

Institute of Financial Accountants Public Practice Regulations



Effective from 1 May 2023

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1 Citation

- 1.1 These Regulations are made under the Bye-laws and may be cited as the Institute of Financial Accountants Public Practice Regulations. These Regulations, as amended, shall take effect from 1 May 2023.
- 1.2 These Regulations apply to all members and member firms who wish to engage in public practice in the United Kingdom and the three Crown dependencies.

2 Interpretation

- 2.1 Throughout these Regulations, unless the context otherwise requires, the interpretation set out in Bye-law 2 shall apply.

3 Practising certificate

- 3.1 An Associate member or Fellow member of the Institute shall be entitled to engage in public practice in the United Kingdom and the three Crown dependencies provided they hold a current IFA practising certificate. For the avoidance of doubt, an Intermediate Financial Accountant shall not be entitled to engage in public practice.
- 3.2 A practising certificate issued by the Institute shall be in such form as determined by the Institute.
- 3.3 The practising certificate shall remain the property of the Institute and shall be returned to the Institute on demand including (but not limited to) in the event of withdrawal or suspension of entitlement to engage in public practice for any reason.

4 Meaning of public practice

Public practice activities

- 4.1 An individual is engaged in public practice when they provide, or are held out to be able to provide, accountancy services to the public, whether in the capacity of sole practitioner, a partner in a partnership, a member in a limited liability partnership, or a director of a body corporate.
- 4.2 Appendices 1A and 1B to these Public Practice Regulations provide guidance on the types of services that the Institute would usually regard as accountancy services. A member or student who has any doubt about whether they are engaging in public practice shall consult the Institute at the earliest opportunity.
- 4.3 An individual who is a principal, or held out as a principal, in a firm that provides public practice accountancy services (a “public practice firm”) will always be regarded as engaging in public practice. This includes an individual who is a principal, or held out as a principal, in an entity that is:
 - (a) the parent of a public practice firm; or
 - (b) a principal in a public practice firm.
- 4.4 An individual who is employed in a public practice firm is not, by virtue of their employment, engaging in public practice.
- 4.5 An individual shall be regarded as engaging in public practice if they are employed in a public practice firm and either:
 - (a) there is no other accountant within the firm in a position of seniority and supervision over the member; and/or
 - (b) the clients of the firm are led, or allowed, to believe that the individual is a principal of the firm.

Honorary work

- 4.6 A member or student who without anticipation of reward applies their skills for the benefit of friends, family and (in the opinion of the Institute) small not-for-profit organisations is not engaging in public practice by virtue of the services they provide to those beneficiaries. A member or student who has any doubt about whether they are engaging in public practice shall consult the Institute at the earliest opportunity.
- 4.7 A reasonable amount may be accepted by the member or student to cover travel and other ancillary expenses. For the avoidance of doubt, any amount accepted in respect of expenses must not be excessive and must relate to costs necessarily incurred in the course of performing the honorary work.
- 4.8 A member providing honorary services is reminded of their responsibility to comply with the Continuing Professional Development Regulations.
- 4.9 Members and students providing honorary services are reminded of the fundamental ethical principle of “professional competence and due care”. They shall act diligently and shall not provide any service if they do not possess the professional knowledge and skill at the level required to ensure that the beneficiary of the service receives competent professional service, based on current technical and professional standards and relevant legislation.

5 Eligibility for a practising certificate

- 5.1 An Associate member or Fellow member shall be eligible for an IFA practising certificate if the member:
- (a) has achieved the educational requirements for an IFA practicing certificate as required by the Institute;
 - (b) has not less than three years of relevant practical experience, gained in the UK within ten years of applying for the practising certificate;
 - (c) is compliant with the Continuing Professional Development Regulations;
 - (d) understands the fundamental ethical principles set out within the Institute’s Code of Ethics;
 - (e) is considered fit and proper to be associated with the Institute and the accountancy profession; and
 - (f) has submitted an application to the Institute, in such form as required by the Institute, together with the prescribed fee.
- 5.2 An Associate member or Fellow member who has previously held an IFA practising certificate shall be eligible for an IFA practising certificate if:
- (a) the member was not previously removed from the register of members by order of a Conduct Committee;
 - (b) the member’s practising certificate was not previously withdrawn by order of a Conduct Committee;
 - (c) the member can demonstrate sufficient recent relevant experience;
 - (d) the member is compliant with the Continuing Professional Development Regulations;
 - (e) the member understands the fundamental ethical principles set out within the Institute’s Code of Ethics;
 - (f) the member is considered fit and proper to be associated with the Institute and the accountancy profession; and

