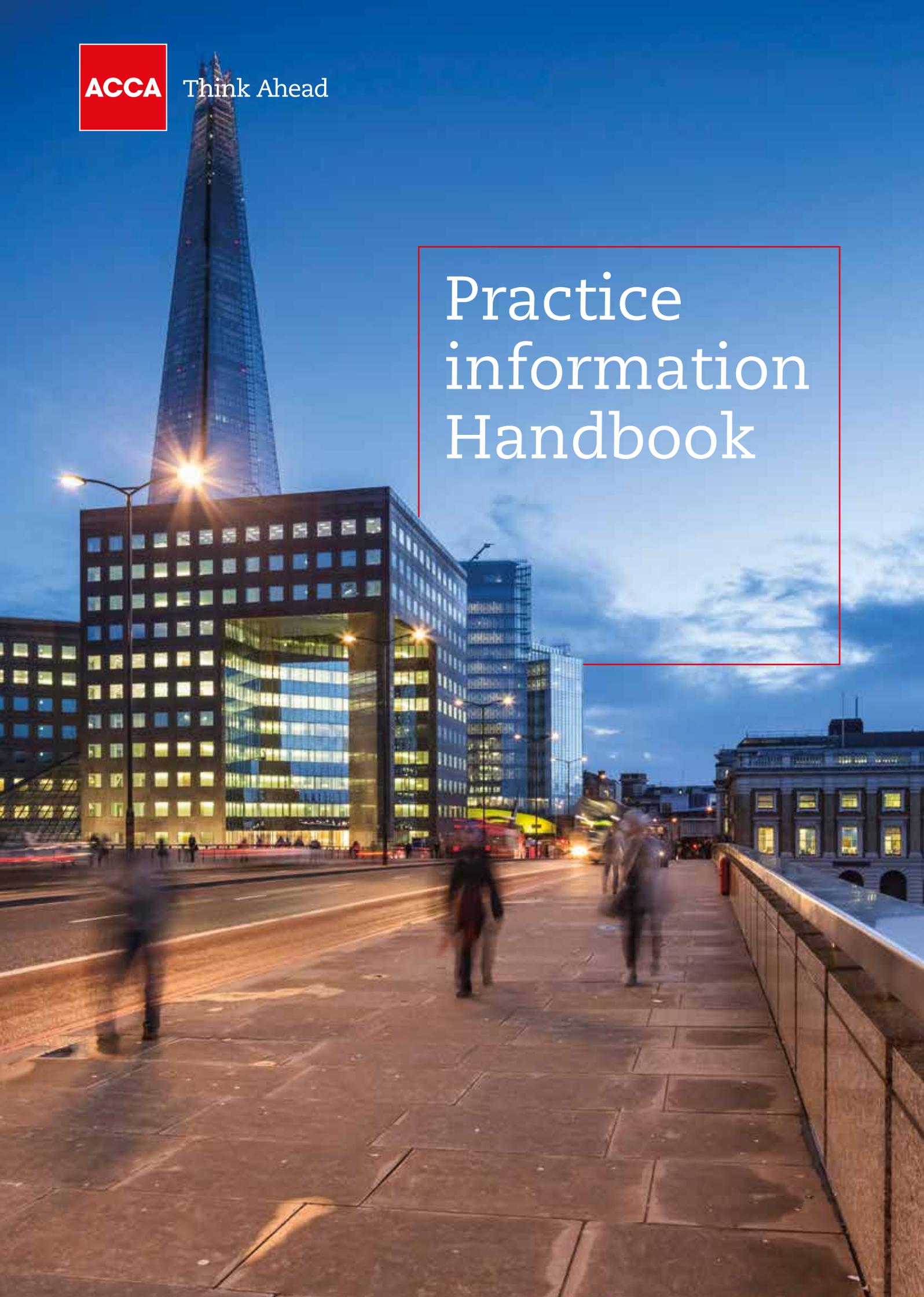


**ACCA**

Think Ahead

# Practice information Handbook



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# Introduction

**The Practice Information handbook gives guidance to members, particularly those members who are new to practice or thinking of setting up in practice in the future. The guidance is based on legislation and ACCA's regulations and rules.**

The handbook has no regulatory status. It is for guidance only. If it conflicts with the *ACCA Rulebook*, the latter takes precedence. Therefore, you should not regard the handbook as a substitute for reading the regulations or, where necessary, taking advice about a specific situation.

Some of the regulations mentioned in the handbook are specific to the UK, Ireland, another designated territory, Zimbabwe, Australia or South Africa. However, unless otherwise stated, the content applies to practitioners globally. Nevertheless, you should always have regard to local legislation which, for practical reasons, the handbook cannot cover.

You can find relevant application forms on ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

## **THE ACCA RULEBOOK**

The handbook refers to ACCA's Regulations and Code of Ethics and Conduct which you can find in the *ACCA Rulebook*. You can access the *ACCA Rulebook* via the ACCA website at [www.accaglobal.com/rulebook](http://www.accaglobal.com/rulebook)

### APPLYING FOR YOUR FIRST PRACTISING CERTIFICATE

To apply for your first practising certificate (or practising certificate and audit qualification), you should submit your Practising Certificate Training Record (PCTR) to:

Authorisation  
ACCA  
110 Queen Street  
Glasgow G1 3BX  
United Kingdom

ACCA will assess your eligibility for a practising certificate (and audit qualification where applicable) and notify you of the outcome. You may wish to forward a completed practising certificate application form at the same time, or wait until we have approved your PCTR before submitting your application. Section 1 gives more details about the training records.

### APPLYING FOR A FIRM'S AUDITING CERTIFICATE

A firm that holds, or intends to hold, audit appointments in the UK or Ireland will need to obtain audit registration from a Recognised Supervisory Body in the UK or a Recognised Accountancy Body in Ireland. ACCA can register firms in this respect through an auditing certificate. You can download an application form from the ACCA website. Section 2 gives details of applications for UK or Irish firms' auditing certificates.

### EXEMPT REGULATED ACTIVITIES REGISTRATION (UK)

Section 3 gives details about registering for investment business and credit-related regulated activities in the UK.

### INVESTMENT BUSINESS IN IRELAND

Section 4 gives details about how firms can apply for an investment business certificate (Ireland).

### APPLYING FOR AN INSOLVENCY LICENCE

You can find details about applying for an insolvency licence in section 5.

### OTHER INFORMATION

You should also read the following factsheets, which you can download from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

- Code of Ethics and Conduct
- Continuing professional development (CPD) for practising members
- Continuity of practice requirements
- Control and description requirements
- Am I in public practice?
- Internal complaints handling procedures
- Monitoring requirements and global quality assurance
- Notification requirements
- Obtaining professional work
- Professional conduct in relation to tax
- Professional indemnity insurance requirements
- The legal ownership of, and rights of access to, books, files, working papers and other documents

For more information, contact the appropriate department of ACCA. For advice about eligibility for a practising certificate, insolvency licence, auditing certificate, exempt regulated activities registration or the investment business certificate (Ireland) or completing the application forms, please contact Authorisation on +44 (0)141 534 4175; for advice on legislation, practice or technical issues, please contact Technical Advisory on:

+44 (0)20 7059 5920, or  
+353 (0)1 498 8907 (for Ireland only).

# 1 The practising certificate

**The Chartered Certified Accountants' Global Practising Regulations 2003 (GPRs) set out the eligibility criteria for obtaining a practising certificate. They also detail the continuing obligations placed on practising certificate holders.**

## **WHO MUST HAVE A PRACTISING CERTIFICATE?**

Any ACCA member performing work under ACCA's definition of public practice in a designated territory or who is a partner/director of a firm that undertakes public practice in a designated territory must hold an ACCA practising certificate. In some countries there may also be a local legislative and/or regulatory requirement to hold an ACCA practising certificate. ACCA issues:

- a practising certificate, and
- a practising certificate and audit qualification.

This section explains when a practising certificate is required, details of the eligibility requirements and the ongoing conditions for holding the certificate. The differences between a practising certificate and a practising certificate and audit qualification are explained in section 2.

Practising certificates are available to members who meet the eligibility requirements, wherever they are based. ACCA may issue practising certificates and audit qualifications in the UK (including Jersey, Guernsey and Dependencies and the Isle of Man), Ireland and Zimbabwe. In these areas ACCA has specific legislative responsibility to regulate its members providing audit services.

A UK member who engages exclusively in insolvency work may hold an ACCA insolvency licence on a 'stand-alone' basis and need not also hold a practising certificate. However, a member who holds an insolvency licence issued by another Recognised Professional Body or engages in activities other than insolvency and falling within ACCA's definition of public practice (outlined below) will also need to hold an ACCA practising certificate. Section 5 gives more information about getting an insolvency licence.

## **WHAT IS PUBLIC PRACTICE?**

ACCA defines public practice as:

- accepting an appointment as an auditor; and/or
- signing or producing any accounts or report or certificate or tax return concerning any person's financial affairs, whether an individual sole trader, an unincorporated body or a firm, in circumstances where reliance is likely to be placed on such accounts or report or certificate or tax return by any other person (the 'third party'), or doing any other thing which may lead the third party to believe that the accounts or report or certificate or tax return concerning the financial affairs of such a person have been prepared, approved or reviewed by the practitioner; and/or

- holding oneself or itself out, or allowing oneself or itself to be held out, as being available to undertake the activities referred to above (and allowing oneself to be known as a, or a firm of, 'Chartered Certified Accountant(s)', 'Certified Accountant(s)', 'Chartered Accountant(s)', 'Accountant(s)' or 'Auditor(s)' or any similar description or designation standing for any such description in the context of the practitioner's business shall be regarded as an example of such a holding out); and/or
- holding oneself out, or allowing oneself to be held out, as a sole proprietor, partner or director of a firm, or designated member or member of a limited liability partnership, where public practice is carried on.

Although members may not consider themselves to be in public practice, it is easy to stray into areas where the nature of the work is unclear. Some of these areas are discussed in the next section.

### WHAT IS NOT REGARDED AS PUBLIC PRACTICE?

Basic bookkeeping services, for example the preparation of accounting records to trial balance stage and the recording of VAT, and payroll transactions, are not public practice work. If you are self-employed and only carrying out tasks outside the definition of public practice, you need not hold a practising certificate, provided your firm is not described as a firm of Chartered Certified Accountants (or similar) and his or your business stationery cannot be reasonably understood to be that of a practising Chartered Certified Accountant. (These would be examples of 'holding out' as detailed above.)

If you work on the fringes of the definition of public practice you will need to carefully assess whether you should hold a practising certificate as protection. This would enable you to undertake work within the definition of public practice, that may be incidental to your regular activities.

If you work on a self-employed basis in the areas of bookkeeping and management consultancy services, where the work will be used solely by the client, this would be regarded as being outside the definition of public practice. However, if a third party could rely on your accounts, reports, certificates or tax returns (eg a cash flow statement provided to a bank to support a loan application), you would need a practising certificate. Most forms of communication with the tax authorities (even completing a tax return that will be signed by the client) or banks/other financial institutions on clients' financial affairs would be regarded as coming within the definition of public practice. ACCA's factsheet 'Am I in public practice?' outlines the common areas where a practising certificate is required. You can download it from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

Members in the UK who provide accountancy services within the terms of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 by way of business, including those that fall outside the meaning of public practice (for example book-keeping) will be subject to supervision for compliance with the anti-money laundering provisions under the Money Laundering,

Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. In such cases, eligible members should consider obtaining a practising certificate from ACCA in order to be supervised by ACCA. Alternatively, members must register with HM Revenue and Customs or another body recognised for such purposes.

Similar regulations apply to members in Ireland under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 and eligible members should consider obtaining a practising certificate from ACCA in order to be supervised by ACCA. Alternatively, members must register with the Minister for Justice, Equality and Law Reform in Ireland or another body recognised for such purposes.

If you are unsure about your position, ask for guidance from ACCA by writing with full details of your proposed areas of work to Authorisation.

