

4
CODE OF
PROFESSIONAL CONDUCT

PREAMBLE TO IRBA CODE

THE PAAB CODE

The South African Institute of Chartered Accountants (SAICA) issued a new Code of Professional Conduct (the SAICA Code) that became effective from January 2003.

In the preamble to its Code, SAICA states that it is consistent in all material respects with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (the IFAC Code).

The PAAB considered doing the same, because traditionally the PAAB Code has been fairly similar to the SAICA Code. However, after serious debate, the PAAB decided that it is not appropriate to revise the Code at this stage. The reasons for this decision are discussed below.

The IFAC Code is intended to serve as a model for member countries on which to base national ethical guidance. It recognises that national regulatory standards may be more stringent than those of the IFAC Code.

The independence section of the IFAC Code, and therefore, the SAICA Code, requires the practitioner to identify and evaluate circumstances and relationships that create threats to independence and to take appropriate action to eliminate these threats or to reduce them to an acceptable level by the application of safeguards. The Codes then go on to provide numerous examples of specific situations where these principles may be applied. The Codes are not prescriptive as to the nature or scale of non-assurance services that can be provided to assurance clients, which is a subject of intense debate and consideration globally.

In all the circumstances, the PAAB believed that its current principles-based Code of Professional Conduct should be retained. The Code is not in conflict with the SAICA Code, other than in the instance of contingency fees for tax work discussed below.

The SAICA Code will provide useful guidance on identifying the possible threats to independence, being those of self-interest, self-review, advocacy, familiarity and intimidation and possible safeguards to overcome them. The PAAB did, however, advise RAAs to proceed with caution before retaining or accepting assurance assignments where there are fundamental threats to independence that require to be overcome by the application of safeguards. The essence of independence is both independence of mind and in appearance and the practitioner must be certain that this can be demonstrated and defended.

One area where the Board's Code of Professional Conduct is more stringent than SAICA's Code of Conduct relates to that of contingent fees for certain tax related work. Paragraph 11.15 of the Board's Code outlaws certain work, but the SAICA Code appears to permit this, subject to certain safeguards.

TRANSITIONAL PROVISIONS

The transitional provisions of the Auditing Profession Act, 2005, provide as follows: "59(8) (c) The Code of Professional Conduct as contained in the said Manual (including paragraphs 1 to 2.1.21, inclusive, of the Disciplinary Regulations, must be deemed to have been prescribed by the Regulatory Board."

Sections 20 & 21 of the Auditing Profession Act provide for the establishment of a Committee for Auditor Ethics. Section 21(2) includes, as part of the Committee functions, that it must assist the Regulatory Board to determine what constitutes improper conduct by registered auditors by developing rules and guidelines for professional ethics, including a code of professional conduct.

The Committee for Auditor Ethics has been duly established and is in the process of developing a code of professional conduct for the IRBA. Until such time as the code has been developed and issued, the PAAB Code remains effective in terms of the transitional provisions of the Auditing Profession Act.

1	Status of the Code	4-5
2	Definitions	4-5
3	Joint and vicarious liability	4-7
4	Fundamental principles	4-8
5	Integrity and objectivity	4-9
6	Conflicts of interest	4-10
7	Independence	4-10
8	Professional competence	4-16
9	Confidentiality	4-16
10	Practice matters	4-17
11	Fees for professional services	4-23
12	Publicity, advertising and solicitation	4-26
13	Inclusion of the name of a practitioner in a document issued by a client	4-27
14	Recruiting	4-28
15	Responsibility to colleagues	4-28

1 STATUS OF THE CODE

- 1.1 In terms of the powers granted to it by sections 13 and 23 of the *Public Accountants' and Auditors' Act, 1991* (Act 80 of 1991) the Public Accountants' and Auditors' Board has published this *Code of professional conduct* as a guide to registered accountants and auditors. It replaces the previous *Code of conduct* with effect from 1 January 1997. This Code is not intended to contain an exhaustive list of all matters affecting the conduct of registered accountants and auditors and neither does it restrict the scope of the Act or of the *Disciplinary rules* published in terms of the Act.
- 1.2 The spirit of this Code is at least as important as the letter and a breach of, or a failure to observe any of the provisions of the Code may be considered as improper conduct within the ambit of section 23 of the Act, or of rule 2.1 of the Board's *Disciplinary rules*, and as such will be dealt with in terms of the Act or the *Disciplinary rules*.
- 1.3 Except where otherwise indicated, this Code is a guide for all persons registered with the Board.

2 DEFINITIONS

For the purposes of this Code the terms below have the following meanings assigned to them. These definitions serve only as guidance and are not intended to be complete or exhaustive.

- 2.1 "Act", is the *Public Accountants' and Auditors' Act, 1991* (Act 80 of 1991).
- 2.2 "Advertising" is the communication to the public of information as to the services or skills provided by a practitioner with a view to procuring professional business.
- 2.3 "Board" is the Public Accountants' and Auditors' Board.
- 2.4 "Client" is a person or an undertaking with whom a practitioner has or can reasonably expect to have a continuing professional relationship. A client for whom a practitioner carries out a single professional task which has been completed, or who has terminated a previously existing professional relationship, will not be regarded as a client for the purposes of this Code.
- 2.5 "Client account" is any bank account which is used solely for the banking of clients' monies.
- 2.6 "Clients' monies" is any monies, including documents of title to money such as bills of exchange and promissory notes, as well as documents of title which can be converted into money such as bearer bonds, received by a practitioner to be held or paid out on the instruction of the person from whom or on whose behalf they are received.

- 2.7 “Existing accountant” is a practitioner currently engaged by the client to render professional services to him.
- 2.8 “Investee” is a subsidiary or an entity subject to the significant influence of an investor.
- 2.9 “Investor” is a parent company, general partner or natural person or corporation that has the ability to exercise significant influence on an investee.
- 2.10 “Practice” is a sole practitioner, a partnership, or a company referred to in section 21(2) of the Act.
- 2.11 “Practitioner” is an accountant and auditor registered as such in terms of the Act, whether or not he/she is in public practice.
- 2.12 “Professional work, professional services and professional business” are regarded as relating to the following:
- 2.12.1 *The attest function* (audit services)
- (a) The examination, in accordance with generally accepted auditing standards, of financial statements with the objective of expressing an opinion as to their fairness and as to their compliance with the requirements of applicable statutes.
 - (b) The audit of other reports and representations of a financial nature.
- 2.12.2 *The financial reporting function* (accounting services)
- (a) External financial reports: The preparation of financial statements in accordance with generally accepted accounting practice and applicable statutes and the interpretation of those financial statements.
 - (b) Internal financial systems and reports: The design and operation of internal accounting systems to provide management with information which will enable it to plan, monitor and control its business.
- 2.12.3 *The advising function* (advisory and fiduciary services)
- (a) Taxation services: The interpretation and application of revenue laws and procedures and of tax planning.
 - (b) Management consulting services: The provision of consulting services to management of enterprises. These services include advisory services relating to planning, control, cost accounting, financial management and reporting, data processing and related systems.

