



# ICAEW LICENSED PRACTICE HANDBOOK

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## CHAPTER 1 – INTRODUCTION

There are non-statutory engagements that require their auditor to be eligible to act as a registered auditor despite this not being required by law. These non-statutory engagements arise from:

- **constitutional requirements** – the audit of some unincorporated charities, clubs or voluntary organisations that require their auditor to be eligible to act as a registered auditor and the requirement is written into the entity's constitution; and
- **professional bodies** – certain professional bodies require their member to obtain an accountant's report prepared by a registered auditor.

ICAEW has designed these licensing arrangements so that a licensed practice can fulfil these non-statutory engagements if the constitutional requirements or professional body allows. A licensed practice may be a firm that is ineligible to be a registered auditor as there are no principals who hold an appropriate audit qualification. Currently, the only category of licensed work relates to ATOL Returns to the Civil Aviation Authority.

This *ICAEW Licensed Practice Handbook* (handbook) provides full details of ICAEW's licensing arrangements for the Licensed Practice scheme. Guidance is given to help licensed practices apply the licensing arrangements. Guidance is printed in light type and the requirements of the handbook are in **bold** type. Licensed practices will need to familiarise themselves with the whole handbook.

ICAEW has issued this handbook to ensure:

- licensed practices maintain the highest standards of work;
- the reputation of the licensed practice is maintained;
- the application of the handbook is firm but fair;
- the handbook is clear; and
- the handbook applies to all sizes of licensed practice.

Licensed practices must comply with this handbook. It requires them to:

- carry out licensed work with integrity;
- be competent and continue to be competent to carry out licensed work;
- be, and be seen to be, independent; and
- make sure that all principals and employees are fit and proper persons.

## **CHAPTER 2 – TERMS AND CONDITIONS FOR A LICENCE**

### **Purpose**

- 2.01** These terms and conditions apply to all firms licensed by ICAEW as a licensed practice. The obligations of a firm set out in this handbook are jointly and severally the obligations of the principals of that firm.
- 2.02** A firm licensed under this handbook is only licensed to perform work in accordance with the category of licensed work.
- 2.03** A firm may apply to be licensed in one or more categories of licensed work.

### **Eligibility requirements**

- 2.04** A firm shall satisfy ICAEW on application and at any time thereafter that:
- a. the principal business of the firm is the provision of accountancy services;
  - b. each principal in the firm who is not a member of ICAEW:
    - i. holds affiliate status from ICAEW under its DPB (Investment Business) Handbook, Audit Regulations and Guidance, Legal Services Regulations or Insolvency Licensing Regulations and Guidance notes; or
    - ii. is a general affiliate under ICAEW's regulations governing the use of the description 'Chartered Accountants' and general affiliates; or
    - iii. is a licensed practice affiliate as set out in chapter 4 of this handbook; or
    - iv. is registered for audit work by ICAEW; or
    - v. is licensed under the DPB (Investment Business) arrangements of ICAEW; or
    - vi. is an ICAEW accredited probate firm; or
    - vii. is authorised to act as an insolvency practitioner under ICAEW's Insolvency Licensing Regulations; or
    - viii. is a member of the Institute of Chartered Accountants of Scotland or is a member of Chartered Accountants Ireland or is a member of the Association of Chartered Certified Accountants;
  - c. there is at least one licensed practitioner for the relevant category of licensed work;
  - d. the firm complies with the PII (Professional Indemnity Insurance) Regulations;
  - e. it has provided any such additional information as may be required for the particular category of licensed work as set out in chapter 5; and
  - f. there is no reason for ICAEW to consider that it would not be appropriate for the firm to hold a licence.
- 2.05** If a licensed practice does not meet the definition of a member firm, as set out in the principal bye-laws, and is not, therefore, subject to Practice Assurance, ICAEW may require a review of the accountancy services provided by the firm at an interval set by it.

### **Application**

- 2.06** A firm shall apply for a licence, or additional categories of licensed work, in the manner determined by ICAEW. The application must include:

- a. a declaration by the firm that it agrees to be bound by the provisions of the handbook, including these terms and conditions, and will ensure that it complies with them at all times;
- b. a declaration by the firm that it will deal with ICAEW in an open and cooperative manner and inform ICAEW promptly about anything concerning the firm as required by these terms and conditions;
- c. an acknowledgement by the firm that none of ICAEW, its officers, staff, members of its council or committees, or any person on its behalf, can be held liable to the firm in damages for any act or omission connected with the granting of a licence, the enforcement of its terms and conditions or the monitoring of compliance with those terms in any respect, unless the act or omission is shown to have been in bad faith;
- d. an acknowledgement that ICAEW or its agents may make enquiries of or about the firm as ICAEW or its agents deems necessary;
- e. an acknowledgement that ICAEW may publish, in such manner as it may determine, information about the firm's licence;
- f. an acknowledgement that ICAEW may disclose information about the firm as set out in paragraph 2.14; and
- g. an undertaking that the firm shall discharge its duties under paragraphs 2.07 and 2.08.

