

Engaging in Public Practice – Guidance

1. The following guidance sets out the scope of public practice and can be used by both prospective and current AIA members to define when you are, and are not, considered to be engaging in public practice and therefore subject to a requirement to hold a practising certificate.
2. The guidance is relevant to all members, whether working in a traditional practice environment, undertaking sub-contract work, or voluntary work in your spare time. Failure to hold a practising certificate when considered to be engaging in public practice could result in disciplinary action. It is therefore important to consider the contents of this guidance and the appendices before concluding whether a practising certificate is required. A practising certificate may be required for some or all the roles you undertake.
3. Appendix 2 lists some sample scenarios which outline situations in which a practising certificate may be required.
4. Appendix 3 contains a flowchart to help you decide whether a practising certificate is required.
5. You must hold a practising certificate if you are a member engaged in public practice in the United Kingdom¹ or Republic of Ireland. Members who are principals of entities that are not engaged in public practice do not require a practising certificate for that role but may for others they undertake.
6. If you are a responsible individual or a key audit partner in an audit firm then you must hold a certificate with a Recognised Supervisory Body (RSB) under audit and local audit regulations. You must also hold a certificate if you are a licensed insolvency practitioner who accepts appointments and be supervised accordingly. AIA is not a statutory audit supervisor.

Member's responsibility

7. As a member it is your responsibility to determine if you should hold a practising certificate; operating in public practice without a valid certificate may result in disciplinary action against you. If you are unsure or require further guidance please call +44 (0)191 493 0277.

Obtaining a Practising Certificate

8. See www.aiaworldwide.com/aia-journey/public-practice/ for more details on how to apply for an AIA Practising Certificate.

When am I engaged in public practice?

9. You are engaged in public practice if you are a principal or are held out as a principal in an entity which is:
 - a. a public practitioner; or
 - b. the parent of a public practitioner; or
 - c. an entity which is a principal of a public practitioner.

¹ For the purposes of this guidance 'United Kingdom' includes the Channel Islands and Isle of Man.

- 10.** You are a principal if you are:
- a member in sole practice
 - a salaried or equity partner of a partnership, a member of a limited liability partnership (designated and non-designated members), a statutory (*de jure*) director, a *de facto* director or a shadow director of a company; or
 - a member 'held out' as a principal.
- 11.** If you are employed in practice and have a functional title of 'director' you would not be a principal if it is clear on the firm's website or elsewhere that you are not a principal in the practice.
- 12.** There is no minimum earnings level below which a practising certificate is not required although accountancy services supplied gratuitously or for a financial or equivalent value reward of less than £100 per assignment will not give rise to a requirement to hold a practising certificate (see paragraph 16 g.).

When am I held out as a principal?

- 13.** You would be held out as a principal if you are employed in an entity that fulfils the definition of a public practitioner and either:
- there are no other professional accountants in positions of seniority or supervision over you within the organisation; or
 - the clients of the entity are otherwise led to believe that you are a principal.

What is a public practitioner?

- 14.** A public practitioner is an entity (including an individual in sole practice) providing accountancy or reserved services (see paragraph 15) in anticipation of a financial or equivalent value reward that exceeds £100 per assignment where:
- the proportion of the entity's reported turnover derived from the provision of accountancy or reserved services regularly exceeds 10%; and
 - if the entity is part of a group, the proportion of the group's reported turnover derived from the provision of accountancy or reserved services regularly exceeds 10%.
- 15.** For the purposes of this guidance accountancy or reserved services are:
- any of the services listed in Appendix 1; or
 - any service that requires a specific licence that AIA can provide, even if the licence is obtained elsewhere; or
 - any reserved legal services (other than those where you are a member of another qualifying membership body).

Circumstances in which a practising certificate is not required

- 16.** In the following circumstances you would not require a practising certificate:
- you are an employee and are not held out as a principal; or
 - you are an employee and required by your employer to hold an office such as trustee, administrator, independent examiner or the donee of a power of attorney; or

- c. you are working for an entity where the relationship is not one of client and principal and the entity accepts responsibility for your work; or
- d. you are a former principal of a public practitioner and continue to provide services to that firm as a consultant (and not held out as a principal); or
- e. you are a self-employed consultant (and not held out as a principal) to a public practitioner that accepts responsibility for your work; or
- f. you are an office holder of an entity that is not a public practitioner
- g. gratuitously, or for a financial or equivalent value reward of less than £100 per assignment, you provide accountancy services solely to assist any of the following:
 - i. friends or family
 - ii. a small charitable, community, religious, sporting, or similar nonprofitmaking entity (see paragraph 18)
 - iii. members of the public via an organisation such as a voluntary advice bureau.