- (c) Other services: These services include investigations, valuations, secretarial services, trusteeships, the planning and administration of estates, judicial management and liquidation and insolvency work.
- 2.13 “Proposed accountant” is a practitioner whom the client proposes to engage in place of or in addition to the existing accountant.
- 2.14 “Publicity” is the communication to the public of information about a practitioner or his firm or bringing his name or the name of his firm to the notice of the public.
- 2.15 “Receiving accountant” is a practitioner to whom the existing accountant or client of the existing accountant has referred audit, accounting, taxation, consulting or similar appointments, or who is consulted in order to meet the needs of the client.
- 2.16 “Reporting assignment” is an engagement which requires the expression of an opinion by a practitioner.
- 2.17 “Solicitation” is the direct or indirect approach to a potential client for the purpose of offering to perform professional work. *Direct mailing and cold calling* are forms of solicitation. Direct mailing includes sending a brochure to a non-client who did not request it. Cold calling includes the direct or indirect approach to a potential client in person or by telephone.

3 JOINT AND VICARIOUS LIABILITY

- 3.1 A practitioner may be held responsible for a breach of, or failure to comply with this Code on the part of all persons who are –
 - 3.1.1 his employees; or
 - 3.1.2 under his supervision; or
 - 3.1.3 his partners; or
 - 3.1.4 fellow shareholders in, or directors or employees of, a company controlled by the practitioner or the practitioner and his partners and offering professional services to the public. (For purposes of this Code a company will be deemed to be controlled by practitioners if practitioners between them hold, directly or indirectly, more than half of the voting rights attached to the shares of the company or directly or indirectly and either alone or together with anyone else are entitled to exercise the *de facto* right to control the manner in which the business of the company is carried on (including, but without limitation, the right to appoint the majority of the persons entitled to exercise control over its management and affairs); or

- 3.1.5 fellow practitioners in or employees of a close corporation controlled by the practitioner or the practitioner and his partners and offering to do professional work for members of the public. (For purposes of this Code a close corporation will be deemed to be controlled by practitioners if practitioners between them hold an interest in the corporation which would entitle them to a majority vote at a meeting of members of the corporation, or would otherwise entitle them to exercise the *de facto* right to control the manner in which the business of the corporation is carried on.)
- 3.2 A practitioner may not, under the guise or through the medium of a partnership, company, close corporation or any other entity, do anything or allow anything to be done which he/she would not be permitted to do as an individual.
- 3.3 A practitioner may not permit others to carry out on his/her behalf, either with or without remuneration, acts which if carried out by him/herself would constitute a contravention of this Code.

4 FUNDAMENTAL PRINCIPLES

In order to achieve the objectives of the accountancy profession, practitioners have to observe a number of prerequisites or fundamental principles. The fundamental principles may be defined as follows:

4.1 Integrity

Integrity is an attitude of mind. Adherence to certain standards of conduct and moral behaviour consistently practised will ensure integrity. A practitioner should be straightforward and honest in performing professional services.

4.2 Objectivity

Objectivity is the quality of being able to maintain an impartial attitude. It requires a practitioner to be fair and not to allow prejudice or bias or influence of others to override objectivity.

4.3 Independence

Practitioners, when undertaking a reporting assignment, should be independent in fact and appearance. Independence is an essential quality, concomitant with integrity and objectivity, in a practitioner undertaking a reporting assignment.

Independence is a quality which enables a practitioner to apply unbiased judgement and objective considerations to establish facts and arrive at an opinion or decision. To be recognised as independent, the practitioner must be free from any obligation to, or interest in the client, its management or its owners.

4.4 Professional competence and due care

In agreeing to provide professional services, a practitioner implies that some level of competence is necessary to perform professional services and that the knowledge, skill and experience of the practitioner will be applied with reasonable care and diligence. Practitioners should therefore refrain from performing any services which they are not competent to carry out unless advice and assistance are obtained to ensure that the services are performed satisfactorily.

A practitioner has a continuing duty to maintain professional knowledge and skill at the required level which will ensure that a client receives the advantage of competent professional service based on up-to-date developments in practice, legislation and techniques.

4.5 Confidentiality

A practitioner should respect the confidentiality of information acquired during the course of performing professional services and should not use or disclose any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose.

4.6 Professional behaviour

A practitioner should act in a manner consistent with the good reputation of the profession and refrain from any conduct which might bring discredit to the profession. A practitioner should conduct himself with courtesy and consideration towards clients, third parties, other practitioners of the accountancy profession, staff, employers and the general public.

A practitioner should not practise discrimination against any person based on race, colour, religion, sex, marital status, age or origin in engagement, promotion, dismissal, salary, transfer, training or other practices relating to employment.

5 INTEGRITY AND OBJECTIVITY

5.1 The principles of integrity and objectivity impose the obligation on all practitioners to be fair, honest and free of conflicts of interest, prejudice and bias. Relationships or interests, whether direct or indirect, which could adversely influence, impair or threaten their capacity to act with integrity and objectivity, should be avoided.

5.2 Practitioners will be exposed to situations which involve the possibility of pressures being exerted on them. These pressures may impair their integrity and objectivity. It is impracticable to define and prescribe all such situations where these possible pressures exist, but reasonableness should prevail in

identifying relationships that are likely to, or appear to, impair a practitioner's integrity and objectivity.

6 CONFLICTS OF INTEREST

- 6.1 A practitioner should be free and be seen to be free from any influence, interest or relationship, whether direct or indirect, which might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence.
- 6.2 Where a practitioner has reason to believe that his/her or his/her employee's involvement in an assignment would possibly cause a conflict of interest, he/she should immediately disclose this fact.
- 6.3 Where it is clear that a material conflict of interest exists, a practitioner should decline to act.
- 6.4 Where a conflict exists but a practitioner considers that it would be possible to act objectively, the engagement may be accepted provided –
 - 6.4.1 the nature of the conflict is fully explained to each party for whom the practitioner will be acting; and
 - 6.4.2 the parties agree in writing that the practitioner may act.

7 INDEPENDENCE

The following paragraphs indicate some situations which, because of the actual or apparent lack of independence, would give a reasonable observer grounds for doubting the practitioner's independence.

- 7.1 Fiduciary or financial involvement with or in the affairs of clients.
- 7.2 Financial involvement with a client on whose affairs a practitioner has a responsibility to report, may affect his objectivity and may lead an observer to conclude that objectivity has been impaired. Such an involvement can arise in a number of ways, such as by –
 - 7.2.1 a direct or indirect financial interest in the client;
 - 7.2.2 a fiduciary interest in a client;
 - 7.2.3 loans to or from the client or any officer, director or principal shareholder of a client company;
 - 7.2.4 holding a financial interest in a joint venture with a client or employee(s) of a client; and
 - 7.2.5 having a financial interest in a non-client that has an investor or investee relationship with the client.