#### **Obligations of the licensed practice**

**2.07** A licensed practice can conduct only those services permitted under the terms of the licence when acting under that licence. If a licensed practice ceases to have any individual who is a licensed practitioner for a particular category of licensed work, then the licensed practice must cease to undertake that category of licensed work until another principal or employee has been appointed a licensed practitioner in accordance with chapter 5.

**2.08** A licensed practice must:

- a. at all times comply with this handbook and be able to satisfy ICAEW on compliance when requested;
- b. deal with ICAEW or its agents in an open and cooperative manner;
- c. appoint a contact principal (in the case of a sole practitioner, that person will be the contact principal) who will:
  - i. correspond with ICAEW in relation to the activities governed by this handbook;
  - ii. give to ICAEW an annual declaration of the licensed practice's compliance with its responsibilities under this handbook in the form from time to time determined by ICAEW;
  - iii. from time-to-time supply ICAEW or its agents with information as required; and
  - iv. ensure that an annual compliance review is undertaken as required under chapter 3 of this handbook.

The contact principal is responsible for ensuring that the licensed practice complies with this handbook. The contact principal should be of sufficient seniority and influence within the licensed practice to ensure that others will act on their instructions.

If the principals are a mixture of individual people and corporate, then the compliance partner must be an individual person.

- d. inform ICAEW, in writing, as soon as practicable but not later than 10 business days after the occurrence:**
  - i. if the licensed practice no longer complies with the PII Regulations;**
  - ii. of any other changes which do or might affect a licensed practice's eligibility to be licensed (in accordance with paragraph 2.04); and**
  - iii. of any change of:**
    - 1. the licensed practice's registered address;**
    - 2. the name(s) or trading name(s) of the licensed practice;**
    - 3. the address(es) of the licensed practice's offices;**
    - 4. any of the licensed practice's principals;**
    - 5. any of the licensed practice's licensed practitioners;**
    - 6. the name or principal business address of any of the licensed practice's principals; or**
    - 7. the name of the contact principal;**
- e. pay any of the fees required by ICAEW, in respect of paragraphs 2.21 to 2.25 of this handbook, within 30 days from the date the demand for such a fee is issued; such charges may be levied at any time, including after the termination of the licence;**
- f. respond, when required, to enquiries made by ICAEW or on its behalf (whether by writing, visiting the licensed practice's offices, using a periodic return, or any other method) about the licensed practice's application, its activities as a licensed practice, or any of its client records;**
- g. subject itself and all its principals to any monitoring, inspection or review process specified by ICAEW;**
- h. inform ICAEW in writing within 10 business days of the situation arising if the licensed practice cannot, or expects not to be able to, fulfil one or more of the requirements of this handbook. The notification must state what has happened and the action that the licensed practice proposes to take; and**
- i. send any notice or other document to be served on ICAEW to ICAEW's main office address, or such other address as may have been notified to the licensed practice.**

## Obligations, duties and rights of ICAEW

**2.09 ICAEW will deal fairly and openly with licensed practices.**

**2.10 Any notice or other document to be served on the licensed practice under this contract will be delivered by hand, sent by email, sent by fax, or posted.**

- a. If delivered by hand, it must be handed to a representative of the licensed practice and service will take effect immediately.
- b. If delivered by email, it must be sent to the latest email address given by the licensed practice to ICAEW, and service will take effect at the time of sending.
- c. If sent by fax, it must be sent to the latest fax number given by the licensed practice to ICAEW, and service will take effect at the time of sending.
- d. If sent by post, it must be sent to the latest registered address given by the licensed practice to ICAEW, and service will take effect two business days after posting.

**2.11 ICAEW will:**

- a. consider an application for a licence using the information supplied under paragraph 2.06 with such other information as it considers necessary and either:
  - i. grant the licence; or
  - ii. grant the licence subject to restrictions or conditions; or
  - iii. reject the application; or
  - iv. postpone consideration of the application and advise the firm accordingly;
- b. consider whether a licence should be withdrawn;
- c. impose restrictions or conditions on a licence as it considers appropriate;
- d. consider the information provided under paragraph 2.08h and the remedial action planned by the licensed practice;
- e. grant to the licensed practice a dispensation for a specified period from the requirement to comply with any part of this handbook if, in response to a written request, it considers it reasonable to do so in the public interest and the interests of any client, except for paragraphs 2.04d and 2.07;
- f. review the returns and reports made and submitted under this chapter of the handbook, and investigate failures to make or submit such returns or reports;
- g. make such enquiries as it considers appropriate about an applicant for a licence, a licensed practice, or a licensed practice's records concerning its clients (whether by requesting information in writing, visiting a licensed practice's offices, using a periodic return, or any other method);
- h. consider any application from a licensed practice, or licensed practitioner, to surrender its licence;
- i. publish, in any manner it considers appropriate, information about a licensed practice's, or licensed practitioner's, licence; and
- j. impose fees as set out in paragraphs 2.21 to 2.25 of this handbook as ICAEW determines at the times and rates set by it.

