

**CHAPTER 119**

**INSTITUTE OF CHARTERED ACCOUNTANTS**

*Acts* AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF AN INSTITUTE OF CHARTERED  
 Nos. 23 of 1959, ACCOUNTANTS OF SRI LANKA AND OF A COUNCIL OF THE INSTITUTE WHICH  
 16 of 1964, SHALL BE RESPONSIBLE FOR THE MANAGEMENT OF ITS AFFAIRS AND FOR THE  
*Law* REGISTRATION AND CONTROL OF AND THE MAINTENANCE OF PROFESSIONAL  
 No. 34 of 1975. STANDARDS AND DISCIPLINE BY MEMBERS OF THE INSTITUTE IN SRI LANKA AND  
 FOR MATTERS CONNECTED WITH OR INCIDENTAL TO THE MATTERS AFORESAID.

[15th December, 1959.]

Short title. **1.** This Act may be cited as the Institute of Chartered Accountants Act.

ESTABLISHMENT OF INSTITUTE AND MEMBERSHIP

Establishment of Institute of Chartered Accountants of Sri Lanka. **2.** There shall be an Institute with the name "The Institute of Chartered Accountants of Sri Lanka" (hereinafter referred to as "the Institute").

Incorporation of Institute. **3.** (1) The persons for the time being enrolled as members of the Institute shall be a body corporate with the name "The Institute of Chartered Accountants of Sri Lanka".

(2) The Institute shall have perpetual succession and a common seal and may sue or be sued in its corporate name and may hold, acquire and dispose of any property, movable or immovable.

Eligibility for membership of Institute. [§ 2, Law 34 of 1975.] **4.** (1) Subject to the provisions of section 15, the following persons shall be eligible for membership of the Institute:—

(i) a person who passes the qualifying examinations for membership of the Institute to be conducted by the Council under this Act and completes a scheme of practical training approved by the Council and for such period as may be prescribed by the Council:

Provided, however, that such practical training shall not be restricted to service under a practising accountant;

(ii) a person who is a member of any society or institute of accountants by whatever name called and approved by regulations made by the Council as being in the opinion of the Council an association of equivalent status to the -Institute:

Provided, however, that notwithstanding the approval of any such society or institute the Council may declare that any class or description of members of the society or institute shall not be eligible for membership of the Institute; and

(iii) a person who was, at the 15th day of December, 1959, registered as an Auditor under the Companies (Auditors) Regulations, 1941.

(2) Any regulations made by the Council prescribing practical training for the purpose of paragraph (i) of subsection (1) may contain such special provisions as the Council may deem expedient declaring that a person who had commenced prior to the 15th day of December, 1959, or the 29th day of August, 1975, and completed or completes, whether prior to or after the aforesaid dates, training as an articled clerk under a practising accountant for such period as may be specified in the regulations shall be deemed to have completed the training prescribed for the purposes of the aforesaid paragraph (i).

(3) Any regulations made by the Council by which any society or institute is approved for the purposes of paragraph (ii) of subsection (1) may provide, as a condition

of such approval, that a member of such society or institute shall not be eligible for membership of the Institute of Chartered Accountants of Sri Lanka, unless he has undergone such training as approved by the Council for such period as may be specified.

Fee for membership of Institute.

5. (1) Subject to the provisions of section 15 a person who is eligible for membership of the Institute shall be enrolled as a member upon payment to the Council of a fee of one hundred and twenty-five rupees or such other amount as may be substituted therefor by regulation. Such fee shall be paid to the president of the Council or, if the Council has not been constituted, to the Registrar of Companies.

(2) The enrolment of a person as a member of the Institute shall be effective until the thirty-first day of December of the year of enrolment; and the enrolment may be renewed annually upon payment to the Council of the prescribed fee in respect of each such renewal.

Classification of members as Fellows and Associates.

6. (1) The members of the Institute shall be divided into two classes consisting respectively of Fellows and Associate Members.

[§ 3, Law 34 of 1975.]

(2) Any member of the Institute who satisfies the Council that he has been in continuous practice as an accountant for not less than five years, whether before or after the 15th day of December, 1959, or partly before and partly after that date, or, who has completed ten years as a member of the Institute, shall on application made to the Council in that behalf on or before December 31, 1985, and on payment to the Council of a prescribed fee be registered by the Council as a Fellow of the Institute and shall be entitled to use the addition " F.C.A. " after his name to indicate that he is a Fellow.