Commentary

- 7.3 Independence might be impaired when a practitioner has or is committed to acquire a direct or indirect financial interest in a company for which he/she provides professional services requiring independence. A direct financial interest includes an interest held by the spouse or dependent child of the practitioner.
- 7.4 When the practitioner holds or advises on investing in shares in an audit client on behalf of a third party, such as a trust, the appearance of independence is at risk. This is because responsibilities to the third party may conflict with responsibilities to the audit client.
- 7.5 Because of the need to be seen to be independent in any reporting assignment, in fact and in appearance, a practitioner should avoid the appointment as a trustee in any situation where the absence of a conflict of interest cannot be clearly demonstrated. A trustee should therefore not be involved personally in the audit of the trust. He/she should also not be involved personally in the audit of a company in which the trust has a material shareholding. Where the practitioner is requested to be a trustee, he/she should be a minority trustee.
- 7.6 Shares in a client may be involuntarily acquired as when a practitioner inherits such shares or marries a shareholder or in a take-over situation. In these cases the practitioner should either dispose of the shares at the earliest practicable date or decline any further reporting assignment on that company.
- 7.7 Neither a practitioner nor his/her spouse or dependent child should make a loan to a client or guarantee a client's borrowing or accept a loan from a client or have a borrowing guaranteed by a client. The latter prescription does not apply to loans to or from banks or other similar financial institutions when made under normal lending procedures, terms and requirements, to home mortgages or to current or deposit accounts with banks, etc.
- 7.8 When a non-client investee is material to a client investor, any direct or material indirect financial interest of the practitioner in the non-client investee would be considered to impair the practitioner's independence with respect to the client. Likewise, where a client investee is material to a non-client investor, any direct or material indirect financial interest of the practitioner in the non-client investor would be considered to impair the practitioner's independence with respect to the client.
- 7.9 Other relationships, such as client/non-client joint ventures, may affect the appearance of independence. In general, in a joint venture situation, an immaterial financial interest of the practitioner in the non-client investor would not impair the independence of the practitioner with respect to the client investor, provided that the practitioner could not significantly influence the non-client investor. If the practitioner does not and could not reasonably

be expected to have knowledge of the financial interests or relationships involving the joint ventures, the practitioner's independence would not be considered to be impaired.

- 7.10 Generally, the practitioner should be independent of a client and all its parent, subsidiary and affiliated companies.
- 7.11 The following, however, would not ordinarily be considered to impair a practitioner's independence:
 - 7.11.1 Holding of securities in a public company in which the securities are widely held, provided that the holding is not material either in relation to the total number of securities issued by the company or in relation to the assets of the practitioner, or his/her professional staff, or his/her spouse or dependents;
 - 7.11.2 Making deposits with, or accepting loans from clients which are registered as financial institutions on the same terms as are available to the general public;
 - 7.11.3 Making investments in loan stock of public utility corporation clients or municipal clients;
 - 7.11.4 Making indirect investments in clients through the holding of units in mutual funds, insurance policies or retirement funding investments; and
 - 7.11.5 Indebtedness arising out of normal trading transactions on the same terms as are available to the general public.
- 7.12 Appointments in companies: When a practitioner is or was, within the period under current review or immediately preceding an assignment
 - 7.12.1 a member of the board or an officer or an employee of a company,
 - 7.12.2 a partner of, or in the employment of, a member of the board or an officer or an employee of a company, he/she would be regarded as having an interest which could detract from independence when reporting on that company.

Commentary

- 7.13 Practitioners in such situations should not be appointed as auditors of the companies concerned. It is also clearly desirable that they should not be personally appointed or involved in other assignments on which an opinion is required. It is suggested that the period immediately preceding the assignment should be no less than two years.

Provision of other services to audit clients

- 7.14 When a practitioner, in addition to carrying out the attest function, provides other services to a client, he/she should take care not to perform any management

function or make management decisions. All management decisions remain the responsibility of the board of directors and management.

Commentary

- 7.15 It is appropriate in terms of skill and effort for practitioners to be able to offer other financial and management consultancy services to their clients, since they already have a close familiarity with the client's businesses. Many companies (particularly the smaller ones) would be adversely affected if they were denied the right to obtain other services from their auditors. In the course of performing their professional services, practitioners frequently offer advice to their clients. This happens particularly in the case of smaller businesses, where the audit of the financial statements and advice on for example the provision to be made for taxes, are often so inextricably linked that they cannot be separated. Moreover, one key concept in auditing involves examination of the system of internal control which necessarily involves suggestions for improvement. For these reasons it is impracticable to define the limitations on the advice which a practitioner may give.
- 7.16 The services provided by the practitioner in the fields of management consultancy and taxation are advisory services. Such services should not usurp the management functions of client companies. The independence of a practitioner is not impaired by offering advisory services, provided there is no involvement in or responsibility assumed for management decisions. The provision of other professional services is not in principle a factor in determining whether the practitioner is independent. Nevertheless, the practitioner should be careful not to go beyond the advisory function into the management sphere.
- 7.17 The preparation of accounting records is a service which is frequently requested of a practitioner, particularly by smaller clients whose businesses are not large enough to justify the employment of sufficient full-time internal accounting staff. It is unlikely that larger clients will need this service other than in exceptional circumstances. In all cases in which independence is required and in which a practitioner is concerned in the preparation of accounting records for a client, the following requirements should be observed:
- 7.17.1 The practitioner should not have any relationship or combination of relationships with the client or any conflict of interest which would impair integrity or independence.
 - 7.17.2 The client should accept responsibility for the statements.
 - 7.17.3 The practitioner should not assume the role of employee or of management conducting the operations of an enterprise.
 - 7.17.4 Staff assigned to the preparation of accounting records ideally should not participate in the examination of such records. The fact

that the practitioner has processed or maintained certain records does not eliminate the need for audit tests.

Family and personal relationships

7.18 Personal and family relationships can affect independence. There is a particular need to ensure that an independent approach to any assignment is not endangered as a consequence of any personal or family relationship.

Commentary

7.19 It is recognised that it would be impracticable to attempt to prescribe in detail the ethical requirements for the permissible extent of a personal relationship between a practitioner in public practice and a client or those occupying responsible executive positions (e.g. director, chief executive, financial officer or another employee in a similar position) with a client. The kinds of situations which can give rise to the possibility of pressures being exerted upon practitioners may arise, for example, when a practitioner has a mutual business interest with an officer or employee of a client or has a material interest in a joint venture with a client.

7.20 With respect to family relationships it is important to ensure that the degree of the relationship with a client should not be too close, otherwise it will be to the detriment of an independent approach to professional services for that client.

