to qualify. Accountancy services would only be considered incidental if:

- The accountancy services are incidental, complimentary to, integral to, and arising out of the core services being provided which are not, themselves, accountancy services; and
- The accountancy services should not result in a separate income stream nor be charged to clients separately from the non-accountancy core services being provided; and
- The firm does not market itself or hold itself out as an accountancy practice, and accountancy services are not marketed as a separate service; and
- The volume and incidence of accountancy services is not substantial.

Members should not apply the incidentality test themselves and should refer the matter to ICAS for consideration. The Authorisation Committee will require to judge each such case on its merits taking into account all of the relevant facts of the case. For any cases where 'incidental' is not considered to be met, a PC will be required.

Please note that if you are providing accountancy services 'by way of business', whether incidental or not, you require to be supervised for anti-money laundering. If there are no ICAS PC holders in your firm, ICAS will not supervise your firm for anti-money laundering and you will require to consider whether you require to register with HMRC.

Do services to charities, non-profit making organisations, and sporting organisations require a PC?

ICAS has recently reviewed the requirements to hold a PC in this area.

You are not considered to be engaging in practice and therefore do not require a PC if you provide accountancy services to small charitable, community, religious or sporting bodies, or to similar non-profit making bodies where:

- you are not conducting this work 'by way of business';
- you are conducting the work free of charge or for a nominal fee of £100 or less;
- there is a maximum of ten appointments;
- no audit is being undertaken; and
- any independent examinations conducted are for bodies with gross income of £500,000 or less.

If you do not require a PC, per the above guidance, but are providing independent examinations or other reporting services to charities on a voluntary basis, you should inform the trustees in writing

that there is no PII in place.

Sample wording: *“As a non-practising member of ICAS (i.e. I do not require to hold a practising certificate under ICAS’ Rules and Regulations), I am required to inform you that there are no professional indemnity arrangements in place regarding the voluntary services which I am providing to AN Charity.”*

Any Member who does not require to hold a PC may still use the designatory letters ‘CA’ or the description ‘Chartered Accountant’ when signing an independent examination.

Do directors, trustees or employees of Community Accountants need a PC?

As there are significant variations in the way that these firms are constituted, the nature of the services provided, and the fees charged, we require to consider each case on its own merits. Please contact regulatoryauthorisations@icas.com setting out details of the Community Accountants constitution, services and fees and we will consider whether a PC is required.

Do trustees, treasurers, committee and board appointments need a PC?

You are not considered to be engaging in practice if you act as a trustee, treasurer, committee member or board member (except in the case that you are on the board or managing committee of an accountancy practice).

In these roles you are considered to be acting as an ‘officer’ of the entity in question and therefore are not ‘in practice’ and do not require a PC.

Do subcontractors and consultants need a PC?

Subcontractor and consultant roles are more complicated as there are many different variations in arrangements. Whether you require a PC depends on the nature of the contract with your firm or client and who is bearing the risk if something goes wrong. If you bear the risk, you will require a PC. If the firm/client bears the risk, this would indicate that they are taking responsibility for your work and this is more akin to an employment contract.

The key considerations are:

- who is required to hold Professional Indemnity Insurance (PII)? The requirement to hold PII is an indication that you are bearing the risk and require a PC;
- who is responsible if something goes wrong? Responsibility would indicate that a PC and PII may be required.
- who is fronting advice/work? If you are personally fronting work for clients this could indicate that you are bearing the risks and a PC is required.
- is there an employment contract? If there is a contract of employment with the entity to whom you are providing services, and your remuneration is subject to PAYE you would not require a PC.

FREQUENTLY ASKED QUESTIONS (FAQS): DO I NEED A PC?

I am employed by an accountancy firm but am a Responsible Individual for audit work.

Whilst an employee of an accountancy firm does not usually require a PC, the Audit Regulations & Guidance require that you must hold a PC if you are designated as a Responsible Individual.