- (g) the member has submitted an application to the Institute, in such form as required by the Institute, together with the prescribed fee.
- 5.3 An Associate member or Fellow member whose application to the Institute for a practising certificate is refused may request that their application be referred to a Conduct Committee chair who shall determine whether the member is eligible for a practising certificate.
- 5.4 Failure to hold a current IFA practising certificate while engaging in public practice shall render a member liable to disciplinary action in accordance with the Bye-laws.

6 Professional indemnity insurance

- 6.1 A member firm shall hold professional indemnity insurance that meets the requirements of these Public Practice Regulations.
- 6.2 A member who is a principal, or held out as a principal, in a public practice firm that is not a member firm shall ensure that the professional indemnity insurance arrangements of their firm comply with these Public Practice Regulations.

Terms of cover

- 6.3 The minimum amount of professional indemnity insurance cover, in respect of each and every claim, shall be:
- (a) where a firm's total income is less than £400,000, the greater of two and a half times its total income and £100,000;
 - (b) where a firm's total income is £400,000 or more, £1,000,000.
- 6.4 A firm's total income, for the purpose of calculating the minimum amount of professional indemnity insurance cover, is its aggregate income from professional fees raised by the firm, including any commissions received and retained by the firm, during the firm's last complete accounting year. If the firm has not yet completed an accounting year, its total income shall be an estimate of its aggregate income from professional fees, including retained commissions, for the coming year.
- 6.5 A firm shall conduct a risk assessment to establish the appropriate level of professional indemnity insurance cover in excess of the minimum amount of cover established according to the firm's total income. As part of its risk assessment, a firm shall consider:
- (a) any significant fluctuations in total income over recent years;
 - (b) the likely exposure of the firm to claims, taking into account all relevant factors including the structure and governance of the firm, its clients and the services it may provide;
 - (c) whether the proposed level of professional indemnity insurance cover is consistent with that of similar firms with similar risk profiles;
 - (d) any advice received from experts, including the firm's insurers;
 - (e) the economic climate;
 - (f) the resources available to the firm to meet any claims that may arise.
- 6.6 A firm shall review its risk assessment at least annually, to ensure that the level of its professional indemnity insurance cover remains adequate.
- 6.7 The firm's professional indemnity insurance shall cover all civil liability, in respect of all services that may be provided by the firm.
- 6.8 The professional indemnity insurance cover may include an uninsured excess, where the firm would bear the first part of any claim. The firm shall ensure that it would be able to meet the costs of any uninsured excess. The uninsured excess shall never be more than 2% of the

minimum amount of professional indemnity insurance cover, in respect of each and every claim, according to the calculation set out above.

Period of cover

- 6.9 A member who discovers (on becoming a principal in a public practice firm or otherwise) that there has been a period during which the firm in which they are a principal did not hold professional indemnity insurance cover according to these Public Practice Regulations shall require the firm to procure retroactive professional indemnity insurance, to provide cover in respect of past acts. The period of retroactive professional indemnity insurance cover shall be six years prior to the date on which the retroactive policy becomes effective, except that retroactive professional indemnity insurance shall not be required to cover any period before the firm commenced public practice.
- 6.10 A member who ceases to be in public practice as a sole practitioner must ensure that they have arrangements for professional indemnity insurance cover (“run-off cover”) for a period of not less than six years after they cease to engage in public practice. The terms of the professional indemnity insurance policy shall satisfy the requirements of these Public Practice Regulations as applied to the firm when it last renewed its professional indemnity insurance policy prior to cessation.
- 6.11 A member who ceases to be a principal in a public practice firm that continues to exist as a public practice firm shall seek to ensure that the firm shall have adequate arrangements for professional indemnity insurance cover for a period of not less than six years after the member ceased to be a principal of the firm. If the member has any doubt about the adequacy of such arrangements, they shall make their own arrangements for run-off cover for a period of not less than six years after they cease to be a principal of the firm.
- 6.12 A member who ceases to be a principal in a public practice firm that ceases to exist as a public practice firm shall ensure that they have arrangements for run-off cover for a period of not less than six years after they ceased to be a principal of the firm. The terms of the professional indemnity insurance policy shall satisfy the requirements of these Public Practice Regulations as applied to the firm when it last renewed its professional indemnity insurance policy prior to cessation.