7.21 Family relationships which always pose an unacceptable threat to independence are those in which a sole practitioner or a partner in a practice, or an employee engaged on the assignment relating to the client, is the spouse, dependent child or relative living in a common household, of the client.

Independence in relation to fees

7.22 When the receipt of recurring fees from a client or group of connected clients represents a large proportion of the total gross fees of a practitioner in public practice or the practice as a whole, the dependence on the client or group of clients should inevitably come under scrutiny and could raise doubts as to independence.

Commentary

7.23 It is not possible to state precisely what constitutes an unacceptable proportion of total fees emanating from one client or group of connected clients. However, if such fees are the only or a substantial part of the gross income, the practitioner in public practice should carefully assess whether independence has been impaired. A similar situation may arise if fees due from a client for professional services remain unpaid for an extended period of time, especially if a substantial part is not paid before the issue of the report

of the practitioner in public practice for the following year. Allowances will be made for new practices seeking to establish themselves or practices which are planning to cease operations. Exemptions will be made for a branch office which is reliant upon one client or group of connected clients. This might for example arise where the branch office is auditing the financial statements of a client of the practice as a whole and that client forms a major part of the business of the branch office. In such circumstances professional services for that client or group should be the subject of review by a partner from another office.

Goods and services

7.24 Acceptance of goods and services from a client may be a threat to independence. Acceptance of undue hospitality poses a similar threat.

Commentary

7.25 Goods and services should not be accepted by practitioners in public practice, their spouses or dependent children except on business terms no more favourable than those generally available to others. Hospitality and gifts on a scale which are not commensurate with the normal courtesies of social life should not be accepted.

Former partners

7.26 A partner in a practice may leave the practice by resignation, termination, retirement, or sale of the practice. Such a partner may accept an appointment with a client of the practice of which he/she is a former partner, when an audit or other reporting function is being performed by that practice. In such circumstances, the independence of the practice would not be impaired in the following cases:

7.26.1 Payments of the amounts due to a former partner for his/her interest in the practice and for unfunded, vested retirement benefits made in accordance with a schedule that is fixed as to both payment dates and amounts. In addition the amounts owed should be such that they do not cause a substantial doubt about the practice's ability to continue as a going concern.

7.26.2 The former partner does not participate or appear to participate in the practice's business or professional activities, whether compensated for or not. Indications of participation include the provision of office space and related amenities to the former partner by the practice.

Actual or threatened litigation

7.27 Litigation involving the practitioner in public practice and a client may cause concern that the normal relationship with the client is affected to the extent that the practitioner's independence and objectivity may be impaired.

Commentary

- 7.28 The commencement by a client or others of proceedings against the practitioner, or the commencement of litigation by the practitioner alleging for example fraud or deceit by the officers of a company, or substandard performance of the client's audit by the practitioner, may impair independence. Such commencement or a credible threat to commence or a declared intention to commence legal action against a practitioner in public practice relating to the affairs of the company, or *vice versa*, may cause the practitioner in public practice and the company to be placed in positions which may affect the objectivity of the practitioner in public practice. Thus, the ability to report fairly and impartially on the company's financial statements may be affected. At the same time, the existence of such action (or threat of action) may affect the willingness of the management of the company to disclose relevant information to the practitioner in public practice.
- 7.29 It is not possible to specify precisely the point at which it would become improper for the practitioner to continue to report. However, the practitioner should have regard to circumstances when litigation might be perceived by the public as likely to affect the accountant's independence.

8 PROFESSIONAL COMPETENCE

- 8.1 A practitioner should not undertake or continue with any assignment which he/she is not competent to carry out unless he/she obtains advice and assistance which will enable him/her to carry it out satisfactorily. A client is entitled to assume that the practitioner is professionally competent to perform any particular engagement which he/she has undertaken.
- 8.2 A practitioner should maintain his/her professional knowledge and skill. This requires a continuing awareness of developments in the accountancy profession, including relevant national and international pronouncements on accounting, auditing and other regulations and statutory requirements pertaining to the profession, and practitioners should adopt a programme of continuing professional education.

9 CONFIDENTIALITY

- 9.1 A practitioner must respect the confidentiality of information acquired by him/her in the course of work, and may not use or disclose that information without proper and specific authority unless there is a legal or professional duty on him/her to do so.
- 9.2 Practitioners have an obligation to ensure that staff under their control and persons from whom advice and assistance is obtained respect the principle of confidentiality.

- 9.3 A practitioner may not make improper use of confidential information which has been acquired in the course of work, either for personal advantage or for the advantage of a third party. The duty of confidentiality continues after the completion of an assignment.
- 9.4 These restrictions do not apply to the disclosure of information in order to discharge a practitioner's duties under any law including, but not limited to-
- 9.4.1 reporting material irregularities;
 - 9.4.2 giving evidence in the course of legal proceedings, or necessarily disclosing information in the course of preparing for legal proceedings; and
 - 9.4.3 giving information called for in terms of the income tax legislation in connection with inspections carried out by the Department of Inland Revenue.
- 9.5 This Code does not prohibit the disclosure of information which is required to enable the practitioner to comply with technical standards and ethical requirements including, but not limited to -
- 9.5.1 qualifications in audit reports;
 - 9.5.2 reports laid before the investigation or disciplinary committees; and
 - 9.5.3 disclosure made in connection with a practice review conducted in terms of the Act.
- 9.6 In the case of legal proceedings, a practitioner may disclose information to protect his professional interest.
- 9.7 Where a practitioner is required to disclose information about a client's affairs, he/she should inform the client that this is the case. He/she should take care to ensure that no more information than is strictly necessary is made available.

10 PRACTICE MATTERS

Form of practice

- 10.1 A practitioner who performs audit work may practise as a sole practitioner or in partnership or in any other form which may be permitted from time to time.
- 10.2 A practitioner may carry out non-audit work as a sole practitioner or through a partnership, company, close corporation or other entity, subject to the provisions of paragraph 3.2.

