



CHANGE OF PROFESSIONAL APPOINTMENT – INCOMING ACCOUNTANT

Issued December 2018
Last Reviewed January 2020

INTRODUCTION

This helpsheet has been issued by ICAEW's Ethics Advisory Service to help ICAEW members understand their responsibilities when approached by a prospective client.

Clients have the right to choose their accountants and to change their accountants if they so desire. Section 320 of the [ICAEW Code of Ethics](#) deals with changes in professional appointment and the specific procedures to be followed by both the prospective and existing accountants.

Members may also wish to refer to the following related helpsheets and guidance:

- [Change of professional appointment – outgoing accountant](#)
- [Exercising liens](#)
- [Documents and records: ownership, lien and rights of access](#)

PROFESSIONAL ENQUIRY

You must determine whether there are any reasons for not accepting an engagement when you:

- Are asked by a potential client to replace another accountant;
- Consider tendering for an engagement held by another accountant; **or**
- Consider undertaking work that is complementary or additional to that of another accountant.

An important part of this process is to communicate with the existing accountant (whether or not they are qualified) to establish the facts and circumstances behind the proposed change. This will enable you to make an informed decision whether or not it is appropriate to accept the appointment. This process is referred to as 'professional enquiry'.

Professional enquiry is often referred to as 'professional clearance'. This is a misnomer as the existing accountant does **not** have the authority to give or withhold 'clearance' or 'permission' to act. The decision whether or not to accept appointment is your responsibility.

In broad terms, the professional enquiry process requires you to:

- Explain to the prospective client that you have a duty to communicate with the existing accountant and ask for their authority (preferably in writing) to do so;
- Ask the prospective client to confirm the proposed change to the existing accountant and to authorise (preferably in writing) the existing accountant to cooperate with you; **and**
- Write to the existing accountant requesting disclosure of any issue or circumstance that might influence the decision to accept or decline the appointment (an example letter is provided in [Appendix 1](#)).

The same process applies if you are asked to undertake additional work relevant to the work of an existing accountant, unless the client provides acceptable reasons not to contact the existing accountant.

PROFESSIONAL ENQUIRY – COMMON ISSUES

Client consent

You will usually require the consent of the prospective client in order to make a professional enquiry and the existing accountant usually requires consent in order to respond. Such consent is required (preferably in writing) in order to adhere to the fundamental principle of confidentiality outlined in section 114 of the [ICAEW Code of Ethics](#).

Where a prospective client refuses to provide consent to make a professional enquiry, you should ask why and carefully document the response. You should then consider whether there are any threats to the ethics fundamental principles and whether accepting the appointment would be appropriate in the circumstances.

Where a prospective client refuses to provide their consent to the existing accountant to respond to the professional enquiry, you can expect to receive notice of this fact from the existing accountant. You should then clarify with the client whether and why consent has been denied. If consent has been refused, then you must factor this into your decision on whether or not to accept appointment in the circumstances in line with paragraph R320.7A. However, if the prospective client is refusing to co-operate it is difficult to see how a constructive relationship would result from accepting the appointment.

Lack of response

If you do not receive a response within a reasonable time period, you should chase for a response and attempt to make contact by other means, for example, by telephone. If you have still not heard in a reasonable time (possibly 14-30 days depending on the circumstances), then paragraph R320.6A of the [ICAEW Code of Ethics](#) explains that you must write to the existing accountant by recorded delivery service (i.e. some method of tracking that it actually arrived – for example, recorded delivery through the postal system or a read receipt on an email), stating an intention to accept the engagement in the absence of a reply within a specific and reasonable period. Whilst 'reasonable period' is not defined, any period of less than two weeks is unlikely to be considered reasonable.

If there is still no response after the end of this period, you are entitled to assume that the existing accountant's silence implies there was no adverse comment to be made, although this does not remove the requirement in paragraph R320.6 to take other reasonable steps (such as those described in the next two subsections of this helpsheet).

Previous accountant deceased

You may be asked to accept appointment on the death of a sole practitioner. In such circumstances you must still endeavour to obtain such information as may be needed from the latter's alternate (where appropriate), the administrators of the estate, or other sources.

Prospective client has been unable to contact existing accountant

To comply with paragraph R320.6 of the **ICAEW Code of Ethics**, where you are unable to communicate with the existing accountant you must take other reasonable steps to obtain information about any possible threats. As a result, you must still do what you can to satisfy yourself that there are no hidden issues even where a prospective client says that the existing accountant cannot be contacted or traced.