[§ 3, Law 34 of 1975.]

(3) Any member of the Institute who is not eligible for registration by the Council as a Fellow of the Institute in terms of subsection (2) shall be eligible for registration by the Council as a Fellow of the Institute on passing the Fellowship Examination to be conducted by the Council and on application made to the Council in that behalf and on payment to

the Council of a prescribed fee. Such member shall upon registration by the Council as a Fellow of the Institute be entitled to use the addition " F.C.A. " after his name to indicate that he is a Fellow.

(4) Every member of the Institute who is not registered under subsection (2) or subsection (3) as a Fellow of the Institute shall be an Associate Member and shall have the right to use the addition " A.C.A. " after his name to indicate that he is an Associate Member.

(5) Every member of the Institute shall be entitled to take and use the title " Chartered Accountant".

THE COUNCIL

7. (1) There shall be a Council of the Institute, in this Act referred to as "the Council".

Constitution of Council.

(2) The Council shall consist of a president, a vice-president and ten other members appointed or elected as hereinafter provided.

[§ 5,16 of 1964.]

(3) During the period of ten years commencing on the 15th day of December, 1959, the president, the vice-president and the other members of the Council shall be appointed by the Minister, and of the members so appointed at least six shall be persons who are members of the Institute, of whom not more than four shall be practising accountants,

[§ 5,16 of 1964.]

(4) After the expiration of the period of ten years referred to in subsection (3), the president and the vice-president of the Council shall be elected by the members of the Institute from themselves, and the remaining members of the Council shall consist of—

[§ 5, 16 of 1964.]

(a) six members appointed by the Minister, and

(b) four members elected by the members of the Institute from among its members, of whom not more than three shall be practising accountants:

Provided, however, that—

- (i) where the Minister fails to appoint, within three months after the expiration of the period of ten years referred to in subsection (3), one or more of the members specified in paragraph (a) of this subsection, or
- (ii) where the Minister fails to appoint, within three months after the death of, or vacation of office by, a member of the Council appointed under paragraph (a) of this subsection, another person in place of such member,

the members of the Institute may elect from themselves such number of persons as may be necessary to make up the number of members specified in paragraph (a) of this subsection.

(5) The elections under subsection (4) shall be conducted in accordance with such provisions in that behalf as may be made by the Minister by Order published in the Gazette.

Term of office of members of the Council.

**8.** (1) Every member of the Council shall, unless he earlier vacates his office, hold office for a period of two years from the date of his appointment or election :

Provided, however, that the members appointed under subsection (3) of section 7 and holding office at the expiration of a period of ten years from the date referred to in that subsection shall thereupon vacate office.

[§ 6, 16 of 1964.]

(2) A member of the Council shall vacate office by resignation therefrom or if he ceases to be a member of the Institute.

(3) In the event of the death of, or vacation of office by, a member of the Council, another person shall, in accordance with the provisions of section 7, be appointed or elected, as the case may be, in place of such member, and shall hold office during the remaining part of the term of office of such member.

(4) Any member of the Council who vacates office by effluxion of time shall be eligible for reappointment or re-election as a member.

**9.** (1) The Council shall be charged with the administration and management of the Institute and shall be responsible for carrying out the provisions of this Act and the functions and duties conferred or imposed upon the Council by this Act.

General powers and duties of Council.

(2) It shall be the duty of the Council— [§ 4, Law 34 of 1975.]

(a) to conduct or provide for the conduct of the qualifying examinations for membership of the Institute and to prescribe or approve courses of study for such examinations ;

(b) to supervise and regulate the engagement, training and transfer of articled clerks who have entered into articles of agreement on or before the 29th day of August, 1975;

(c) to supervise and regulate the registration of students and the courses of practical training for such registered students for such period as may be prescribed by the Council;

(d) to specify the class of persons who shall have the right to train articled clerks who have entered into articles of agreement on or before the 29th day of August, 1975, and to specify the circumstances in which any person of that class may be deprived of that right;

(e) to fix the maximum amount of the premia or fees to be charged from articled clerks who have entered into articles of agreement on or before the 29th day of August, 1975, and the conditions subject to which such fees are to be charged ;