### Honorary public practice work exemption

ACCA recognises that members may want to help out friends, family or local charities by preparing accounts etc. Therefore, if the following conditions are met, this 'honorary' work is not public practice:

- the accounts are of an entity which does not require the appointment of an auditor; and
- no fee is payable or other material benefit receivable in respect of the work performed; and
- the gross income of the entity for the year prior to the year in question does not exceed £100,000; and
- the aggregate of such gross income with such gross income of any other entity in respect of which the member has relied upon this regulation in the calendar year in question does not exceed £200,000; and
- any third parties are made aware that the activity has been carried out by an Honorary Reporting Accountant; and
- the member does not hold himself out, or allow himself to be held out, as a sole proprietor, partner, director, member or designated member of a firm where public practice is carried on.

The honorary public practice exemption allows members to use their skills to make a contribution to their local communities or to help family, friends and local charities as a favour. It should not be seen as an entry route into public practice. It is not acceptable to produce business stationery in connection with such work.

Even though you accept work in an honorary capacity, you can still be sued for professional negligence. So you should carefully assess whether the type of work means you should hold professional indemnity insurance cover or do appropriate continuing professional development.

### HOW TO OBTAIN A PRACTISING CERTIFICATE

The practising certificate is available to members in all countries. It confers the right to undertake general practice work but not work reserved for registered auditors (see above).

To obtain a practising certificate, you must meet ACCA's practical training requirements and complete a Practising Certificate Training Record (PCTR). However, you need not hold an ACCA practising certificate if you intend to practise only in a non-designated territory or in a territory where there is no local regulatory requirement for you to hold an ACCA practising certificate. In this case you must still notify ACCA that you are engaged in public practice and you will be placed on a register of practitioners. The online registration form is available on ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

If you intend to practise in a designated territory or there is a local regulatory requirement for you to hold an ACCA practising certificate you can download the PCTR and practising certificate application form from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/pctr.html>

To be eligible for a practising certificate, you must have been a member continuously for at least two years and must comply with 1 or 2 below:

- 1 have completed three years' practical training with an ACCA Approved Employer – practising certificate development, under the supervision of a suitably experienced member or another person having, in the opinion of Council, adequate qualification (working as either an employee or sub-contractor). At least two of the three years must have been completed after admission to membership and this post-admission to membership training must cover professional conduct, technical (accounting, business advice, development and measurement, taxation, business assurance and internal review) and management. The remaining period may be completed before or after, or partly before and partly after, admission to membership. (Members should record their experience in a PCTR.)

OR

- 2 have previously held an equivalent certificate issued by ACCA.

As stated above, you need not hold an ACCA practising certificate if you intend to practise only in a non-designated territory or in a territory where there is no local regulatory requirement for you to hold an ACCA practising certificate. If you hold a licence to practise issued by a recognised national body or regulatory authority, you must still notify ACCA that you are engaged in public practice and submit a registration form to be placed on a register of practitioners. The online registration form is available on our website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

Details of how to obtain and retain the practising certificate and audit qualification (and details of firms' auditing certificates) may be found in section 2.

### ONGOING CONDITIONS FOR HOLDING A PRACTISING CERTIFICATE

#### Fit and proper status

ACCA will only issue practising certificates to applicants who are 'fit and proper' persons.

In deciding whether you are fit and proper, the Admissions and Licensing Committee will look at any matter that relates to you, including whether:

- you have been convicted of a criminal offence
- you are or have been bankrupt, or you have ever signed a trust deed for creditors or entered into a deed of arrangement, scheme or composition regarding your financial affairs (or any similar event)
- you are or have been the subject of a bankruptcy restriction order or bankruptcy restriction undertaking under the Insolvency Act 1986
- you are or have been removed from the office of liquidator, trustee, administrative receiver, administrator or supervisor
- you are or have been the subject of a disqualification order or disqualification undertaking made under the Company Directors Disqualification Act 1986
- you are or have been excluded from or refused membership of a professional body on disciplinary grounds
- you have been found to have failed to ensure that the experience and competence of your employees and practice associates are adequate, having regard to the nature of the work involved
- you are or have been a patient under the Mental Health Act 1983
- you are or have been the subject of a disciplinary order made by ACCA or another professional body
- you are or have been the subject of an investigation, whether criminal, disciplinary or otherwise, regarding conduct
- you are or have been in breach of an applicable regulation of ACCA
- you are or have been found to have given ACCA false, inaccurate or misleading information or failed to cooperate with ACCA.

(For countries outside the UK, references to legislation mean their corresponding legislation of the country in question.)

The Admissions and Licensing Committee may also take into account any matter regarding any person who is or will be employed by you or who is or will be in partnership/directorship with you in connection with public practice, insolvency work, exempt regulated activities or investment business.

#### Professional indemnity insurance

Holders of practising certificates must hold professional indemnity insurance (PII). If you employ full and/or part-time staff, fidelity guarantee insurance (FGI) must be held for all partners, directors and employees. Members ceasing to practise must arrange the continued existence of PII and, if applicable, FGI for six years.

You are responsible for getting adequate cover, which you may buy from any reputable insurance company or underwriter. For more information on PII, including details of the limit of indemnity and a list of brokers, please read ACCA's factsheet 'Professional indemnity insurance requirements' which you can download from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

A liquidator of a company in Ireland must obtain minimum cover of 1,500,000 euros (exclusive of defence costs) in respect of each and every claim, and obtain cover for defence costs, in compliance with the Companies Act 2014 (Professional Indemnity Insurance) (Liquidators) Regulations 2016 (S.I. 2016/127).

### Continuity of practice

If you carry on public practice, you must enter into and keep in force for all the period during which you hold a practising certificate, a written agreement with a 'nominee', which means at least one other individual or firm. The agreement must provide for the nominee to be responsible for your practice in the event of your death or incapacity. For partners/directors, the agreement may be made with another equivalent-level practising certificate holder in the practice.

You must state the name and address of the individual or firm responsible for continuity on the practising certificate application form. A written agreement must be made and this may be inspected by ACCA. You can find out more on continuity of practice in ACCA's factsheet 'Continuity of practice requirements', which you can download from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Notification

You can find out more on notifiable events and the time requirements for notification (some changes must be notified 28 days in advance) in ACCA's factsheet 'Notification requirements' which you can download from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Continuing professional development

All members must undertake continuing professional development (CPD), in accordance with Membership Regulation 4(4). There are four alternative routes to satisfactory CPD, all explained on ACCA's website at <http://www.accaglobal.com/gb/en/member/cpd/routes.html>

Most members in practice will follow the unit route, and must undertake at least 40 units of relevant CPD each year, of which 21 should be verifiable CPD. Practising members should be able to demonstrate that they have maintained competence in the specialised areas of their practice.

You can read more about CPD in ACCA's factsheet 'Continuing professional development (CPD) for practising members', which you can download from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Conduct

Holders of ACCA practising certificates must comply with ACCA's Code of Ethics and Conduct. You can download ACCA's factsheet 'Code of Ethics and Conduct' from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Monitoring, quality assurance and compliance

Practising certificate holders must co-operate with ACCA in its monitoring and enforcement of compliance with the bye-laws and regulations. ACCA will monitor and enforce its bye-laws and regulations by analysing practitioners' annual returns and carrying out monitoring visits.

You can find out more on monitoring in ACCA's factsheet 'Monitoring requirements and global quality assurance', which you can download from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

## OTHER USEFUL INFORMATION

### Renewal of practising certificates

All practising certificates are renewable annually. Practising certificates for the UK, Ireland, Jersey, Guernsey and Dependencies and the Isle of Man are valid only until 31 December in the year of issue. Renewal notifications for these practising certificates are usually sent in October each year. Practising certificates for all other countries are valid until 30 June after the date of issue. Renewal notifications for these certificates are usually sent in April of each year.

### Spare-time certificates

ACCA regards you as being in spare-time practice if you hold a practising certificate while employed in industry, commerce, public service or employed (as opposed to being a principal) in a practice. The experience requirements for obtaining spare-time practising certificates are exactly the same as for full-time certificates.

Generally, if you hold a spare-time certificate, you must comply with the above to retain your certificate. There is a reduced annual fee, in the UK and Ireland, where practice income does not exceed £5,000 a year. (In other countries, there is currently no fee for a full practising certificate in any event.)

ACCA holds on file details of a member's residential and business addresses and that of the spare-time practice if it is a third address. When reporting changes in business details or addresses, you must make clear which address is to be amended.

### Transferring from a practising certificate to a practising certificate and audit qualification

Regarding the UK and Ireland, you can transfer from a practising certificate to a practising certificate and audit qualification if you meet the eligibility requirements (ie get the necessary supervised audit experience with an ACCA Approved Employer – practising certificate development (audit) and pass the required ACCA examinations). Section 2 gives more information about the practising certificate and audit qualification.

### Anti-money laundering

Holders of practising certificates must comply with the relevant anti-money laundering legislation and regulations. For example, a practitioner in the UK, Ireland or the Isle of Man must ensure that:

- their practice has a nominated officer to take responsibility for compliance
- there are procedures in place to gather and retain evidence of the identification of all clients
- principals and staff in their practice receive appropriate training
- ongoing compliance monitoring is carried out, and
- suspicions of money laundering are reported as required by law.

In the UK any person who provides audit, insolvency, tax, accountancy or trust and company services must be supervised by a recognised supervisory authority under the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (employees do not require supervision). ACCA gives more guidance on the website at <http://www.accaglobal.com/uk/en/technical-activities/technical-resources-search/2017/july/money-laundering-regulations-2017.html> (Similar statutory requirements exist in Ireland and the Isle of Man.)

Members in the UK who provide accountancy services within the terms of the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 by way of business which fall outside the meaning described by regulation 4 of the Global Practising Regulations (for example book-keeping) are subject to supervision for compliance with the anti-money laundering provisions under the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. In such cases, eligible members should consider obtaining a practising certificate from ACCA in order to be supervised by ACCA. Alternatively, members must register with HM Revenue and Customs (HMRC) or another body recognised for such purposes.

Members in Ireland who provide such services within the terms of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 will also be subject to supervision for compliance with anti-money laundering provisions. In such cases, eligible members must obtain a practising certificate from ACCA in order to be supervised by ACCA.

If your firm in the UK or Ireland is controlled by ACCA members (ie at least half of the partners/directors are members of ACCA and the ACCA partners/directors control at least 51% of the voting rights) or holds an auditing certificate from ACCA, you/your firm are automatically supervised by ACCA. If your firm does not meet these requirements, you must be supervised by another recognised supervisory authority, or register with HMRC in the UK or the Minister for Justice, Equality and Law Reform in Ireland.

Firms must now appoint a money laundering compliance principal (MLCP) and that individual must be on the board of directors (or equivalent management body), or a member of senior management, where appropriate to the size and

nature of the business. Sole practitioners with no employees are exempt from this requirement. Firms must also appoint a nominated Money Laundering Reporting Officer (MLRO) (ie the individual nominated to receive internal suspicious activity reports and who assesses whether a suspicious activity report should be made to the National Crime Agency (NCA)). This can be the same person as the MLCP.

### Registering for investment business and credit-related regulated activities in the UK

ACCA is a Designated Professional Body (DPB) under the Financial Services and Markets Act 2000. This enables member firms to carry out a limited range of regulated activities, without having to obtain direct authorisation from the Financial Conduct Authority (FCA), provided those activities are 'incidental' to the core accounting, auditing, taxation and business advice services provided to the clients concerned. This limited range of regulated activities is known as exempt regulated activities. The scope of the exempt regulated activities and the application process to be able to perform exempt regulated activities are set out in section 3. You can download an application form from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

Any ACCA firm carrying out, or planning to carry out, a regulated activity (except an exempt regulated activity) must have direct FCA authorisation.

### Applying for a firm's investment business certificate (Ireland)

A firm in Ireland wishing to undertake activities within the scope of the Irish Investment Intermediaries Act 1995 must be appropriately authorised by an Approved Professional Body (APB). ACCA can authorise firms through an investment business certificate (Ireland). You can download an application form for applying for an investment business certificate (Ireland) from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

ACCA can issue Investment business certificates (Ireland) only to firms controlled by holders of ACCA practising certificates or the equivalent issued by other APBs. Section 4 says more on this.

### ATOL Reporting Accountants scheme

ACCA has reached an agreement with the Civil Aviation Authority (CAA) to licence members as ATOL reporting accountants (ARA). To register as a ARA a member must hold an ACCA practising certificate and have completed a professional examination covering assurance work as approved by the CAA (eg Paper F8, Audit and Assurance or Paper P7, Advanced Audit and Assurance or previous equivalents of ACCA's professional examinations). Members must also have successfully completed the online ATOL training module. To register for the training members are required to email [caa.arascheme@caa.co.uk](mailto:caa.arascheme@caa.co.uk) and provide their name, professional body and membership number. There is no fee for an ACCA member to register under the ARA scheme.

