



Guidance on the use of the description 'Chartered Accountants' by ICAS firms



Purpose

Regulation 7 of ICAS' Public Practice Regulations restricts the use of 'Chartered Accountants' as a description for firms regulated by ICAS. This Guidance provides information on the decision-making powers of ICAS' Authorisation Committee in relation to the provisions in Regulation 7.

The Authorisation Committee

The Authorisation Committee has been appointed by ICAS' Regulation Board to be responsible for granting, supervising, suspending and removing the regulatory licences issued by ICAS. This includes audit registration, insolvency licences, practising certificates and the associated provisions of the Public Practice Regulations, and AML supervision.

The Committee meets on a regular basis and includes a balance of CAs and lay members.

When can 'Chartered Accountants' be used as a description?

Regulation 7 of ICAS' Public Practice Regulations (which can be accessed [here](#)) provides that firms where more than 50% of the principals are Chartered Accountants are entitled to be described as Chartered Accountants.

For firms where 50% or less of the principals are Chartered Accountants, the description may only be used with the permission of the Authorisation Committee.

Two definitions are important here:

- A principal is defined in the ICAS Rules as a sole practitioner or a partner or member or director of an entity (a firm).
- In Regulation 7, Chartered Accountant means a member of ICAS, ICAEW or ICAI.

Why have restrictions on the use of 'Chartered Accountants' as a description?

The three Chartered Institutes have provisions in their regulations or bye-laws, ensuring that Chartered Accountants have sufficient control and ownership of any firms using the description. This allows for quality control of the description, and minimises confusion for the general public which might be caused through misrepresentation.

When might the Committee give permission for firms not meeting the 50% threshold?

A firm which wishes to use the description 'Chartered Accountants', but does not satisfy the regulatory requirement for more than 50% of its principals to be Chartered Accountants, may ask the Authorisation Committee for permission to use the description.

In deciding whether this would be appropriate, the key consideration for the Committee will be whether the accountancy and related services provided by the firm are under the control and direction of Chartered Accountants. This will require a careful review of the circumstances of the firm, with decisions made on a case-by-case basis.

A firms should ensure that it provide full responses to any requests for additional information from ICAS, to ensure that the Committee is properly able to consider the request. If such information is not provided then the request is likely to be rejected.

What factors might be relevant to the Committee's decision?

In assessing a request from a firm, the Committee is likely to have regard to the following:

- The proportion of Chartered Accountants amongst the principals – the lower the proportion, the less likely that permission will be granted.
- The management structure of the firm, including its formal decision-making processes, the allocation of voting rights, and the extent to which these sit with Chartered Accountants.

- The extent to which Chartered Accountants control, supervise, and influence the processes, controls, and services of the firm, as well as its strategic development.
- Evidence of the day-to-day involvement of Chartered Accountants in the firm, with little emphasis likely to be placed on Chartered Accountants who are involved in name only.
- The firm's risk management and PII arrangements.
- Any risks identified in the services provided by the firm.

With applications considered on a case-by-case basis, this list is not intended to be exhaustive, with other factors taken into account as appropriate.

For firms which are part of a corporate group structure, the Committee is likely to consider these factors in respect of the parent and subsidiary entities, as required.

Appendix A contains some illustrative examples of how the Committee is likely to apply its discretion in practice.

When might conditions to use be attached by the Committee?

A decision to allow use of the description 'Chartered Accountants' under Regulation 7 may be subject to such terms and conditions as the Authorisation Committee deems appropriate. Conditions may be applied if the Committee decides that these are necessary to mitigate against any risks arising from use of the description.

Conditions will be proposed and explained to the firm in writing. If the firm is not willing to accept the conditions then it will not be allowed to refer to itself as a firm of Chartered Accountants.

Any failure to comply with conditions which have been accepted by the firm will be treated very seriously and might lead to a withdrawal of the right to use the description 'Chartered Accountants' as well as other regulatory and/or disciplinary action.

How might conditions impact the principals who aren't Chartered Accountants?