(f) to maintain and publish a register of members of the Institute and a register of persons authorized to practise in Sri Lanka as Chartered Accountants;

(g) to secure the maintenance of professional standards among members of the Institute and to take such steps as may be necessary to acquaint them with the methods and practices necessary to maintain such standards;

- (h) to maintain a library of books and periodicals relating to accountancy and to encourage the publication of such books in Sri Lanka;
- (i) to carry out and encourage research in Sri Lanka in the subjects of accountancy, audit and other related subjects and generally to promote the education, training and advancement of the registered students and secure the well-being and advancement of the profession of accountants;
- (j) to approve the scheme of practical training to be followed by the registered students; and
- (k) to require any institution to provide information to the Council with regard to facilities available for training students in accounting and audit.

published in the Gazette and copies thereof shall be furnished to the Minister and to each member of the Institute.

(6) As soon as convenient after the 15th day of December, 1959, the Government shall donate to the Council a sum of two hundred thousand rupees.

(7) The Minister in charge of the subject of Finance may from time to time decide that a temporary loan shall, subject to such conditions as he may determine, be made to the Council from the Consolidated Fund in order to enable the Council to meet any current liabilities pending the receipt of income by the Council. Any sum which is to be lent to the Council under this subsection is hereby charged on the Consolidated Fund :

Provided, however, that the total amount of such loans to the Council outstanding at any time shall not exceed ten thousand rupees.

Officers of the Council.

**10.** The Council may appoint a secretary and such other officers and servants as it may deem necessary.

Financial provisions.

**11.** (1) The Council shall establish and maintain a fund under its management and control into which shall be paid all moneys received by the Council and out of which shall be met all expenses and liabilities incurred by the Council in carrying out its powers, functions and duties under this Act.

(2) The Council may invest moneys in the fund in any securities issued or guaranteed by the Government of Sri Lanka or in any other securities approved by the Minister.

(3) The Council may maintain an account in any bank or banks in Sri Lanka.

(4) The annual accounts of the Council shall be subject to audit by a member of the Institute (not being a member of the Council) in practice as a Chartered Accountant in Sri Lanka who shall be appointed for the purpose each year by the Council.

(5) As soon as may be after the end of each financial year of the Council, the accounts for the preceding year shall be

**12.** (1) The Council may make regulations for or in respect of any matter required or authorized by this Act to be prescribed or of any matter relating to or connected with its powers, functions and duties under this Act or the proper exercise, discharge or performance thereof.

Power to make regulations.

(2) Without prejudice to the generality of the provisions of subsection (1), the Council may make regulations in respect of all or any of the following matters:—

(a) the summoning and holding of meetings of the Council, the times and places of such meetings and the conduct of business thereat;

(b) the management of the property of the Council, the custody of its funds and the maintenance and audit of its accounts;

(c) the election or appointment by the Council of standing or other committees, the powers, functions and duties of such committees, and the conditions subject to which such powers may be exercised and such functions and duties performed;

- (D) the powers, functions and duties of the secretary and other officers of the Council and the salaries, fees, allowances and conditions of service of such officers and servants;
- (e) the establishment and regulation of a provident fund for the benefit of the officers and servants and their dependants or nominees, and the contributions to be made by the Council and by such officers and servants to such Fund ;
- (f) the exercise of disciplinary control over officers and servants of the Council;
- (g) the time and manner of the payment of enrolment, registration and renewal fees, the termination of membership upon failure to pay renewal fees and the conditions of restoration to membership in such cases;
- (h) the fees to be paid to the Council by students admitted to the qualifying examinations or for courses of instruction provided by the Council, and the engagement and remuneration of lecturers and examiners; and
- (i) the grant of assistance, whether financial or otherwise, to societies of students.

- (c) if having been adjudged an insolvent or bankrupt, he has not been granted by a competent court a certificate to the effect that his insolvency or bankruptcy has arisen wholly or partly from unavoidable losses or misfortunes;
- (d) if he has been convicted by a competent court, whether in Sri Lanka or elsewhere, of any offence involving moral turpitude and punishable with imprisonment or similar punishment and has not been granted a free pardon.

(2) The Council shall disenrol any person who is a member of the Institute, if he becomes subject to any disqualification mentioned in paragraph (b) or paragraph (c) or paragraph (d) of subsection (1) of this section: [§ 11,16 of 1964.]