Tax practice

- 10.3 A practitioner rendering professional tax services is entitled to put forward the best position in favour of a client, provided the service is rendered with

- professional competence, does not in any way impair integrity and objectivity, and is in the opinion of the practitioner consistent with the law. Doubt may be resolved in favour of the client if there is reasonable support for the position.
- 10.4 A practitioner should not hold out to a client the assurance that the tax return prepared and the tax advice offered are beyond challenge. Instead, he/she should ensure that the client is aware of the limitations attaching to tax advice and services so that he/she does not misinterpret an expression of opinion as an assertion of fact.
- 10.5 A practitioner who undertakes or assists in the preparation of a tax return should advise the client that the responsibility for the content of the return rests primarily with the client. The practitioner should take the necessary steps to ensure that the tax return is properly prepared on the basis of the information received.
- 10.6 Tax advice or opinions of material consequence given to a client should be recorded, either in the form of a letter or in a memorandum for the files.
- 10.7 A practitioner should not be associated with any return or communication which he/she has reason to believe –
- 10.7.1 contains a false or misleading statement;
 - 10.7.2 contains statements or information furnished recklessly or without any real knowledge of whether they are true or false; or
 - 10.7.3 omits or obscures information required to be submitted and such omission or obscurity would mislead the revenue authorities.
- 10.8 For the purpose of this section of the Code, “associated” has the following meaning: “A practitioner, or in the case of a practice, his/her practice, is ‘associated’ with a return or with a financial statement to be submitted with a return or with a submission on behalf of a client, when he/she has consented to the use of his/her or his/her practice’s name in that return or statement or submission or when he/she has submitted to the taxation authorities, with or without a covering letter, a return or financial statement or submission which he/she or his/her practice has prepared or assisted in preparing. The fact that the return or financial statement or submission may be typed or otherwise reproduced on plain paper, or that the name of the practitioner or his/her practice is not appended to them, does not itself negate such association.”
- 10.9 A practitioner may prepare tax returns involving the use of estimates if such use is generally acceptable or if it is impractical under the circumstances to obtain exact data. When estimates are used, they should be presented in a manner which will avoid the implication of greater accuracy than exists. The practitioner should be satisfied that estimated amounts are reasonable under the circumstances.

- 10.10 In preparing a tax return, a practitioner ordinarily may rely on information furnished by the client, provided that the information appears reasonable. Although the examination or review of documents or other evidence in support of the information is not required, the practitioner should encourage, when appropriate, the provision of such supporting data.
- 10.11 In addition, the practitioner –
- 10.11.1 should make use of the client’s returns for prior years whenever feasible;
 - 10.11.2 is required to make reasonable inquiries when the information presented appears to be incorrect or incomplete; and
 - 10.11.3 is encouraged to make reference to the books and records of the business operations.
- 10.12 When a practitioner learns of a material error or omission in a tax return of a prior year (with which he/she might or might not have been associated), or of the failure to file a required tax return, he/she has a responsibility promptly to advise the client of the error or omission and recommend that disclosure be made to the revenue authorities. The practitioner is not obliged to inform the revenue authorities, nor may this be done without permission. If the client does not correct the error within a reasonable time, the practitioner –
- 10.12.1 should inform the client that he/she cannot act for them in connection with that return or other related information submitted to the authorities; and
 - 10.12.2 should consider whether continued association with the client in any capacity is consistent with professional responsibilities.
- 10.13 If the practitioner concludes that his/her professional relationship with the client can be continued, he/she should take all reasonable steps to ensure that the error, or similar errors, are not repeated in subsequent tax returns.

Clients’ monies

- 10.14 A practitioner should not hold clients’ monies if there is reason to believe that they were obtained from, or are being used for, illegal activities.
- 10.15 A practitioner entrusted with monies belonging to others, in the course of professional work, should –
- 10.15.1 keep such monies separate from personal or firm monies;
 - 10.15.2 use such monies only for the purpose for which they are intended; and
 - 10.15.3 at all times be ready to account for those monies to any person entitled to such accounting.
- 10.16 A practitioner should maintain one or more appropriately designated bank accounts for clients’ monies.

- 10.17 Clients' monies received by a practitioner should be deposited without delay to the credit of a client account, or – if in the form of documents of title to money or documents of title which can be converted into money – be safeguarded against unauthorised use.
- 10.18 Monies may only be drawn from the client account on the instructions of the client.
- 10.19 Fees due from a client may be drawn from clients' monies provided that the client, after being notified of such fees, has agreed to such withdrawal.
- 10.20 Payments from a client account shall not exceed the balance standing to the credit of the client.
- 10.21 When it seems likely that the client's monies will remain on the client account for a significant period of time, the practitioner should, with the concurrence of the client, place such monies in an interest-bearing account within a reasonable time.
- 10.22 All interest earned on the clients' monies should be credited to the client account.
- 10.23 Practitioners should keep such books of account as will enable them, at any time, to establish clearly their dealings with clients' monies in general, and the monies of each individual client in particular. A statement of account should be provided to the client at least once a year.

Foreign assignments

- 10.24 Practitioners working in other countries where the profession is controlled by a reputable body or by law should adhere to local ethical requirements even though to do so may not be in accordance with this Code. Practitioners working in a country where the profession is not so controlled, should follow the guidance of this Code unless recognised, well established and reputable local standards are being applied.

Firm names

- 10.25 Subject to the following guidance, practitioners may practise under whatever name or title they see fit, once this has been approved by the PAAB. Save where the name of a firm is based on the names of past or present members of the firm itself or of a firm with which it has merged or amalgamated, practitioners are advised to consult the PAAB about the acceptability of any 'non-personal' name before registering such a name with the Registrar of Companies (if applicable) or having stationery printed.
- 10.26 The philosophy behind the PAAB's name prohibitions is to obviate names which could in any way be offensive to the average person, or which attempt to secure an unfair competitive advantage.

- 10.27 It follows that a firm name should be consistent with the dignity of the profession in the sense that it should not project an image inconsistent with that of a professional practice bound to high ethical and technical standards.
- 10.28 It has been the custom of the profession for practitioners to practise under a firm name based on the names of past or present members of the firm itself, or of a firm with which it has merged or amalgamated. A firm name so derived will usually be in conformity with this guidance.
- 10.29 In general, non-personal firm names will be approved unless they are misleading or not in professional good taste.
- 10.30 Accordingly, when considering a firm name, practitioners may assume that it will be approved by the PAAB for registration, unless there are significant, identifiable concerns that the name is –
- misleading
 - self laudatory or descriptive or comparative with the view to obtain a competitive advantage
 - profane, vulgar, immorally suggestive or of similar poor taste; or
 - such that the good reputation of the profession may be impaired or compromised.

A firm name should not be misleading

- 10.31 It would be misleading for a firm with very few offices to describe itself as ‘international’ merely on the grounds that one of them was overseas.
- 10.32 A firm name would be misleading if in all the circumstances there was a real risk that it could be confused with the name of an existing firm, even if the members of the new firm could lay justifiable claim to the name.

Practitioners are encouraged to address such issues in their partnership agreement.

Use of ‘& Associates’, ‘& Co’ or ‘& Partners’

- 10.33 The name or description of a firm which implies a greater number of members than is, in fact, the case, is permissible as long as the name(s) of the member(s) is/are displayed with the name of the firm on all firm stationery.

Use of the Designations ‘Chartered Accountant’ and ‘Registered Accountant & Auditor’

- 10.34 The designation ‘Chartered Accountants’, ‘Registered Accountants and Auditors’ or any other descriptive narrative such as ‘Consulting Services’ or ‘Financial and Advisory Services’ should not form part of the name of a firm. The PAAB does however expect all practitioners to reflect on their professional stationery the fact that they are registered accountants and auditors and, if this is the case, that they are chartered accountants as well. It

also expects practitioners to reflect the designation 'Registered Accountants and Auditors' underneath their name on the signature line of any professional correspondence and, particularly, audit reports.