The firm must also apply to become a ARA firm. A firm must contain at least one ACCA principal and the fee in 2018 is £426 for each principal who is neither a member of ACCA nor licensed as an ARA by ACCA.

ACCA can also register individuals who are not members of ACCA. The fee for non-members in 2018 is £470.

Application forms for individuals and firms can be downloaded from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

Further information can be found on ACCA's website at <http://www.accaglobal.com/uk/en/technical-activities/technical-resources-search/2016/january/caa-atol-reporting.html>

### **PRACTISING CERTIFICATE FEES – 2018**

#### **UK, Ireland, Jersey, Guernsey and Dependencies and the Isle of Man**

Practising certificate – full-time £470

Practising certificate – spare-time, where practice income is less than £5,000 a year £95

Practising certificate and audit qualification – spare and full-time £470

#### **Other countries**

All categories – free of charge.

# 2 The audit qualification and firm's auditing certificate

**The Chartered Certified Accountants' Global Practising Regulations 2003 (GPRs) and Annexes set out the eligibility criteria for obtaining a practising certificate and audit qualification, and detail the continuing obligations placed on holders of the audit qualification. They also lay down the conditions for the issue of, and the ongoing requirements for holding, firms' auditing certificates.**

## **THE INDIVIDUAL'S PRACTISING CERTIFICATE AND AUDIT QUALIFICATION**

The practising certificate and audit qualification is available only to members in the UK (including Jersey, Guernsey and Dependencies and the Isle of Man), Ireland and Zimbabwe. Members who intend to do audit work in the UK must apply for a practising certificate and audit qualification for the UK and members who intend to do audit work in Ireland must apply for a practising certificate and audit qualification for Ireland. (In the UK and Ireland, if audits are to be done, a firm's auditing certificate must also be held.) Before applying for the audit qualification, you must record your experience in a Practising Certificate Training Record (PCTR). You can download copies of the PCTR from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/pctr.html>. The next steps in obtaining the audit qualification are set out below.

## **HOW TO OBTAIN THE PRACTISING CERTIFICATE AND AUDIT QUALIFICATION**

### **UK**

To obtain the practising certificate and audit qualification in the UK (see below for Ireland, Jersey, Guernsey and Dependencies, the Isle of Man and Zimbabwe), you must:

- obtain ACCA's recognised professional qualification (see below) or
- have the right to practise the profession of company auditor under the European Communities (Recognition of Professional Qualifications) (First General System) Regulations 2005 (S.I. 2005/18) (subject to any requirements imposed on him or her by ACCA) or
- have an overseas qualification approved by the UK Secretary of State under section 1221 of the Companies Act 2006 and have passed ACCA's aptitude test (if applicable) or
- have previously held an equivalent certificate issued by ACCA\*.

## Ireland

To obtain the practising certificate and audit qualification in Ireland you must:

- obtain ACCA's recognised professional qualification (see below) or
- meet the conditions as a statutory auditor in accordance with the European Union (Statutory Audits)(Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016 of the Republic of Ireland and have passed an aptitude test (if applicable) or
- be a third country auditor and meet the conditions as a statutory auditor in accordance with the European Union (Statutory Audits)(Directive 2006/43/ EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016 of the Republic of Ireland and have passed an aptitude test (if applicable) or
- have previously held an equivalent certificate issued by ACCA\*.

\* Before ACCA can award a practising certificate and audit qualification, you must demonstrate adequate competence in audit work by giving details of recent audit experience and recent audit-related CPD achieved. The 'Audit qualification – additional information' form is available on our website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

### Recognised professional qualification

To obtain the recognised professional qualification you must have completed three years of practical training in a public practice with an ACCA Approved Employer – practising certificate development (audit), working as an employee or sub-contractor, two years of which must be post-membership.

(Training obtained in a practice with 'approved' status granted by another Recognised Qualifying Body under the UK Companies Act 2014 does not count unless the practice has also been registered and accepted by ACCA.)

The training must cover: audit, professional conduct, technical (accounting, business advice, development and measurement, taxation, and business assurance and internal review) and management. At least 44 weeks of training must be in audit work. This should include at least 22 weeks specifically in statutory audit.

You must obtain at least two years of training under the supervision of:

- a member holding a practising certificate and audit qualification; or
- any other person having, in Council's opinion, adequate qualifications and experience and who is a fully qualified statutory auditor under paragraph 9(4) of Schedule 11 to the Companies Act 2006 of the UK, such as statutory auditors practising in EEA states, subject to the relevant authorisations (or equivalent persons in relation to applicants for certificates relating to countries other than the UK).

Before ACCA can award a practising certificate and audit qualification, you must demonstrate adequate competence

in audit work by giving details of recent audit experience and recent audit-related CPD. Audit experience some time ago may meet the practical training requirements outlined above, but ACCA also needs to be satisfied that your audit knowledge is up to date, and that you remain competent to do audit work.

You may choose to simply 'bank' your experience, and not apply for a practising certificate and audit qualification straight away. However, if you decide to apply in the future you may have to demonstrate how you have remained competent to do audit work.

In addition, you must have passed the UK or Irish variants of the following ACCA exams:

- Paper P7, Advanced Audit and Assurance (or an equivalent paper under previous examination syllabi).
- The tax and law variants of the jurisdiction to which the audit qualification applies. If you were granted exemptions from these papers when you registered as an ACCA student but your prior qualification lacked sufficient coverage of UK or Irish tax and/or law, you will need to pass the UK or Irish variants of the tax and/or law papers.
- Strategic Business Reporting (or an equivalent paper under previous examination syllabi) if this paper was completed on or after 1 January 2011.

(NB CIPFA members (unless they have passed the exams specified within CIPFA's professional accountancy qualification to be eligible for its audit qualification) admitted to ACCA membership under Membership Regulation 3(e), must pass these exams.)

Students who registered prior to 1 January 2016 and who were awarded exemptions from all papers in the Fundamentals level of the syllabus must complete the Professional level within five years if they wish to subsequently apply for an ACCA practising certificate and audit qualification.

Similarly, for a UK practising certificate and audit qualification, students who first registered on or after 1 January 2010 and are eligible for exemption from all or part of the Fundamentals level based on qualifications gained more than five years before the date of their initial registration as an ACCA student will lose these exemptions and must pass the Fundamentals level exams.

For all students registering from 1 January 2016 the rules are as follows:

- you must complete the Applied Knowledge Level and Applied Skills Level examinations within five years from the date you become eligible to sit these examinations
- you must complete the Strategic Professional Level examinations within five years from the date on which you complete the Applied Knowledge Level and Applied Skills Level examinations
- if you are awarded any exemptions from the Applied Knowledge and Applied Skills Level examinations on the basis of qualifications gained more than five years before registering as a student you will need to forfeit these exemptions and complete those exams

### Jersey, Guernsey and Dependencies and the Isle of Man

To obtain a practising certificate and audit qualification specifically for Jersey, Guernsey and Dependencies and the Isle of Man, you must have:

- been an ACCA member for at least two consecutive years;
- completed three years' practical training in a public practice with an ACCA Approved Employer – practising certificate development (audit), working either as an employee or sub-contractor, under the supervision of:
  - i a member holding a practising certificate and audit qualification; or
  - ii any other person having, in Council's opinion, adequate qualifications and experience and who is a fully qualified statutory auditor under paragraph 9(4) of Schedule 11 to the Companies Act 2006 of the UK;

Training must cover: audit, professional conduct, technical (accounting, business advice, development and measurement, taxation, and business assurance and internal review) and management.

### Zimbabwe

To obtain a practising certificate and audit qualification specifically for Zimbabwe, you must have:

- completed three years of training in public practice with an ACCA Approved Employer – practising certificate development (audit), under the supervision of an appropriately qualified principal (or five years if you lack a university degree) or
- have previously held an equivalent ACCA certificate.

The training must consist of experience in audit, accounting and taxation. (Note: Holders of a practising certificate and audit qualification in Zimbabwe may apply to the Public Accountants and Auditors Board for registration as a public auditor or public accountant in Zimbabwe.)

### Transferring from a practising certificate to a practising certificate and audit qualification

Regarding the UK and Ireland, you can transfer from a practising certificate to a practising certificate and audit qualification if you meet the eligibility requirements (ie obtain the necessary supervised audit experience in an ACCA Approved Employer – practising certificate development (audit) and pass the required ACCA exams).

Generally, you cannot transfer a practising certificate and audit qualification between countries.

### THE FIRM'S AUDITING CERTIFICATE

A firm in the UK or Ireland (being a partnership, company, limited liability partnership\* or even a sole practitioner) that holds, or intends to hold, audit appointments will need to obtain audit registration from a Recognised Supervisory Body (RSB) in the UK or, in Ireland, a Recognised Accountancy Body (RAB). ACCA can register firms in this regard through a firm's auditing certificate. You can download an application form from ACCA's website at

<http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

\* Limited liability partnerships do not exist in Ireland but a limited liability partnership in the UK may apply for a firm's auditing certificate for Ireland.

### Applying for a firm's auditing certificate

The GPRs provide the basis for ACCA's compliance with the provisions relating to the registration of auditors in the UK Companies Act 2006 and the Irish Companies Act 2014 and the European Union (Statutory Audits)(Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016. The GPRs are published in the ACCA *Rulebook*. The legislation permits audit appointments to be held in the names of firms (sole proprietorships and partnerships) and incorporated firms (limited companies and, in the UK, limited liability partnerships), rather than in the names of individual partners/directors/members within those firms. Firms wishing to act as registered auditors must obtain audit registration from an RSB or RAB, such as ACCA. ACCA can grant registered auditor status by issuing firms' auditing certificates.

Firms must apply separately for UK and Irish auditing certificates.

### Control qualifications necessary for an auditing certificate to be granted

Firms' auditing certificates may be held by any firm controlled by holders of the ACCA practising certificate and audit qualification or equivalent certificates issued by the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS) and Chartered Accountants Ireland (CAI). This includes sole proprietorships and any partnership or incorporated firm regardless of whether or not the firm contains any ACCA principals, partners or directors.

ACCA will also consider applications from firms controlled by members of the Institute of Certified Public Accountants in Ireland, but only regarding authorisation in Ireland. Such firms should read the rest of this section and complete the relevant form.

Eligible firms (ie controlled by ACCA/ICAEW/ICAS/CAI members) may hold firms' auditing certificates for both the UK and Ireland but must complete separate application forms.

### Sole practitioners

If, (as an ACCA member) you hold a practising certificate and audit qualification and wish to carry out audit work, you must also hold a firm's auditing certificate. This applies even if your sole practice trades in your name. Audit work includes the audits of UK or Irish registered companies, other statutorily regulated entities and other assignments requiring a registered auditor. Only a firm (including any sole proprietor

practising in their own name) holding a firm's auditing certificate may describe itself as Registered Auditor(s) and will have its details placed on the Register of Statutory Auditors in the UK, or the register held by the Companies Registration Office in Ireland.

ACCA sole practitioners do not need to complete another form or pay a fee for the firm's auditing certificate. A sole practitioner Chartered Accountant who holds a practising certificate and audit qualification from ICAEW, ICAS or CAI is eligible to apply for an ACCA firm's auditing certificate for their firm, and to continue to describe their practice as a firm of Chartered Accountants. They need not become a member of ACCA but may do so if they wish. You can download an application form for direct admission to membership from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>. The firm's auditing certificate fee for a non-member is £470 in 2018.

#### Partnerships, LLPs and incorporated firms

Partnerships, incorporated firms and, in the UK, limited liability partnerships wishing to hold audit appointments must apply for ACCA firms' auditing certificates (or seek authorisation from another RSB or RAB). However, for a firm composed wholly of partners or directors holding ACCA practising certificates, there is no fee for a firm's auditing certificate.

Mixed firms, composed wholly of Chartered Certified and Chartered Accountant partners or directors, are eligible for ACCA firms' auditing certificates. In this case, the 2018 fee is calculated on the basis of £470 for each non-ACCA partner or director.