Provided, however, that such disenrolment shall not prevent the Council from subsequently re-enrolling such person if satisfied that he is fit to practise the profession of an accountant and auditor. [§11, 16 of 1964.]

**16.** (1) The Council may disenrol any individual who is a member of the Institute, if satisfied that he is unfit to practise the profession of an accountant and auditor by reason that he has been guilty of professional misconduct. Disenrolment for professional misconduct. [§ 12, 16 of 1964.]

(2) The disenrolment of the registration of any person under subsection (1) shall not prevent the Council from subsequently re-enrolling that person, if satisfied that he is fit to practise the profession of an accountant and auditor. [§12,16 of 1964.]

[§ 10, 16 of 1964.] QUALIFICATIONS FOR ENROLMENT, AND PROVISIONS AS TO DISENROLMENT, ETC.

General dis-qualifications, [§ 11, 16 of 1964.] **\*15.** (1) No person shall be enrolled as a member of the Institute-

- (a) unless he has attained the age of twenty-one years and is either a citizen of Sri Lanka or has ordinarily resided in Sri Lanka for a period of not less than three years;
- (b) if he has been adjudged by a competent court to be of unsound mind;

**17.** (1) The Council shall not, under section 16, disenrol any person, unless a disciplinary committee has, after inquiry, made a report to the Council that the person has been guilty of professional misconduct. Inquiries by disciplinary committees. [§13,16 of 1964.]

(2) Where the Council has reasonable cause to believe, whether upon complaint made to it or otherwise, that any person who is a member of the Institute has been guilty of professional misconduct, the [§ 13, 16 of 1964.]

\* Sections 13 and 14 are repealed by Act No. 16 of 1964.

Council may appoint a disciplinary committee for the purpose of holding an inquiry into the conduct of that person.

(3) The provisions of the First Schedule\* to the Act shall apply in relation to the constitution of and the procedure to be followed by disciplinary committees appointed under this section, the proceedings at inquiries held by such committees and the powers exercisable by such committees.

(4) The Minister may, upon the recommendation of the Council, by Order published in the Gazette, amend or alter or add to or revoke any or all of the provisions of the First Schedule.\*

(5) The provisions of the First Schedule\* for the time being in force shall be as valid and effectual as if they were herein enacted.

Suspension in lieu of disenrolment. [§ 14, 16 of 1964.]

18. In any case where the Council is by section 16 empowered to disenrol any person from membership of the Institute, the Council may, in lieu of exercising that power, suspend the person from membership for such period as the Council may deem fit.

Appeal to the Court of Appeal from decisions of the Council under section 16 or section 18.

19. (1) Any person aggrieved by a decision of the Council under section 16 or section 18 may appeal against that decision to the Court of Appeal.

(2) Every appeal under subsection (1) against a decision—

(a) shall be made by petition in writing bearing a stamp of one rupee ;

(b) shall be preferred within ten days after the date of that decision.

Meaning of "professional misconduct".

20. (1) For the purposes of this Act, "professional misconduct" means any act or omission which is for the time being specified in the Second Schedule\* to this Act.

(2) The Minister may, upon the recommendation of the Council, by Order published in the Gazette, amend or alter or add to any or all of the provisions of the Second Schedule+.

\* First and Second Schedules are omitted.  
+ Second Schedule is omitted.

RESTRICTIONS ON PRACTICE AS ACCOUNTANTS

21. (1) No person who is a member of the Institute or is a partner of any such firm of accountants as is referred to in subsection (3) of section 22 shall practise as an accountant unless he is the holder of a certificate to practise which is for the time being in force: Restrictions on practising as accountant. [§ 15, 16 of 1964.]

Provided, however, that such certificate to practise shall not be issued to a member of the Institute unless such person has had at least a period of two years' practical training in a firm of practising accountants after he has passed one of the qualifying examinations prescribed by the Council. [§ 5, Law 34 of 1975.]

(2) Every certificate to practise shall be issued by the Council upon payment of the prescribed fee; different fees may be prescribed in respect of Fellows, Associate Members, and partners of any such firm of accountants as is referred to in subsection (3) of section 22 respectively. [§ 15,16 of 1964.]