- 10.35 Should practitioners wish to reflect on their stationery that they are also business advisors, consultants, and the like, this is perfectly in order, but the PAAB will no longer register those appellations as part of the firm name. Practitioners should carry out a review of the descriptions they use from time to time, to ensure the use of those description can be justified.

Multiple firms

- 10.36 It is permissible to be a member of more than one audit firm, or of an audit firm and some other type of professional firm. It is also permissible to practise under different names from different offices, provided this does not mislead.
- 10.37 RAAs who are members of audit firms as well as being members of other accounting or similar type firms, (such as CFA firms), must ensure there is a clear distinction between the different firms and the members thereof, and that they do not unwittingly contravene section 14 of the PAA Act, or cause it to be contravened by the non RAA members of these other firms.

Stationery

- 10.38 Practitioners' stationery should be of an acceptable professional standard.
- 10.39 Apart from the name of the firm, its logo (if any) and the customary details regarding its addresses and telephone, and telefax numbers and e-mail addresses, practitioners' professional stationery may also contain the following information:
- The names of all partners, specified as such;
 - The names of all professional assistants who are RAAs, specified as such;
 - The names of other employees or consultants (whether of "partner status" or not) provided it is clear that such employees or consultants are not partners or RAAs; and
 - The names of persons, firms or organisations including those not registered with the PAAB, with whom the practitioner is associated.

[In reading this section of the Code, practitioners should have regard to the constraints contained in sections 14 and 27(1) of the PAA Act, section 83 of the Attorney's Act, (Act 53 of 1979) and sections 3, 4 and 5 of the Business Names Act (Act 27 of 1960)]

Signing of reports or certificates

- 10.40 A practitioner may not delegate to any person who is not a partner, his/her power to sign audit or other reports or certificates. In specific cases

where emergencies of sufficient gravity arise, however, this prohibition may be relaxed, provided the full circumstances giving rise to the need for delegation are reported both to the client of the practitioner concerned and to the Board.

11 FEES FOR PROFESSIONAL SERVICES

Introduction

- 11.1 When practitioners perform professional work for a client, they are responsible for performing the work objectively and with integrity and in accordance with the appropriate technical standards. They discharge that responsibility by applying the professional skill and knowledge which they and their staff have acquired through training and experience. They are entitled to be fairly remunerated for the services which they render.
- 11.2 When a practitioner indicates a fee, whether a quote or estimate, he/she should ensure that his/her objectivity, integrity and technical standards are not compromised as a result thereof.

Determination of fees

- 11.3 In determining what constitutes fair remuneration, a practitioner may take into account the value of the professional service to the client, the customary charge for similar services by other professions, banks and management and business consultants, and any other special circumstances which may exist. No single factor is necessarily the determining factor. Agreeing on an acceptable fee is primarily a matter for negotiation between the practitioner and the client.
- 11.4 Fees should be a fair reflection of the value of the professional services performed for the client. In determining the fee, the following factors should be taken into account:
 - 11.4.1 The skill and knowledge required for the type of professional service involved;
 - 11.4.2 The level of training and experience of the persons necessarily engaged in performing the professional services;
 - 11.4.3 The time necessarily taken by each person engaged in performing the professional services;
 - 11.4.4 The degree of responsibility that performing those services entail; and
 - 11.4.5 The level and extent of investment in technology.
- 11.5 It is in the best interests of both the client and the practitioner that he/she should explain the precise range of professional services that the fee is intended to

cover, the basis on which the fees is computed and any billing arrangements. This should be done, preferably in writing, before the commencement of the engagement, to help avoid misunderstandings regarding fees.

- 11.6 If requested, a practitioner should furnish such details as are reasonable to enable the client to understand the basis upon which the fee account has been prepared.
- 11.7 It follows that -
 - 11.7.1 where appropriate, time records should be kept as a basis for determining fees;
 - 11.7.2 the rates used to calculate the fees should be fair and reasonable in the circumstances; and
 - 11.7.3 the rates should be based on the fundamental premise that the organisation and conduct of the practitioner and the services provided to clients are well planned, controlled and managed.
- 11.8 A practitioner should not make a representation that specific professional services in current or future periods will be performed for either a stated fee, estimated fee, or fee range if it is likely at the time of the representation that such fees will be substantially increased and the prospective client is not advised of that likelihood.

Commissions

- 11.9 The payment or receipt of a commission by a practitioner might impair his/her objectivity and independence. A practitioner should not, for example
 - 11.9.1 pay a commission to obtain a client; or
 - 11.9.2 accept a commission from third persons for referring products or services to a client, unless the client has prior knowledge of the arrangement.
- 11.10 The payment or receipt of fees in respect of work referred between public practitioners is not regarded as a commission.
- 11.11 Payment and receipt of referral fees between practitioners when no services are performed by the referring accountant are regarded as commissions for the purpose of paragraph 11.9.
- 11.12 A practitioner may enter into an arrangement for the purchase of the whole or part of an accounting practice requiring payments to individuals formerly engaged in the practice, or to their heirs or estates. Such payments are not regarded as commissions for the purpose of paragraph 11.9.

Contingent fees

- 11.13 A contingent fee is a fee which is negotiated for the performance of any professional services pursuant to an arrangement whereby a fee will not be

charged unless a specified finding or result is obtained, or where the payment of the fee or the quantum thereof is otherwise dependent on the finding or result of the service.

- 11.14 Often it is not practical to charge fees other than on a contingency basis, in circumstances such as advising on a management buy-out, the raising of venture capital, acquisition search or sales mandates or where the capacity of the client to pay is dependent upon the success or failure of the venture.
- 11.15 A practitioner may not perform work related to the attest function, nor may he/she prepare an original or amended tax return, for a contingent fee.
- 11.16 In all cases the charging of fees on a contingency basis may be done only after careful consideration that the practitioner's objectivity and integrity would not be compromised.
- 11.17 Where the work is subject to a fee on a contingency basis, the capacity in which the practitioner has worked and the basis of the remuneration should, where appropriate, be made clear in any document prepared by the practitioner in contemplation that a third party might rely on it.

