

SECTION 13

Relations with other Chartered Accountants in Practice

Accepting New Assignments

- 13.1 The extension of the operations of a business undertaking frequently results in the formation of branches or subsidiary companies at locations where an existing accountant does not practice. In these circumstances, the client or the existing accountant in consultation with the client may request a receiving accountant practising at those locations to perform such professional services as necessary to complete the assignment.
- 13.2 Referral of business may also arise in the area of special services or special tasks. The scope of the services offered by chartered accountants in practice continues to expand and the depth of knowledge which is needed to serve the public often calls for special skills. Since it is impracticable for any one chartered accountant practice to acquire special expertise or experience in all fields of accountancy, some chartered accountants in practice have decided that it is neither appropriate nor desirable to develop within their firms the complete range of special skills which may be required.
- 13.3 Chartered accountants in practice should only undertake such services which they can expect to complete with professional competence. It is essential therefore for the profession in general and in the interests of their clients that chartered accountants in practice be encouraged to obtain advice when appropriate from those who are competent to provide it.
- 13.4 An existing accountant without a particular skill may however be reluctant to refer a client to another chartered accountant in practice who may possess that skill, because of the fear of losing existing business to the other chartered accountant in practice. As a result, clients may be deprived of the benefit of advice which they are entitled to receive.
- 13.5 The wishes of the client should be paramount in the choice of professional advisers, whether or not special skills are involved. Accordingly, a chartered accountant in practice should not attempt to restrict in any way the client's freedom of choice in obtaining special advice, and when appropriate should encourage a client to do so.
- 13.6 The services or advice of a chartered accountant in practice having special skills may be sought in one or other of the following ways:-
- (a) by the client
 - (i) after prior discussion and consultation with the existing accountant;
 - (ii) on the specific request or recommendation of the existing accountant;
 - (iii) without reference to the existing accountant; or
 - (b) by the existing accountant with due observance of the duty of confidentiality.
- 13.7 When a chartered accountant in practice is asked to provide services or advice, inquiries should be made as to whether the prospective client has an existing accountant. In cases where there is an existing accountant who will continue to provide professional services the procedures set out in paragraph 13.8 should be observed. If the appointment will result in another chartered accountant in practice being superseded, the procedures set out in paragraphs 13.15-13.25 should be followed.

- 13.8 The receiving accountant should limit the services provided to the specific assignment received by referral from the existing accountant or the client unless otherwise requested by the client. The receiving accountant also has the duty to take reasonable steps to support the existing accountant's current relationship with the client and should not express any criticism of the professional services of the existing accountant without giving the latter an opportunity to provide all relevant information.
- 13.9 A receiving accountant who is asked by the client to undertake an assignment of a type which is clearly distinct from that being carried out by the existing accountant or from that initially received by referral from the existing accountant or from the client should regard this as a separate request to provide services or advice. Before accepting any appointments of this nature the receiving accountant should advise the client of the professional obligation to communicate with the existing accountant and should immediately do so preferably in writing, advising of the approach made by the client and the general nature of the request as well as seeking all relevant information, if any, necessary to perform the assignment.
- 13.10 Circumstances sometimes arise when the client insists that the existing accountant should not be informed. In this case, the receiving accountant should decide whether the client's reasons are valid. In the absence of special circumstances a mere disinclination by the client for communication with the existing accountant would not be a satisfactory reason.
- 13.11 The receiving accountant should:-
- (a) comply with the instructions received from the existing accountant or the client to the extent that they do not conflict with relevant legal or other requirements, and
 - (b) ensure, insofar as it is practicable to do so, that the existing accountant is kept informed of the general nature of the professional services being performed.
- 13.12 When there are two or more other chartered accountants in practice performing professional services for the client concerned it may be appropriate to notify only the relevant chartered accountant in practice depending on the specific services being performed.
- 13.13 When appropriate the existing accountant, in addition to issuing instructions concerning referred business, should maintain contact with the receiving accountants and cooperate with them in all reasonable requests for assistance.
- 13.14 When the opinion of a chartered accountant, other than the existing accountant, is sought on the application of accounting, auditing, reporting or other standards or principles to specific circumstances or transactions, the chartered accountant should be alert to the possibility of the opinion creating undue pressure on the judgement and objectivity of the accountant. An opinion given without full and proper facts can cause difficulty to the receiving accountant if the opinion is challenged or the receiving accountant is subsequently appointed by the company. Accordingly, the chartered accountant should seek to minimize the risk of giving inappropriate guidance by ensuring that he or she has access to all relevant information. When there is a request for an opinion in the above circumstances the existing accountant, with the permission of the client, provides the receiving accountant with all requested relevant information about the client. With the permission of the client, the receiving accountant should also provide a copy of the final report to the existing accountant. If the client does not agree to these communications, then the engagement should ordinarily not be performed.

