

Section 210 Professional appointment

Client acceptance

- 210.1 Before accepting a new client relationship, a member in practice shall determine whether acceptance would create any threats to compliance with the fundamental principles. Potential threats may be created by the characteristics and character of the client, or the nature of the client's business.
Examples of such threats include:
- (i) the client's involvement in illegal activities (such as money laundering)
 - (ii) dishonesty
 - (iii) questionable financial reporting practices.
- 210.2 A member in practice shall evaluate the significance of any threats and if they are not clearly insignificant, safeguards shall be determined and applied as necessary to eliminate them or reduce them to an acceptable level.
Examples of safeguards include:
- (i) obtaining knowledge and understanding of the client, its owners, managers and those responsible for its governance and business activities
 - (ii) securing the client's commitment to improve corporate governance practices or internal controls
 - (iii) ensure that any concerns are addressed by way of a letter of engagement.
- 210.3 Quite separately from assessing the threat to compliance with the fundamental principles, the member in practice shall assess and mitigate the threat of the member's services being used to facilitate money laundering or terrorist financing, in accordance with the applicable anti money laundering legislation. The Money Laundering Regulations 2007 apply when: a member enters a professional relationship with a client, which the member estimates will have an element of duration; the member acts in relation to a transaction or series of related transactions amounting to 15,000 euro or more; or there is a suspicion of money laundering.
- 210.4 The requirements of a member in practice in ensuring compliance with their obligations under the Money Laundering Regulations 2007 can be found in *AAT's Guidance on anti money laundering legislation*. Failure to comply with these requirements shall constitute a breach of the fundamental principle of professional behaviour.
- 210.5 Where it is not possible to reduce the threats to an acceptable level, a member in practice shall decline to enter into the client relationship.
- 210.6 It is recommended that a professional accountant in public practice periodically review acceptance decisions for recurring client engagements.

Engagement acceptance

- 210.7 A member in practice shall agree to provide only those services that the member in practice is competent to perform. Before accepting a specific client engagement, a member in practice shall consider whether acceptance would create any threats to compliance with the fundamental principles. For example, a self-interest threat to professional competence and due care is created if the engagement team does not possess, or cannot acquire, the competencies necessary to properly carry out the engagement.
- 210.8 A member in practice shall evaluate the significance of identified threats and, if they are not clearly insignificant, safeguards must be applied as necessary to eliminate them or reduce them to an acceptable level. Such safeguards may include:
- (i) acquiring an appropriate understanding of the nature of the client's business, the complexity of its operations, the specific requirements of the engagement and the purpose, nature and scope of the work to be performed
 - (ii) acquiring knowledge of relevant industries or subject matters
 - (iii) possessing or obtaining experience with relevant regulatory or reporting requirements
 - (iv) assigning sufficient staff with the necessary competencies
 - (v) using experts where necessary

- (vi) agreeing on a realistic time frame for the performance of the engagement
- (vii) complying with quality control policies and procedures designed to provide reasonable assurance that specific engagements are accepted only when they can be performed competently.

210.9 When a member in practice intends to rely on the advice or work of an expert, the member in practice shall determine whether such reliance is warranted. The member in practice shall consider factors such as reputation, expertise, resources available and applicable professional and ethical standards. Such information may be gained from prior association with the expert or from consulting others.

Changes in a professional appointment

210.10 A member in practice who is asked to replace an existing accountant, or who is considering tendering for an engagement currently held by an existing accountant, shall determine whether there are any reasons, professional or other, for not accepting the engagement, such as circumstances that threaten compliance with the fundamental principles. For example, there may be a threat to professional competence and due care if a member in practice accepts the engagement before knowing all the pertinent facts.

210.11 A member in practice shall evaluate the significance of the threats. Depending on the nature of the engagement, this may require direct communication with the existing accountant to establish the facts and circumstances behind the proposed change so that the member in practice can decide whether it would be appropriate to accept the engagement. For example, the apparent reasons for the change in appointment may not fully reflect the facts and may indicate disagreements with the existing accountant that may influence the decision as to whether or not to accept the appointment. If the identified threats are not clearly insignificant, safeguards must be considered and applied as necessary to eliminate them or reduce them to an acceptable level.

210.12 Such safeguards may include:

- (i) when replying to requests to submit tenders, stating in the tender that, before accepting the engagement, contact with the existing accountant will be requested so that inquiries may be made as to whether there are any professional or other reasons why the appointment should not be accepted
- (ii) asking the existing accountant to provide known information on any facts or circumstances, that, in the existing accountant's opinion, the proposed accountant should be aware of before deciding whether or not to accept the engagement
- (iii) obtaining necessary information from other sources.

210.13 If the proposed accountant is unable to communicate with the existing accountant, the proposed accountant should try to obtain information about any possible threats by other means such as through inquiries of third parties or background investigations on senior management or those charged with governance of the client.

210.14 A member in practice may be asked to undertake work that is complementary or additional to the work of an existing accountant. Such circumstances may create threats to professional competence and due care resulting from, for example, a lack of or incomplete information. In this circumstance a member in practice shall evaluate the significance of any such risks and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. An example of a safeguard in this circumstance would be to notify the existing accountant of the proposed work which would give the existing accountant the opportunity to provide any relevant information needed for the proper conduct of the work.

210.15 An existing accountant is bound by confidentiality, subject to legal exceptions. The extent to which the member in practice can, and should, as existing accountant, discuss the affairs of a client with a proposed accountant will depend on the nature of the engagement and on:

- (i) whether the client's permission to do so has been obtained
- (ii) the legal or ethical requirements relating to such communications and disclosure, which may vary by jurisdiction.

In determining whether to communicate facts to a proposed accountant where he/she knows of suspects that a client is involved in money laundering or terrorist financing a member in practice shall be mindful of his responsibilities under anti money laundering legislation, particularly in relation to tipping off and prejudicing an investigation. For further information please refer to AAT's *Guidance on anti money laundering legislation*.

- 210.16 The existing accountant in the absence of specific instructions from the client, an existing accountant should not ordinarily volunteer information about the client's affairs. Circumstances where it may be appropriate to disclose confidential information are set out in Section 140 of Part A of this code.
- 210.17 Where the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a member in practice shall, unless there is satisfaction as to necessary facts by other means, decline the engagement.