**2.12 ICAEW may, at its discretion, make changes to this handbook as and when it deems necessary, and this contract shall be varied accordingly. Such variation shall have effect from the date notified by ICAEW via [icaew.com](http://icaew.com)**

- 2.13 ICAEW may delegate the performance of any of its responsibilities to committees, sub-committees or staff and may issue directions or guidance as it deems necessary.**
- 2.14 ICAEW has the right to pass information about a licensed practice to any ICAEW committee, or any other body, to help any such body in the discharge of its functions, or if otherwise required to do so by law.**

#### **Effective date and term of the licence**

- 2.15 The licence will be effective from the date notified by ICAEW and will remain in place until it is withdrawn by ICAEW, surrendered by the licensed practice or until the licensed practice ceases to exist.**

#### **Withdrawal of a licence by ICAEW**

- 2.16 ICAEW may withdraw a licence if a licensed practice fails to satisfy ICAEW that it has complied or will continue to comply with its obligations under this handbook within 30 days of ICAEW serving on it a written notice demanding confirmation of its compliance.**

#### **Surrender of a licence by a licensed practice**

- 2.17 A licensed practice may not surrender its licence without the permission of ICAEW. A licensed practice must apply in writing to ICAEW to surrender its licence. Surrender will become effective once ICAEW has confirmed in writing that it has been permitted.**

#### **Consequences of withdrawal or surrender of a licence**

- 2.18 On withdrawal or surrender of a licence, the firm has continuing obligations to deal with enquiries and complaints in relation to any act or omission during the period of the licence and to pay charges raised in respect of that period, regardless of when the fee is raised.**
- 2.19 If a firm is no longer licensed, ICAEW may still take disciplinary action against it for any failure to comply with this handbook during the period of the licence, or for any failure to comply with the provisions of the handbook that have a continuing effect.**

#### **Implementing decisions**

- 2.20 Any decision made under paragraph 2.11 will come into effect as soon as notice of it is served on the firm or the licensed practice. Any decision made under paragraph 2.16 will come into effect 10 business days after notice of it is served on the licensed practice, except if the licensed practice, or firm, has applied for a review or appeal in accordance with the procedures set out paragraphs 2.26 to 2.32 of the handbook. In the case of the latter, the decision will be postponed until the Review Committee's decision has been put into effect.**

#### **List of fees**

- 2.21 A fee is payable on submission of an application for a licence by a firm. If the application is not accepted, the fee is refundable, less an element deducted to cover administration costs.**
- 2.22 A fee is payable each year by a licensed practice on 1 January.**



- 2.23** A fee is payable by a licensed practice, at an hourly rate as prescribed by ICAEW from time to time, if ICAEW has performed additional work; for example, in:
- a. obtaining information for or about the licensed practice;
  - b. collecting any fees due under this chapter;
  - c. reviewing the continuation of the licensed practice's licence; or
  - d. visiting the licensed practice if ICAEW or any person on its behalf, has had to make a second or subsequent visit to the licensed practice as a result of an earlier visit.
- 2.24** A regulatory penalty may be imposed if the licensed practice agrees that it has breached any provision of the handbook. There are no rights of review or appeal under paragraphs 2.26 and 2.28 against a regulatory penalty. If the licensed practice does not agree that the breach has been committed or does not agree to the terms of the penalty proposed or fails to comply with the terms of the penalty, the matter may be dealt with under the disciplinary bye-laws.
- 2.25** A fee payable under paragraph 2.22 or 2.23, and a regulatory penalty imposed under paragraph 2.24 may be levied at any time, including after the termination of the licence provided it relates to the period before the date of termination.

#### **Review**

- 2.26** A firm, or licensed practice, may apply to ICAEW in writing for a review of a decision to:
- a. reject an application for a licence;
  - b. grant an application for a licence with conditions or restrictions;
  - c. impose restrictions or conditions on a licensed practice that already has a licence; or
  - d. withdraw a licence;
- within 10 business days of the service of notice of ICAEW's decision.
- 2.27** As soon as practicable after the firm, or licensed practice, applies for a review, the Review Committee must meet and consider the matter afresh. The Review Committee may consider any new material put forward by the firm, or licensed practice, and may make any order ICAEW could have made under this handbook. The Review Committee may, in addition, order a firm, or licensed practice, to pay for the costs of the review.

#### **Appeal**

- 2.28** A firm, or licensed practice, may appeal against a decision of the Review Committee on the grounds that:
- a. it was wrong in law;
  - b. it wrongly interpreted any relevant paragraph of this handbook;
  - c. it did not comply with its procedures;
  - d. it made a decision which no tribunal could reasonably have made;
  - e. fresh evidence of a material nature has been received since the date of the finding; or
  - f. it had exceeded its powers or failed to exercise them properly.
- 2.29** A firm, or licensed practice, wishing to appeal shall give notice in writing to ICAEW within 10 days of service of the Review Committee's decision, giving details of its

grounds for appeal. On receiving this notice of appeal, the matter will be referred to the Appeal Committee.