Fee estimates

- 11.18 In the event of a practitioner charging a client a lower fee than has previously been charged for similar services, he/she must ensure that –
 - 11.18.1 the fee has been calculated in accordance with the aspects referred to in paragraphs 11.1, 11.2, 11.3, 11.4 and 11.7;
 - 11.18.2 the client is not misled in respect of –
 - (a) the precise range of services that the quoted fee is intended to cover; or
 - (b) the level of fees it is anticipated will be charged for subsequent work at present-date prices.
- 11.19 Practitioners who obtain or retain work by quoting levels of fees which are significantly lower than those charged by an existing practitioner or quoted by other tendering firms, should be aware that their perceived independence may appear to be threatened, and their standards questioned. Such practitioners should accordingly take great care to allocate the appropriate quantity and quality of staff, both in terms of competence and time, to the assignment.
- 11.20 Practitioners should take care whatever their rate of charging, that they comply with all professional standards and guidelines and, in particular, quality control procedures.
- 11.21 In the event of a complaint being lodged against the practitioner where fees were a feature in obtaining the work, such practitioners should be prepared to demonstrate to the Investigation and Disciplinary Committees that –

- 11.21.1 their independence has not been affected;
- 11.21.2 the resources allocated to the assignment were at least those that would have been allocated to work of a similar nature; and
- 11.21.3 the client was not misled as to the level of fees for following and subsequent years.

12 PUBLICITY, ADVERTISING AND SOLICITATION

Publicity and advertising

- 12.1 Practitioners generally offer a wide range of professional services and products. For their practices to be conducted in a businesslike manner and to compete effectively with individuals and organisations offering similar services and products, it is necessary that the public be informed of the services and products on offer.
- 12.2 Publicity and advertising by all practitioners of all services and products is therefore permitted.
- 12.3 A practitioner preparing or authorising the issue of material for the purpose of publicity, advertising or direct mailing of his services and products, should do so with a due sense of responsibility to the profession and to the public as a whole. In particular, such material should be aimed at informing the public in an objective manner and be in good taste both as to content and presentation. The medium used must be consistent with the dignity of the profession.
- 12.4 Advertisements should conform with the accepted norms of legality, decency, honesty and truthfulness.
- 12.5 A practitioner will be personally responsible for ensuring that the provisions of this section are complied with, and that what is published about him/her or his/her firm complies with this Code. A practitioner will also be personally responsible for ensuring that all publicity, advertising and direct mailing are subject to the limitations and requirements of this Code.

Good taste

- 12.6 Judgement as to what might or might not constitute good taste can only be made in the context of the particular facts on which that judgement is exercised.
- 12.7 However, in general, material which tends to sensationalise or shock, or which is likely to give offence to religious beliefs, or is racist, is unacceptable. Generally too, the trivialisation of important issues, excessive reliance on a particular personality or personalities, the deriding of public figures, disparagement of educational attainment and material which makes odious comparisons or is strident in tone, hectoring or extravagant is not acceptable.

Furthermore, material should not compare with nor belittle services offered by others, whether practitioners or not, either by claiming superiority for the services of a particular practitioner or otherwise and should not contain testimonials or endorsements.

Advertisements

- 12.8 Advertisements may refer to the basis on which professional fees for services are calculated but to state hourly or other charging rates could be misleading and is considered to be inconsistent with the dignity of the profession.

Solicitation

- 12.9 Direct mailing by all practitioners, pertaining to any services and products, is permitted.
- 12.10 A practitioner may not continue to address such direct mail to, or in any other way pursue, a recipient who has asked him/her to desist.
- 12.11 Cold calling by practitioners for professional work is not permitted.

13 INCLUSION OF THE NAME OF A PRACTITIONER IN A DOCUMENT ISSUED BY A CLIENT

- 13.1 When a client proposes to publish a report by a practitioner (whether as part of another document or on its own) dealing with the client's existing business affairs or in connection with the establishment of a new business venture, the practitioner should take steps to ensure that the context in which the report is published is not such that it might result in the public being misled as to the nature and meaning of the report. In these circumstances the practitioner should advise the client that permission should be obtained before publication of the document.
- 13.2 Similar consideration should be given to other documents proposed to be issued by a client containing the name of a practitioner acting in an independent professional capacity. This does not preclude the inclusion of the name of a practitioner in the annual report of a client.
- 13.3 When practitioners in their private capacity are associated with or hold office in an organisation, it may use their names and professional designations on stationery and other documents. The practitioner should ensure that this information is not used in such a way as might lead the public to believe that there is a connection with the organisation in an independent professional capacity.

14 RECRUITING

Educational institutions

- 14.1 A practitioner may offer bursaries and prizes for students at educational institutions, and may allow the bursaries and prizes to be named after him/her or his/her firm.
- 14.2 A practitioner may endow a chair of accounting or related subjects at a university and may allow his/her or his/her firm's sponsorship to be acknowledged publicly by the university.

Competitor's staff

- 14.3 A practitioner should not, directly or indirectly, offer employment to an employee of another practitioner without first informing the latter in writing. However, an employee of another practitioner who, in response to an advertisement or of his/her own initiative, applies to him/her for employment may be engaged subject to the practitioner's informing the applicant's present employer.

15 RESPONSIBILITY TO COLLEAGUES

Introduction

- 15.1 A practitioner should conduct him/herself in a manner which will promote cooperation and good relations between practitioners and within the profession. In particular, a practitioner should not irresponsibly criticise the professional work, the professional attainments of, or the professional fees charged by another practitioner.
- 15.2 A practitioner should assist fellow practitioners in complying with this Code and should co-operate with the appropriate disciplinary authorities in applying the Code.
- 15.3 A practitioner may provide professional services to those who request it, and at the specific request of a client this may be done even if they are served by another practitioner. He may also replace another practitioner at a client's request.
- 15.4 Practitioners should undertake only 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 practitioners be encouraged to obtain advice when appropriate from those who are competent to provide it.

Accepting new assignments

- 15.5 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 accountants in consultation with the client, might request a receiving accountant practising at those locations to perform such professional services as are necessary to complete the assignment.

- 15.6 Referral of business might also occur in the area of special services, skills or tasks.
- 15.7 The wishes of a client are paramount in the choice of his/her professional advisers, whether or not special skills are involved. Accordingly, a practitioner should not attempt to restrict in any way his/her client's freedom of choice in obtaining special advice, and when appropriate, should encourage him/her to do so.
- 15.8 When a practitioner is asked by a prospective client to provide services or advice, he/she should enquire whether the prospective client has an existing accountant. In cases where there is an existing accountant who will continue to provide professional services, he/she should observe the procedures set out in paragraphs 15.9 to 15.14. If the appointment will result in him/her superseding another practitioner, he/she should follow the procedures set out in paragraph 15.15 to 15.27.
- 15.9 The receiving accountant should limit the services provided to the specific assignment referred from the existing accountant or the client, unless otherwise requested by the client. The receiving accountant should also take all reasonable steps to support the existing accountant's relationship with the client and should not criticise the professional services of the existing accountant, without giving him/her an opportunity to provide all relevant information.
- 15.10 A receiving accountant who is asked by the client to undertake an assignment which is clearly distinct from that being carried out by the existing accountant, or from that initially referred by the existing accountant or the client, should regard this as a separate request to provide services or advice. Before accepting any appointment of this nature, the receiving accountant should advise the client of his/her professional obligation to communicate with the existing accountant, and should immediately do so, preferably in writing, advising him/her of the approach made by the client and the general nature of the request. This action is indicated not only by considerations of professional courtesy but by good business judgement.
- 15.11 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 is not a satisfactory reason.
- 15.12 The receiving accountant should -

- 15.12.1 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
- 15.12.2 ensure, in so far as it is practical to do so, that the existing accountant is kept informed of the general nature of the professional services being performed.
- 15.13 When there are two or more other practitioners performing professional services for the client concerned, it might be appropriate to notify only the relevant practitioner, depending on the specific services being performed.
- 15.14 When appropriate, the existing accountant, in addition to issuing instructions concerning referred business, should maintain contact with the receiving accountants and co-operate with them regarding all reasonable requests for assistance.