I am an employee in a practice that undertakes insolvency work.

An employee would not require a PC merely because their practice undertakes insolvency work. However, if the employee wishes to accept any insolvency appointment in their own name then they would need to become a licensed insolvency practitioner. All ICAS licensed insolvency practitioners require a PC.

I am a tax expert and I act as a consultant to various accountancy firms.

You should check the nature of the contract and who is bearing the risks. If you don't have an employment contract with those firms, or if the firms aren't bearing the risks in relation to the work you are conducting, you require a PC. In such a case, you are providing advice to those firms and have a principal/client relationship with them which requires a PC. Features of such a relationship include accepting work in your own name and being responsible for the advice given.

I work from home completing tax and/or bookkeeping services for an accountancy firm.

You should check the nature of the contract and who is bearing the risks. In subcontractor arrangements such as these, it is usual for the firm to bear the risk under a formal subcontractor arrangement and therefore a PC is not required as the arrangement is more like an employment contract.

I work as a finance manager to a number of businesses on a contract basis. In each contract I operate as a temporary employee.

Each contract needs to be considered separately and examined to decide whether you are a temporary or part time employee and remunerated under PAYE, in which case a PC would not be required. However, if some or all of the contracts are not paid subject to PAYE a PC may be required.

In addition to the method of payment, consideration should also be given to where the risk lies. In some cases work is obtained through an agency, and if the agency takes on the responsibility for the work carried out by the member and has PII, then it is unlikely that a PC is required.

However if the member is directly responsible for PII, or is accountable if something goes wrong, a PC would be required.

This guidance would also cover project management contractors.

I am a partner of a firm where my role is restricted to responsibility for IT.

Any principal of a firm that provides accountancy services requires a PC. This is regardless of whether the principal does, or does not, directly provide the accountancy services.

Having been in practice for a number of years in an accountancy firm I am now retiring and I am continuing as a consultant for the next two years.

You should check the nature of the contract. Generally, if a retiring partner is to act as a consultant with his former firm only, there is a written contract detailing the commercial arrangements between the parties, the insurers are aware of the situation and the firm engages directly with the client and accepts responsibility for the work, the former partner will not be regarded as 'in practice'.

If, however, the retiring partner continues to give public-facing advice a PC may be required.

Retiring partners should also be careful that they don't hold themselves out (or allow the firm to hold them out) as a principal of the firm, otherwise this raises liability issues and would require a PC.

I am a principal in a firm that does not itself provide any accountancy services; the firm's only activity is as a principal in another firm which provides accountancy services.

If there is some form of group structure, whether it comprises incorporated, unincorporated or a mixture of both types of entity, those who control the entities and are ultimately responsible for the provision of accountancy services are 'in practice' and, therefore, need a PC.

I am the finance director of a manufacturing company.

A finance director employed and remunerated under PAYE doesn't require a PC. The accountancy services are only provided to the employer.

I have built up a portfolio of non-executive directorships.

A PC would not be required.

The non-executive director should ensure that there is adequate Director's Indemnity Insurance arranged either personally or by the companies.

I provide interim director services to a number of companies.

It will depend on the nature of the contracts entered into. If you have entered into an employment contract with each company under PAYE arrangements, then a PC will not be required as you are a paid officer of the company and the company will bear the risks.

If you have not entered into an employment contract, you are likely to bear the risks of the work provided and a PC would be required.

I am a member of an ICAS Committee and various other Committees in other organisations.

If you are appointed as a Committee member you are acting as an officer of the entity and are not 'in practice'. Most committee appointments are in any case unpaid.

I have been asked to undertake independent examinations for a number of charities.

It depends on whether you are paid for your services, how large the charity is, and how many appointments you have.

You will require a PC if the charity has a gross income of over £500,000. This is because the charity is considered too large, and the risk is therefore too high, to be conducted by a member without a PC. Whilst the audit exemption thresholds have recently been increased in England to gross income of over £1million, the audit exemption threshold for Scottish charities remains at £500,000.

