

NETWORKING GUIDELINES AND MULTI – DISCIPLINARY FIRMS, PRACTICAL CHALLENGES AND SOLUTIONS

FOR NAVI MUMBAI BRANCH OF WIRC

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EMERGING LANDSCAPE

EMERGING LANDSCAPE

TECHNOLOGY



Automations
(Robotics/AI/RPA)



Faceless Assessments
& Litigations



Remote Working
and Offerings



Tax Technology

EMERGING LANDSCAPE (Continued)

CONSOLIDATION OF ECONOMY



More Organised
Business



Information
Freely Available



Emergence Of
Bigger Co's



Subscription
Economy

EMERGING LANDSCAPE (Continued)

HIGH DEGREE OF SPECIALISATION



Qualified Staff



Tech Savvy Offerings



Industry & Domain Expertise



Focus On Value Propositions



Master In Litigations



Advancement In Assurances

EMERGING LANDSCAPE (Continued)

STATUTORY CHALLENGES



Dynamic Laws



Reducing Scope
(Bank/IT/GST Audits)



Code Of Ethics
Compliance



High Scrutiny Of All
Regulators



THE GUIDELINES FOR NETWORKING OF INDIAN CA FIRMS, 2021

NETWORKING OF FIRMS

It is important to enable Indian CA firms to come together and grow stronger so that they can serve the need of the country. The Indian CA firms have to be given opportunity for pooling resources, expertise and build a Pan India presence.

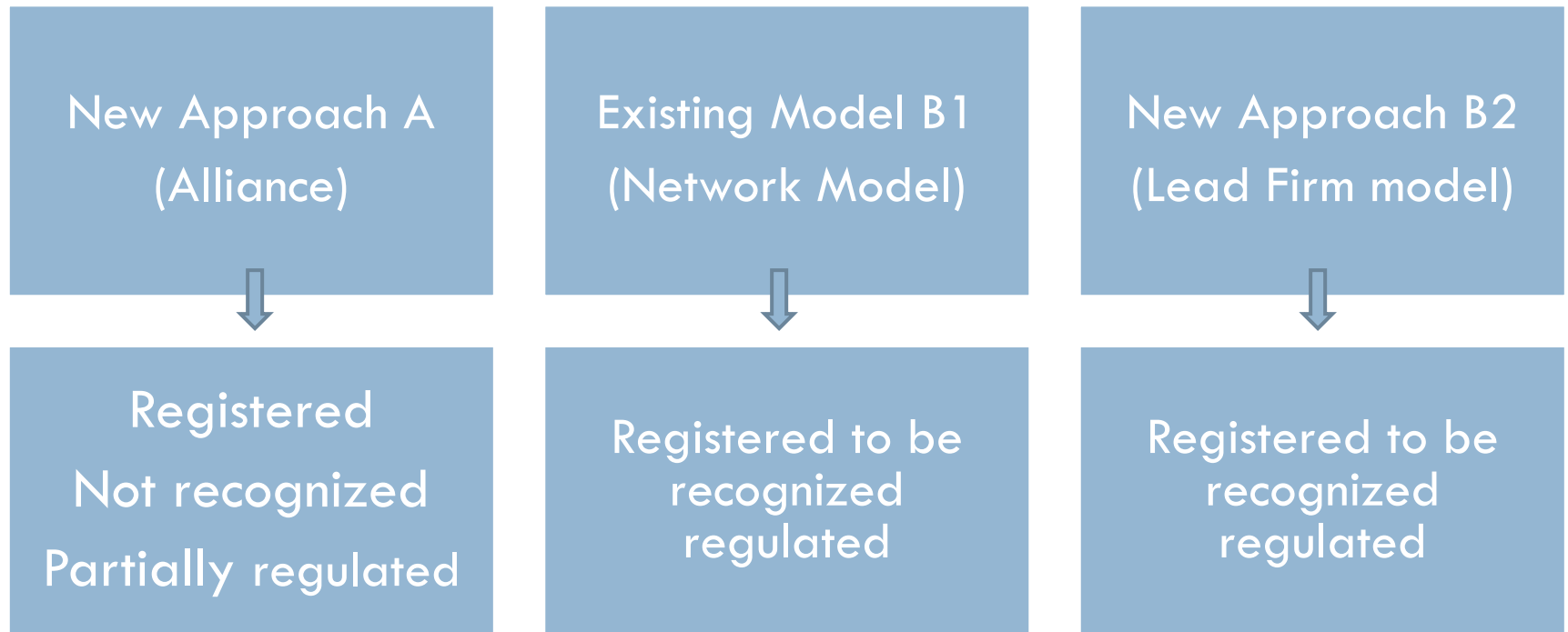
These guidelines may be called **“The Guidelines for Networking”**