Monitoring and compliance

- 6.13 A member in public practice shall submit a declaration each year, in the format and by the means prescribed by the Institute, that their firm holds professional indemnity insurance in accordance with the provisions of these Public Practice Regulations, or claiming exemption from the professional indemnity insurance provisions of these Public Practice Regulations.
- 6.14 A member in public practice shall, on request, make available to the Institute copies of their firm’s professional indemnity insurance certificate and insurance policy.
- 6.15 Any failure by a member or affiliate to co-operate with the Institute’s monitoring arrangements in respect of professional indemnity insurance shall render that member or affiliate liable to disciplinary action in accordance with the Bye-laws.

Exemptions

- 6.16 The Institute may, at its absolute discretion and on such terms as it may decide, grant an exemption from the requirement to comply with the professional indemnity insurance provisions of these Public Practice Regulations in the following circumstances:
- (a) a member is a principal in a public practice firm regulated by another professional body, which is a member body of the International Federation of Accountants, and that firm

holds professional indemnity insurance that meets the requirements of that professional body;

- (b) a member who is self-employed is engaged only as a consultant for a public practice firm, provided the member has written confirmation from the firm that the firm's professional indemnity insurance policy covers the services of the member, and meets the professional indemnity insurance requirements of these Public Practice Regulations.

6.17 In exceptional circumstances, the Institute may, at its absolute discretion and on such terms as it may decide, grant an exemption from the requirement to comply with the professional indemnity insurance provisions of these Public Practice Regulations.

6.18 A member who is not engaged in public practice and who does not hold professional indemnity insurance, but who provides accountancy services on an honorary basis, must indicate, in writing, to the recipient of those services that the member does not hold professional indemnity insurance.

7 Engagement letters

7.1 A member firm shall provide its client with an engagement letter which shall be agreed in writing with the client before any professional work is undertaken by the member firm or, if this is not possible, as soon as practicable. The engagement letter shall set out the services to be performed, the scope of the member firm's responsibilities, and the terms under which the firm is agreeing to be engaged by the client.

7.2 The engagement letter shall state the fees to be charged by the member firm, and/or the basis on which they are to be calculated.

7.3 The engagement letter agreed with each client shall be reviewed regularly. Where new work is to be undertaken on behalf of a client, or any terms are required to be amended, the member firm shall issue a new engagement letter, and agree the services and amended terms with the client.

7.4 A member firm shall retain evidence of the client's agreement to the provisions within the engagement letter, including any amended terms. Members and affiliates shall, on request, make available to the Institute copies of their firms' engagement letters.

8 Fees

8.1 The Institute does not set out charge out rates nor the basis upon which fees are calculated. Fees and the basis of their calculation are commercial matters to be agreed between a firm and its client. Factors to be taken into account when calculating fees may include:

- the seniority and expertise of staff assigned to conduct the work;
- the time required to conduct the work; and
- the nature of the assignment, including complexity and risk.

8.2 If requested to do so, a member firm shall provide sufficient information to the client to enable the client to understand the basis for fees charged. Such information shall be provided without further charge to the client.

8.3 If it becomes apparent that the level of fees to be charged by a member firm is likely to exceed the level of fees estimated, or otherwise anticipated by the client, the member firm shall promptly inform the client of the situation and provide the client with an explanation for the variance.

8.4 In the event of a dispute in respect of the level of fees charged by a member firm, the firm shall take reasonable and prompt action to resolve the dispute with the client.

9 Clients' money

9.1 Clients' money must be kept separate from money belonging to a public practice firm.

9.2 A member who is a principal in a firm that is not a member firm shall require the firm to adopt client money policies and procedures that are at least as stringent as those set out in these Public Practice Regulations.

9.3 Members are reminded that concealing criminal property and becoming involved in an arrangement that they know or suspect facilitates the acquisition, retention, use or control of criminal property are offences under the Proceeds of Crime Act 2002.

9.4 Clients' money received by a member firm must be paid into a separate client bank account designated for the purpose of holding clients' money only.