- 2.30** On an appeal under paragraph 2.28, the Appeal Committee will, as soon as practicable, consider the evidence that was before the Review Committee and may at its discretion receive fresh evidence under paragraph 2.28(e).
- 2.31** In any appeal the Appeal Committee may:
- a. confirm, alter, or overturn any decision of the Review Committee, either in whole or in part; or
  - b. dismiss the appeal.
- 2.32** The Appeal Committee may also order a firm, or licensed practice, to meet all or part of the costs of the appeal.

#### **Liability of licensed practices to disciplinary action**

- 2.33** A licensed practice shall be liable to disciplinary action under the disciplinary bye-laws as if it were a member firm as defined therein in any of the following cases.
- a. If, in the course of carrying out licensed work or otherwise, it has committed any act or default likely to bring discredit on itself, ICAEW or the profession of accountancy.
  - b. If it has performed its licensed work inefficiently or incompetently to such an extent, or on such a number of occasions, as to bring discredit on itself, ICAEW or the profession of accountancy.
  - c. If it has committed a breach of the provisions of this handbook or has failed to comply with any order, direction or requirement made, given, or imposed under it.
  - d. If it has committed a breach of the disciplinary bye-laws or has failed to comply with any order, direction or requirement made, given, or imposed under them.
  - e. If it has failed to comply with any of the Conduct, Tribunals, or of any panel, otherwise than by failing to pay any fine or costs.
- 2.24** ICAEW may, in discharging any of its responsibilities, consider any information including disciplinary findings, orders, pending investigations and regulatory matters concerning a firm or a licensed practice or any of its principals, shareholders, or staff. The fact that a licensed practice or licensed practitioner has, before a court of competent jurisdiction, pleaded guilty to or been found guilty of an indictable offence (or has, before such a court, outside England and Wales, pleaded guilty to or been found guilty of an offence corresponding to one which is indictable in England and Wales) shall, for the purposes of this handbook, be conclusive evidence of the commission of such an act or default, as is mentioned in paragraph 2.33 (a).
- 2.35** The fact that one or more principals or licensed practitioners have joined or left a licensed practice since the time of the acts or defaults which are the subject of disciplinary action shall not affect the licensed practice's liability to such action unless the Conduct Committee is satisfied that, as currently constituted, the licensed practice has substantially lost its identity with the licensed practice as constituted at that time; but if the licensed practice continues to have the same or substantially the same name, that fact shall be evidence that such identity has not been lost.

## CHAPTER 3 – CONDUCT OF BUSINESS

### Purpose

**3.01 This chapter applies to all licensed practices in their provision to clients of any services under any category of licensed work.**

### Independence and integrity

**3.02 A licensed practice must not accept or continue with an appointment if the licensed practice has any interest likely to conflict with the proper conduct of the licensed work.**

**3.03 A licensed practice must act in accordance with the fundamental principles set out in the Code of Ethics issued by council.**

**3.04 A licensed practice must make arrangements to prevent anyone who is not a licensed practitioner from having any influence which would be likely to affect the independence or integrity of the licensed work.**

### Competence

**3.05 A licensed practice must make arrangements so that all licensed practitioners, principals, and employees doing licensed work are, and continue to be, competent to carry out the licensed work for which they are responsible or employed.**

Licensed practitioners, principals and other employees who are members of ICAEW, should also follow guidance available at [icaew.com/regulation](http://icaew.com/regulation) on how individuals may maintain their competence. Licensed practitioners, principals, and other employees, who are members of another institute, should also follow guidance issued by their institute.

**3.06 A licensed practice must maintain an appropriate level of competence in the conduct of licensed work.**

Under paragraph 3.06, a licensed practice must be able to ensure its competence in the future. Although a licensed practice's ability to conduct licensed work rests with its licensed practitioners, principals and employees, these individuals may change. It is only by using relevant manuals, programmes, checklists, procedures and so on that a licensed practice has a body of knowledge beyond that of the individual licensed practitioners, principals, and employees.

The number of formal documents and procedures will vary according to the nature of the licensed practice's clients. Their use is likely to vary even between clients of the same licensed practice. Even the smallest firm is likely to need some documentation such as programmes and checklists. As a firm grows in size, it should develop procedures to help licensed practitioners, principals and employees to use the programmes and checklists in order to carry out the licensed work.

### Agreement with clients

**3.07 A licensed practice shall ensure that it is in full agreement with its clients on the nature, scope and terms of the licensed work which are, or may be, provided and that it retains evidence of such agreement.**

The best way to obtain and record this agreement is by using an engagement letter. This could also deal with a licensed practice's obligations under the Code of Ethics to notify clients of the basis for charging fees. It could draw the client's attention to the complaints procedures established in paragraphs 3.10 to 3.12.

