

**GUIDELINES OF NETWORK AMONGST THE FIRMS  
REGISTERED WITH THE MEMBER BODY OF THE SOUTH  
ASIAN FEDERATION OF ACCOUNTANTS**

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## **GUIDELINES OF NETWORK AMONGST THE FIRMS REGISTERED WITH THE MEMBER BODY OF SOUTH ASIAN FEDERATION OF ACCOUNTANTS (SAFA)**

1. These Guidelines are called Guidelines for Network amongst the firms Registered with The Member Body of SAFA.

2. **Definition.**

(i) **Network -**

**“Network amongst two or more firms means an arrangement to facilitate the better functioning of the affiliate member firms in the interest of the profession and not for acquisition of any gain. Such Network shall include the formal Network to use the collective resources such as turnover, infrastructures, manpower, location for execution of Professional services of one or more type.**

**[Explanation –**

**1. An affiliation as referred to above shall also include: -**

- (i) having an association with an accounting entity within or outside Member Body Country such that it results directly or indirectly in a common professional economic or beneficial interest.**
- (ii) one or more of the entities holding out that it is so affiliated or networked.**

**2. An entity shall not be treated as an affiliate of another merely for the reason that they**

- (a) share professional knowledge and data base;**
- (b) refer certain professional assignments or authorize the other to represent certain specific matters.**

**3. If different firms registered with the Member Body are networked with a common Multi National Accounting Firm (MAF) then irrespective of the presence/absence of any ‘affiliate’ relationship between the firms registered with the Member body inter-se, they shall be considered as part of a network.]**

(ii) **Formal Network -** Formal network means a network amongst two or more firms registered with the member body, where the object of network is to use the collective resources of the affiliates for execution of professional services of one or more types at one and/or at multi-locational points. The resources would include financial, technical and other logistic support required to execute the professional assignments. In such type of network, the common resources may

be pooled and exhibited together before the service user as those belonging to one particular set of professionals.

- (iii) **Referral Practice** – Referral Practice means a practice to refer professional work by a firm to one of its associate/affiliate either situated at a different place or rendering professional services not provided by it, to the user of the services. The pre-dominant objective of such a network is not to pool in their collective resources and exhibit them as those belonging to one particular set of professionals.
- (iv) **Code of Ethics** – Code of Ethics means the Code of Ethics issued by the Member body.

### **3. Name of Network:**

- (i) The Network may have distinct name, which should be approved by the Member Body. To distinguish a "Network" from a "firm" of Chartered Accountants, the words "& Affiliates" should be used after the name of the network and the words "& Co." / "& Associates" should not be used. **A Suggestive Application Format `A' for approval of name is enclosed.**
- (ii) Standards prescribed for approval of name of firm shall be applicable to the name of Network. However, even if a name is provided and subsequently it is found that the same is undesirable then, the said name can be withdrawn at any time by the Member body.
- (iii) The network should neither be permitted to advertise nor to use logo. The firms constituting the network are permitted to use the words "Affiliates/Members of ....." (a network of \_\_\_\_ firms of the Member Body) on their professional stationery.
- (iv) Network may work without a Name also.

### **4. Registration:**

- (i) A Formal Network is required to be registered with the Member Body in a prescribed **Form (A Suggestive Form `B' enclosed).**
- (ii) Referral Practice requires no registration.
- (iii) It is for each firm to decide whether its affairs and relations with another firm results in creation of a Formal Network. Network shall evaluate for itself whether or not it is a formal network requiring registration with the Member Body.
- (iv) If different firms registered with the Member body are networked with a common Multinational Accounting Firm (MAF) then irrespective of the presence/absence of any `affiliate' relationship between the firms registered with the Member body inter-se, they shall be considered as part of a network. As such, for these firms the registration with the member body is not mandatory. It is only if these Member Body firms decide to constitute a Formal Network, then the registration with the Member body is mandatory.