Superseding Another Chartered Accountant in Practice

13.15 The proprietors of a business have an indisputable right to choose their professional advisers and to change to others should they so desire. While it is essential that the legitimate interests of the proprietors are protected, it is also important that a chartered accountant in practice who is asked to replace another chartered accountant in practice has the opportunity to ascertain if there are any professional reasons why the appointment should not be accepted. This cannot effectively be done without direct communication with the existing accountant. In the absence of a specific request the existing accountant should not volunteer information about the client's affairs.

*However, the proposed chartered accountant, before accepting an appointment, need not communicate with the previous chartered accountant in practice if the latter's firm has been dissolved.

13.16 Communication enables a chartered accountant in practice to ascertain whether the circumstances in which a change in appointment is proposed are such that the appointment can properly be accepted and also whether there is a wish to undertake the engagement. In addition, such communication helps to preserve the harmonious relationships which should exist between all chartered accountants in practice on whom clients rely for professional advice and assistance.

13.17 The extent to which an existing accountant can discuss the affairs of the client with the proposed chartered accountant in practice will depend on:-

- (a) whether the client's permission to do so has been obtained, and/or
- (b) whether there are any legal or ethical requirements relating to such disclosure.

13.18 The proposed chartered accountant in practice should treat in the strictest confidence and give due weight to any information provided by the existing accountant.

13.19 The information provided by the existing accountant may indicate, for example, that the ostensible reasons given by the client for the change are not in accordance with the facts. It may disclose that the proposal to make a change in chartered accountants in practice was made because the existing accountants stood their ground and properly carried out the duties as chartered accountants in practice despite opposition or evasion on an occasion on which important differences of principles or practice have arisen with the client.

13.20 Communication between the parties therefore serves:-

- (a) To protect a chartered accountant in practice from accepting an appointment in circumstances where all the pertinent facts are not known.
- (b) To protect the minority proprietors of a business who may not be fully informed of the circumstances in which the change is proposed.
- (c) To protect the interests of the existing chartered accountant in practice when the proposed change arises from, or is an attempt to interfere with, the conscientious exercise of the existing accountant's duty to act as an independent professional.

* Addition of this proviso in paragraph 13.15 was approved by the Council of the Institute in its 158th meeting held on July 25-26, 2003.

13.21 Before accepting an appointment involving recurring professional services hitherto carried out by another chartered accountant in practice, the proposed chartered accountant in practice should:-

- (a) Ascertain if the prospective client has advised the existing accountant of the proposed change and has given permission, preferably in writing, to discuss the client's affairs fully and freely with the proposed chartered accountant in practice.
- (b) When satisfied with the reply received from prospective client, request permission to communicate with the existing chartered accountant. If such permission is refused or the permission referred to in (a) above is not given, the proposed chartered accountant in practice should, in the absence of exceptional circumstances of which there is full knowledge, and unless there is satisfaction as to necessary facts by other means, decline the appointment.
- (c) On receipt of permission, ask the existing accountant, preferably in writing:-
 - (i) to provide information on any professional reasons which should be known before deciding whether or not to accept the appointment and, if there are such matters; and
 - (ii) to provide all the necessary details to be able to come to a decision.