The Networking Guidelines have come into force on the **9th February, 2021.**

Three models of Networking

- Alliance Model
- Network Model
- Lead Firm Model

MODELS OF NETWORKING OF FIRMS



MODELS OF NETWORKING OF FIRMS (Continued)

Particulars	Approach A Alliance Model	Approach B1 Network Model	Approach B2 Lead Firm Model
Meanings	Different firms coming together to form an Alliance with a new name of Alliance and continuing to practice independently and can showcase as an Alliance to the world.	Network of firms in existing model by practising in individual firm name.	Network of firms with a Lead firm acting on behalf of constituent firms of Network.
Registration	Alliance will be registered with ICAI. ICAI will allot unique Alliance Registration Number (ARN).	Network will be registered with ICAI. ICAI will allot unique Network Registration Number (NRN).	Network will be registered with ICAI. ICAI will allot unique Network Registration Number (NRN).

MODELS OF NETWORKING OF FIRMS (Continued)

Particulars	Approach A Alliance Model	Approach B1 Network Model	Approach B2 Lead Firm Model
Empanelment	<p>All firms in Alliance can apply for empanelment separately as individual firms. Their coming together is basically for non audit services.</p> <p><u>For audit practice, they all remain as independent Practitioners</u></p>	<p>All firms belonging to Network can apply for empanelment, separately as individual firms.</p> <p>ICAI will put in efforts to secure recognition of the combined strength and resources.</p>	<p>Lead firm is entitled to apply for empanelment in its own name, but by way of internal agreement, it will be on behalf of entire Network. When Lead firm applies for empanelment, other constituent firms cannot apply.</p> <p>ICAI will put in efforts to secure recognition of the combined strength and Resources</p>

MODELS OF NETWORKING OF FIRMS (Continued)

Particulars	Approach A Alliance Model	Approach B1 Network Model	Approach B2 Lead Firm Model
Characteristics	Firms come together for mutual benefits Individual firms take up professional work on their own since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted.	Firms come together for mutual benefits by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit Quality control is well documented and complied with, which is applicable to network as well as to individual constituent firms.	Firms come together for mutual benefits by pooling resources, showcase their combined strength, and have uniform policies, technology and collaterals, and showcase themselves as one big unit Quality control is well documented and complied with, which is applicable to network as well as to individual constituent firms.

MODELS OF NETWORKING OF FIRMS (Continued)

Particulars	Approach A Alliance Model	Approach B1 Network Model	Approach B2 Lead Firm Model
Characteristics	They should have own bye laws, the provisions of which should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines.	Individual firms take up professional work on their own, and a partner of said firm can sign the reports and Documents Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted. Bye-laws / agreement is entered by all firms, the provisions of which should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines	Individual firms take up professional work on their own, and a partner of said firm can sign the reports and Documents Since all constituents are Indian CA firms, referral of work and sharing of fees/ profits is permitted. Bye-laws / agreement is entered by all firms, the provisions of which should not run contrary to CA Act, CA Regulations, ICAI Code of Ethics and Council Guidelines

MODELS OF NETWORKING OF FIRMS (Continued)

Particulars	Approach A Alliance Model	Approach B1 Network Model	Approach B2 Lead Firm Model
Exit / Closure	<p>Much more easier to quit the arrangement If one or more firms quit the Alliance, it will not deprive the remaining firms from doing the work they have already secured by virtue of Alliance.</p>	<p>Easy to quit the arrangement</p> <p>if one or more firms quit the Network, it will not deprive the remaining firms from doing the work they have already secured by virtue of Network.</p>	<p>Easy to quit the arrangement</p> <p>If one or more firms quit the Network, it will not deprive the remaining firms from doing the work they have already secured by virtue of Network. <u>If Lead firm quits the network, after having secured professional work, then it will have to share the fees with other constituent firms. A clause to this effect can be incorporated in the internal Agreement.</u></p>