Other mixed firms (perhaps containing non-qualified partners or directors) are eligible for ACCA firms' auditing certificates if they are controlled by holders of equivalent qualifications (as detailed above). Control is determined by the distribution of votes within the firm on all material matters, and holders of relevant qualifications must control at least 51% of such votes. (There need not be an ACCA member as a partner or director of a firm.) Firms controlled by Chartered Accountants may be authorised by ACCA while continuing to describe their practices as 'Chartered Accountants'. Again, the 2018 fee is based on £470 for each partner or director who is not an ACCA member. (Chartered Accountants who are partners or directors in firms with ACCA firms' auditing certificates may, if they wish, apply for direct admission to membership of ACCA. You can download an application form for direct admission from ACCA's website at

<http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

Non-ACCA partners/directors who wish to be responsible for audit work in a firm applying for an ACCA auditing certificate must complete an 'Audit qualification – additional information' form to demonstrate to ACCA that their audit experience and audit knowledge is up to date. The form is available on our website at

<http://www.accaglobal.com/uk/en/members/sectors/smp/practising-info/practitioner-forms.html>

Where these requirements apply to a limited liability partnership, 'partner' means a member of the limited liability partnership.

Regarding a firm's auditing certificate granted to a limited liability partnership or an incorporated firm, there is an additional control requirement – that the majority of votes on its board of directors (or of the members of a limited liability partnership in the UK) must be held by holders of relevant qualifications.

#### Other conditions necessary for the issue of a firm's auditing certificate

Within each partnership, limited liability partnership or incorporated firm, a nominated contact partner/director will have overall responsibility for the firm's compliance with the conditions detailed below.

**Responsibility for audit work** – Each of the partners or directors and others responsible for the firm's audit work must hold an ACCA practising certificate and audit qualification or an equivalent certificate.

**Control** – In exercising control, the firm must have in place arrangements to prevent unqualified individuals and persons (whether members of the firm or not) exerting influence over the way in which audits are conducted.

#### ONGOING CONDITIONS FOR HOLDING A PRACTISING CERTIFICATE AND AUDIT QUALIFICATION AND FIRM'S AUDITING CERTIFICATE

##### Fit and proper status

Every partner or director must be a fit and proper person so that the firm may hold an auditing certificate. ACCA may take into account any matter that relates to any of the partners or directors of the firm or anyone employed by, or associated with it, in connection with public practice. This includes such matters as failure to co-operate with ACCA or providing false, inaccurate, misleading or incomplete information to ACCA.

Section 1 sets out a list of situations in which a practising certificate holder would fail to meet the fit and proper criteria. In addition to these criteria, regarding the issue of a practising certificate and audit qualification, the Admissions and Licensing Committee will consider whether an individual has broken any provision of law on the seeking of an appointment or acting as auditor or insolvency practitioner or to the carrying on of exempt regulated activities.

##### Responsibility and control

The above control qualifications necessary for ACCA to grant an auditing certificate must be maintained as long as the firm holds an auditing certificate. ACCA provides a factsheet giving more details on the control of the firm and rules about how the firm may be described; you can download the factsheet 'Control and description requirements' from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

Each of the partners or directors responsible for the firm's audit work must continue to hold an ACCA practising certificate and audit qualification or an equivalent certificate. The firm must also maintain its arrangements for ensuring that the independence and integrity of its audit work are not influenced by unqualified individuals.

### Professional indemnity insurance

Firms must hold professional indemnity insurance (PII). Cover must also include fidelity guarantee insurance (FGI) for any partners, directors and employees. PII should provide cover for all civil liability incurred in connection with the conduct of the firm's business by the partners, directors or employees. The FGI should include cover against any acts of fraud or dishonesty by any partner, director or employee for money or goods held in trust by the firm. Members ceasing to practise must arrange for the continued existence of PII and, where applicable, FGI for six years.

The firm is responsible for getting adequate cover and may buy it from any reputable insurance company or underwriter. ACCA provides a factsheet saying more about PII, including details of the limit of indemnity; you can download 'Professional indemnity insurance requirements' from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Continuity of practice

A firm must provide for continuity of practice. Provision for continuity should be made within the firm's partnership agreement or articles of association, provided at least two partners/directors are registered auditors, or by entering into a written agreement with another firm of registered auditors. (The name and address of another firm responsible for continuity must be given on the application form for an auditing certificate.) There must be a written agreement, which may be inspected by ACCA.

If the firm practises in both the UK and Ireland, continuity arrangements must be made with a firm (or firms) in both countries. You can find more on continuity of practice in ACCA's factsheet 'Continuity of practice requirements' which you can download from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Notification

In the UK, ACCA must supply information to the Register of Statutory Auditors ([www.auditregister.org.uk](http://www.auditregister.org.uk)). Each entry in the register will include the firm's name and a business address. In addition, in the case of incorporated firms, the register will include the name and business address of each person who is a director or holds shares in the firm. In the case of a partnership (including limited liability partnerships) or sole proprietorship, the register will include the name(s) and address(es) of the proprietor or partners/members. In Ireland, similar information is supplied to the register held by the Companies Registration Office ([www.cro.ie](http://www.cro.ie)).

To enable ACCA to keep this register up to date, firms must notify ACCA of a number of different events or changes.

ACCA's factsheet 'Notification requirements' says more about this. You can download it from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Continuing professional development

All members must undertake continuing professional development (CPD), in accordance with Membership Regulation 4(4). There are four alternative routes to obtaining satisfactory CPD, all are explained on ACCA's website at <http://www.accaglobal.com/gb/en/member/cpd/routes.html>

Members following the unit route must undertake at least 40 units of relevant CPD each year, of which 21 units should be verifiable CPD. Practising members should be able to demonstrate they have maintained competence in the specialised areas of their practices.

ACCA's factsheet 'Continuing professional development (CPD) for practising members' says more on CPD; you can download it from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

IFAC has issued International Education Standard (IES) 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised).

IES 8 became effective on 1 July 2016. It prescribes the professional competence that professional accountants are required to develop and maintain when performing the role of an Engagement Partner responsible for audits of financial statements.

Under the revised IES 8 professional accountants performing the role of an Engagement Partner will be required to develop and maintain professional competence that is demonstrated by the achievement of learning outcomes. They will also be required to undertake CPD that develops and maintains the professional competence required for this role. It is the responsibility of the professional accountant performing the role of an engagement partner to develop and maintain professional competence by undertaking relevant CPD activities, which include practical experience. Further information can be found on ACCA's website at <http://www.accaglobal.com/uk/en/member/cpd/prac-members/engagement-partners.html> and on IFAC's website at <https://www.ifac.org/publications-resources/ies-8-professional-competence-engagement-partners-responsible-audits-financ-0>

### Conduct of public practice

All partners/directors and others responsible for audit work must comply with ACCA's Code of Ethics and Conduct, especially in connection with the proper conduct of public practice, integrity and independence. The Code of Ethics and Conduct is available from the ACCA Rulebook. You can download ACCA's factsheet 'Code of Ethics and Conduct' from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Technical standards

All partners/directors and others responsible for audit work must comply with ACCA's Technical Standards. In particular, firms practising in the UK and the Republic of Ireland must comply with the International Standards on Auditing (UK and Ireland) issued by the Financial Reporting Council.

### Monitoring

All partners/directors and others responsible for audit work must co-operate with ACCA in its monitoring and enforcement of the bye-laws and regulations.

ACCA will monitor and enforce its bye-laws and regulations by analysing firms' annual returns and carrying out monitoring visits. The visits will normally take place every six years, but they may be more frequent if necessary as a result of complaints or significant changes in a practice. More visits or follow-up action may result from a visit that revealed inadequacies.

ACCA's factsheet 'Monitoring requirements and global quality assurance' says more about monitoring. You can download it from the website at

<http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Descriptions

Firms holding an ACCA auditing certificate may include the following statement on their business stationery:

'Registered as auditors in [the United Kingdom/Ireland] by the Association of Chartered Certified Accountants'.

Firms may also use the description 'Registered Auditors'.

ACCA's factsheet 'Control and description requirements' says more; you can download it from the website at

<http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

## OTHER USEFUL INFORMATION

### Spare-time certificates

ACCA regards you as being in spare-time practice if you hold a practising certificate and audit qualification while employed in industry, commerce, public service or employed (as opposed to being a principal) in a practice. The experience requirements for obtaining a spare-time practising certificate and audit qualification, and the ongoing conditions, are exactly the same as for full-time certificates.

### Renewal of a practising certificate and audit qualification

All practising certificates (including the practising certificate and audit qualification) are renewable annually. Practising certificates for the UK and Ireland are valid only until 31 December in the year of issue. Renewal notifications for them are usually sent in October of each year. Practising certificates for all other countries are valid until 30 June after the date of issue. The renewal notifications for these are usually sent in April of each year.

### Renewal of firms' auditing certificates

All firms' auditing certificates are valid only until 31 December in the year of issue. All firms' auditing certificates are renewable annually. A firm that ceases to hold a firm's auditing certificate will be eligible to resume holding one if it meets the fitness and propriety requirements and other ongoing conditions at the time of the fresh application.

### Jurisdiction

The legislation referred to does not extend to the Channel Islands or Isle of Man. Firms' auditing certificates are not, therefore, necessary in these jurisdictions. A firm based outside the UK and Ireland may, if it is eligible, hold a firm's auditing certificate if it wishes to hold UK or Irish audit appointments. In such cases the fees and conditions referred to above apply. However, firms' auditing certificates are not issued if you propose to hold audit appointments only of companies registered outside the UK and Ireland.

### Anti-money laundering

Holders of practising certificates and audit qualifications must comply with the relevant anti-money laundering legislation and regulations. For example, a practitioner in the UK, Ireland or the Isle of Man must ensure that:

- their practice has a nominated officer to take responsibility for compliance
- there are procedures in place to gather and retain evidence of the identification of all clients
- principals and staff in their practice receive appropriate training
- ongoing compliance monitoring is carried out, and
- suspicions of money laundering are reported as required by law.

In the UK any person who provides audit, insolvency, tax, accountancy or trust and company services must be supervised by a recognised supervisory authority under the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (employees do not require supervision). ACCA gives more guidance on the website at <http://www.accaglobal.com/uk/en/technical-activities/technical-resources-search/2017/july/money-laundering-regulations-2017.html> (Similar statutory requirements exist in Ireland and the Isle of Man.)

Members in the UK who provide accountancy services within the terms of the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 by way of business which fall outside the meaning described by regulation 4 of the Global Practising Regulations (for example book-keeping) are subject to supervision for compliance with the anti-money laundering provisions under the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. In such cases, eligible members should consider obtaining a practising certificate from ACCA in order to be supervised by ACCA. Alternatively, members must register with HM Revenue and Customs (HMRC) or another body recognised for such purposes.

Members in Ireland who provide such services within the terms of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 will also be subject to supervision for compliance with anti-money laundering provisions. In such cases, eligible members must obtain a practising certificate from ACCA in order to be supervised by ACCA.

If your firm in the UK or Ireland is controlled by ACCA members (ie at least half of the partners/directors are members of ACCA and the ACCA partners/directors control at least 51% of the voting rights) or holds an auditing certificate from ACCA, you/your firm are automatically supervised by ACCA. If your firm does not meet these requirements, you must be supervised by another recognised supervisory authority, or register with HMRC in the UK or the Minister for Justice, Equality and Law Reform in Ireland.

### Registering for investment business and credit-related regulated activities in the UK

ACCA is a Designated Professional Body (DPB) under the Financial Services and Markets Act 2000. This enables member firms to carry out a limited range of regulated activities, without having to obtain direct authorisation from the Financial Conduct Authority (FCA), provided those activities are 'incidental' to the core accounting, auditing, taxation and business advice services provided to the clients concerned. This limited range of regulated activities is known as exempt regulated activities. The scope of the exempt regulated activities and the application process to be able to perform exempt regulated activities are set out in section 3. You can download an application form from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

Any ACCA firm carrying out, or planning to carry out, a regulated activity (except an exempt regulated activity) must have direct FCA authorisation.

### Applying for a firm's investment business certificate (Ireland)

A firm in Ireland wishing to undertake activities within the scope of the Irish Investment Intermediaries Act 1995 must be appropriately authorised by an Approved Professional Body (APB). ACCA can authorise firms through an investment business certificate (Ireland). You can download an application form for applying for an investment business certificate (Ireland) from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

ACCA can issue Investment business certificates (Ireland) only to firms controlled by holders of ACCA practising certificates or the equivalent issued by other APBs. Section 4 says more on this.

