



ICAS REGULATORY GUIDE AFFILIATES

The rights and responsibilities of an Affiliate

CONTENTS

Introduction

1. The rights and responsibilities of an Affiliate
 - 1.1 The Regulatory Framework
 - 1.2 Fees
 - 1.3 Affiliates undertaking more than one regulated activity
 - 1.4 The description 'a firm of chartered accountants'
2. Audit Affiliates
3. Insolvency Affiliates
4. DPB Affiliates

Appendices

- Appendix 1: Acronyms
- Appendix 2: ICAS Regulatory committees

INTRODUCTION

This guide details:

- the Affiliate regimes that exist within the ICAS regulatory structure, and
- how such Affiliates are regulated.

Affiliate status is relevant in relation to regulation of the following activities:

- audit
- investment business, which is often referred to as 'DPB licensing' under the Designated Professional Body regime
- insolvency.

ICAS Rules and Regulations need to be adhered to by Affiliates. The following guidance is to assist Affiliates to comply with the regulations. The advice of the ICAS Regulatory Authorisation department should be sought if clarification of any aspect of these requirements is needed.

This edition was published in November 2012 and the guide is reviewed regularly and revised when necessary to reflect any regulatory changes.

1. THE RIGHTS AND RESPONSIBILITIES OF AN AFFILIATE

Being an Affiliate of ICAS brings the right to one or more of the following:

- to be an Insolvency Practitioner
- to be a principal in a Statutory Audit firm, and/or
- to be a principal in a firm licensed under the DPB regime.

Being an Affiliate of ICAS brings the responsibilities of being bound by the ICAS regulatory framework and every Affiliate is expected to conduct him or herself in a manner that maintains the reputation of their firm and not in any way that is detrimental to the reputation of ICAS or ICAS members.

It is expected that an Affiliate will:

- Conduct him or herself with integrity, objectivity and in accordance with the high ethical standards of ICAS
- Act in the public interest, and abide by the Rules and Regulation of ICAS
- Give due consideration to the guidance and recommended good practice issued by ICAS where relevant and perform faithfully and promptly any service that they are retained or employed to undertake in their professional capacity
- Provide promptly and willingly all such information and assistance as they are able, if asked to do so by ICAS in pursuance of its duties.

1.1 THE REGULATORY FRAMEWORK

ICAS constitutional documents comprise of the Royal Charter of 1854 and a supplementary Charter of 1951 which came into being when the three accountancy societies in Edinburgh, Glasgow, and Aberdeen joined together to become ICAS. The 1951 Charter has since been amended. The Charters can be read on the ICAS website.

The Charters are supported by Rules, which are agreed by the Privy Council. The Charter states that the Rules shall be duly kept, observed and obeyed.

Rule 2.2 of the ICAS Rules states that:

- 2.2 *Council may make Regulations relating to the regulation by ICAS of:*
 - 2.2.1 *individuals who are neither Members nor CA Student Members and who shall be called Affiliates; and,*
 - 2.2.2 *Firms.*

There are also Regulations that are mandatory, together with further regulatory guidance in some areas that set 'good practice' standards and to which both members and Affiliates are expected to give due consideration.

1.2 FEES

Both audit and DPB Affiliates pay an admission fee plus an annual fee to ICAS. Insolvency Affiliates pay an initial admission fee and an annual insolvency permit fee to ICAS. Non-payment of fees results in the individual losing Affiliate status.

If a firm is both audit registered and DPB licensed then the Affiliate will only pay one initial application fee and thereafter a single annual fee to cover both audit Affiliate status and DPB Affiliate status.

1.3 AFFILIATES UNDERTAKING MORE THAN ONE REGULATED ACTIVITY

Where a firm is authorised for more than one reserved service - for example, both audit and incidental investment business under the DPB licence - any Affiliate will need to make separate applications for each regulated activity.

1.4 USE OF THE DESCRIPTION 'AFFILIATE'

An Affiliate may describe him or herself as such. Only ICAS members have the exclusive rights in the UK to use the letters CA. Affiliates are not entitled to use the designatory letters CA by virtue of their association with a member or with ICAS.

Any firm not wholly comprised of Chartered Accountants must make sure that its letterhead is not misleading.

2. AUDIT AFFILIATES

ICAS is a Recognised Supervisory Body under the Companies Act 2006 and therefore registers and regulates auditors. The main regulations which apply to auditors are 'The Audit Regulations and Guidance 2008', drafted by ICAEW, ICAS and CAI with the agreement of the Financial Reporting Council.

The ICAS Audit Registration Committee is responsible for, amongst other things, granting, restricting, rejecting, suspending or withdrawing applications for registration.

Audit registration applies to the firm and so each principal in the firm must either be a member of a Recognised Supervisory Body (i.e. ICAS, ACCA, ICAEW, CAI) or an Affiliate. Therefore, there are effectively three aspects to authorisation for each firm that wishes to conduct audits:

- authorisation of the firm,
- authorisation of each individual who will act as an audit Responsible Individual - whether they are ICAS members or members of other Recognised Supervisory Bodies, and whether they are principals or employees of the firms, and
- authorisation of principals who are not members of any Recognised Supervisory Body to become Affiliates.