MODELS OF NETWORKING OF FIRMS (Continued)

Particulars	Approach A Alliance Model	Approach B1 Network Model	Approach B2 Lead Firm Model
Empanelment	<p>While submitting a bid, individual member firms belonging to the Alliance may be assessed in terms of their own strength. All firms belonging to Alliance can apply for empanelment <u>separately as individual firms.</u></p>	<p>All firms belonging to Network can apply for empanelment <u>separately as individual firms.</u></p>	<p>By way of an internal agreement amongst the firms, one of the firms will be chosen as the Lead firm.</p> <p><u>Only the Lead firm can apply for empanelment and not the other member-firms.</u></p> <p>While submitting a bid, the lead firm belonging to the Network may get credit points for the combined resources of the whole of the Network firms.</p>

MODELS OF NETWORKING OF FIRMS (Continued)

Particulars	Approach A Alliance Model	Approach B1 Network Model	Approach B2 Lead Firm Model
Concurrent Audit	If one firm in the Alliance is performing Central Statutory audit of an entity, another firm in the same Alliance cannot be allowed to perform internal/ concurrent/ branch audit of the same entity. <u>However, both the Firms be allowed simultaneously to perform branch audits or concurrent audits of different branches if no firm in the Alliance is central statutory auditor.</u>	If one firm in the Network is performing Central Statutory audit of an entity, another firm in the same Network cannot be allowed to perform internal/ concurrent/ branch audit of the same entity. However, both the Firms be allowed simultaneously to perform branch audits or concurrent audits of different branches if no firm in the Network is central statutory auditor.	If one firm in the Network is performing Central Statutory audit of an entity, another firm in the same Network cannot be allowed to perform internal/ concurrent/ branch audit of the same entity. However, both the Firms be allowed simultaneously to perform branch audits or concurrent audits of different branches if no firm in the Network is central statutory auditor.

NETWORKING GUIDELINES

1. Approval of name of Network amongst entities

- I. The Network shall have a distinct name. When four firms viz. A & Co., B & Co., C & Co. and D & Co. come together to form a Network, they will name their Network as “ABCD”. In case they wish to use suffix, they will use the suffix “& Affiliates” or “Network” to their common name to make it “ABCD & Affiliates” or “ABCD Network”. The name should be approved by the ICAI.
- II. For alliance – A B & Alliance.
- III. Following naming provisions as are applicable for approval of firm/ trade name under Regulation 190(2)(ii) will be applicable for approval of Network name:
 - ✓ Name approval will be subject to availability of proposed name.
 - ✓ Name of Network should resemble name of member-firms or a combination of their acronym.
 - ✓ Network should not bear the name of god/ goddess/ deity or which has no relationship with name of member-firms
 - ✓ Descriptive name will not be allowed
 - ✓ Names which smack of publicity will not be allowed

NETWORKING GUIDELINES (Continued)

- III. In all professional stationery, the member-firms can mention that they are member-firms of so & so Network. The Network can also mention in its professional stationery that so & so firms are part of its Network

Form 'A'	
APPLICATION FOR APPROVAL OF NAME OF NETWORK OF FIRMS	
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA	
[See the relevant Rule of The Guidelines for Networking amongst the firms registered with The Institute of Chartered Accountants of India]	
1.	Proposed name of Network (in order of preference)
1.	_____
2.	_____
3.	_____
4.	_____
2.	Names of the firms(s) forming network
	Firm Regn. No.
1.	_____
2.	_____
3.	_____
4.	_____
3.	Address of the Office of the Network

	Pin _____
	E-mail (if any) _____
	Phone/ Mobile Nos. _____
4.	We hereby declare that the above firm(s)/ Member(s) proposed/ have entered into an understanding to form a network in accordance with the Guidelines for Networking amongst the firms registered with The Institute of Chartered Accountants of India and further affirm and confirm that the partners signing the application have been duly authorised by the other partners of the respective firms.
Place :
Name(s) with Membership No(s). and signature(s) of duly authorized Partner(s)/	
Date :
Proprietor(s) of the firms constituting Network	
Instruction: A copy of the authorisation to be filed with the ICAI by the partners signing the declaration on behalf of the firms.	