### ATOL Reporting Accountants scheme

ACCA has reached an agreement with the Civil Aviation Authority (CAA) to licence members as ATOL reporting accountants (ARA). To register as a ARA a member must hold an ACCA practising certificate and have completed a professional examination covering assurance work as approved by the CAA (eg Paper F8, *Audit and Assurance* or Paper P7, *Advanced Audit and Assurance* or previous equivalents of ACCA's professional examinations). Members must also have successfully completed the online ATOL training module. To register for the training members are required to email [caa.arascheme@caa.co.uk](mailto:caa.arascheme@caa.co.uk) and provide their name, professional body and membership number. There is no fee for an ACCA member to register under the ARA scheme.

The firm must also apply to become a ARA firm. A firm must contain at least one ACCA principal and the fee in 2018 is £426 for each principal who is neither a member of ACCA nor licensed as an ARA by ACCA.

ACCA can also register individuals who are not members of ACCA. The fee for non-members in 2018 is £470.

Application forms for individuals and firms can be downloaded from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

Further information can be found on ACCA's website at <http://www.accaglobal.com/gb/en/technical-activities/technical-resources-search/2016/january/caa-atol-reporting.html>

### PRACTISING CERTIFICATE AND AUDIT QUALIFICATION FEES – 2018

The fee for a practising certificate and audit qualification valid in the UK, Ireland, Jersey, Guernsey and Dependencies or the Isle of Man is £470. There is currently no fee for a practising certificate and audit qualification in Zimbabwe.

### FIRM'S AUDITING CERTIFICATE FEE – 2018

The fee for a firm's auditing certificate is calculated on the basis of £470 for each non-ACCA principal of the firm.

# 3 Exempt regulated activities in the UK

**ACCA has been granted Designated Professional Body (DPB) status, under the Financial Services and Markets Act 2000, by HM Treasury. DPB status enables ACCA to regulate firms to undertake a limited range of investment and credit-related regulated activities known as exempt regulated activities.**

## **INTRODUCTION**

Firms that may wish to conduct investment business or credit-related regulated activities (or both) have the option of direct registration with the Financial Conduct Authority (FCA). Alternatively, ACCA's Designated Professional Body Regulations 2001 (DPBRs) may apply to firms that do not (or cannot) obtain direct registration, thereby enabling them to undertake exempt regulated activities only.

ACCA has put in place a simple set of registration arrangements for firms that wish to undertake exempt regulated activities. There are no separate fees for firms registering to undertake exempt regulated activities. Download the application form from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

The scope of the exempt regulated activities is largely specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. This is the basis for ACCA's DPBRs, which are published in the *ACCA Rulebook*.

Firms that are directly authorised by the FCA for investment business and/or credit-related regulated activities (or both) are not eligible to carry out exempt regulated activities under the DPB arrangements.

## **ELIGIBILITY CRITERIA**

The DPBRs apply to all members and firms that satisfy the relevant eligibility requirements. They apply to exempt regulated activities carried on in, into or from the UK. So the DPBRs apply to Northern Ireland but not to the Republic of Ireland.

Regulation 3 of the DPBRs sets out the eligibility requirements in detail, and these are summarised below:

### **Sole practitioners**

As a sole practitioner you are eligible to carry on regulated activities only if:

- you are a member
- you hold a practising certificate, and
- your main business is public practice accountancy services.

### Partnerships

A partnership is eligible to carry on regulated activities only if:

- at least one of the partners in the firm is an ACCA member, and each partner who is not a member\* is entitled to practise accountancy and is subject to ACCA regulations
- the partners who are members of ACCA or of another designated professional body (if any) manage or control the firm, and
- the partnership's main business is public practice accountancy services.

If this regulation applies to a limited liability partnership, 'partner' means a member of the partnership.

### Companies

A company is eligible to carry on regulated activities only if:

- at least one director and controller is an ACCA member, and each director who is not a member\* is entitled to practise accountancy and is subject to ACCA regulations
- the directors who are members of ACCA or of another designated professional body (if any) manage or control the firm, and
- its main business is public practice accountancy services.

\* As well as completing the application form, each non-ACCA partner/member/director must complete an additional form (PIB (UK)) on which they must declare that they will be bound by ACCA's regulations as if they were ACCA members. This form is on ACCA's website.

## WHAT ACTIVITIES CAN FIRMS UNDERTAKE? INVESTMENT BUSINESS

The regime enables ACCA, as a DPB, to allow its member firms to carry out a limited range of investment business activities without having to obtain direct FCA authorisation; but the activities must be 'incidental' to the core business of accountancy services.

Regulation 3(5) of the DPBRs provides guidance on the factors that firms should consider when assessing whether their investment business activities are 'incidental'. This test is qualitative not quantitative.

The activities that ACCA-regulated firms can carry out under the DPBRs are set out in regulation 4(1). ACCA also publishes a guide covering permitted activities. You can download it from the website at

[http://www.accaglobal.com/content/dam/ACCA\\_Global/Members/members-in-practice/members-in-practice/dpbregs.pdf](http://www.accaglobal.com/content/dam/ACCA_Global/Members/members-in-practice/members-in-practice/dpbregs.pdf)

### Prohibited activities

ACCA-regulated firms must not carry out certain activities under the DPBRs because they are prohibited by:

- i the Non-Exempt Activities Order, or
- ii the DPBRs.

Therefore, no firm may carry out any activity that falls within the list of prohibited activities in regulation 4(2).

### Regulated mortgage work and insurance distribution activity

The DPBRs include specific regulations for firms wishing to undertake regulated mortgage work, long-term care insurance and other insurance distribution activities. Firms wishing to undertake insurance distribution activities should familiarise themselves with regulation 4(3) of the DPBRs. In particular, they should ensure that they:

- i hold professional indemnity insurance at the prescribed level (ie at least €1,120,200 on an each-and-every-claim basis and €1,680,300 in total. These amounts will rise to €1,850,000 and €1,250,000 respectively from 23 February 2018), and
- ii have been placed on the Financial Services Register.

Referring a client to another adviser is not an insurance distribution activity, so is not subject to the Regulations. Providing more specific information to a client, an intermediary or an insurance company is an insurance distribution activity, but is exempt from the increased professional indemnity insurance requirement. (Regulation 4(4) of the DPBRs lists the activities that do not constitute insurance distribution activity.)

(\* Insurance distribution means the activities of advising on, proposing, or carrying out other work preparatory to the conclusion of contracts of insurance (which includes contracts of reinsurance), of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim, including the provision of information concerning one or more insurance contracts in accordance with criteria selected by customers through a website or other media and the compilation of an insurance product ranking list, including price and product comparison, or a discount on the price of an insurance contract, when the customer is able to directly or indirectly conclude an insurance contract using a website or other media).

### CREDIT-RELATED REGULATED ACTIVITIES

Firms authorised under the DPBRs must comply with the conduct provisions of the FCA's Consumer Credit sourcebook as they apply to the credit-related regulated activities being performed or offered by the firm. Firms so authorised may carry on the credit-related regulated activities listed in regulation 4(1) of the DPBRs.

Further information is available at

<http://www.accaglobal.com/in/en/technical-activities/technical-resources-search/2017/october/consumer-credit-acca-practitioners.html>

If you need more guidance about the DPBRs or the types of work that ACCA-regulated firms may do, please contact Technical Advisory on 0207 059 5920.

## **CONDUCT OF BUSINESS REGULATIONS**

Chapter 5 of the DPBRs sets out a number of conduct of business matters that firms need to comply with in order to provide exempt regulated activities. These regulations cover matters concerning independence (including inducements and arrangements with third parties), relations with clients (including communications, clients rights and charges), and compliance procedures (including record-keeping and complaints-handling).

### **Business stationery**

ACCA has agreed the following wording with the FCA that appropriately authorised firms may use on business letters, notices and other publications:

'Regulated for a range of investment business activities by the Association of Chartered Certified Accountants'.

This is an optional statement.

## **OVERSEAS BRANCHES OR OFFICES AND JURISDICTIONS**

The Financial Services and Markets Act 2000 regulates investment business and credit-related regulated activities conducted in the UK. Firms with a branch or office outside the UK, Channel Islands and Isle of Man are eligible to undertake exempt regulated activities from the UK branch or office.

### **Irish Investment Intermediaries Act 1995**

A firm wishing to undertake activities within the scope of the Irish Investment Intermediaries Act 1995 must be appropriately authorised by an Approved Professional Body. ACCA can authorise firms through the mechanism of an investment business certificate (Ireland). Please see section 4 for further information.

## **RENEWAL OF FIRMS' EXEMPT REGULATED ACTIVITIES REGISTRATION**

All firms' exempt regulated activities registrations are valid only until 31 December in the year of issue and are renewable annually.

# 4 Applying for a firm's investment business certificate (Ireland)

**ACCA was granted full Approved Professional Body (APB) status, under the Investment Intermediaries Act 1995 (IIA), by the Central Bank of Ireland (CBI) on 11 December 1998.**

## **INTRODUCTION**

APB status enables ACCA to authorise, by issuing an ACCA firm's investment business certificate (Ireland), certain practising firms to conduct specific restricted investment activities.

The legislation referred to in this section is what applies in the Republic of Ireland.

You can download an application form for authorisation from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practitioner-forms.html>

## **DO YOU NEED AN INVESTMENT BUSINESS CERTIFICATE (IRELAND)?**

The Chartered Certified Accountants' Irish Investment Business Regulations 2013 (IIBRs) lay down the conditions for the issue of, and the ongoing requirements for holding, investment business certificates (Ireland), and provide the basis of ACCA's compliance with the IIA. The IIBRs are included in the *ACCA Rulebook*.

Under the IIA, it is an offence to provide investment business services or investment advice in Ireland without authorisation. The CBI oversees the regulatory system under the IIA. However, it also recognises other regulatory bodies and delegates responsibility to them for authorisation and regulation of their member firms.

If you are not already authorised by ACCA or directly authorised by the CBI (as an Investment Business Firm, Multi Agency Intermediary or Authorised Advisor), you may need to seek authorisation depending on the activities your firm carries out. ACCA offers two categories of authorisation depending on the activities your firm is going to undertake. The category also affects the compensation arrangements that apply to your firm.

### **Category B authorisation**

Your firm will need category B authorisation if it carries on investment business services or investment advice (defined below), which may include:

- receiving or transmitting orders in certain investment or insurance products; acting as a deposit broker; or giving or offering advice on such products or the making of a deposit, or

- referring a client to a third party providing investment business services.

A category B firm may transmit orders only to certain product producers in the course of providing the above services.

### Category A authorisation

In addition to the activities carried out by a category B authorised firm, category A authorised firms can execute orders regarding investment instruments (defined below under 'Products covered by the IIA'), other than for their own account. In addition, the firm would be able to promote single company BES schemes or a film company.

Neither category B nor category A firms may hold clients' funds or securities, but may accept non-negotiable cheques or similar instruments made payable to the product providers for the purposes of receipting and transmitting orders.

If your firm intends to carry on any of the above listed activities, it will need to apply for an investment business certificate (Ireland), category A or category B.

If your firm carries on any of the above listed activities without being authorised by ACCA, another APB or directly by the CBI, your firm is performing a prohibited activity and is in breach of section 9(1) of the IIA.

In view of the complexity of the legislation and the broad range of activities that fall within the definition of investment business services under the IIA, ACCA recommends that all eligible firms are authorised.

If you need more guidance on the types of work you can do under Category A or Category B authorisation, please contact Technical Advisory on +353 (0)1 498 8907.

The eligibility criteria for investment business certificates (Ireland) are set out later in this section.

## INVESTMENT BUSINESS SERVICES COVERED BY THE IIA/INVESTMENT ADVICE

### Products covered by the IIA

The Act defines investment instruments very broadly. You can find full details in Regulation 4(2) of the IIBRs, which (as a result of the Insurance Act 2000) includes insurance policies such as life, pension, endowments and general insurance policies for houses, cars etc.

### Products not covered by the IIA

Investments in property are outside the scope of the IIA, unless the investment involves shares in a property-owning company.

