

Do I need a practising certificate?



This factsheet outlines the requirements for holding an ACCA practising certificate. It also examines common areas of work where a practising certificate is required. This factsheet does not address all possible circumstances and members should contact ACCA if they are at all unsure about their situation.

This document has no regulatory status. It is issued for guidance purposes only. Nothing contained in this document should be taken as constituting the amendment or adaptation of the *ACCA Rulebook*. In the event of any conflict between the content of this document and the content of the *ACCA Rulebook*, the latter shall at all times take precedence.

THE REQUIREMENTS

ACCA's Global Practising Regulations (GPRs) require any member working as a principal of a firm which undertakes work which falls within ACCA's definition of public practice to hold an ACCA practising certificate. A practising certificate is not required if a member undertakes public practice work as an employee, supervised by one or more principals.

ACCA previously allowed members holding recognised national certificates to opt-out of also holding ACCA practising certificates but this facility is no longer available.

MEANING OF PUBLIC PRACTICE

ACCA's definition of public practice has, in substance, been the same since it was introduced in the early 1980s and has always extended beyond audit to cover all situations where a member is signing or simply producing any report, certificate or return which may be relied upon by a third party. The definition has been subject to clarifying amendments over the years but it has not changed in substance.

The definition of public practice in the GPRs is reproduced below.

4 Meaning of public practice

(1) Activities

Subject to regulation 4(3), public practice, which may be carried on by an individual or a firm (the "practitioner"), means:

- (a) accepting an appointment as an auditor; and/or
- (b) 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
- (c) holding oneself or itself out, or allowing oneself or itself to be held out, as being available to undertake the activities referred to in (a) and (b) 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
- (d) 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.

Book-keeping services, as defined in paragraphs 8(2)(a)(i) to 8(2)(a)(iii) of the Membership Regulations 1996, do not constitute public practice.

(2) Where carried on

Public practice shall be taken to be carried on in the country whose laws apply to the activity carried on by the practitioner, or where the said laws are unclear, in the country in which the practitioner is resident.

(3) Honorary reports

The activities set out in regulation 4(1)(b) shall not constitute public practice where all of the following conditions are satisfied:

- (a) the accounts are of an entity which does not require the appointment of an auditor; and
- (b) no fee is payable or other material benefit receivable in respect of the work performed; and
- (c) the gross income of the entity for the year prior to the year in question does not exceed £100,000; and
- (d) 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 4(3) in the calendar year in question does not exceed £200,000; and
- (e) any third parties are made aware that the activity has been carried out by an Honorary Reporting Accountant; and
- (f) 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.

It is quite clear from the definition of public practice that accepting an appointment as auditor, or producing accounts that a third party relies on, is public practice. Similarly, preparing personal and/or corporate tax returns is public practice work, even where the client submits them directly to the tax authorities. In undertaking such work, a member will need to hold an ACCA practising certificate.

Problems can arise where members undertake work that falls on the fringes of the definition of public practice. An example would be the preparation of management accounts. Where the management accounts are used solely by clients for internal purposes, such work falls outside the definition. However, where the management accounts are passed to a third party, most commonly a bank, this is public practice work, regardless of whether the third party is aware of the member's involvement. Where the information is to be used in such a way, a member will need to hold a practising certificate.

A practising certificate is not required, however, if a member undertakes such work as an employee of the organisation for which the accounts are being prepared. Neither is the member in public practice if the only work he or she undertakes is as an adequately supervised employee of a practising firm.

HONORARY WORK EXEMPTION

It is, of course, not uncommon for members to be asked to help out friends, family or local charities by preparing accounts etc. Members are free, therefore, to help out in this way providing all of the conditions for what constitutes 'honorary' work are met. It is, nevertheless, important to bear in mind that the honorary work exemption exists purely to allow members to use their skills to make a contribution to their local communities or to assist family, friends and local charities as a favour. It should not be viewed as an entry route into public practice. To that end, it is not appropriate to produce business stationery in connection with such work which purports to be that of a practising firm.

COMMON ISSUES

Members need to assess carefully whether their work falls within the definition of public practice. In some cases members may wish to hold practising certificates as a 'protective' measure. Others may wish to do so despite the fact that the work they undertake falls outside the definition of public practice because they wish to describe themselves (or their firms) as 'Chartered Certified Accountants' or use a similar description.

Issue	Comments
Does a member need a practising certificate where he or she does not undertake regulated work, for example audits?	Public practice includes unregulated work involving the production of any accounts or reports or certificates or tax returns that a third party relies on.
Does a member need a practising certificate where clients take responsibility for their tax returns that the member has prepared?	Preparing personal and/or corporate tax returns is public practice work, even where the client submits them directly to the tax authorities.
<p>Problems can also arise where a member undertakes work that falls on the fringes of the definition of public practice. Examples include:</p> <ul style="list-style-type: none"> • the preparation of management accounts • providing mortgage/loan references to lenders, or credit references to landlords/suppliers. 	<p>The preparation of management accounts falls outside the definition of public practice where they are used solely by clients for internal purposes. However, where the management accounts are passed to a third party, most commonly a bank, this is public practice work regardless of whether the third party is aware of the member's involvement.</p> <p>Most forms of communication with third parties, such as banks and other lenders, landlords, suppliers etc on behalf of clients would come within the definition of public practice.</p> <p>By way of example, providing a mortgage reference (eg confirmation of the applicant's income) falls within the definition of public practice work. Where a member simply confirms the identity of the applicant who is self-certifying his/her income to a lender, this falls outside the definition of public practice, because confirming their identity does not, in itself, concern the financial affairs of the applicant.</p>
A member undertaking tasks outside of the definition of public practice, such as basic book-keeping services (which is the preparation of accounting records to trial balance stage, VAT, PAYE and payroll services), does not require a practising certificate but the member needs to be mindful that he or she does not contravene the 'holding out' provision (described opposite).	A member should not give the impression to clients or third parties that he or she is able to carry on activities for which a practising certificate is required. Members should not describe themselves or their firms as 'Chartered Certified Accountants' (or similar) and nor should their business stationery reasonably be understood to be that of practising Chartered Certified Accountants. This includes using terms such as 'accounting', 'accountancy', 'tax services' or any other such descriptions.
A member must hold a practising certificate where he or she is noted as a principal (eg a partner, director or similar) in a firm which carries on public practice, even if they do not actually undertake work which would fall within the definition of public practice. Not to do so would mean that the member was in breach of the 'holding out' provision.	By way of example, a member may be the partner responsible for the payroll bureau of an accountancy practice. The work that the member undertakes will usually fall outside the definition of public practice, but as the member is a partner, he or she will require a practising certificate.

FURTHER INFORMATION

It is in members' interests to familiarise themselves with the GPRs to ensure that they comply with them. The GPRs are contained in the *ACCA Rulebook* which can be viewed at www.accaglobal.com/members/professional_standards/rules_standards

Application forms and further information on ACCA's practising certificates can be viewed on the website at www.accaglobal.com/members/professional_standards/prac_info

Additionally, If you wish to clarify your specific situation, please contact:

Professional Standards
2 Central Quay
89 Hydepark Street
Glasgow G3 8BW
United Kingdom
tel: +44 (0)141 534 4175
fax: +44 (0)141 534 4237
email: members@accaglobal.com