NETWORKING GUIDELINES (Continued)

2. Registration of a Network

- I. After the name of a Network is approved as per the provisions under para 5 of the Guidelines, the ICAI shall reserve such name for a period of three (3) months from the date of approval.
- II. A Network shall come into existence only if it is registered with the ICAI and for which an application in the prescribed form shall be duly filed. Every agreement, bye-law, MOUs, by whatever name called, must be filed with ICAI, without which registration will not be given. The ICAI shall register or reject the application within 30 days of filing the application or submission of information as desired by the ICAI
- III. In order to use the name of a Network within the meaning of the Network Guidelines, its registration with the ICAI is mandatory. A Network Registration Number (NRN) and a certificate of registration to this effect will be issued by the ICAI

NETWORKING GUIDELINES (Continued)

- IV. Unregistered Networks, if any, are not permitted to derive undue advantage over registered networks. However, all restrictions imposed by Network Guidelines on registered Networks will be applicable to them.

Hence, they are advised not to operate unless registered with ICAI

Form 'B'

APPLICATION FOR REGISTRATION OF NETWORK OF FIRMS
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[See relevant Rule of The Guidelines for Networking amongst the firms registered with The Institute of Chartered Accountants of India]

PARTICULARS OF NETWORK

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms constituting the Network

Names and addresses of Firm(s)	Firm Registration No.
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
4. Date and approval number of network name given by the ICAI
5. Date of formation of Network
6. We undertake to comply with the guidelines/ directions laid down by the Council regarding Network from time to time.
7. We hereby confirm that all the Network firms have entered into an understanding to work as a network in accordance with the Guidelines for Networking amongst the firms registered with the Institute of Chartered Accountants of India and further affirm and confirm that the partners signing the application have been duly authorized by the other partners of the respective firms.

Place : Name(s) with membership No(s).
and signature(s) of duly authorised
Date: Partner(s)/Proprietor(s) of the
Firms constituting Network

Instruction: Copy of agreement, bye-law, MOUs, by whatever name called, must be filed with ICAI, without which registration will not be given.

NETWORKING GUIDELINES (Continued)

3. Change in constitution of a Registered Network

- I. In case of change in the constitution of a registered Network on account of any entry into or exit from or a discontinuation of the Network, the Network shall communicate the same to the ICAI by filing a prescribed form within a period of thirty (30) days from the date of such change and a revised certificate of registration will be issued by the ICAI in this regard. In case, an intimation is received at ICAI beyond 30 days, then the change in constitution or discontinuation, as the case may be, will be reckoned from the date of receipt of intimation at ICAI.
- II. The Network will cease to exist, in case only one entity remains in Network on account of change in constitution of Network

NETWORKING GUIDELINES (Continued)

Form 'C'

**DECLARATION FOR CHANGE IN CONSTITUTION OF REGISTERED NETWORK
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

[See relevant Rule of The Guidelines for Networking amongst the firms
registered with The Institute of Chartered Accountants of India]

1. **Name of the Network:**
2. **Address of the Network:**
3. **Network Registration Number (NRN):**
4. **Names and addresses of firms constituting the Network**

Names and addresses of Firm(s)	Firm Registration No.
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. **Name and address of the firm(s) willing to enter/ exit into/ from the Network**

Name and address of Firm(s)	Firm Registration No.
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
6. **Date of change in the constitution:**
7. **We hereby declare that the above firm(s) propose to enter/exit into/from the network in accordance with the Guidelines for Networking amongst the firms registered with the Institute of Chartered Accountants of India and further affirm and the confirm that the partners signing the application have been duly authorized by the other partners of the respective firms.**

Place :

Name(s) with Membership No(s).
and signature(s) of duly authorized
Partner(s)/Proprietor(s) of the firms

Date :

**Instruction: A copy of the authorisation to be filed with the ICAI by the partners
signing the declaration on behalf of the firms.**

NETWORKING GUIDELINES (Continued)