The IIA provides for ministerial orders to add further instruments to the list of products within its scope. Non-authorised firms should, therefore, regularly check that particular products they are advising on, or arranging, have not come within the scope of the Act.

### Investment business services

The IIA lists the activities that are investment business services. ACCA may authorise four of these activities:

- Receiving and transmitting orders for investment instruments.
- Executing orders on behalf of investors.

- Acting as a deposit broker.
- Undertaking insurance mediation activities.

ACCA cannot authorise firms to carry out the remaining seven investment business services:

- Dealing in one or more investment instruments for their own account.
- Managing portfolios of investment instruments or deposits on a discretionary basis.
- Underwriting in respect of issues of one or more investment instruments or the placing of such issues or both.
- Acting as a deposit agent.
- Administering collective investment schemes.
- Carrying out custodial operations.
- Acting as a manager of a designated investment fund.

Or the following:

- Carrying out any activity relating to derivatives.
- Carrying on any other activity that amounts to investment business services or investment advice within the meaning of section 2 of the IIA except an activity falling within IIBR 4(2).
- Holding or receiving any money belonging to a client in the course of carrying on investment business services for a client if it is not immediately due and payable on demand to the firm for its own account.

Any ACCA-regulated firms that undertake these activities should seek authorisation directly from the CBI.

### Investment advice

ACCA may authorise firms to give investment advice. This is defined as giving, or offering or agreeing to give, to any person, advice on the purchasing, selling, or subscribing for an investment instrument, or on the making of a deposit or on the exercising of any right conferred by an investment instrument to acquire, dispose of, or convert an investment instrument or deposit. The definition also includes giving, or offering or agreeing to give, to any person, advice on how to choose a person to give investment business services or investment advice. This includes advice on BES investments and film investments.

Investment advice excludes advice given to undertakings on capital structure, industrial strategy and related matters and advice relating to mergers and the purchase or sale of undertakings.

### General exemption

The IIA exempts the following from the definition of investment advice:

'Advice given by persons in the course of the carrying on of any profession or business ... where the giving of such advice arises from other advice given in the course of carrying on that profession ... and that advice is not remunerated separately ... .' Although the 'arises from' test is reasonably easy to meet, the 'remunerated separately' aspect is more difficult.

Accountants are seen as being paid on a time basis. If you do not mention any investment advice on your fee note, it may not mean, legally, that you were not paid for that advice.

### CONDITIONS FOR THE ISSUE OF AN INVESTMENT BUSINESS CERTIFICATE (IRELAND)

The IIBRs lay down the conditions for the granting, and subsequent renewal, of investment business certificates (Ireland). Within partnerships/incorporated firms, a nominated contact partner/director (who must be a member of ACCA) has overall responsibility for the firm's compliance with the conditions detailed below, and he or she must state his or her firm's compliance with these requirements in the renewal form.

#### Eligibility

The detailed requirements are given in regulation 3 of the IIBRs.

A sole practitioner is eligible for an investment business certificate (Ireland) if he or she is a member of ACCA, holds a practising certificate, and his or her main business is the public practice of accountancy. The firm must be solvent and, in addition, for category A authorisation, it must hold minimum net business assets of €10,000.

A partnership whose main business is the public practice of accountancy is eligible for an investment business certificate (Ireland) if its partners are:

- members of ACCA, or members of other APBs (such as Chartered Accountants Ireland), or
- otherwise entitled to practise accountancy and regulated by another professional body.

In addition:

- all partners who are not members of ACCA must undertake to abide by ACCA's regulations
- at least one of the partners in the firm must be an ACCA member
- partners who are not members of ACCA or of another APB must not form a majority of the firm's partners
- all partners who are ACCA members must hold practising certificates valid in Ireland, and each partner who is not an ACCA member must hold such other qualification as is regarded as adequate by the Admissions and Licensing Committee, and
- the partnership must be solvent and, in addition, for category A authorisation, it must hold minimum net business assets of €10,000.

A company whose main business is the public practice of accountancy is eligible for an investment business certificate (Ireland) if its directors and controllers are:

- members of ACCA, or members of other APBs (such as Chartered Accountants Ireland), or
- otherwise entitled to practise accountancy and regulated by another professional body.

In addition:

- all directors and controllers who are not members of ACCA must give undertakings to abide by ACCA's regulations
- at least one of the directors in the firm must be an ACCA member
- directors who are not members of ACCA or of another APB must not form a majority of the board of directors
- all directors who are ACCA members must hold practising certificates valid in Ireland, and each director who is not an ACCA member must hold such other qualification as is regarded as adequate by the Admissions and Licensing Committee, and
- the company must be solvent and, in addition, for category A authorisation, it must hold minimum net business assets of €10,000.

A controller is a person who alone or with any associates controls 15% or more of the rights to vote on the majority of matters at general meetings.

#### Investment business limits

ACCA may authorise only firms whose main business is the public practice of accountancy. If 20% or more of a firm's total turnover on an annual basis derives from investment business services or investment advice, this fact must be notified to ACCA who will refer the matter to the CBI for its consideration. In addition investment business services or investment advice (or both) must be provided in an incidental way, not isolated from the firm other activities in a way that would suggest it is a separate business.

#### Compensation scheme arrangements

Depending on their category of authorisation, firms must make contributions to the Investor Compensation Company DAC (ICC). This company is established under the Investor Compensation Act 1998 and is independent of ACCA. The compensation levy for a category B firm depends on the firm's income, and the levy for a category A firm depends on the number of eligible clients. Firms should contact ICC for details of the contribution: The Investor Compensation Company Limited, c/o The Central Bank of Ireland, PO Box 11517, Spencer Dock, North Wall Quay, Dublin 1. Tel: +353 (0)1 224 4955. You can also find more details about the current contribution rates at <https://www.investorcompensation.ie/participant/funding.230.html>

#### Minimum competency requirements

Minimum competency requirements were introduced in 2007 to establish a minimum standard of knowledge for financial firms providing services to consumers. Firms must ensure that individuals who provide advice or undertake certain specified activities on their behalf acquire the competencies set out in the requirements.

The requirements were reviewed and updated during 2011. The CBI's new Minimum Competency Code 2011 came into effect on 1 December 2011, and is available on the CBI website at

<https://www.centralbank.ie/regulation/how-we-regulate/authorisation/minimum-competency/minimum-competency/Pages/default.aspx>

On the application form, firms must give details of any individuals who provide advice to consumers on retail financial products or arrange, or offer to arrange, retail financial products for consumers, and confirm they comply with the CPD requirements. Firms that only refer clients to another regulated firm or hold an investment business certificate as a protective measure must confirm they know the different types of entities regulated by the CBI and know the different registers it maintains.

### Professional Indemnity Insurance

A firm wishing to carry on insurance mediation activity in Ireland must hold professional indemnity insurance (PII) in accordance with the European Communities (Insurance Mediation) Regulations 2005. Currently, firms doing insurance mediation work must hold at least €1,250,000 for each and every claim within a calendar year and €1,850,000 in total. These minimum PII limits are subject to change. Members must ensure they hold the appropriate level of cover at the time they effect or renew the policy.

Insurance mediation is a separate authorisation which is obtained directly from the Central Bank of Ireland. For further information about insurance mediation please visit <https://www.centralbank.ie/regulation/industry-sectors/retailintermediaries/insurance-intermediaries/Pages/faqs.aspx>

\*Insurance mediation means any activity involved in proposing or undertaking preparatory work for entering into insurance contracts, or assisting in the administration and performance of insurance contracts that have been entered into (including dealing with claims under insurance contracts), but does not include such an activity that:

- a is undertaken by an insurance undertaking or an employee of such an undertaking in the employee's capacity as such, or
- b involves the provision of information on an incidental basis in conjunction with some other professional activity, so long as the purpose of the activity is not to assist a person to enter into or perform an insurance contract, or
- c involves the management of claims of an insurance undertaking on a professional basis, or
- d involves loss adjusting or expert appraisal of claims for reinsurance undertakings;

### Monitoring

ACCA will monitor and enforce its bye-laws and regulations by analysing practitioners' returns and carrying out monitoring visits. A first monitoring visit should take place within three years. A five-year monitoring cycle will apply after this initial visit. Visits may be more frequent, however, as a result of complaints or as a result of evidence of non-compliance at an earlier visit.

### Descriptions

Authorised firms must include the following statement on their business stationery:

'Authorised to undertake investment business services in Ireland by the Association of Chartered Certified Accountants'.

Firms holding investment business certificates (Ireland) must comply with basic requirements of 'good practice' as laid out in ACCA's IIBRs (eg 'know your client').

### COMPLIANCE PROCEDURES

Firms are required to comply with the Consumer Protection Code, which can be found on the CBI's website at <https://www.centralbank.ie/regulation/consumer-protection>

#### Client money

ACCA's IIBRs do not allow practices to handle investment business client money. Firms may still deal with client tax payments, etc through their client bank account but, where the funds are to be used for an investment, firms must not channel them through their practices. Clients should make their cheques out to the product providers directly.

#### Basic requirements to undertake investment business

All firms that give investment business advice must ensure that they have the following procedures in place:

#### Compliance systems

The firm's personnel should be made aware of the activities that fall within the scope of the IIA. Policies and procedures must be implemented regarding who in the firm may provide IIA advice. Standard documents for 'know your client' and 'client agreements' must be drafted. A system for dealing with client complaints and a system of filing and safeguarding client records must be implemented. The firm must also ensure that its records are sufficient to demonstrate compliance with the IIBRs in the event of a monitoring visit.

#### Know your client

What does your client want, and what needs can you identify that the client may have overlooked? You will need to undertake a factfind with the client to identify these needs. A factfind is a question-and-answer procedure, using reasonably standard questions, to identify a client's current financial position and future financial aspirations.

A tax and correspondence file review are not sufficient to identify these needs as in many cases clients may not even know they have a need until it is too late to plan anything – for example, paying for private education for children or the need for life insurance or pension planning.

Some of these needs fall outside the scope of the IIA. However, they still need to be identified to ensure the IIA product is the most suitable.

#### Suitability or best advice

You must identify the most suitable product on the market to meet the needs identified during the factfind. You must identify specific features that will suit the client, and weigh up one product against another. For example, a unit-trust-based product may not be as suitable as a 'with profit' product for a risk-averse client. You must match your client's needs to the actual product offered.

#### Risk warnings

All investments carry some risk, even blue chip bank deposits. It is important that a client understands the nature of the risk undertaken and confirms this in writing.

**Relations with clients**

You must give your client with the following documents:

- Written client agreement.
- Key features.
- Statement of suitability.

**Key features**

This should include essential product features that the client needs to understand, details of the specific client 'needs' met by the product, client contributions and expected return. Key features should also include details of total charges and the amount of commission you earn. In practice, the product provider can give this information in booklet form. This should be sent to the client before the client agrees to buy the product.

**Statement of suitability**

You must send this statement or letter to the client explaining why you recommended a particular product. The statement should be client-specific and correspond with the details in your factfind. For example, you could point out that you recommended the particular tracker bond because it is based on blue-chip stocks only and is, therefore, medium risk – a specific requirement that the client identified during the factfind.

**Best advantage**

This requires you to obtain products at the best possible price. It usually refers only to products whose value often fluctuates, such as stocks and shares or units in a collective investment scheme. This is usually achieved by buying them at the right time. Once a firm has agreed to effect a transaction for the client, it must do so as soon as reasonably practicable.

**Documentations**

You will need to document the entire process in enough detail to demonstrate compliance with the IIBRs. In particular, there are additional documentary requirements for certain types of products, such as life assurance and pensions policies, Personal Retirement Savings Accounts and collective investment schemes. You may know a client very well and be tempted to complete a factfind with little or no assistance from the client. However, even in these situations you may not know many important details, such as existing policies, long- and short-term future plans, retirement aspirations, and plans for children's education. It is unlikely you will be aware of any impending marital separation or plans to build a new house, and a formal factfind should identify any omissions.

Using 'key features' documents and statements of suitability informs the client of what they are getting. It also gives you a safeguard if the client complains in a few years' time, for example, that the with-profit investment did not perform as well as a similar unit-trust-based investment. Your key features should explain why one is a lower risk and may, therefore, have a smaller return.