9.5 Before paying money into a client bank account, a member firm must have verified the identity of the client and undertaken relevant due diligence measures in respect of the client, in accordance with the Money Laundering Regulations.

9.6 A client bank account shall only be used for receiving and remitting clients' money that relates to the services being provided by the member firm to those clients.

9.7 If money received by a member firm includes both a client's money and the firm's money in a single deposit, such as a cheque, the money shall be paid into a client bank account. As soon as the funds have cleared, money not belonging to the client shall be withdrawn from the client bank account.

9.8 Clients' money must be placed in an interest-bearing account. A member firm shall account to a client for any interest earned, unless the amount of interest earned from a client's money is insignificant. Subject to the provisions below in respect of designated client accounts, a member firm may also agree with a client, in writing, that small amounts of interest of less than a stated amount may be retained by the firm.

9.9 Where money received by a member firm belonging to a single client exceeds £10,000, and it is anticipated that the money will be held by the firm for more than 30 days, that money shall be paid into a separate interest-bearing bank account designated to that client. A member firm shall always account to the client in respect of interest earned on such a designated client account.

9.10 Money held in a client bank account may be withdrawn by a member firm when:

- (a) remitting money to a client on whose behalf the firm was holding that money;
- (b) following receipt of written authorisation from a client:
 - (i) making a payment on behalf of the client on whose behalf the firm was holding the money; or
 - (ii) making a payment to the firm relating to fees earned by the firm; or
- (c) transferring money to another client bank account.

9.11 When opening a client bank account, a member firm must provide written notice to the bank concerned that:

- (a) all money standing to the credit of that account is held by the firm as clients' money and that the bank is not entitled to combine the account with any other account or to exercise any right to set off or counterclaim against money in that account;

- (b) any interest accruing on the money in the client bank account must be credited to that account; and
- (c) the bank must include in its records that the money in the client bank account belongs to the client(s) of the member firm;

The bank must acknowledge in writing that it accepts these terms before a member firm may deposit any clients' money into the client bank account.

- 9.12 A member firm may cease to treat as clients' money, any money that remains unclaimed by a client five years after depositing the funds in the client bank account, provided that the member firm can demonstrate that it has taken all reasonable steps to trace the relevant client and notify them of the money being held on their behalf. In such circumstances, the money withdrawn from the client bank account shall be donated to a registered charity. If the amount exceeds £10,000 in respect of a particular client, the firm shall require the registered charity to provide an indemnity against any claim subsequently made by a party to recover the money.
- 9.13 A member firm shall keep adequate records in respect of all transactions in a client bank account, including details of all transactions in the clients' ledger accounts. A member firm shall reconcile the client bank account to the clients' ledger accounts monthly, or more frequently if appropriate. These records shall be kept for at least six years from the date of any transaction in a client bank account.
- 9.14 A member firm shall submit a declaration each year, in the format and by the means prescribed by the Institute, that it meets the requirements of these Public Practice Regulations in respect of the holding of clients' money.
- 9.15 A member firm shall, on request, make available to the Institute its records in respect of the holding of clients' money.
- 9.16 Any failure by a member or affiliate to co-operate with the Institute's monitoring arrangements in respect of the holding of clients' money shall render that member or affiliate liable to disciplinary action in accordance with the Bye-laws.

10 Internal complaints-handling arrangements

- 10.1 A member firm shall implement adequate procedures to handle clients' complaints in respect of fee, service and contractual disputes.
- 10.2 A member who is a principal in a firm that is not a member firm shall require the firm to implement complaints-handling procedures that are at least as stringent as those set out in these Public Practice Regulations.
- 10.3 A member firm shall ensure that clients are made aware of how to complain if they are dissatisfied with the service that they receive, and that a client who raises a complaint is treated with respect.
- 10.4 Adequate arrangements for handling complaints will always include policies and procedures that ensure that:
 - (a) complaints are acknowledged promptly, in writing;
 - (b) where the member firm receives a complaint orally, the letter of acknowledgement sets out the writer's understanding of the nature of the complaint;
 - (c) complaints are investigated by the firm, unless it can be demonstrated that:
 - (i) the complaint is already being investigated by an organisation such as a regulator or professional body;