4. Ethical Compliance

- I. Once a Network is registered with the ICAI, it will be necessary for such a Network and its constituent entities to comply with the Code of Ethics prescribed by ICAI and relevant Council Guidelines
- II. If one firm of the network is the statutory auditor of an entity then the associate [including the networked firm(s)] or the said firm directly/ indirectly **shall not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm. If one firm does audit work, another firm in the Network cannot perform non-audit services of same client.**
- III. In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of a Network can accept appointment as an auditor in place of any member firm of the Network which is retiring
- IV. A Network may advertise the Network to the extent permitted by the Advertisement Guidelines issued by the ICAI. The firms constituting the Network are permitted to use the words “A Member Firm of A B” or “A Member Firm of A B & Affiliates” or “A Member Firm of A B Network” on their professional stationery. The Council will make appropriate changes to this effect in Code of Ethics

NETWORKING GUIDELINES (Continued)

5. Framework of internal byelaws of a Network

A Networking arrangement, may include the following :

- ✓ Appointment of a Managing Committee, from among the managing partners of the member firms of the Network and the terms and conditions under which it should function. The minimum and maximum number of members of the Managing Committee shall also be agreed upon.
- ✓ Administration of the Network
- ✓ Contribution of membership fees to meet the cost of the administration of the Network.
- ✓ Identifying a partner of any of the member firms of the Network to be responsible for the administration of the Network
- ✓ Dispute settlement procedures through arbitration and conciliation and assumption of liabilities
- ✓ Development of training materials for members of the Network
- ✓ Development and maintenance of data bases relevant for different types of assignments
- ✓ Library
- ✓ Appointment of a technical director to whom references can be made
- ✓ Development of software and tools for the use of member firms
- ✓ Resource sharing arrangements

NETWORKING GUIDELINES (Continued)

6. Consent of Clients

The effect of registration of a Network with the ICAI will be deemed to be a public notice of the Network and, therefore, consent of client will be deemed to have been obtained.



GUIDELINES FOR FORMATION OF MULTI-DISCIPLINARY PARTNERSHIP (MDP) AS PER THE CHARTERED ACCOUNTANTS ACT, 1949

MULTI – DISCIPLINARY PARTNERSHIP FIRM (MDP)



In a multidisciplinary partnership, Chartered Accountants will share fees or enter into partnerships with professionals from different disciplines

There are two permissible modes for formation of MDP

- Partnership as per the Indian Partnership Act, 1932.
- Limited Liability partnership as per the Limited Liability Partnership Act, 2008.

MULTI – DISCIPLINARY PARTNERSHIP FIRM (MDP)

For the purposes of entering into partnership a person shall be a member of any of the following professional bodies, namely:-

- **Company Secretary**, member, The Institute of Company Secretaries of India , established under the Company Secretaries Act, 1980;
- **Cost Accountant**, member, The Institute of Cost and Works Accountants of India established under the Cost and Works Accountants Act, 1959;
- **Advocate**, member, Bar Council of India established under the Advocates Act, 1961;
- **Engineer**, member, The Institution of Engineers, or Engineering from a University established by law or an institution recognized by law;
- **Architect**, member, The Indian Institute of Architects established under the Architects Act, 1972;
- **Actuary**, member, The Institute of Actuaries of India, established under the Actuaries Act, 2006

MDP GUIDELINES

1. Forms of Constitution

MDP CAs in practice can be constituted as a partnership firm as per the Indian Partnership Act, 1932 or as a limited liability partnership firm as per the Limited Liability Partnership Act, 2008.

MDP GUIDELINES (Continued)

2. Registration with the Institute

I. Registration of MDP CAs in Practice with the Institute is mandatory

II. Application Form:

MDP CAs in Practice, if it is a new firm to be constituted, then for the approval of its trade name or firm name shall apply to the Council in Form 117 as prescribed under Regulation 190 of the Regulations and the conditions for its name and all other conditions as prescribed under that Regulation shall apply.

MDP CAs in Practice, if it is a new firm to be constituted or an existing CA in practice or a CA firm is intending to admit any of the members of the professional bodies as prescribed under Regulation 53B of the Regulations, then it shall submit the details prescribed in Form 18 as prescribed under Regulation 190 of the Regulations.