**Other matters**

The CBI has asked that firms' attention be drawn to a number of points on investment business, as follows:

**Client transaction priority**

Firms may not deal for their own account. This is an important safeguard to ensure that own account dealing will not result in a loss to the client. If employees deal in shares on their own account and a client also has a holding, a review process must be in place to ensure the client is safeguarded and that the ACCA rules as to integrity and objectivity have been followed.

**Information to clients**

If a firm itself seeks advice on a client's behalf, it should disclose this fact to the client along with the name of the advice giver.

**Conclusion**

The documentary requirement under the IIBRs is detailed but not onerous. The IIBRs do not make selling IIA products more difficult, but formalise what should be 'best practice'.

**APPLICATION TO THE UK, INCLUDING NORTHERN IRELAND**

UK-based ACCA firms may apply for authorisation under the IIA. If a client is located in the Republic of Ireland (ROI) and you give IIA advice when physically in ROI, then IIA authorisation may be required.

Advice you give when physically located in ROI to a UK-located client will also require IIA authorisation. Depending on how the approach to the UK-located client was began, you may also need UK Financial Services and Markets Act 2000 authorisation. The territorial scope of the IIA and the FCA and the legal principles on providing services across international borders are complex. Members are advised to seek legal advice before doing such business.

**RENEWAL OF FIRMS' INVESTMENT BUSINESS CERTIFICATES (IRELAND)**

All firms' investment business certificates (Ireland) are valid only until 31 December in the year of issue and are renewable annually.

**FEES**

The authorisation fee for an investment business certificate (Ireland) in 2018 is £560 per firm.

# 5 Applying for an insolvency licence

**The Chartered Certified Accountants' Global Practising Regulations (GPRs) set out the eligibility criteria for obtaining an insolvency licence and detail the continuing obligations of insolvency licence holders.**

## **COLLABORATION WITH THE INSOLVENCY PRACTITIONERS ASSOCIATION (IPA)**

ACCA Insolvency Practitioners (IPs) are now subject to IPA's regulatory arrangements for licensing (save that initial eligibility for insolvency authorisation will be undertaken by ACCA), monitoring (including regulatory action under IPA arrangements) and complaints and discipline (including referral of ACCA IPs to IPA's disciplinary committee). Therefore, the regulation of ACCA IPs is, in substance, undertaken, on behalf of ACCA, by IPA, subject to appropriate oversight by ACCA. The collaboration enables ACCA to ensure it is able to meet its obligations as a Recognised Professional Body and to regulate its IPs in an efficient and cost-effective way.

Further information, including a welcome pack from IPA, is available on our website at

<http://www.accaglobal.com/gb/en/member/standards/monitoring-statutory-regulation/insolvency/important-notice-from-acca.html>

## **WHO REQUIRES AN ACCA INSOLVENCY LICENCE?**

Any person in the UK wishing to hold appointments regulated by the Insolvency Act 1986 (as amended) or Insolvency (Northern Ireland) Order 1989 (as amended) must first obtain an insolvency licence from a Recognised Professional Body (RPB) or competent authority (ie the Insolvency Service in Great Britain or the Department for the Economy in Northern Ireland).

The legislation does not extend to the Channel Islands and Isle of Man, and there is no comparable legislation in the Republic of Ireland. In these jurisdictions, members may hold wholly local insolvency appointments if they hold ACCA practising certificates. In other jurisdictions, members must similarly hold ACCA practising certificates in order to undertake wholly local insolvency appointments. In addition, members practising insolvency outside the UK must comply with any prevailing legislation governing insolvency appointments. Insolvency licences are not, as a general rule, issued to members outside the UK unless there are compelling reasons why UK insolvency appointments need to be held.

A UK member who engages exclusively in insolvency work may hold an ACCA insolvency licence on a 'stand-alone' basis, and need not also hold a practising certificate. However, a member who holds an insolvency licence issued by another RPB, or engages in activities other than insolvency and falling within ACCA's definition of public practice (outlined in section 1), will also need to hold an ACCA practising certificate.

In the UK, a member may also apply for an insolvency licence in a non-appointment-taking capacity, for example as an assistant to an appointment-taker. An applicant for a non-appointment-taking insolvency licence must satisfy the same eligibility criteria, detailed below, as an appointment-taker. However, such an applicant need not take out professional indemnity insurance in their own right or hold an enabling bond.

### GLOBAL PRACTISING REGULATIONS

The Chartered Certified Accountants' Global Practising Regulations 2003 (GPRs) are reproduced in the ACCA Rulebook, which can be found on ACCA's website at [www.accaglobal.com/rulebook](http://www.accaglobal.com/rulebook)

### ELIGIBILITY FOR AN INSOLVENCY LICENCE

To obtain an insolvency licence a member must have previously held one (or have previously held one issued by another RPB or the Secretary of State) or have the right to practise in the UK as an insolvency practitioner under the European Communities (Recognition of Professional Qualifications) Regulations 2007 (S.I.2007/2781)\* or, if it is an initial application, meet all the following requirements:

- i Have been a member of ACCA for at least two continuous years before the application date
- ii Have at least three years of practical experience in a firm of practising accountants or insolvency practitioners, under the supervision of a licensed insolvency practitioner, or in an Official Receiver's office, of which at least two years must have been obtained after admission to membership
- iii Have obtained at least 600 hours of insolvency experience (and at least 150 hours of such experience in each of three calendar years) in the three years immediately before the application date
- iv Have passed the examinations of the Joint Insolvency Examination Board (JIEB).

(\*Such applicants must still meet the ongoing experience requirement set out below.)

'Membership' is defined as the formal grant of the ACCA letters, not simply the completion of the ACCA examinations. Details of what 'relevant insolvency experience' means, including a list of the appointments in which a person may act as an assistant to an appointment-holder to gain the required hours of experience, are set out below.

Candidates may attempt the exam only if, by the date on which it is held, they have completed one year of ACCA membership. However, they need not have spent this year obtaining relevant insolvency experience. Since the exam is essentially practical, relevant experience is clearly a considerable advantage.

You can download more on the JIEB examination from ACCA's website at [www.accaglobal.com/insolvency](http://www.accaglobal.com/insolvency). The exam is generally held in early November and entry forms are usually available from June, with the closing date normally being in September.

The RPBs and competent authorities under the Insolvency Act 1986 and the Insolvency (Northern Ireland) Order 1989 share information regarding insolvency licence applications and renewals. Any matter disclosed to ACCA may, as appropriate, be disclosed to any other RPB or competent authority with an interest in the matter. In applying for or renewing a licence, a member must undertake to accept this disclosure provision.

### RELEVANT INSOLVENCY EXPERIENCE

You may gain the 600 hours of insolvency experience required for the issue of an insolvency licence as an assistant to an office holder in the following appointments:

- Company liquidator, including liquidator in a members' voluntary winding-up.
- Company administrator, receiver and administrative receiver.
- Supervisor of a composition or scheme for a company.
- Trustee in bankruptcy or interim receiver or interim or permanent trustee in sequestration.
- Trustee under a deed of arrangement or trust deed for creditors.
- Supervisor of a composition or scheme for individuals.
- Administrator under section 421 of the Insolvency Act 1986 of insolvent estates of deceased individuals.

You should carefully consider the nature of the insolvency experience you seek, and ACCA suggest you obtain it in the following activities:

#### Accounting

- Maintenance of accounting records for companies in liquidation including cash books, bank accounts and, where appropriate, nominal, sales and purchase ledgers.
- Preparation of statements of affairs, creditors' and debtors' schedules, valuation of stock, work-in-progress and finished goods.

#### Assets

- Verification of the existence of assets.
- Verification of the ownership of assets.

#### Payroll

- Agreement of outstanding claims with employees.
- Agreement of entitlement under employment legislation.
- Staff evaluation and payroll costs.
- Controlling the payroll.
- Creating new or adapting existing systems to record wage and salary payments.
- Deductions from gross pay.

#### Control of financial records

- Evaluating existing financial systems and recording methods.
- Assessing the adequacy of accounting systems as a basis for preparing accounts.
- Ascertaining and evaluating the system of control if reliance is to be placed upon it.
- Reviewing financial statements to see that they are consistent with other evidence obtained.

**Evaluating profitability**

- Evaluating the short- and long-term profitability and the potential for the business to be sold as a going concern.
- Preparing budgets and cash-flow projections.
- Product and market evaluation.

**Cash management**

- Investing of funds.
- Designing procedures for making payments.
- Cash flow.

**Sale of business and assets**

- Meeting with prospective purchasers.
- Preparing financial information.
- Liaising with agents to prepare sales brochure.
- Evaluating offers received.

**Taxation**

- Agreeing the taxation of a company with HM Revenue and Customs including:
  - corporation tax
  - income tax
  - capital gains tax
  - Value added tax
  - national insurance contributions.
- tax planning (in particular, regarding a members' voluntary winding-up).

**General**

- Agreeing all creditors' claims – secured, preferential and unsecured.
- Ensuring that all the relevant statutory requirements relating to insolvencies are observed including filing of forms, reports to creditors, bond requirements.
- Preparing reports for creditors, auditors, banks, etc.
- Convening and conducting creditors' meetings.
- Preparing and presenting evidence in court.

**ONGOING CONDITIONS FOR HOLDING AN INSOLVENCY LICENCE**

A member who has previously held an insolvency licence is eligible to resume holding a licence without having to re-sit the JIEB examination, subject to still being a fit and proper person and meeting the ongoing experience requirement.

**Fit and proper**

ACCA will issue insolvency licences only to applicants who are, and who continue to be, 'fit and proper' persons. Please refer to the Global Practising Regulations for the criteria used by the Admissions and Licensing Committee in deciding whether a person is fit and proper. The criteria are also summarised in section 1.

ACCA may also have regard to matters listed in Regulation 6 of the Insolvency Practitioners Regulations 2005 (Statutory Instrument 2005/524).

**Continuing professional development**

All insolvency licence holders must undertake CPD, in accordance with Membership Regulation 4(4). There are four alternative routes to obtaining satisfactory CPD. These are explained on ACCA's website at <http://www.accaglobal.com/gb/en/member/cpd/routes.html>

If you follow the unit route, you must undertake at least 40 units of relevant CPD each year, of which 21 units should be verifiable CPD. You should be able to demonstrate you have maintained competence in the specialised areas of your practice. For example, if you work in the personal insolvency field, you will need to ensure you maintain your knowledge across both statutory and non-statutory solutions.

If, as a result of holding a practising certificate, you do other types of work, you should divide your CPD between the various subject areas in which you work. This is to ensure you address any identified need and maintain competence in those areas.

For more on CPD, download the ACCA factsheet 'Continuing professional development (CPD) for practising members' from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

**Professional indemnity insurance**

An insolvency practitioner who is an appointment-taker must hold professional indemnity insurance (PII). If you employ full- or part-time staff you must hold fidelity guarantee insurance (FGI) for all partners, directors and employees. A member ceasing to practise must arrange the continued existence of PII and FGI for six years.

You are responsible for getting adequate cover, which may be bought from any reputable insurance company or underwriter. For more on PII, including details of the limit of indemnity, download ACCA's factsheet 'Professional indemnity insurance requirements' from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

**Insolvency practitioners' bonds and monthly cover schedules**

If you are an appointment-taker, you must obtain an 'enabling bond' (or, in Scotland, a caution), with at least £250,000 of cover, from a reputable insurer, and obtain specific bonds regarding the assets to come under your control for each insolvency appointment you take, which must be detailed on monthly cover schedules. You must submit the schedules to your enabling bond insurer by the 15th day of each month after that to which they relate and to IPA by the 20th day of each month. The schedules may be submitted to IPA at:

Insolvency Practitioners Association  
Valiant House  
4–10 Heneage Lane  
London  
EC3A 5DQ or by email to [bordereau@ipa.uk.com](mailto:bordereau@ipa.uk.com)

Details of the requirements are in the Insolvency Practitioners Regulations 2005; see Appendix 1 at the end of this section.

Appointment-takers must provide a copy or the original of their enabling bond before the licence can be issued. You can email a copy to [authorisation@accaglobal.com](mailto:authorisation@accaglobal.com)

### Continuity of practice

If you are an appointment-taker, you must enter into, and keep in force for all the period during which you hold a licence, a written agreement with another insolvency practitioner – the 'nominee'. For partners, this agreement may be made with another equivalent-level certificate holder in the practice. This provides for the nominee to be responsible for the individual's practice (or the particular areas of the practice covered by the agreement) in the event of death or incapacity.