- (ii) the complaint is already the subject of adjudication or alternative dispute resolution; or
 - (iii) the complaint is trivial or vexatious;
- (d) each complaint is investigated by an individual of sufficient experience and seniority within the firm;
 - (e) where possible, a complaint is investigated by an individual who was not involved in the alleged conduct that gave rise to the complaint;
 - (f) following investigation, any remedial action considered appropriate is taken promptly;
 - (g) if the firm's internal complaints-handling arrangements have been exhausted, the client is informed that the firm has been unable to resolve the complaint; and
 - (h) the client is advised of their right to refer their complaint to the Institute if the complaint is not resolved to the client's satisfaction.
- 10.5 On receiving a complaint, and throughout the process of investigating a complaint, a member firm shall determine whether it is required to inform its professional indemnity insurance provider of the complaint.

11 Arrangements for death or incapacity

- 11.1 Members engaging in public practice and affiliates shall make adequate arrangements to ensure the continuity of their practice in the event of their long-term incapacity through ill-health or their death. Members and affiliates have a duty of care to their clients and without these arrangements serious difficulties may arise, prejudicing the interests of clients.
- 11.2 A member who is a sole practitioner shall have one or more nominated persons ("alternates") to discharge the obligations of the member towards their clients in the event of the member's ill-health or death. Failure to appoint an alternate shall render the member liable to disciplinary action in accordance with the Bye-laws.
- 11.3 A member who is a principal in a partnership, limited liability partnership or incorporated firm, or an affiliate in such a firm, may make arrangements with one or more other principals in the firm that they shall act as continuity provider(s), should it become necessary to implement the continuity arrangements.
- 11.4 When making arrangements for continuity in the event of death or incapacity, a member or affiliate shall assess the competency of the individual(s) or firm(s) that is/are intended to be the alternate(s) and their capacity to undertake the additional work should it become necessary to implement the continuity arrangements.
- 11.5 The parties to the agreed continuity arrangements shall consider whether the arrangements might impact legal documents, such as powers of attorney and wills.
- 11.6 A member or affiliate's continuity arrangements in the event of their death or incapacity shall be in writing and periodically reviewed by the relevant parties.
- 11.7 A member or affiliate in public practice shall, on request, make available to the Institute a written agreement documenting their continuity arrangements in the event of their death or incapacity.
- 11.8 Any failure by a member or affiliate to co-operate with the Institute's monitoring arrangements in respect of continuity of practice in the event of death or incapacity shall render the member or affiliate liable to disciplinary action in accordance with the Bye-laws.

Appendix 1A – Accountancy Services

The following professional services are considered by the Institute to be accountancy services:

- bookkeeping
- client payroll
- preparing management accounts
- preparing client budgets, forecasts and/or cash flows
- preparing and/or compiling business plans
- preparing financial accounts
- compiling financial statements (whether or not in a statutory format)
- management consultancy concerning accountancy activities
- internal audit of accounting and internal control systems
- other assurance services concerning financial reporting including, but not limited to, independent examination for charities, certification of income, and ATOL reporting
- advice or consultancy on accounting, internal control and financial reporting systems
- business funding advice, excluding seeking and/or negotiating the source of funds
- valuations of businesses, shares, related instruments and assets
- due diligence concerning the financial aspects of a transaction such as a business acquisition
- debt counselling
- estate administration
- acting as an executor of a will
- accepting an insolvency appointment (being authorised to do so)
- forensic accounting
- expert witness services where they are related to accountancy services
- any other professional services that might reasonably be perceived by a third party to be public practice accountancy services.

Appendix 1B – Taxation Services

The following professional services are considered by the Institute to be accountancy services that are taxation services:

- preparing, or assisting with the preparation of, the tax return of a business or individual
- providing taxation advice
- representing a client in respect of a tax matter including, but not limited to, corresponding with the tax authorities and/or representing a client undergoing a tax investigation.

Appendix 2 – Non-accountancy Services

The following services would not usually be regarded by the Institute as accountancy services:

- advising on governance
- advising on business strategy which does not include financial advice
- training services to accountancy firms and/or accountancy students
- business funding services comprising only seeking and/or negotiating the source of funds
- investment business and other activities conducted under authorisation from the FCA or the PRA
- management consulting on non-accounting matters
- company secretarial services
- company formation
- providing a correspondence address and/or a registered office address
- computer hardware and software installation
- computer training