In these circumstances it is strongly recommended that you clarify your position by written agreement.

- 17.** You would not require a practising certificate if you are a principal in an entity which is authorised by the Financial Conduct Authority (FCA) or Prudential Regulation Authority (PRA) and has not been designated as an 'authorised professional firm'.
- 18.** For the purposes of exemption 16 g ii, 'small' is determined by the point at which accruals accounting is required for charities so includes any entity falling under that income limit (currently £250,000).
- 19.** You may be involved in more than one such role at any time and each role should be considered separately.

Public Practice Regulations

- 20.** All practising certificate holders are subject to the Public Practice Regulations, including monitoring and supervision rules.

Professional Indemnity Insurance (PII)

- 21.** As a member in public practice in the United Kingdom or Republic of Ireland you must also comply with the AIA Public Practice Regulations.
- 22.** If you are not required to hold PII, you should still consider taking out appropriate insurance to protect you against any potential liabilities arising from your activities.
- 23.** A member who provides accountancy services in circumstances where a practising certificate is not needed should inform the recipient of the accountancy services of the absence of PII.

Anti-money laundering supervision

- 24.** If you conclude that you are not in public practice, you should still consider whether your activities fall within the scope of the UK/ROI Money Laundering Regulations and requirements for AML supervision. Supervision can be provided by AIA or another professional body supervisor in line with current regulations.

Use of designatory letters and firm descriptions

- 25.** Whether or not you use your designatory letters or describe yourself or your firm as international accountant(s) does not affect the requirements to hold a practising certificate.
- 26.** As a member, you are encouraged to use the designatory letters FAIA or AAIA to which you are personally entitled. Not using designatory letters does not remove the requirement for a practising certificate.

Retired and life members

- 27.** You may qualify for a reduced rate subscription as a retired member or be a life member. In both cases all remunerated business and professional activities must have ceased, and your practising certificate must be surrendered. This does not prevent you from undertaking voluntary activities as set out in paragraph 16g.
- 28.** Life members and members paying the retired member rate who wish to engage in public practice may apply to hold a practising certificate. The life membership or retired rate will be suspended for the period of holding the practising certificate and the member shall be subject to normal membership fees and practising certificate fees and regulations and must also comply with the requirements for Continuing Professional Development (CPD). When the practising certificate is subsequently surrendered the life membership or retired rate will be reinstated with effect from the start of the following membership year, provided all other conditions of eligibility for that rate apply.

APPENDIX 1

Guidance on accountancy and reserved services

The following is a list of services considered by AIA, for the purposes of this guidance, to be accountancy or reserved services relating to both financial and non-financial information.

1. bookkeeping work
2. maintaining client payroll
3. preparation of management or financial accounts
4. external audit and assurance services
5. internal audit of accounting and internal control systems
6. advice or consultancy on accounting and financial reporting systems
7. dealing with personal or business tax returns
8. providing tax advice
9. representing a client in a tax situation (e.g., client is having an investigation and needs someone to deal with the tax authorities)
10. estate administration
11. investment business advice and other activities undertaken under a licence from a Designated Professional Body (DPB). For further information refer to the Designated Professional Body (Investment Business) Handbook
12. preparation of cash flows and budgets
13. business funding advice, except where the purpose of the advice is to actively seek or negotiate the source of funds
14. due diligence (i.e., investigations into the accounting or financial aspects of a transaction such as a company take over)
15. preparation of business plans
16. management consulting on accountancy activities
17. accepting insolvency appointments
18. credit-related regulated activities undertaken under a licence from a DPB. For further information refer to the Designated Professional Body (Consumer Credit) Handbook
19. compliance services (including file reviews) supplied to firms of accountants
20. valuing incorporated and unincorporated businesses, shares and related instruments, and intangible assets
21. forensic accounting
22. expert witness services where these are related to accountancy or reserved services
23. reserved legal services, when conducted in a firm authorised for that work.

24. acting as the executor or administrator of a will

The following services are not regarded as accountancy or reserved services for the purpose of this guidance:

1. investment business and other activities conducted under authorisation from the FCA or the PRA
2. acting as a trustee
3. training services to accountancy firms or students
4. business funding advice where this only involves seeking or negotiating the source of funds
5. management consulting on non-accounting matters
6. company secretarial and other company services such as company formation, providing correspondence/registered office address
7. computer hardware and software installation
8. computer training
9. advising on corporate governance
10. advising on general business strategy where this is not primarily financial advice

APPENDIX 2

Guidance on public practice

This guidance sets out when a member is engaged in practice and must hold a practising certificate.