(3) Every certificate to practise shall be in force until the thirty-first day of December of the year of issue of that certificate, and may from time to time be renewed upon payment of the fee prescribed as provided in subsection (2).

(4) Where each of the partners in a firm of accountants is the holder of a certificate to practise, no such certificate shall be required to authorize the firm to practise as accountants.

(5) The preceding provisions of this section shall not come into operation until such date as may be fixed by the Minister by Order published in the Gazette.

(6) Where all or any of the partners of a firm of accountants are not citizens of Sri Lanka and are not qualified to be members of the Institute by reason of the fact that they have not- ordinarily resided in Sri Lanka for a period of not less than three years, then, if the number of partners who are not such citizens and are not so qualified is increased by the admission to that firm of a partner who is not a citizen of Sri Lanka [§ 15,16 of 1964.]

and who has not ordinarily resided in Sri Lanka for a period of not less than three years, that firm shall not practise as accountants.

**RESTRICTIONS AS TO USE OF TITLES, ETC.**

Restrictions as to use of titles conferred under this Act.

**22.** (1) No person, not being a member of the Institute, shall take or use the title "Chartered Accountant", or any addition mentioned in section 6.

(2) Notwithstanding anything in subsection (1) any firm of accountants, each of the partners of which is a member of the Institute, may take and use the title "Chartered Accountants".

(3) Notwithstanding anything in subsection (1), any firm of accountants all or any of the partners of which are not citizens of Sri Lanka and are not qualified to be members of the Institute by reason of the fact that they have not ordinarily resided in Sri Lanka for a period of not less than three years may, if that firm was in practice on the ninth day of February, 1959, take and use the title "Chartered Accountants".

[§ 16. 16 of 1964.]

**MISCELLANEOUS PROVISIONS**

Offences and penalties.

**23.** (1) Any person who contravenes any provision of this Act shall be guilty of an offence and shall be liable, on conviction after summary trial before a Magistrate, to imprisonment of either description for a term not exceeding six months or to a fine not exceeding one thousand rupees or to both such imprisonment and fine.

(2) Any person who is declared by any rule in the First Schedule\* to be guilty of an offence under this Act shall be liable, on conviction after summary trial before a Magistrate, to a fine not exceeding five hundred rupees.

(3) No prosecution for any offence under this Act shall be instituted except by a member or officer of the Council authorized in writing for the purpose by the Council.

Meaning of "practise"

**24.** (1) For the purposes of this Act, a person shall be deemed to practise as an accountant if, in consideration of

\* First Schedule is omitted.

remuneration received or to be received, and whether by himself or in partnership with any other person, he—

(a) engages himself in the practice of accountancy or holds himself out to the public as an accountant; or

(b) offers to perform or performs service involving the auditing or verification of financial transactions books, accounts or records, or the preparation, verification, or certification of financial accounting and related statements; or

(c) renders professional service or assistance in or about matters of principle or detail relating to accounting procedure or certification of financial facts or data; or

(d) renders any other service which may be declared by the Council by regulation to be service constituting practice as an accountant.

(2) A person who is the salaried employee of the Government or of any one employer shall not, by reason only that he does any act referred to in subsection (1) in his capacity as such employee, be deemed to practise as an accountant.

**25.** Notwithstanding anything in the preceding sections of this Act, the following provisions shall apply in relation to the first enrolment of members of the Institute and the Constitution of the first Council to hold office under this Act:—

Transitional arrangements.

(1) As soon as may be after the 15th day of December, 1959, the Minister shall in terms of subsection (3) of section 7 appoint a person to be the president of the Council.

(2) The president shall, by notice published in the Gazette and in at least two daily newspapers circulating in Sri Lanka, call upon persons eligible for membership of the Institute to make application therefor.

- (3) The president shall, subject to the provisions of sections 5 and 15, enrol as members of the Institute all persons eligible for such membership who make application in that behalf within the period of three months immediately succeeding the 15th day of December, 1959.
- (4) The names of the persons enrolled under paragraph (3) of this section shall be presented to the Minister
- for the purpose of enabling him to make the other appointments for which provision is made in subsection (3) of section 7.
- (5) As soon as may be after all appointments are made, the Minister shall by Order published in the Gazette specify the date on which the first Council established under this Act shall commence to hold office.