Continuity can be assured by entering into a continuity agreement or, in the case of incorporated firms, by making provision for it in the memorandum and articles of association. The nominee must be based in the same country as you, and be authorised to carry on your work in the areas covered by the agreement (ie have the same types of authorisation). If you practice in more than one country, you must appoint separate nominees accordingly.

You must give the name and address of the person or firm responsible for continuity on the insolvency licence application form. A written agreement (or provision in the memorandum and articles of association) must be made, and this may be inspected by ACCA. For more on continuity of practice download the ACCA factsheet 'Continuity of practice requirements' from the website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Notification

ACCA provides a factsheet on notifiable events and the time requirements for notification (some changes must be notified 28 days in advance). Download it from ACCA's website at <http://www.accaglobal.com/uk/en/member/sectors/smp/practising-info/practice-information-handbook.html>

### Ongoing experience requirement

To renew your insolvency licence, you must continue to meet, as an appointment-taker, joint appointment-taker or as an assistant to an appointment-taker, an ongoing experience requirement, and obtain the relevant number of hours of insolvency experience namely:

- 600 hours' experience gained over a period of more than three but less than or equal to five years immediately before your renewal application, of which you must have gained at least 150 hours in each of three calendar years within that period, or
- 750 hours' experience gained over a period of more than five but less than or equal to eight years immediately before your renewal application, of which you must have gained at least 100 hours in each of four calendar years within that period, or
- 900 hours' experience gained over a period of more than eight years immediately before your renewal application, of which you must have gained at least 75 hours in each of six calendar years within that period.

If you fail to meet the relevant insolvency experience requirement for any one calendar year, you are still eligible for an insolvency licence if you can demonstrate that you have undertaken an adequate programme of additional continuing professional development during that year.

### Conduct

You must comply with ACCA's Code of Ethics and Conduct. In addition, you should refer to the specific guidance on insolvency practice and other sections about the proper conduct of public practice, integrity and independence as well as the insolvency legislation and Statements of Insolvency Practice (SIPs). You can download the SIPs from ACCA's website at <http://www.accaglobal.com/gb/en/member/standards/monitoring-statutory-regulation/insolvency/sips.html>. SIPs are also available in ACCA's Insolvency Handbook, which is circulated automatically to all ACCA insolvency licence holders every year. The handbook also includes the Insolvency Code of Ethics and Insolvency Guidance papers. You can order more copies of the handbook from ACCA Connect (tel: +44 (0)141 582 2000).

### Monitoring

ACCA Insolvency Practitioners (IPs) are now subject to IPA's regulatory arrangements for monitoring (including regulatory action under IPA arrangements) and complaints and discipline (including referral of ACCA IPs to IPA's disciplinary committee).

Further information about IPA's monitoring and regulation framework is included in the IPA welcome pack which is available on our website at <http://www.accaglobal.com/gb/en/member/standards/monitoring-statutory-regulation/insolvency/important-notice-from-acca.html>

## OTHER USEFUL INFORMATION

### Renewal of insolvency licences

All insolvency licences are annually renewable and are valid only until 31 December in the year of issue. Renewal notifications for insolvency licences are usually sent in October of each year.

### Spare-time licences

ACCA regards you as being in spare-time insolvency practice if you hold an insolvency licence while employed in industry, commerce or public service or while employed (as opposed to being a partner, director or principal) in a practice. The application form will ask you whether the licence is for spare-time insolvency practice. However, the experience requirements for obtaining spare-time insolvency licences, and the ongoing conditions, are the same as for full-time licences.

ACCA holds on file details of a member's residential and business addresses and that of the spare-time insolvency practice if it is a third address. When reporting changes in business details or addresses, you must make clear which address is to be amended.

### Insolvency levies

All ACCA insolvency licence holders must pay annual levies to the Insolvency Service and the Department for the Economy in Northern Ireland to meet the costs of their regulatory functions. There is also an annual levy to fund the operation of the Insolvency Complaints Gateway by the Insolvency Service. Invoices are usually sent out in April each year by ACCA and are payable regardless of whether or not you take or hold appointments.

**Technical advice**

Technical insolvency queries should be directed to the IPA rather than ACCA's Technical Advisory team. The contact details for the team at IPA are:

Email: [membership@ipa.uk.com](mailto:membership@ipa.uk.com)

Telephone: 020 7623 5108

**INSOLVENCY LICENCE FEES – 2018**

Insolvency licence – non-appointment-taker £470

Insolvency licence – appointment-taker £2,350.

## APPENDIX 1 – APPLYING FOR AN INSOLVENCY LICENCE

There follows an extract from The Insolvency Practitioners Regulations 2005.

### The Requirements for Security and Caution for the Proper Performance of the Functions of an Insolvency Practitioner etc.

- 12(1) Schedule 2 shall have effect in respect of the requirements prescribed for the purposes of section 390(3)(b) in relation to security or caution for the proper performance of the functions of an insolvency practitioner and for related matters.
- (2) Where two or more persons are appointed jointly to act as insolvency practitioners in relation to any person, the provisions of this regulation shall apply to each of them individually.

### Schedule 2 Requirements for Security or Caution and Related Matters

#### Part 2 – Requirements relating to security and caution

##### Requirements in respect of security or caution

- 2 The requirements in respect of security or caution for the proper performance of the duties of insolvency practitioners prescribed for the purposes of section 390(3) (b) shall be as set out in this Part.

##### Requirement for Bonding – Terms of the Bond

- 3(1) Where an insolvency practitioner is appointed to act in respect of an insolvent there shall be in force a bond in a form approved by the Secretary of State which:

- a contains provision whereby a surety or cautioner undertakes to be jointly and severally liable for losses in relation to the insolvent caused by:
  - i the fraud or dishonesty of the insolvency practitioner whether acting alone or in collusion with one or more persons; or
  - ii the fraud or dishonesty of any person committed with the connivance of the insolvency practitioner and
- b otherwise conforms to the requirements of this Part.

- (2) The terms of the bond shall provide:

- a for the payment, in respect of each case where the insolvency practitioner acts, of claims in respect of liabilities for losses of the kind mentioned in sub-paragraph (1) up to an aggregate maximum sum in respect of that case ('the specific penalty sum') calculated in accordance with the provisions of this Schedule;
- b in the event that any amounts payable under (a) are insufficient to meet all claims arising out of any case, for a further sum of £250,000 ('the general penalty sum') out of which any such claims are to be met;

- c for a schedule containing the name of the insolvent and the value of the insolvent's assets to be submitted to the surety or cautioner within such period as may be specified in the bond;
- d that where at any time before the insolvency practitioner obtains his release or discharge in respect of his acting in relation to an insolvent, he forms the opinion that the value of that insolvent's assets is greater than the current specific penalty sum, a revised specific penalty sum shall be applicable on the submission within such time as may be specified in the bond of a cover schedule containing a revised value of the insolvent's assets;
- e for the payment of losses of the kind mentioned in sub-paragraph (1), whether they arise during the period in which the insolvency practitioner holds office in the capacity in which he was initially appointed or a subsequent period where he holds office in a subsequent capacity;

- (3) The terms of the bond may provide:

- a that total claims in respect of the acts of the insolvency practitioner under all bonds relating to him are to be limited to a maximum aggregate sum (which shall not be less than £25,000,000); and
- b for a time limit within which claims must be made.

- 4 Subject to paragraphs 5, 6 and 7, the amount of the specific penalty in respect of a case in which the insolvency practitioner acts, shall equal at least the value of the insolvent's assets as estimated by the insolvency practitioner as at the date of his appointment but ignoring the value of any assets:

- a charged to a third party to the extent of any amount which would be payable to that third party; or
- b held on trust by the insolvent to the extent that any beneficial interest in those assets does not belong to the insolvent.

- 5 In a case where an insolvency practitioner acts as a nominee or supervisor of a voluntary arrangement under Part I or Part VIII of the Act, the amount of the specific penalty shall be equal to at least the value of those assets subject to the terms of the arrangement (whether or not those assets are in his possession) including, where under the terms of the arrangement the debtor or a third party is to make payments, the aggregate of any payments to be made.

- 6 Where the value of the insolvent's assets is less than £5,000, the specific penalty sum shall be £5,000.

- 7 Where the value of the insolvent's assets is more than £5,000,000 the specific penalty sum shall be £5,000,000.

- 8 In estimating the value of an insolvent's assets, unless he has reason to doubt their accuracy, the insolvency practitioner may rely upon:

- a any statement of affairs produced in relation to that insolvent pursuant to any provision of the Act; and

- b in the case of a sequestration:
  - i the debtor's list of assets and liabilities under section 19 of the Bankruptcy (Scotland) Act 1985;
  - ii the preliminary statement under that Act; or
  - iii the final statement of the debtor's affairs by the interim trustee under section 23 of the Bankruptcy (Scotland) Act 1985.

### **Part 3 – Records relating to bonding and connected matters**

#### **Record of specific penalty sums to be maintained by insolvency practitioner**

- 9(1) An insolvency practitioner shall maintain a record of all specific penalty sums that are applicable in relation to any case where he is acting and such record shall contain the name of each person to whom the specific penalty sum relates and the amount of each penalty sum that is in force.
- (2) Any record maintained by an insolvency practitioner pursuant to this paragraph shall, on the giving of reasonable notice, be made available for inspection by:
- a any professional body recognised under section 391 of the Act of which he is or was a member and the rules of membership of which entitle or entitled him to act as an insolvency practitioner;
  - b any competent authority by whom the insolvency practitioner is or was authorised to act pursuant to section 393 of the Act; and
  - c the Secretary of State.

#### **Retention of bond by recognised professional body or competent authority**

- 10 The bond referred to in paragraph 3 shall be sent by the insolvency practitioner to:
- a any professional body recognised under section 391 of the Act of which he is a member and the rules of membership of which entitle him to act as an insolvency practitioner; or
  - b any competent authority by whom the insolvency practitioner is authorised to act pursuant to section 393 of the Act.

#### **Inspection and retention requirements relating to cover schedule – England and Wales**

- 11(1) This regulation applies to an insolvency practitioner appointed in insolvency proceedings under the Act to act:
- a in relation to a company which the courts in England and Wales have jurisdiction to wind up; or
  - b in respect of an individual.
- (2) The insolvency practitioner shall retain a copy of the cover schedule submitted by him in respect of his acting in relation to the company or, as the case may be, individual until the second anniversary of the date on which he is granted his release or discharge in relation to that company or, as the case may be, that individual.

- (3) The copy of a schedule kept by an insolvency practitioner in pursuance of sub-paragraph (2) shall be produced by him on demand for inspection by:
- a any creditor of the person to whom the schedule relates;
  - b where the schedule relates to an insolvent who is an individual, that individual;
  - c where the schedule relates to an insolvent which is a company, any contributory or director or other officer of the company; and
  - d the Secretary of State.

#### **Inspection and retention requirements relating to the cover schedule – Scotland**

- 12(1) Where an insolvency practitioner is appointed to act in relation to a company which the courts in Scotland have jurisdiction to wind up, he shall retain in the sederunt book kept under rule 7.33 of the Insolvency (Scotland) Rules 1986, the principal copy of any cover schedule containing entries in relation to his so acting.
- (2) Where an insolvency practitioner is appointed to act as interim trustee or permanent trustee or as a trustee under a trust deed for creditors, he shall retain in the sederunt book kept for those proceedings, the principal copy of any cover schedule containing entries in relation to his so acting.

#### **Requirements to submit cover schedule to authorising body**

- 13(1) Every insolvency practitioner shall submit to his authorising body not later than 20 days after the end of each month during which he holds office in a case:
- a the information submitted to a surety or cautioner in any cover schedule related to that month;
  - b where no cover schedule is submitted in relation to the month, a statement either that there are no relevant particulars to be supplied or, as the case may be, that it is not practicable to supply particulars in relation to any appointments taken in that month; and
  - c a statement identifying any case in respect of which he has been granted his release or discharge.
- (2) In this regulation 'authorising body' means in relation to an insolvency practitioner:
- a any professional body recognised under section 391 of the Act of which he is a member and the rules of membership of which entitle him to act as an insolvency practitioner; or
  - b any competent authority by whom he is authorised to act as an insolvency practitioner pursuant to section 393 of the Act.

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