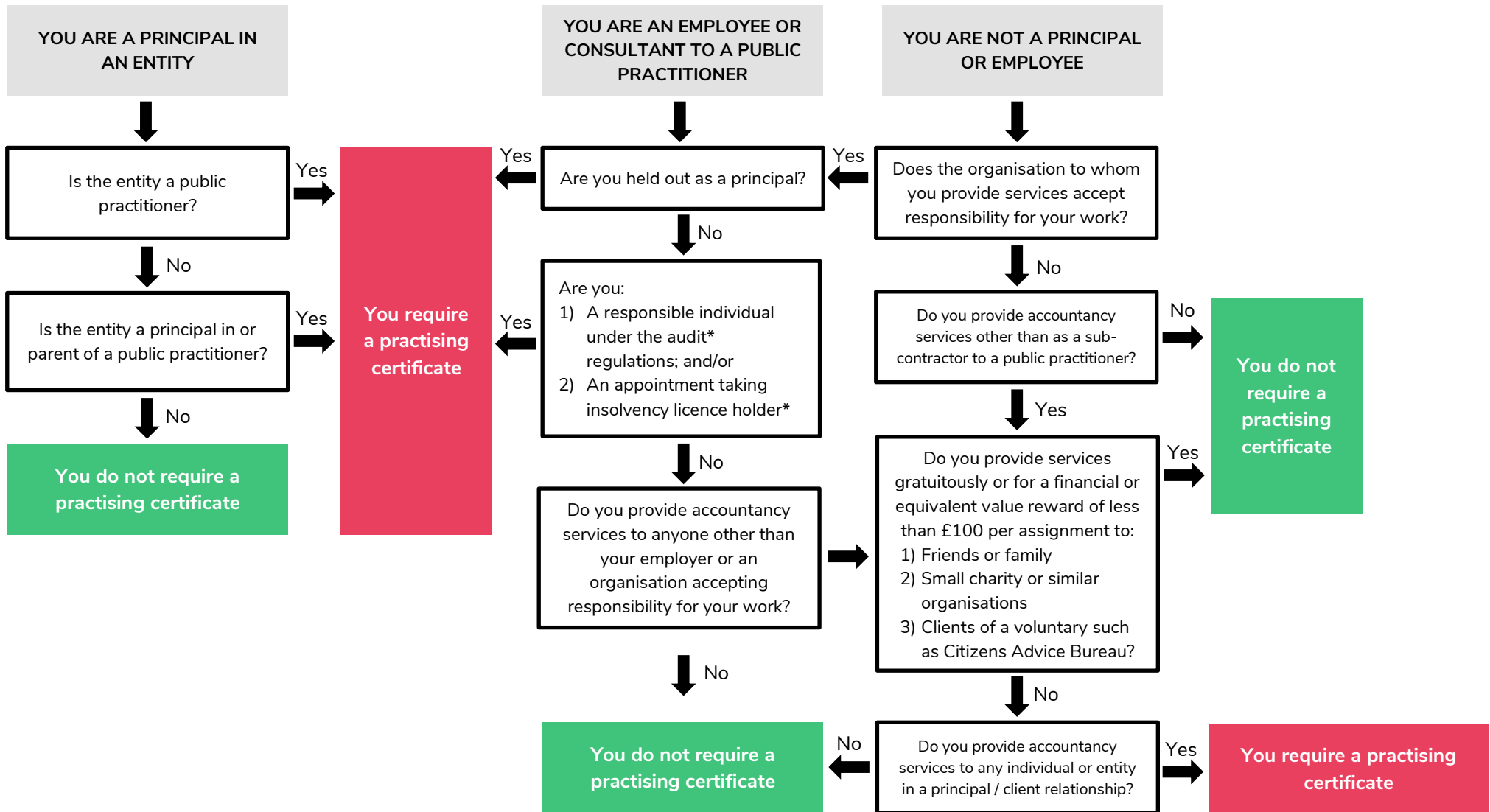
The following is a list of common situations to help members decide if they need a practising certificate. If you undertake more than one role it is possible that you may require a practising certificate for some roles but not others. You should check the guidance and common situations for each role you undertake.

