

GUIDELINES ON PROFESSIONAL APPOINTMENTS

Introduction:

The International Code of Ethics for Professional Accountants including International Independence Standards, 2018 is completely rewritten under a new structure and the manner of presentation that make the Code easier to comprehend, use and enforce.

In this new revised edition, provisions of “Professional Appoints” are given under section 320.1 to 320.10 A. There are also other related sections of the Code that necessitate better understanding in the compliance with the Fundamentals Principles and Conceptual Frameworks of the Code of Ethics of 2018.

The earlier edition of Code of Ethics of 2014 had a separate section 250 (250.1 and 250.2) for “Marketing professional services”. The earlier “Guidelines on Marketing Professional Services” was based on the provisions of Code of Ethics of 2014 edition. In the given situation, when the revised edition of Code of Ethic 2018 has come to public domain, it becomes necessary to adopt and comply with the provisions of the recent edition of Code of Ethics 2018. Therefore, this guideline is produced hereunder for better understanding, use and enforcement by the Professional Accountants in public practice.

Objectives:

While responding to the enquiries or communicating with new clients who are in search of Professional Accountants in Public practice, may create threats to compliance of one or more of the Fundamental Principles of the Code of Ethics.

This Guidelines is intended to provide insights, explanations and at some places with examples for enhancing the understanding and knowledge of the Professional Accountants to safeguard the threats. It will also help in performing professional services with honest and straightforward approach and not to compromise professional or business judgement because of bias, conflict of interest or undue influence of others

The Professional Accountants are required to comply with the Fundamental Principles of Section 110 and Conceptual Framework of section 120 to identify, evaluate and address threats.

The Professional Accountants in Public practice shall be alert and not succumb to pressure to ignore or violate the fundamental principles, compromise professional judgement, and independence because of bias, conflict of interest or undue influence.

Client and engagement acceptance:

Threats to Compliance with the fundamental principles:

Before responding to any offer or communicate to potential clients, it is necessary for a Professional Accountant to gather adequate information about the owners, management and business activities of the client. Such as :

- The nature and activities of the client' s business;
- Complexity of operation of business e.g. nature of industry, trade and commerce or services;
- The requirement of engagement- audit or review engagement, assurance or non-assurance services other than audit and review;
- Proposed nature of the work to be performed;
- Requirement or knowledge of the relevant industries and the subject matter;
- Experience of regulatory requirements such as - banks, non -bank financial institutions, cooperatives, insurance etc.; and
- Existence of quality control policies and procedures.

This approach could help in finding out at least the following information:

- Whether client activities are lawful,
 - Whether there any questionable issues such as involvement in illegal activities, illegal financial accounting and reporting practices or unethical behavior;
 - Whether previous audited financial statements can be provided to assess the volume of business and accounting transactions and the status of internal control system;
 - Whether client has adequate, experienced and qualified personnel involved in financial management and preparation of financial statements;
- After gathering above information, the professional Accountant shall proceed to evaluate the self- interest threat and take suitable measures given hereunder to address such self-interest threat to an acceptable level.
- To assign adequate experienced and qualified personnel;
 - To prepare for performance of engagement in time; using experts wherever necessary.

Changes in a Professional Appointment:

The professional Accountant shall determine whether there are any reasons for not accepting an engagement when the accountant:

- a) Is asked by the potential client to replace the existing another accountant;
- b) considers tendering for appointment held by another accountant; or
- c) Considers undertaking work that is complementary or additional to that of another accountant. (R 320.4).