In such circumstances you should attempt the following (where applicable):

- Check that address with their professional body if they had one (you can search for ICAEW members on the **Find a Chartered Accountant** page);
- Search the web for any details relating to that accountant;
- Confirm the client's version of events by sending a recorded delivery letter to the last address of the former accountant
- Try to establish whether the lack of ability to contact the outgoing accountant is for an innocent reason;
- Look for any media / social media commentary about the potential client; **and**
- Ask the potential client if there are any ongoing regulatory or legal matters.

After that, you will need to make your own judgement as to whether to act based on the facts to hand.

Outstanding fees

Outstanding fees are **not** a reason for failing to respond to a professional enquiry.

An existing accountant must (having obtained the consent of their client) respond to a professional enquiry even where fees are outstanding, but they are entitled to raise the matter of outstanding fees in that response.

Should an existing accountant fail to respond to a professional enquiry citing outstanding fees as the reason, you could remind them of their obligations as appropriate.

An existing accountant may, in certain circumstances, have the right to withhold records (see **Transfer of records and provision of information** section), however this does **not** give them the right to refuse to respond to a professional enquiry.

Anti-money laundering and terrorism

Paragraph 320.5A2 of the [ICAEW Code of Ethics](#) makes clear that you shall **not** specifically enquire whether the existing accountant has reported suspicions of money laundering or terrorism (the existing accountant will not, in any case, be able to respond to such a question).

An existing accountant is however not relieved of their obligations to bring to your attention any matters which you ought to know, and in line with paragraph R320.7 of the code, must provide any information honestly and unambiguously.

You should remember that your obligations to report suspicions of money laundering apply equally in relation to prospective and existing clients.

Special case – audit or review appointments

In the case of audit or review appointments, where the existing accountant has withdrawn from the professional relationship as a result of the client's non-compliance with laws and regulations, the existing accountant must provide all relevant facts and information concerning the identified or suspected non-compliance to you, even if the client refuses to give them permission to respond to your professional enquiry.

If you are nominated as a joint auditor, you need to communicate with all existing auditors. If you are already a joint auditor, but will be continuing as a sole auditor, you should communicate formally with the other joint auditor as though for a new appointment.

In the case of a change in statutory audit appointment, an auditor who is currently in office is under no obligation to resign. It may therefore be necessary for the client company to implement the relevant Companies Act procedures to progress the new appointment.

DECIDING WHETHER TO ACCEPT APPOINTMENT

As part of the process of deciding whether or not to accept appointment, you must consider a wide range of factors including the response (or lack thereof) to a professional enquiry made. The subsections which follow explore a number of key areas for consideration in making the decision although do not represent an exhaustive list.

You are also advised to review the [Change of professional appointment – Client acceptance](#) helpsheet for further considerations.

Fundamental ethical principles

Before accepting a new client relationship, you need to determine whether acceptance would create any threats to compliance with the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Potential threats may be created from issues relating to the client, its owners, management, activities or other connections.

You must therefore gain a thorough understanding of the prospective client and the work required, evaluate the significance of any threats and apply safeguards when necessary to eliminate them or reduce them to an acceptable level.

Where it is not possible to reduce the treats to an acceptable level, you must decline to enter the client relationship.

Difference of opinion with existing accountant

If there is a difference of opinion between the existing accountant and the prospective client, you should satisfy yourself that you can accept as reasonable the client's position or that the issue is not so significant as to prevent you from acting.

Other matters to be considered

The following table offers a non-exhaustive collection of matters which should, might or may affect the decision to accept appointment.

| Matters which should affect the decision to act | Matters which might affect the decision to act | Matters which may not affect the decision to act but which might be helpful information |
|---|---|---|
| Fraud | Prospective client refuses consent to contact existing accountant or for existing accountant to respond to professional enquiry | Fee dispute |
| Accounting irregularities | Existing accountant fails to respond to professional enquiry | Prospective client willing but unable to settle outstanding fees with existing accountant |
| Tax evasion | Prospective client has been economical with the truth in the past | Existing accountant subject of complaint by prospective client |
| Prospective client has demonstrably mislead existing accountant | Work obtained by improper means | Non-professional client traits |

Customer due diligence (CDD)

CDD should normally be applied by adopting a risk based approach **before** entering into a business relationship or undertaking an occasional transaction (and on an ongoing basis as appropriate). Further guidance is available in the [CCAB Anti-money laundering guidance for the accountancy sector](#).