MDP CAs in Practice shall have distinct name which shall be approved by the Institute. To distinguish MDP CAs in Practice from other firms of chartered accountants, the suffix “multi-disciplinary partnership firm of chartered accountants in practice” shall be used after the name of MDP CAs in Practice.

The registration number of MDP CAs in Practice shall contain the abbreviation “MDP” to distinguish it from registration number of other firms of chartered accountants

MDP GUIDELINES (Continued)

III. Verification of Partners:

It is the duty of MDP CAs in Practice to submit the documentary evidence in case of partners who are not the members of the Institute of Chartered Accountants of India. Above documentary evidence needs to be attested by a chartered accountant in practice who is not related to the MDP CAs in Practice.

MDP GUIDELINES (Continued)

3. Services to be rendered by MDP CAs in Practice

MDP CAs in Practice can render all services as prescribed in Section 2(2) of the Act read with Regulation 190A of the Regulations.

MDP CAs in Practice can also render services allowed to be performed by other professionals who are its partners.

MDP GUIDELINES (Continued)

4. Share of Profits, Administration, Management and Functional Responsibility

It is the discretion of MDP CAs in Practice to decide the share of profits of each partner among themselves.

The functions, powers, authorities, duties, rights, responsibilities, liabilities and disputes among the partners shall be mutually agreed as per the partnership deed.

MDP GUIDELINES (Continued)

5. Reconstitution of MDP CAs in Practice (Admission, retirement, death)

In case of any change in partners (admission, retirement, death) or any change in details of partners, MDP CAs in Practice will be required to submit the necessary particulars to the Institute in Form 18 within 30 days of such change.

It is the responsibility of the continuing partners to satisfy the conditions as prescribed under Regulation 190 of the Regulations in case of admission, retirement and death of partners.

MDP GUIDELINES (Continued)

6. Fees for Professional Services

The conditions stipulated under Regulation 192 of the Regulations shall apply to MDP CAs in Practice.

7. Other Business or Occupation

For chartered accountant partners of MDP CAs in Practice, engaged in any other business or occupation or part time employment, the provisions of Regulations 190A and 191 of the Regulations shall apply.

8. Professional Address of the Partners

For the professional address of the partners of MDP CAs in Practice, the provisions of Regulation 187 of the Regulations shall apply.



ADVANTAGES OF NETWORKING AND MULTI – DISCIPLINARY PARTNERSHIP FIRMS

ADVANTAGES OF NETWORKING AND MULTI – DISCIPLINARY PARTNERSHIP FIRMS

- **Access To Better Quality Corporate / Clients**
 - Firm branding
 - In-house strength
 - Better quality output
- **Better Empanelment Work and formation of Bigger Firms**
- **Enables Specialization**
 - Develop Vertical
 - Develop Teams
 - Retain Talent
 - Higher Fees, Better Brand, Value for service

ADVANTAGES OF NETWORKING AND MULTI – DISCIPLINARY PARTNERSHIP FIRMS (CONTINUED)

➤ **Geographical Expansion**

- Satellite offices
- Business sourcing points & output for personalized services
- IFSC / International Clients / International offices
- Shift to consulting

➤ **Cross Selling Advantage**

- Providing umbrella services
- Transaction Advisory
- Monetarily enriching with lesser efforts and proven track record
- Offering technology solutions

➤ **Economies Of Scale**



PRACTICAL CHALLENGES / FAQ_s

PRACTICAL CHALLENGES / FAQs

1. Revenue Sharing
2. Expense Sharing
3. Assignment Sharing / Execution
4. Bank Audits

PRACTICAL CHALLENGES / FAQs

5. How is Network Managed

- ✓ Managing Committee
- ✓ Network agreement
- ✓ Network bye laws

PRACTICAL CHALLENGES / FAQs

6. Identity of Network

PRACTICAL CHALLENGES / FAQs

7. Who Should opt for Networking ?

PRACTICAL CHALLENGES / FAQs

8. How to brand as Network ?

PRACTICAL CHALLENGES / FAQs

9. What steps to take for forming or joining a network ?



QUESTIONS?

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THANK YOU