In considering whether to grant an application, the Authorisation Committee will pay close attention to the principals in the firm who are not Chartered Accountants. The Committee may decide that the description can only be used if these principals successfully apply to be regulated by ICAS as 'Affiliates', meaning that they will be subject to ICAS' Rules, Regulations, and Code of Ethics in the same way as ICAS members.

In deciding whether to require such principals to become Affiliates, the Committee will take account of the following factors:

- The balance between principals who are and are not Chartered Accountants.
- The role and status of the principals in the firm.
- Whether the principals are members of a regulated professional body which requires adherence to professional standards and operates regulatory and disciplinary processes.

What other conditions might be attached by the Committee?

While there is no limit on the number or nature of conditions which might be considered, the following are some other more common examples:

- That certain arrangements or controls in the firm are documented and shared with ICAS.
- That the firm provides ICAS with regular updates on certain matters.
- That specified changes in ownership, control (etc) be immediately notified to ICAS.
- That certain wording / information should be communicated to clients of the firm to clarify the status of its principals.

How will the Committee's decision be communicated?

When the Authorisation Committee has decided whether a firm should be allowed to use the description 'Chartered Accountants' – with or without conditions – its decision will be set out in writing, with supporting reasons as appropriate.

The decision of the Authorisation Committee is final, and is not subject to challenge or appeal.

Further information

Further information in respect of this Guidance can be requested by email:

regulatoryauthorisations@icas.com

Appendix A – Examples of scenarios likely to be approved or not approved

These examples are provided for illustrative purposes only. Real-life scenarios are likely to raise other factors which need to be taken into account. The Authorisation Committee will consider each application on the basis of its own merits. While always striving for consistency, the Committee reserves its right to exercise discretion when considering applications.

- (1) A firm with five partners has been using the description 'Chartered Accountants' for 30 years. It previously had three ICAS members as partners, with the remaining two partners being unregulated accountants. The founding partner of the firm has recently retired, leaving the split between chartered and non-chartered partners at 50:50.

All other factors being equal, the Authorisation Committee would be likely to approve continued use of 'Chartered Accountants' by the firm. CAs continue to play an important role in the management of the firm.

- (2) A firm with six partners has been using the description 'Chartered Accountants' for 30 years. The firm was founded by an ICAS member, who introduced other partners over the course of the past decade. Until recently, it had three ICAS members as partners, with the remaining three partners being accountants who are members of non-chartered accountancy bodies. The most junior of the three chartered partners has recently moved to another firm, meaning that the founding partner and the other CA are now outnumbered by non-chartered accountants.

All other factors being equal, the Authorisation Committee would be likely to approve continued use of 'Chartered Accountants' by the firm, taking account of the seniority of the remaining CAs.

- (3) Two ICAS members were directors in a limited company which has been providing accountancy services for nearly 25 years, using the description 'Chartered Accountants' in its trading name. Following the death of one of the directors, the remaining director wishes to appoint two of his children as directors. Neither of the new directors will be client-facing or involved in the day-to-day decision making in the company.

All other factors being equal, the Authorisation Committee would be likely to approve continued use of the description 'Chartered Accountants' by the company, with a CA remaining its controlling mind.

- (4) A company has traded for 10 years as an unregulated accountancy practice with two directors, neither of whom is a qualified accountant. Based on a desire to use the description 'Chartered Accountants', the company has recently appointed a newly-qualified CA as a director. The company shares remain owned by the original directors on a 50/50 basis.

All other factors being equal, the Authorisation Committee would be unlikely to approve use of the description 'Chartered Accountants' by the company, given the more junior role of the CA director and their lack of ownership.

- (5) An accountancy firm has two partners, one of whom is a CA, and the other is an unqualified accountant. Following an application to ICAS to use the description 'Chartered Accountants', the Committee has been presented with information regarding the CA partner's involvement in the day-to-day running of the firm. Apparently the member only spends one day a fortnight in the practice, with the remainder of their time spent running a separate sole practitioner business focusing on personal tax.

All other factors being equal, the Authorisation Committee would be unlikely to approve use of 'Chartered Accountants' by the firm, given the lack of involvement of the CA in its day-to-day operations.