The responsibilities of the Professional Accountants:

In the event of any information received about the changes in professional appointment, the professional Accountant:

- shall think seriously whether there is any reason that might indicate not to accept engagement. There could be reasons of self-interest threat and also accepting the engagement without knowing all relevant facts might create non-compliance of fundamental principles relating to professional competence and Due care. Therefore, it becomes the responsibility of the professional Accountant, before communicating or responding to the client's request, to verify seriously all relevant facts that caused to changes in the professional engagements;
- shall be allowed, as explicitly mentioned in the tender or mode of requesting documents of the proposed client, to contact the predecessor accountant to get information about the reason responsible for such change in the profession engagement. Such contact gives the professional accountant the opportunity to enquire whether there are any reasons why the engagement should not be accepted;
- shall, in the event if asked to undertake work that is complementary or additional to work of an existing predecessor accountant, gather all relevant information and find out whether any reason exists which might create self -interest threat to compliance with the principle of professional competence and due care might be created as a result of incomplete information.
- Shall not undertake any step to respond to the client's offer through any means without verifying reasons for changes in professional engagements or complete information of the activities of the client for example whether the client is indulging in, illegal activities such as tax evasion or manipulation, money laundering etc.

Communicating with the existing or predecessor Professional Accountant:

The Professional accountant is responsible to undertake reasonable step to communicate with the predecessor or existing accountant and find out the reasons for change in the professional engagement.

The professional Accountant usually needs to have permission of the client to contact the predecessor accountant. Therefore, before responding to any request of the potential client for change in the professional engagements, such permission must be provided to the incumbent responding professional account by the client.

After receiving such permission, the Professional Accountant shall communicate with the predecessor accountant and gather complete information.

In case, the predecessor accountant fails or not intend to communicate, the proposed Professional accountant shall take other reasonable steps to obtain information about any non-compliance or threats.

In sum without thoroughly verifying all the information whether any threat or non-compliance of fundamental principles exist, the proposed Professional Accountant shall not respond to the request of any mode to change in the professional engagement. (R320.6; 320.5A1)

Communicating with the proposed Professional Accountant:

When the existing or predecessor accountant is asked by a proposed professional Accountant, the existing or predecessor shall:

- Comply with the relevant laws and regulations governing the request; and
- Provide any information honestly and unambiguously.

Before responding to the request of the proposed Professional Accountant, the existing or predecessor accountant shall consider the provisions of local laws and regulation relating to disclosure of the confidential information and also verify whether the client has given such permission to disclose. (R320.7; 320.7A1)

Changes in Audit or Review Appointments:

In the case of changes in the appointments of audit and review of financial statements, the Professional Accountant shall request the existing or predecessor accountant to provide information which in the opinion of the existing or predecessor accountant, the proposed professional Accountant must be aware before deciding whether to accept the engagement.

After having obtained client's permission, the existing or predecessor accounts shall honestly and unambiguously disclose the facts to the proposed professional Accountant;

And incase such permission is not provided to the existing or predecessor accountant by the client, in that event disclose the same fact of not having permitted to disclose by the client to the proposed Professional Accountant. (R320.8)

Client and engagement continuance:

In the case of existing client for continuance, the Professional Accountant shall periodically review whether there exists any self-interest thereat or threat to compliance with the fundamental principles which did not come to the notice to the Professional accountant in earlier evaluation of threats. For example: concealment of certain illegal earnings or understatement of facts in the previous financial statements to evade or manipulate taxes, or over statement of figures of performance or of assets in the financial statements to procure loans from banks and other non -

bank financial institutions etc. If such illegal activities come to the notice and the safeguard measures cannot reduce them to an acceptable level, then in that event the incumbent professional Accountant shall decline the engagement. (R320.9 and 320.9 A1).

Using the work of an expert:

Subsequent upon the evaluation of information in regard to the client and engagement acceptance or changes in professional appointments, if the professional Accountants conclude to hire the services of an experts to strengthen the competency then can hire an expert of reputation, expertise and professional resources. (R320.10 and 320. A1).

For better and comprehensive understanding, refer “Hand book of the International Code of Ethics for professional Accountants including Independence International Standards. Section 100; section 120; independence of Part -4 A and B. and for Professional Appointments from section 320.1 to 320.10. A1 which consist of “Requirement marked as” R” before the number of respective sections for mandatory compliance of the matters of the said provision and “Application materials meant for further explanations to safeguard against various kinds of threats explained in the conceptual framework marked as “A” after the subsection numbers.