### **Record keeping**

**3.08 A licensed practice shall ensure that it has appropriate records of work undertaken on behalf of clients.**

Records should evidence the work undertaken on behalf of clients under the terms of the licence. The records do not have to be on paper but could be held on computer. Whatever method of storage is used, the licensed practice must have a mechanism for gaining access to these records.

The licensed practice should keep records relating to work performed under this handbook for at least six years. Licensed practices should bear in mind that some legislation requires records to be retained for longer.

### **Complaints resolution**

**3.09 A licensed practice shall ensure that all clients are notified in writing of the name of a senior person within the licensed practice to be contacted in the event of a complaint and of their right to complain to ICAEW.**

**3.10 If a licensed practice receives a complaint from a client or a former client concerning services covered by this handbook, it must immediately instigate an investigation by a principal.**

**3.11 If, following such an investigation, the licensed practice is of the opinion that the complaint is justified in whole or in part, it must do whatever is appropriate to resolve the complaint, whether by way of remedial work, apology, providing information, returning books or documents, reduction, or repayment of fees, or otherwise.**

A complaint may be a prelude to a claim that will need to be referred to professional indemnity insurers. It is essential that an assessment is made of any complaint when it is received. If a complaint is considered to be a potential claim, the licensed practice's insurers/brokers should be notified at once.

A complaint may arise from different sources, such as consumer organisations and others acting on behalf of a client. Licensed practices should ensure that their procedures can be properly applied, regardless of the source of the complaint.

If a complaint must be referred to insurers, it will be essential (if cover is not to be affected) to act in accordance with advice offered by the insurers.

Licensed practices should consider the use of alternative dispute resolution methods and discuss any proposals to settle complaints or claims with their professional indemnity insurers.

For complaints which have not been assessed as potential insurance claims, any concession made should be accompanied by a phrase such as 'As a gesture of goodwill and without admission of liability, we are prepared ...'

Details of the complaint resolution procedure can be included in the terms of engagement or in any other material supplied to the client (see 3.07).

Further guidance can be found in *The duty on firms to investigate complaints - guidance on how to handle or avoid them* at [icaew.com/regulation](https://www.icaew.com/regulation)

## Compliance

**3.12 A licensed practice shall review, at least once a year, how effectively it is complying with this handbook and take action to deal with any issues found and communicate any changes in procedures to principals and employees on a prompt basis.**

The annual compliance review consists of two parts. The first part covers a licensed practice's obligations in relation to:

- a. competence;
- b. professional indemnity insurance; and
- c. continuing eligibility for a category of licensed work.

The second part of the review involves checking that the work was completed in accordance with the licensed practice's procedures. Client files should be selected and reviewed to make sure that the procedures had been followed.

It is relatively easy to decide, on an annual basis, what is necessary for the first part. The second part involves judgements on what is needed for the number and frequency of reviews, particularly the number and choice of client files to be reviewed.

## Conduct of licensed work

**3.13 A licensed practice must comply with any additional conduct of business requirements that are set out in chapter 5 for a particular category of licence.**

## CHAPTER 4 – LICENSED PRACTICE AFFILIATES

ICAEW may grant a licence to a firm that has one or more principals (an individual or a corporate body) who are not members of ICAEW, affiliates under ICAEW's DPB (Investment Business) Handbook, Audit Regulations and Guidance, Legal Services Regulations, Insolvency Licensing Regulations and Guidance or a general affiliate under ICAEW's regulations governing the use of the description 'Chartered Accountants' and general affiliates, registered for audit work by ICAEW, licensed for investment business under ICAEW's DPB (Investment Business) Handbook, an ICAEW accredited probate firm or licensed under the ICAEW's Insolvency Licensing Regulations if these individuals or corporate bodies are granted licensed practice affiliate status by ICAEW.

That status does not confer membership of ICAEW nor entitle the individual or corporate body to use the title 'chartered accountant'. However, it does mean that the licensed practice affiliate is bound by the same regulations that govern an ICAEW member.

### Granting licensed practice affiliate status

- 4.01 Licensed practice affiliate status does not give the licensed practice affiliate any rights other than those contained in this chapter. Neither the licensed practice affiliate nor their licensed practice shall make any public representation that the licensed practice affiliate has any rights other than those contained in this chapter.**
- 4.02 A person must apply for licensed practice affiliate status in the manner decided by ICAEW. To carry out its responsibilities under this chapter, ICAEW may make any enquiries necessary to assess the eligibility of the applicant.**
- 4.03 ICAEW may grant licensed practice affiliate status if it is satisfied that the applicant:**
- a. is a fit and proper person to be granted licensed practice affiliate status;**
  - b. has agreed to comply with the provisions of this handbook;**
  - c. has agreed to observe and uphold ICAEW's Code of Ethics and any guidance issued by ICAEW; and**
  - d. has agreed to provide ICAEW with all the information it needs at any time.**
- 4.04 ICAEW may, on receiving an application for licensed practice affiliate status:**
- a. grant licensed practice affiliate status;**
  - b. reject the application;**
  - c. grant licensed practice affiliate status with restrictions or conditions; or**
  - d. postpone consideration of the application.**

### Withdrawal of licensed practice affiliate status

- 4.05 ICAEW may in its sole discretion withdraw licensed practice affiliate status if the licensed practice affiliate:**
- a. is, in the opinion of ICAEW, no longer a fit and proper person;**
  - b. fails to pay on time any fines or costs ordered by any committee or tribunal of ICAEW;**
  - c. has a disciplinary order made against them by any committee or tribunal of ICAEW;**
  - d. fails to pay the annual subscription within 30 days of the date of a notice to renew licensed practice affiliate status; or**

- e. fails to comply with the provisions of this handbook and ICAEW considers that withdrawal is justified.