Member role	Is a practising certificate required?
1 I provide bookkeeping services to a small number of clients on a part time basis.	Yes – for the purpose of this guidance bookkeeping services fall within the definition of accountancy services.
2 My only role is as the marketing principal in a public practitioner.	Yes – you are a principal in a public practitioner.
3 I am an employee/principal of an entity whose primary purpose is to provide financial services (i.e., services that would need a licence from the Financial Conduct Authority or the Prudential Regulation Authority), insurance services, computer installation or computer applications	No – the entity is not a public practitioner.
4 I am a principal in an entity whose only activity is to be a principal in a public practitioner.	Yes – as a principal in an entity that is a principal in a public practitioner you must hold a practising certificate.
5 I am a non-executive director in an accountancy practice.	Yes – you are a principal in an entity that is providing accountancy services.
6 I am a principal in a non-trading holding company where more than 10% of the turnover of the group is the provision of accountancy services.	Yes – as the group meets the definition of a public practitioner, and you are a director of the holding company, then you are engaged in public practice and need a practising certificate.
7 I am a principal in a holding company where less than 10% of the turnover of the holding company is the provision of accountancy services but more than 10% of the turnover of the group is the provision of accountancy services.	Yes – as the group meets the definition of a public practitioner and you are a director in the holding company, you are engaged in public practice and need a practising certificate.
8 I have been named as executor in my client's will.	Yes – if you will be charging for your services. Remember, probate is a reserved activity requiring a licence from an approved regulator. AIA does not

- supervise probate work.
- 9** I am an employee and a responsible individual for audit work. **Yes** – it is a requirement of the audit regulations that you hold a practising certificate.
- Please note you must be registered with a Recognised Supervisory Body (RSB) and AIA does not supervise audit work undertaken.
- 10** I am an employee holding an insolvency licence and I accept insolvency appointments. **Yes** – it is a requirement of the insolvency regulations that you have a practising certificate.
- Note** – there is no similar requirement for licence holders that do not take appointments.
- 11** I hold an insolvency licence from another body and accept insolvency appointments. **Yes** – although your licence is not obtained from AIA you are still in practice
- 12** I have retired but remain with my former practice as a consultant. **No** – you are not a principal. However, if you continue to be held out as a principal you do require a practising certificate.
- 13** I act as an expert in tax matters for other firms of accountants. **Yes** – you are providing tax advice to a third party.
- However**, if the firm does not hold you out as a principal to its clients and the firm accepts responsibility for your work then a practising certificate is not required.
- 14** I provide audit review services to firms of accountants. **Yes** – you are providing accountancy services by way of business and so must hold a practising certificate.
- 15** I act as a subcontractor providing accountancy services to a public practitioner. **No** – you do not need a practising certificate provided that you are not ‘held out’ as a principal and the firm accepts responsibility for your work.
- This also applies if an agency contracts for the work.
- 16** I am the finance director of a company that has nothing to do with providing accountancy services. **No** – as the company is not providing accountancy services you do not need a practising certificate.
- 17** I have been asked to undertake an independent examination of a charity. I will not receive a fee. **No** – you will not require a practising certificate if you undertake this work gratuitously or for a financial or equivalent value reward of less than £100 per assignment (provided the charity’s income is less than £250,000).

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| <p>18 I give time voluntarily to advise the clients of the local Citizens Advice Bureau (or similar)</p> | <p>No – you are undertaking this role gratuitously or for a financial or equivalent value reward of less than £100 per assignment and so do not need a practising certificate.</p> |
| <p>19 I have a voluntary role as trustee (or treasurer) of a charity, which involves preparing the entity's accounts.</p> | <p>No – you are not a public practitioner and do not need a practising certificate.</p> |
| <p>20 I prepare accounts for a local charity. I receive no fee for this work.</p> | <p>No – you will not require a practising certificate if you undertake this work gratuitously or for a financial or equivalent value reward of less than £100 per assignment (provided the charity's income is less than £250,000).</p> |
| <p>21 I am an employee and although not a principal my employer wants me to act as a trustee (or administrator or donee of a power of attorney).</p> | <p>No – you are not being held out as a principal and do not need a practising certificate. Your position as trustee, administrator or donee is part of your employed role but given that such roles come with personal responsibilities you should check that your employer will indemnify you should any claim be made against you.</p> |
| <p>22 I am a non-executive director and a member of the audit committee of a manufacturing company.</p> | <p>No – as the company does not provide accountancy services you do not need to hold a practising certificate for either of these roles.</p> |
| <p>23 I act as an interim manager, either personally or through a corporate entity, to businesses.</p> | <p>No – provided your relationship to the entity that you work for is not a principal/client relationship.</p> <p>Note. In such circumstances it is strongly recommended that you have in place a written agreement or contract clarifying your position.</p> |
| <p>24 I have a 'portfolio career' holding different roles.</p> | <p>It depends – each role should be assessed against this guidance document.</p> |

APPENDIX 3



*Please check supervision with relevant approval body.



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