To be eligible to become an Affiliate for audit purposes a non-member must:

- (a) be a fit and proper person,
- (b) agree to comply with the Audit Regulations and be bound by the ICAS Charter, Rules and Regulations,
- (c) agree to observe and uphold the ICAS Code of Ethics, and
- (d) agree to provide ICAS with all the information it requires.

If the principal concerned is not eligible for Affiliate status, audit registration cannot be granted to the firm.

It should be noted that an Affiliate does not have the right to sign an audit; this can only be done by an audit Responsible Individual (RI) and therefore an Affiliate must make a separate application for RI status.

Complaints in relation to audit work, including any work by an Affiliate, will be investigated by ICAS.

3. INSOLVENCY AFFILIATES

All insolvency practitioners in the UK require to be licensed by a Recognised Professional Body before accepting any appointment to undertake insolvency work. ICAS is a Recognised Professional Body and may therefore licence ICAS members as insolvency practitioners and also non-members – Affiliates – who have met the examination, competence and other insolvency permit requirements.

Non-members may apply to ICAS to become an Insolvency Affiliate in order to obtain an Insolvency Permit from ICAS. The Insolvency Practitioner application process is an annual one.

To be eligible to become an Insolvency Affiliate a non-member must:

- (a) be a fit and proper person,
- (b) agree to comply with the ICAS Insolvency Permit Regulations and be bound by the Charter, Rules and Regulations,
- (c) agree to observe and uphold the Code of Ethics, and
- (d) agree to provide ICAS with all the information it requires.

The ICAS Insolvency Permit Committee is responsible for granting, rejecting, imposing restrictions or conditions, suspending and withdrawing insolvency permits.

Complaints in relation to insolvency work by a member or an Affiliate will be investigated by ICAS.

4. DPB AFFILIATES

Professional firms carrying out investment business may choose to be authorised by the Financial Services Authority (FSA) or, if the investment business is only incidental to the firm's main service provision and arises out of other services provided to clients, the firm may obtain a 'DPB licence' from ICAS. A DPB licence is so called because the regulatory regime is prescribed in the Designated Professional Body Handbook, which is published in conjunction with the ICAEW and ICAI.

DPB licensing applies to a firm, rather than the individual member. In order for a firm to be eligible to apply for a DPB licence from ICAS, each principal of the firm must either be:

- a CA with a practising certificate; or
- a member of a designated professional body (ICAS, ICAEW, ICAI, ACCA, the Law Society, Law Society of Scotland, the Law Society of Northern Ireland or the Institute of Actuaries), or
- an Affiliate of ICAS.

To be eligible to become an Affiliate for Designated Professional Body purposes a person must:

- (a) be a fit and proper person;
- (b) agree to comply with the Designated Professional Body Handbook and to be bound by the Charter, Rules and Regulations;
- (c) agree to observe and uphold any guidance issued by ICAS including any ethical guidance; and
- (d) agree to provide ICAS with any information it needs.

If the principal concerned is not eligible for Affiliate status, a DPB licence cannot be granted to the firm.

The ICAS Public Practice Committee is responsible for granting applications and renewals of DPB Affiliate status and ensuring compliance with the DPB Handbook.

Complaints concerning incidental investment business provided by a firm licensed under the DPB regime, regardless of whether the work is provided by a Chartered Accountant or an Affiliate, will be investigated by ICAS.

APPENDIX 1: USEFUL ACRONYMS

DPB	Designated Professional Body
FRC	Financial Reporting Council
FSA	Financial Services Authority
IAASA	Irish Auditing & Accounting Supervisory Authority
RPB	Recognised Professional Body (relates to insolvency licensing)
RQB	Recognised Qualifying Body (relates to audit)
RSB	Recognised Supervisory Body (relates to audit oversight)
ACCA	Association of Chartered Certified Accountants
CAI	Chartered Accountants Ireland
ICAEW	Institute of Chartered Accountants in England & Wales
ICAS	Institute of Chartered Accountants of Scotland
CA	Chartered Accountant (designated 'CA' and can only be used by Chartered Accountants who are members of ICAS)

APPENDIX 2 – ICAS REGULATORY COMMITTEES

The ICAS Regulation Board remit is to formulate, advocate, implement and monitor policies and standards designed to achieve the strategic aims and objectives set by ICAS Council in relation to ethics, professional conduct and compliance with regulatory standards. The Board reports progress to the ICAS Council and it oversees the following operational committees:

- Audit Registration Committee (ARC)
- Insolvency Permit Committee (IPC)
- Public Practice Committee (PPC)
- CPD Regulatory Committee (CPDC)
- Investigation Committee

ICAS devotes significant resource and technical expertise to monitoring the conduct of these businesses to ensure that the work is carried out to a high professional and technical standard.

The Financial Reporting Council and The Insolvency Service (which is part of the Government's Business Innovation and Skills Department) are the main regulators that oversee ICAS regulation.



CA House 21 Haymarket Yards Edinburgh EH12 5BH
enquiries@icas.org.uk +44 (0) 131 347 0100 icas.org.uk