#### **Cessation of licensed practice affiliate status**

##### **4.06 Licensed practice affiliate status will cease if:**

- a. subject to paragraph 4.07, the licensed practice in which the licensed practice affiliate is a principal ceases to hold a licence;
- b. subject to paragraph 4.07, the licensed practice affiliate ceases to be a principal or employee in the licensed practice to which the grant of licensed practice affiliate status related;
- c. the licensed practice affiliate is an individual and has a bankruptcy order made against them;
- d. the licensed practice affiliate is a body corporate which:
  - i. has been the subject of an effective resolution passed by the shareholders (or in the case of a limited liability partnership, by its members) for it to be wound up or has had a winding-up order made against it on grounds of insolvency; or
  - ii. has had an administration order made against it on grounds of insolvency; or
  - iii. has had a receiver appointed by a creditor or by a court on the application of a creditor.

##### **4.07 Licensed practice affiliate status will not cease under paragraph 4.06 if:**

- a. the licensed practice in which the licensed practice affiliate is a principal merges with or is acquired by another licensed practice; or
- b. the licensed practice affiliate leaves the licensed practice in which they are a principal and immediately becomes a principal in another licensed practice;

provided ICAEW is informed within 10 business days of the event. Otherwise, licensed practice affiliate status may be withdrawn.

#### **Changes in circumstances**

**4.08** A licensed practice affiliate must inform ICAEW in writing within 10 business days of any changes relevant to matters considered by ICAEW under paragraph 4.03.

#### **Review of regulatory decisions**

**4.09** A licensed practice affiliate may apply for a review of a decision made under paragraph 4.05 in accordance with the procedures set out in paragraphs 2.27 to 2.32 of the handbook.

#### **Implementing decisions**

**4.10** Any decision made under paragraph 4.04 will come into effect as soon as notice of it is served on the applicant for licensed practice affiliate status. Any decision made under paragraph 4.05 will come into effect 10 business days after notice of it is served on the licensed practice affiliate, unless the licensed practice affiliate has applied for a review in accordance with the procedures set out in paragraphs 2.27 to 2.32 of the handbook, in which case the decision will be suspended until a decision made by the Review Committee has been put into effect.

## **Serving notice**

- 4.11 A notice or other document to be served on a licensed practice affiliate under this chapter will be delivered by hand, sent by email, sent by fax or posted.**
- a. If delivered by hand, it must be handed to the licensed practice affiliate and service will take effect immediately.**
  - b. If delivered by email, it must be sent to the latest email address given by the licensed practice affiliate to ICAEW, and service will take effect at the time of sending.**
  - c. If sent by fax, it must be sent to the latest fax number given by the licensed practice affiliate to ICAEW, and service will take effect at the time of sending.**
  - d. If sent by post, it must be sent to the latest address given by the licensed practice affiliate to ICAEW, and service will take effect two business days after posting.**

## **Fees for licensed practice affiliates**

- 4.12 Licensed practice affiliates must pay a fee each year in addition to the licensed practice's annual fee. The first annual fee for licensed practice affiliate status is due when an application is made for such status, together with an application fee.**
- 4.13 The amount of the fees for licensed practice affiliate status will be determined by ICAEW from time to time.**

## **Disciplinary arrangements**

- 4.14 The disciplinary bye-laws of ICAEW that apply to a member also apply to a licensed practice affiliate.**
- 4.15 A licensed practice affiliate will remain liable to disciplinary action under this chapter for any acts or omissions relating to the obligations in this handbook during the period in which licensed practice affiliate status was held, regardless of any subsequent cessation of such status.**



## CHAPTER 5 – CATEGORIES OF LICENSED WORK

### Category A: ATOL Reporting Accountants

#### Definition of work

- 5.01** The ATOL Return work is defined as that required by ATOL Standard Term 3 of the Official Record Series 3.
- 5.02** Firms that undertake ATOL Return work under the terms of a licence granted by ICAEW shall comply with all requirements specified in the provisions of the handbook.

#### Appropriate qualifications and licensed practitioners

- 5.03** Subject to paragraph 5.05, the contact principal may designate as a licensed practitioner any of the licensed practice's principals or employees who have
- a. successfully completed:
    - i. the Civil Aviation Authority (CAA) ATOL training package approved by ICAEW; and
    - ii. the Assurance module of ICAEW's ACA qualification (Certificate Level), or equivalent; and
  - b. reviewed ATOL guidance issued by CAA, including Appendix A of Official Record Series 3 – Advice for Accountants.

