Professional Practice Companion

Before accepting	What to establish
Client and engagement	Understand integrity concerns, purpose, scope, relevant requirements and whether the firm has sufficient skill, staff, experts and time.
Predecessor communication	For a proposed financial statement audit, request relevant known information. Usually seek client permission; consider a refusal carefully. Confidentiality and legal/professional duties still apply.
Second opinions	Obtain relevant facts and seek permission to contact the existing accountant. Explain limitations and assess whether to proceed if permission is refused.
Reviewer and assets	The reviewer must be objective. Take custody of client assets only where law permits; segregate them and use them only for their intended purpose.

Independence requires both dimensions

Dimension	Question
Mind	Can I reach an honest, objective and professionally sceptical conclusion without compromising influence?
Appearance	Would a reasonable and informed third party see integrity, objectivity or scepticism as compromised?

Check financial interests, fee dependence, loans and guarantees, gifts, litigation, family/business ties, client roles, employment moves, long association and other services. Part 4A addresses audit/review; Part 4B addresses other assurance.

Check permission before safeguards. Separate staff cannot cure a prohibited service or relationship. Non-assurance services can create self-review, self-interest or advocacy. Some lending arrangements have specific normal-terms qualifications; do not use blanket loan rules.

Restricted-use reports are not a blanket waiver. Where modifications are permitted, intended users must understand purpose and limits, be informed, and explicitly agree to the modifications.

Source: supplied CPA Ethics and Governance extract, Module 2, s. 2.9, printed pp. 93-102. Compiled APES 110, December 2022 syllabus context. Original explanatory wording. This is a conceptual reference, not every detailed rule.

Responding to Non-compliance

The response covers actual or suspected non-compliance encountered in professional work. Relevant laws can affect material financial-statement amounts or be fundamental to operations, continued business or avoiding material penalties.

1. **Understand.** Establish the nature, circumstances, relevant laws and potential consequences. Observe legal reporting requirements.
2. **Address.** Raise the matter with an appropriate level; bypass an implicated superior. Seek correction, mitigation, prevention or other appropriate action.
3. **Assess further action.** Evaluate management/governance responses, urgency, harm, recurrence and public interest. Consider relevant external-auditor communication.
4. **Consider authority disclosure.** Apply the applicable law and Code requirements. Identify an appropriate authority and consider protections, retaliation and safety.

The response is proportionate to the role

Role	Key distinction
Senior member in business	Significant influence brings greater responsibility to address the matter, evaluate the response and determine further action in the public interest.
Other member in business	Understand and report to the superior or next appropriate level. Authority disclosure may be considered in exceptional circumstances under the Code.
Public practice	Act in a timely way. Audit and other professional services have different pathways; apply the relevant communication and response requirements.

Document throughout. Keep facts, communications, judgements, responses and reasons. Resigning or withdrawing does not replace required non-compliance actions.

Confidentiality and law: do not disclose contrary to law. A Code-consistent disclosure does not guarantee legal or contractual protection. Obtain appropriate legal advice before disclosure without consent.

Source: supplied CPA Ethics and Governance extract, Module 2, s. 2.9, printed pp. 67, 72, 87-90. Compiled APES 110, December 2022 syllabus context. Original explanatory wording. Obtain advice for an actual situation.