Superseding another practitioner

- 15.15 Clients have an indisputable right to choose their professional advisers and to change them should they so desire.
- 15.16 While it is essential that the legitimate interests of clients be protected, it is also important that a practitioner who is asked to replace another practitioner has the opportunity to ascertain if there are any professional or other reasons why he/she should not accept the appointment. He/she cannot effectively do so without direct communication with the existing accountant. In the absence of a request, the existing accountant should not volunteer information about the client's affairs.
- 15.17 Communication enables a practitioner to ascertain whether the circumstances in which a change in appointment is proposed are such that he/she can properly accept the appointment and also whether he/she wishes to undertake the engagement. In addition, it helps to preserve the harmonious relationships which should exist between all practitioners on whom clients rely for professional advice and assistance.
- 15.18 The extent to which an existing accountant can discuss the affairs of the client with the proposed accountant will depend on
 - 15.18.1 whether the client's permission to do so has been obtained; and
 - 15.18.2 the legal or ethical requirements relating to such disclosure.
- 15.19 The proposed accountant should treat in the strictest confidence and give due weight to any information provided by the existing accountant.
- 15.20 The information provided by the existing accountant might indicate, for example, that the ostensible reasons given by the client for the change are not in accordance with the facts. It might disclose that the proposal to change the accountant was made because the existing accountants stood their ground

and properly carried out their duties, despite opposition or evasion, on an occasion when important differences of principles or practices arose with the client.

- 15.21 Communication between the parties therefore serves –
- 15.21.1 to protect a practitioner from accepting an appointment in circumstances where all the pertinent facts are not known;
 - 15.21.2 to protect the minority proprietors of a business who might not be fully informed of the circumstances in which the change is proposed; and
 - 15.21.3 to protect the interest of the existing accountant when the proposed change arises from, or is an attempt to interfere with the conscientious exercise of his/her duty to act as an independent professional.
- 15.22 Before accepting an appointment involving continuing professional work previously carried out by another practitioner, the proposed accountant should –
- 15.22.1 explain to the prospective client his/her duty to communicate with the existing accountant;
 - 15.22.2 ascertain if the prospective client has informed 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 accountant;
 - 15.22.3 if satisfied with the reply received from the prospective client, request permission to communicate with the existing accountant. If such permission is refused, or the permission referred to in paragraph 15.22.2 is not given, the proposed accountant should decline the appointment, unless there are exceptional circumstances of which he/she has full knowledge, and he/she has satisfied him/herself regarding all relevant facts, by some other means; and
 - 15.22.4 on receipt of permission, ask the existing accountant, preferably in writing
 - (a) 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,
 - (b) to provide all the necessary details to be able to come to a decision; and
 - (c) to provide the information within a specified time otherwise he/she will assume that there are no matters which should be brought to his/her attention.

- 15.23 On receipt of the communication referred to in paragraph 15.22.3-
- 15.23.1 the existing accountant should forthwith reply, preferably in writing, advising whether there are any professional reasons why the proposed accountant should not accept the appointment;
 - 15.23.2 if there are any such reasons or other matters which should be disclosed, the existing accountant should ensure that the client has given permission to give details of this information to the proposed accountant. If permission is not granted the existing accountant should report that fact to the proposed accountant; or
 - 15.23.3 on receipt of permission from the client, the existing accountant should disclose all information needed by the proposed accountant to be able to decide whether or not to accept the appointment, and discuss freely with the proposed accountant all matters relevant to the appointment of which the latter should be aware.
- 15.24 If the proposed accountant does not, within a reasonable time, receive a reply to his/her communication to the existing accountant and he/she has no reason to believe that there are any exceptional circumstances surrounding the proposed change, he/she should try to communicate with the existing accountant by some other means. If he/she is unable to obtain satisfactory response in this way, he/she should send a further letter, stating that he/she assumes there is no professional or other reason why he/she should not accept the appointment and that he/she intends to do so.
- 15.25 The fact that there might be fees owing to the existing accountant is not a professional reason why the proposed accountant should not accept the appointment.
- 15.26 Unless he/she has a lien over any books and papers for the payment of charges outstanding, the existing accountant should, promptly after the change in appointment, transfer all books and papers that are the property of the client and which are in or which may come into his/her possession to the client, or with the client's permission, to the newly appointed accountant. Whether or not he/she has a lien is a question of law and of fact, and practitioners should bear in mind that a refusal to hand over books and papers over which they do not have a valid lien could render them liable for any costs by the client as a consequence of that refusal.
- 15.27 Matters of which the proposed accountant should be made aware would, where relevant, include the following:
- 15.27.1 Reasons for the change advanced by the client of which the existing accountant is aware, are not in accordance with the facts, as understood by the latter;

- 15.27.2 The proposal to displace the existing accountant arises because the incumbent carried out his/her duties in the face of opposition or evasion/s in which important differences of principle or practice had arisen with the client;
 - 15.27.3 The client, its directors, or employees might have been guilty of some unlawful act or default, or some aspect of their conduct which is relevant to the carrying out of an audit ought, in the opinion of the existing accountant, to be investigated further by the appropriate authority;
 - 15.27.4 The existing accountant has unconfirmed suspicions that the client or its directors or employees have defrauded the Inland Revenue, Customs and Excise or others;
 - 15.27.5 There remains a failure or refusal by the client to supply the existing accountant with information required by him/her for the performance of his/her duties;
 - 15.27.6 The existing accountant has serious doubts regarding the integrity of the directors and/or senior managers of the client company;
 - 15.27.7 The client, its directors, or employees have attempted to limit the scope of the existing accountant such that this would entail the issue of a disclaimer of opinion;
 - 15.27.8 The existing accountant proposes to bring to the attention of members or creditors circumstances surrounding the proposed change of auditor.
- 15.28 The existing accountant should not refuse to communicate, or delay his reply, on the following grounds:
- 15.28.1 The proposed accountant has obtained nomination in contravention of this Code; or
 - 15.28.2 The existing accountant has a genuine belief, whether justified or not, of having been unfairly treated by the client.