## **5. Ethical Compliance\*:**

- (a) Once the relationship of network arises, whether registered or not with the Member Body, it will be necessary for such a network to comply with all applicable ethical requirements prescribed by the Member Body in general and other specific requirements as may be prescribed by the Member body from time to time.

## **6. Consent of Client:**

The network shall obtain consent of the client to engage an affiliate in discharging the professional assignments.

## **7. Constitution of Network:**

- (i) Proprietary/partnership firm(s) as well as individual member(s) are permitted to form a Network.
- (ii) A proprietary/partnership firm as well as individual Member are allowed to join only one Formal network.
- (iii) Firms having common partners shall join only one network.

## **8. Object of Network:**

The Network itself will not carry on any business for acquisition of gain for itself and only act as a facilitator for its members/constituent Member firms to pursue their professional jobs.

## **9. Responding to Enquiries:**

Only one firm/Member can apply on behalf of the network showing the collective strength of all the constituent firms of the network, when responding to any enquiry.

## **10. Issuing Reports:**

Only the firm(s)/Member(s) forming Network are eligible to issue/sign/attest any certificate/Report/professional document/assignment.

## **11. Violation of Act:**

In case of alleged violation of the provisions of the Act, Regulations framed thereunder, guidelines/directions laid down by the Member Body from time to

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\* To ensure independence of Statutory auditors, the member body may prescribe appropriate ethical requirements prohibiting the affiliates member firms of a network inter se from doing internal audit or book-keeping or such other professional assignments which are prohibited for statutory auditor form if any affiliate member firm of the same network is a statutory auditor of the same entity. The member body may also prescribe appropriate ceiling on non-audit fees in relation to statutory audit fees, in case the affiliate member(s) is rendering both the services to the same undertaking/company. If the Code of Ethics of any member body has any restrictions on rotation of auditors, then the member body may also consider appropriate restriction for the affiliate member firm of a network

time and Code of Ethics by the Network firm, the proprietary/partnership firm(s)/individual Member constituting the Network would be answerable.

**12. Exit From Network:**

A constituent Member firm/Member of a Network can exit from the network by sending the declaration in **Form 'C'** (enclosed) to the Member Body and also to each and every constituent of the network. The concurrence/acceptance of the same by other firms forming part of the network firm shall not be required.

**13. Framework of Internal Byelaws of Network requiring Registration:**

To streamline the networking, a network shall formulate operational byelaws. Byelaws may contain the following clauses on which the affiliates of the network may enter into a written agreement among themselves:

- (i) 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.
- (ii) Administration of the network
- (iii) Contribution of membership fees to meet the cost of the administration of the network.
- (iv) Identifying a partner of any of the member firms of the network to be responsible for the assignment (engagement partner)
- (v) Dispute settlement procedures through arbitration and conciliation
- (vi) Development of training materials for members of the network
- (vii) Issue of News-letters for staff and clients
- (viii) Development of softwares for different types of assignments
- (ix) Development and maintenance of data bases relevant for different types of assignments
- (x) Library
- (xi) Appointment of a technical director to whom references can be made
- (xii) Determining the methodology for drawing resources from each member firm
- (xiii) Determining compensation to member firms for resources to be drawn from them
- (xiv) Peer review of the member firms

These clauses are illustrative.

**14. Network with entities outside Jurisdiction: -\***

In the matter relating to a network of firms registered with the Member body and entities outside the jurisdiction of Member Body, in addition to the compliance with the Guidelines of Network amongst the firms registered with the Member Body, the firms of the Member Body who are willing to join such network, would give a declaration in a prescribed Form. The same norms are applicable for networking amongst firms registered with one member body of

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\* The member body may prescribe the requirements for network with entities outside its jurisdiction keeping in consideration the general law of the jurisdiction and the applicable Code of Ethics.