CAA has developed a dedicated webpage that can be used as a repository of information and training material for both professional bodies and accountants. The CAA webpage will be updated with information and guidance on the ARA scheme and will feature news, documents, or revisions to guidance. CAA has also developed the CAA ATOL training package. CAA may, from time to time, update the CAA/ATOL training package and will issue a notification to registrants where they need to review the update.

**Before a principal or employee can be designated as a licensed practitioner, the individual must be:**

- c. a member of ICAEW and hold a practising certificate; or
  - d. a member of:
    - i. the Institute of Chartered Accountants of Scotland;
    - ii. the Association of Chartered Certified Accountants; or
    - iii. Chartered Accountants Ireland;and hold a practising certificate (or equivalent).
- 5.04** Any designation in accordance with paragraph 5.03 shall not be effective until application has been made to ICAEW in a form specified by it and the application has been approved. ICAEW may approve the application with conditions or restrictions.
- 5.05** A consultant or sub-contractor of a licensed practice cannot be designated as a licensed practitioner.
- 5.06** Within a licensed practice, only licensed practitioners can be responsible for ATOL Returns work and sign an annual accountant's report.

The form of an annual accountant's report must be that specified by CAA (see ATOL Standard Term 3 of the Official Record Series 3).

**5.07 The licensed practice should use an independent reviewer, at least once every three years, to perform a review of a sample of client files to check that the work was completed in accordance with the licensed practice's procedures (as set out in paragraph 3.12).**

The annual compliance review, as set out in paragraph 3.12, consists of two parts. The second part of the review involves checking that the work was completed in accordance with the licensed practice's procedures. Client files should be selected and reviewed to make sure that the procedures had been followed. This part of the review involves judgements on the number and frequency of reviews, particularly the number and choice of client files to be reviewed. However, paragraph 5.07 requires that, at least once every three years, those performing the engagement, or the licensed practitioner responsible for a particular ATOL Return, are not involved in inspecting the engagement as part of the annual compliance review. It may be that there is another individual in the firm who, although not a licensed practitioner, is sufficiently experienced in ATOL Returns work. Assuming this individual did not take part in the licensed work, the firm may decide that this individual would be a suitable person to undertake the review. If this is not possible, the firm should use an external reviewer.

**5.08 The firm must have PII in accordance with paragraph 2.04 d and the firm must also have sufficient PII to cover the liability cap in Appendix A of Official Record Series 3 – Annex 5.**

Appendix A of Official Record Series 3 requires the ATOL Reporting Accountant to acknowledge a duty of care to CAA and the Air Travel Trust (ATT). CAA accepts that the liability of the ATOL Reporting Accountant for any breach of that duty of care will not be unlimited. CAA has agreed that the ATOL Reporting Accountant can cap its liability. Appendix A of Official Record Series 3 – Annex 4 sets out model engagement terms, which include a liability cap. Appendix A of Official Record Series 3 – Annex 5 provides guidance on the liability cap formula.

**5.09 In accordance with paragraph 3.05, a licensed practice must make arrangements so that all licensed practitioners, principals and employees doing licensed work are, and continue to be, competent to carry out the licensed work for which they are responsible or employed. This should include any updates issued by CAA to the CAA/ATOL training package.**

CAA has developed a dedicated webpage that can be used as a repository of information and training material for both professional bodies and accountants. The CAA webpage will be updated with information and guidance on the ARA scheme and will feature news, documents and revisions to guidance. CAA has also developed the CAA ATOL training package. CAA may, from time to time, update the CAA/ATOL training package and will tell registrants when they need to review the update.

## APPENDIX 1 – INTERPRETATION AND DEFINITIONS

### Interpretation

In this handbook, unless the context otherwise requires:

- words importing the masculine gender include the neuter (as well as, by virtue of the Interpretation Act 1978 as applied by paragraph 3, the feminine);
- words importing the neuter gender include both the masculine and the feminine; and
- any reference to a numbered paragraph or chapter is a reference to the paragraph or chapter so numbered in this handbook.

Any references to legislation, regulations, requirements, bye-laws, handbook or other documents, will apply to any re-enactment, re-issue or amendment.

### Definitions

In each chapter of this handbook, unless the context otherwise requires, the following words and phrases have the meaning shown below.