Recurring engagements

For a recurring client engagement, paragraph R320.9 of the [ICAEW Code of Ethics](#) requires you to periodically review whether to continue with the engagement.

TRANSFER OF RECORDS AND PROVISION OF INFORMATION

It is common practice to combine a professional enquiry with a request for transfer of records and provision of information. Whilst this is acceptable, you should remember that you have a responsibility to satisfy yourself that it is proper to act before accepting or commencing an engagement.

Paragraph R320.7C of the [ICAEW Code of Ethics](#) requires existing accountants to deal **promptly** with any reasonable request for the transfer of records. The existing accountant may however have the right of a particular lien where there are outstanding fees, further guidance on which can be found in the [Exercising liens](#) helpsheet.

The purpose of exercising a lien is to assist prompt settlement from a slow client and **not** to exact payment from a client who has a genuine dispute over fees. An existing accountant is required by paragraph R330.11 of the code to take reasonable and prompt steps to resolve any dispute. Where the existing accountant is an ICAEW member, you may wish to refer the prospective client to ICAEW's guidance on [Fee disputes](#).

Where you ask the existing accountant for information as to the client's affairs, the existing account is obliged by paragraph R320.7D to provide such information if lack thereof might prejudice the client's interests **and** the client is unable to provide the information themselves. There is no obligation to provide information that has already been provided to the client and is therefore available from them. Although the contents of a file may include documents owned by the existing accountant rather than the client (see [Documents and records: ownership, lien and rights of access](#)), information from such documents may still need to be provided.

The existing accountant shall not normally charge for such records and information unless there is good reason to the contrary. Examples of such a reasons include:

- Where a significant amount of work is involved. This may be the case where information is requested going back a number of years and requires the outgoing accountant to obtain files from archives
- Where the incoming accountant requests information as a matter of convenience but the client has previously been provided with the information. This might be the case where copies of previous years' tax returns are being requested.

Special case – audit appointments

When there is a change in audit appointment, the registered auditor ceasing to hold office (the 'predecessor') is required to provide access to relevant information where the newly appointed registered auditor (the 'successor') makes a written request for such access. Guidance is available in [AAF 01/08 Access to information by successor auditors](#).

IF IN DOUBT SEEK ADVICE

ICAEW members, affiliates, ICAEW students and staff in eligible firms with [member firm access](#) can discuss their specific situation with the Ethics Advisory Service on +44 (0)1908 248 250 or e-mail ethics@icaew.com.

© ICAEW 2020 All rights reserved.

ICAEW cannot accept responsibility for any person acting or refraining to act as a result of any material contained in this helpsheet. This helpsheet is designed to alert members to an important issue of general application. It is not intended to be a definitive statement covering all aspects but is a brief comment on a specific point.

ICAEW members have permission to use and reproduce this helpsheet on the following conditions:

- This permission is strictly limited to ICAEW members only who are using the helpsheet for guidance only.
- The helpsheet is to be reproduced for personal, non-commercial use only and is not for re-distribution.

For further details members are invited to telephone the Technical Advisory Service T +44 (0)1908 248250. The Technical Advisory Service comprises the technical enquiries, ethics advice and anti-money laundering helplines. For further details visit [icaew.com/tas](https://www.icaew.com/tas)

APPENDIX 1 – EXAMPLE LETTER OF PROFESSIONAL ENQUIRY

Our ref:

Dear Sirs

[I] [We] have been approached by **name of prospective client** to act as
..... **insert role e.g. auditors / professional advisers / tax consultants, etc.**
..... **insert period e.g. for the year ended / from the tax year, etc..**

[I] [We] would be grateful if you would provide me/us with details of any circumstances or information which [I] [we] need to consider when deciding whether or not to formally accept this appointment.

If there are no circumstances that [I] [we] need to be aware of please confirm this to [me] [us] and in addition, would you please supply the following information:

- **insert handover information required**
- **insert handover information required**
- **insert handover information required**

[I] [We] enclose a letter from [your (previous) client] [the prospective client] authorising you to release the above information to [me] [us].

Thank you for your assistance in these matters.

Yours faithfully