13.22 The existing accountant, on receipt of the communication referred to above should forthwith:-

- (a) Reply, preferably in writing, advising whether there are any professional reasons why the proposed chartered accountant in practice should not accept the appointment.
- (b) If there are any such reasons or other matters which should be disclosed, ensure that the client has given permission to give details of this information to the proposed chartered accountant in practice. If permission is not granted the existing accountant should report that fact to the proposed chartered accountant in practice.
- (c) On receipt of permission from the client, disclose all information needed by the proposed chartered accountant in practice to be able to decide whether or not to accept the appointment and discuss freely with the proposed chartered accountant in practice all matters relevant to the appointment of which the latter should be aware.

13.23 If the proposed chartered accountant in practice does not receive, within a reasonable time, a reply from the existing accountant and there is no reason to believe that there are any exceptional circumstances surrounding the proposed change, the proposed chartered accountant in practice should endeavour to communicate with the existing accountant by some other means. If unable to obtain a satisfactory outcome in this way, the proposed chartered accountant in practice should send a further letter, stating that there is an assumption that there is no professional reason why the appointment should not be accepted and that there is an intention to do so.

13.24 Deleted*

* Deletion of paragraph 13.24, reproduced below, was approved by the Council in its 145th meeting held on July 30, 2001.

- 13.24 The fact that there may be fees owing to the existing accountant is not a professional reason why another chartered accountant in practice should not accept the appointment.
- 13.25 The existing accountant should promptly transfer to the new chartered accountant in practice all books and papers of the client, which are or may be held after the change in appointment has been effected and should advise the client accordingly, unless the chartered accountant in practice has a legal right to withhold them.
- 13.26 Certain organizations, either because of legislative requirements or otherwise, call for submissions or tenders, e.g., competitive bids, in relation to professional services offered by accountants in practice. In reply to a public advertisement or an unsolicited request to make a submission or submit a tender a chartered accountant in practice should, if the appointment may result in the replacement of another chartered accountant in practice, state in the submission or tender that before acceptance the opportunity to contact the other chartered accountant in practice is required so that inquiries may be made as to whether there are any professional reasons why the appointment should not be accepted. If the submission or tender is successful, the existing accountant should then be contacted.
- 13.27* Where an existing chartered accountant is removed by the proprietors of the business before he has completed the audit and submitted his report, the existing chartered accountant must immediately inform the Institute with relevant facts about his removal.
- 13.28 The proposed chartered accountant in practice should not only follow the procedure detailed in the preceding paragraphs of this Section, he should also inform the Institute about the offer of appointment.
- 13.29** The proposed chartered accountant in practice should not accept the offer without prior clearance from the Institute, which clearance shall not be unreasonably withheld. Provided however, in case the Institute refuses to give its clearance, it shall communicate its decision within 15 (fifteen) days with reasons therefor.
- 13.30 Where an auditor, though willing for re-appointment has not been re-appointed, he shall file with the Institute a copy of the statement which he may have sent to the proprietors/Board of Directors of the Company for circulation among the shareholders under section 253 of the Companies Ordinance, 1984. It shall be obligatory on the proposed chartered accountant before accepting the appointment, to obtain a copy of such a communication and follow the procedure detailed in preceding paragraphs of this Section.
- 13.31** In case the proprietors of the business decide to remove the auditors before the completion of their term for whatever reasons, they may, if they consider necessary, refer the matter to the Institute for appropriate action in accordance with the Chartered Accountants Ordinance, 1961 and its rules, regulations and bye-laws for the time being in force.

* Addition of paragraphs 13.27 to 13.31 was approved by the Council of the Institute in its 139th meeting held on October 28, 2000.

** Replacement of paragraphs 13.29 and 13.31 was approved by the Council of the Institute in its 147th meeting held on October 27, 2001.

Original paragraphs 13.29 and 13.31 were as follows: -

- 13.29 The proposed chartered accountant in practice should not accept the offer without clearance from the Institute.
- 13.31 In case the proprietors of the business decide to remove the auditors before the completion of their term for whatever reason, they may refer the matter to the Institute for appropriate action in this respect.