Accountancy services	Services provided by a firm that fall within the definition of accountancy services contained within the council statement on engaging in public practice.
Appeal Committee	The Appeal Committee appointed under the disciplinary bye-laws of ICAEW. When a committee discharges these functions, its members are to be treated as officers of ICAEW for the purpose of regulation 2.13.
Business days	Days that exclude weekends and public holidays.
Bye-laws	All the bye-laws of ICAEW for the time being enforced. The bye-laws of ICAEW include its principal and its disciplinary bye-laws.
Category of licensed work	Work performed in accordance with the relevant category of the licence. The definition of work under each category is set out in chapter 5.
Code of Ethics	ICAEW's Code of Ethics, which applies to all members, students, affiliates, employees of member firms and, where applicable, member firms, in all of their professional and business activities, whether remunerated or voluntary.
Contact principal	A principal of the licensed practice who is responsible for monitoring that the licensed practice has complied, and is likely to continue to comply, with this handbook, and whose identity is notified in writing to ICAEW and who is the first point of contact with ICAEW in connection with this handbook.
Council	The council of ICAEW under Clause 2 of the Supplemental Royal Charter dated 21 December 1948.
Disciplinary bye-laws	The disciplinary bye-laws of ICAEW.

Tribunals Committee	The committee appointed by the council under the disciplinary bye-laws with responsibility for disciplining members, firms, and others in accordance with the bye-laws, regulations or handbook. When a committee discharges these functions, its members are to be treated as officers of ICAEW for the purpose of regulation 2.13.
Firm	<ul style="list-style-type: none"> <li>a. an individual who engages in the profession of accountancy as a sole practitioner;</li> <li>b. a partnership which engages in the profession of accountancy;</li> <li>c. a limited liability partnership which engages in the profession of accountancy; or</li> <li>d. a corporate practice which engages in the profession of accountancy.</li> </ul>
Handbook	All or any chapter of the <i>ICAEW Licensed Practice Handbook</i> as amended from time to time.
ICAEW Conduct Committee	The Institute of Chartered Accountants in England and Wales. The committee appointed by the council under the disciplinary bye-laws, with responsibility for considering complaints against members, firms and others as specified in the bye-laws, regulations or handbook. When a committee discharges these functions, its members are to be treated as officers of ICAEW for the purpose of regulation 2.13.
Licence	A licence granted under chapter 2 of this handbook and licensed and licensing should be construed accordingly.
Licensed work	Work performed in accordance with the relevant category of the licence.
Licensed practice	A firm licensed under chapter 2 of this handbook.
Licensed practice affiliate	A person granted licensed practice affiliate status by ICAEW under the provisions of this handbook.
Licensed practitioner	A principal, or an employee, licensed under chapter 5 of this handbook.
Member	A member of ICAEW but not including a licensed practice affiliate or a regulated non-member.
PII Regulations	The Professional Indemnity Insurance Regulations of ICAEW.
Practice Assurance	The scheme, including the ICAEW's Practice Assurance Regulations (that came into force on 1 November 2004) and the Practice Assurance standards (that all PC holders and member firms shall act in accordance with as required by the Practice Assurance Regulations), that is

applicable wherever members are required under the principal bye-laws to hold a practising certificate.

Principal	An individual in sole practice, (if the firm is a sole practice), a person who is a partner (including both salaried and equity partners) (if the firm is a partnership), a member of a limited liability partnership (if the firm is a limited liability partnership) a director (if the firm is a company) or any individual who is held out as being a company director, partner or member.
Principal bye-laws	The principal bye-laws of ICAEW.
Registered address	The address of a licensed practice registered with ICAEW as the principal place of business.
Registered auditor	A firm entered on the register of auditors compiled under section 1239 of The Companies Act 2006 or section 198 of the Companies Act 1990 as eligible for appointment as a statutory auditor under those acts.
Regulatory penalty	An amount imposed with the consent of a licensed practice as a penalty for breaches of this handbook which the licensed practice agrees have been committed.

## Our role as an improvement regulator

Our role is to strengthen trust in ICAEW Chartered Accountants and firms. We do this by enabling, evaluating and enforcing the highest standards in the profession.

ICAEW's regulatory and conduct roles are separated from ICAEW's other activities so that we can monitor, support or take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department (PSD) and overseen by the ICAEW Regulatory Board (IRB).

Our role is to:

- **authorise** ICAEW firms, members and affiliates to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- **support** the highest professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** ICAEW firms and insolvency practitioners to ensure they operate correctly and to the highest standards;
- **investigate** complaints and hold ICAEW firms and members to account where they fall short of standards;
- **respond** and comment on proposed changes to the law and regulation; and
- **educate** through guidance and advice to help stakeholders comply with laws, regulations and professional standards.

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Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 198,500 members and students around the world. All of the top 100 global brands employ our ICAEW Chartered Accountants.\*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor around 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

ICAEW is the first major professional body to be carbon neutral, demonstrating our commitment to tackle climate change and supporting UN Sustainable Development Goal 13.

ICAEW is a founding member of Chartered Accountants Worldwide (CAW), a global family that connects over 1.8m chartered accountants and students in more than 190 countries. Together, we support, develop and promote the role of chartered accountants as trusted business leaders, difference makers and advisers.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create sustainable economies and a better future for all.

[www.charteredaccountantsworldwide.com](http://www.charteredaccountantsworldwide.com)  
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\*includes parent companies. Source: ICAEW member data  
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