A member who provides independent examinations to charities with a gross income of £500,000 or less can do so without a PC if:

- the services are free of charge or the services are for a nominal fee of £100 or less; and
- there are no more than ten appointments in total.

You cannot conduct any audit work for a charity without holding a PC and being formally designated as a Responsible Individual.

I have been asked to prepare SORP accounts for a number of charities.

It depends on the nature of your appointment. If you are conducting this work under an employment contract then no PC is required.

If you are not an employee, the same considerations apply as the previous example. A member who provides accounts preparation services to charities (or to a communal or sporting body, or to other similar bodies) can do so without a PC if:

- the services are free of charge or the services are for a nominal fee of £100 or less; and
- there are no more than ten appointments in total.

I have been asked to do the book-keeping for a number of charity and voluntary organisations including a playgroup.

The same considerations apply as the previous example.

I am retired and a trustee of a charity which involves preparing the charity's accounts.

Because a trustee is an officer of the charity and there is no remuneration, there is no requirement to have a PC; however, the trustee may wish to ensure that there is trustee indemnity insurance in

place or personally arrange PII.

Note: any Chartered Accountant, even where otherwise retired, would be expected to undertake Continuous Professional Development for such a role. Further information can be found by searching 'CPD' on icas.com.

I am an unpaid volunteer at the Citizens Advice Bureau (or a similar charity).

The definition of being in practice includes being remunerated and so advice given in the capacity as an unpaid volunteer does not require a PC.

Further information

Further advice about whether a PC is required can be sought from the Regulatory Authorisations team. In order that full and prompt consideration can be given to any individual query, it is helpful if the following information is provided at the outset:

- a detailed description of the type of work undertaken;
- the relationship between you and those for whom work is undertaken;
- details of any written contracts of/for services and any indemnification for work undertaken; and
- if there is a business structure in which there is more than one entity, a clear description of the structure, who owns each entity within it, and the ultimate owners.

How do I apply for a PC for the first time?

- If you think you require a PC, our application forms can be accessed online at icas.com. Please search for 'PC' or 'Practising Certificate' to find out how to apply and find out more about the application process. Our application form is accompanied by guidance which explains the application process.
- Alternatively if you would like advice please contact Regulatory Authorisations at regulatoryauthorisations@icas.com or on 0131 347 0286. If you are returning to practice as a sole practitioner following a career break, or starting up your first practice as a sole practitioner (or equivalent via a company), you may be entitled to a reduction in the annual PC fee. More information can be found at Section 10 of the Initial Application for a PC form.

All PC applications require to undergo a formal approval process. This is explained in our guidance attached to the PC application and also on our website (search on 'PCs' or 'Practising Certificates' for more information).

Once you have been approved, you will receive a PDF of your PC, and our guidance called 'Supporting Your Practice Community' which explains your obligations as a PC holder and also the support and help available.

Once I have a PC how do I keep it up to date?

- For your PC to remain valid, you should submit your members Annual Renewal and pay the relevant annual PC fee by 31 December each year.

CPD requirements: retired Members involved in professional work

For both Continuing Professional Development (CPD) and PC purposes "retired" is someone who is fully retired and carrying out no professional work (paid or unpaid) that calls on their financial or business expertise. If you are conducting any professional work, including any trusteeship or non-executive directorships, CPD is still required and should be appropriate to your roles and responsibilities.

Where can I get support and advice?

ICAS is committed to supporting our practicing community and with a PC comes support and expertise of ICAS from the following:

Practice Support - practicesupport@icas.com or +44(0)131 347 0249

Monitoring - email apmoniotring@icas.com

Regulatory Authorisations – regulatoryauthorisations@icas.com or +44(0)131 347 0286.

Our "Supporting Our Practice Community" guide, received once a PC has been granted, explains your responsibilities as an ICAS PC holder, and contains information and resources.