SAFA with firms registered with any other member body of SAFA. **A suggestive Form `D' is enclosed.**

**APPLICATION FOR APPROVAL OF NAME FOR NETWORK OF FIRMS**

**NAME OF THE MEMBER BODY**

**[See Guideline 3 of Guidelines of Network amongst the firms registered with the Member Body]**

1. Proposed name of Network (in order of preference) if the Network has a distinct name
- |    |       |
|----|-------|
| 1. | _____ |
| 2. | _____ |
| 3. | _____ |
| 4. | _____ |

- |   |                           |                          |
|---|---------------------------|--------------------------|
| 2. Name(s) of the firm(s)/Member(s) forming network | Firm Name/<br>Member Name | Firm Regn. No./<br>M.No. |
|   | 1. _____                  | _____                    |
|   | 2. _____                  | _____                    |
|   | 3. _____                  | _____                    |
|   | 4. _____                  | _____                    |

3. Address of the Office of the Network
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_ Pin \_\_\_\_\_
- E-mail (if any) \_\_\_\_\_

4. We hereby declare that the above firm(s)/Member(s) proposed/have entered into an understanding to form a network in accordance with Guidelines of Network amongst the firms registered with the Member body and further affirm and confirm that the partner signing the application has been duly authorised by the other partners of the respective firms.

Place : .....

Date : .....

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

**DECLARATION FOR REGISTRATION OF FORMAL  
NETWORK AMONGST FIRMS REGISTERED WITH THE MEMBER BODY**

**NAME OF THE MEMBER BODY**

**PARTICULARS OF NETWORK**

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

Names and addresses of Firm(s)/Member(s)	Firm Registration No./M.No.
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4. (a) Date of formation of Network  
(b) Date on which present network arrangement was entered into
5. We undertake to comply with the guidelines/directions laid down by the Member Body regarding Network from time to time.

We hereby declare that:

- (a) the network constituents have entered into an agreement to form this network.
- (b) that the partner(s) signing this declaration has been duly authorized by the other partners of the firm

Place : .....

Date : .....  
firms/

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

Member constituting Network

**DECLARATION FOR DISSOCIATION FROM A NETWORK**

**NAME OF THE MEMBER BODY**  
[See Guideline 12 of Guidelines of Network amongst the firms  
registered  
with the Member Body]

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)/Member(s)                      Firm Registration No./M. No.
4. Name and address of the firm/member willing to dissociate from the Network  
Name and address of Firm(s)/Member(s)                      Firm Registration No./M. No.

In pursuance to the Guideline 12 of Guidelines of the Network issued by the Member Body, We/I hereby declare our dissociation from the Network w.e.f. ....

I hereby declare that I have been duly authorised by the other partners to issue this declaration.

Place : .....                      Name with Membership No(s).  
Date : .....                      and signature(s) of duly authorized  
Partner(s)/Proprietor of the firm/  
Member dissociating from the Network

**DECLARATION TO BE FILED FOR NETWORK WITH ENTITIES OUTSIDE MEMBER BODY COUNTRY**  
**See Guideline 14**

**NAME OF THE MEMBER BODY**

**PARTICULARS OF NETWORK WITH OUTSIDE ENTITIES**

1. Name of the Network:
2. Address of the Network:
3. Date on which the Member body firms have joined the present Network arrangement:
4. Name(s) & address(es) of all the Member body firm(s) joined/joining the Network:

Name(s) of Firm(s)

Firm Registration Number(s)

**Verification**

I/We solemnly declare and affirm that the information provided is true and correct to my/our knowledge and belief.

.....

Name(s) with Membership No(s) and signature(s) of a duly authorised Partner of the Member body firm(s)/ Member joining the Network

.....

**Note:**

- (i) Any new network arrangement shall file this declaration within 30 days of entering into the Network arrangement.
- (ii) A copy of the authorisation to be filed with the Member Body by the Partner signing the declaration on behalf of the firm.
- (iii) The declaration may be filed jointly or separately with the Member Body by the firms entering the Network.
- (iv) Proprietary/partnership firms(s) as well as individual member(s) are permitted to form a Network.
- (v) A proprietary/partnership firm as well as individual Member are allowed to join only one Formal Network.
- (vi) Firm having common partners shall join only one network