**Client Acceptance/Reacceptance Checklist**

***Preliminary***

Has a discussion taken place with the client prior to accepting the engagement to ascertain their history, and obtain documents (that is, organization chart, operating and financial performance results over the past two or three years, changes in management, structure of operations, and anything else likely to have an impact on the engagement)?

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| **Client Acceptance** | **Yes** | **No** | **N/A** | **Comments** |
| **Prospective Client’s Character and Integrity** | | | | |
| 1. Do you, trusted clients, or colleagues know the client? |  |  |  |  |
| 2. Are you satisfied that there have been no events or circumstances that cast doubt on the integrity of the prospective client’s owners, board members, or management? Specifically, are you reasonably satisfied that none of the following exist?  (a) Convictions and regulatory sanctions,  (b) Suspicion of illegal acts or fraud,  (c) Ongoing investigations,  (d) Management memberships in professional organizations that are not in good standing,  (e) Negative publicity, and  (f ) Close association with people/companies with questionable ethics. |  |  |  |  |
| Describe the methods used to obtain evidence of these risks, such as an Internet search. (Key words for an Internet search might include the client’s business name, the names of key personnel, and the industry or products/services.) |  |  |  |  |
| Document any evidence obtained that is relevant in assessing this risk. |  |  |  |  |
| 3. If other auditors/accountants have declined to serve the prospective client, or if opinion shopping or other similar motivations for change are suspected, have you documented the risks involved and carefully considered why you should accept the engagement? |  |  |  |  |
| **Predecessor Auditor/Accountant** | | | | |
| 4. Have you contacted the predecessor auditor or accountant (if applicable in your jurisdiction) and enquired about:  (a) Access to the prospective client’s working papers;  (b) Any outstanding fees;  (c) Any difference of opinion or disagreements;  (d) Integrity of management and board;  (e) Reasons for the change; and  (f ) Any unreasonable demands or lack of cooperation? |  |  |  |  |
| **Client Acceptance** | **Yes** | **No** | **N/A** | **Comments** |
| 5. Have you obtained permission from the predecessor firm to review prior-year working papers (if permitted)? If so, have you reviewed prior-period planning documentation prepared by the previous firm, and determined whether the previous firm:  (a) Confirmed independence from the client;  (b) In the instance of an audit, whether it was performed in accordance with ISAs;  (c) Had adequate resources and proficiency; and  (d) Had an understanding of the entity and its environment? |  |  |  |  |
| **Previous Financial Statements** | | | | |
| 6. Have you obtained and reviewed copies of:  (a) Financial statements for at least the previous two years;  (b) Tax returns and related assessments for the previous two years; and  (c) Management letters for the previous two or three years? |  |  |  |  |
| 7. Assuming you can gain access, have you reviewed prior-period working papers prepared by the previous auditor or accountant to:  (a) Assess the reasonableness of closing balances of prior periods, paying particular attention to significant accounts, to determine if any need to be restated;  (b) Determine if the previous auditor/accountant identified any material misstatements;  (c) Determine the effect on the current year of any immaterial misstatements not adjusted in the prior year; and  (d) Assess the adequacy of management’s accounting system by reviewing prior auditor/ accountant’s adjusting journal entries and management letters? |  |  |  |  |
| 8. Have you determined the significant accounting policies and methods used in the prior year’s financial statements, and considered whether they are appropriate and consistently applied? For example:  (a) Significant valuations, such as allowance for doubtful accounts, inventory, and investments;  (b) Amortization policies and rates;  (c) Significant estimates; and  (d) Other (please identify). |  |  |  |  |
| 9. In the instance of any audit, are any additional audit procedures required in relation to key prioryear transactions and/or balances to reduce the risk of misstatement of the opening account balances? If yes, add WP reference for those procedures. |  |  |  |  |
| 10. Have you determined whether a disclaimer of opinion will be necessary, due to an inability to obtain sufficient assurance regarding opening balances? |  |  |  |  |
| **Client Acceptance** | **Yes** | **No** | **N/A** | **Comments** |
| **Expertise** | | | | |
| 11. Have you obtained an overall understanding of the client’s business and operations? (Complete an understanding of client memorandum or use a standardized checklist to provide the information.) |  |  |  |  |
| 12. Do partners and staff have sufficient knowledge of the accounting practices of the prospective client’s industry to perform the engagement? If not, can the required knowledge of the industry accounting practices be readily obtained? Identify the sources. |  |  |  |  |
| 13. Have any areas been identified that require specialized knowledge? If so, can the required knowledge be readily obtained? Identify the sources. |  |  |  |  |
| **Independence Assessment**  **Additional prohibitions not addressed here apply to engagements of public interest entities.**  **Section 290 and Section 291 of the IESBA Code should be referred to for all relevant requirements**  **and guidance.** | | | | |
| 14. Identify and document any existing prohibitions (those threats to independence for which there are no adequate safeguards, such as):  (a) Acceptance of significant gifts or hospitality from the client;  (b) Close business relationships with client;  (c) Family and personal relationships with the client;  (d) Fee quote considerably less than market price (unless the documentation will provide evidence that all applicable standards have been met);  (e) Financial interests in the client;  (f ) Recent employment within the prescribed period (or anticipated future employment) with the client, serving as officer, director or employee with significant influence;  (g) Loans and guarantees to/from the client;  (h) Making journal entries or accounting classifications without first obtaining the approval of management;  (i) Performance of management functions for the client; and  (j) Provision of non-assurance services such as corporate finance, legal services that involve dispute resolution, or valuation services involving the valuation of matters material to the financial statements. |  |  |  |  |
| Are you satisfied that there are no existing prohibitions that would preclude the firm or any staff member from performing the engagement? |  |  |  |  |
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| **Client Acceptance** | **Yes** | **No** | **N/A** | **Comments** |
| 15. Refer to Part B of the IESBA Code for guidance in identifying threats and safeguards to independence.  (a) Identify and document any threats to independence for which there may be safeguards. Address each of the following threats in relation to the firm and any member of the engagement team.  • Self-interest threats, which may occur as a result of the financial or interests of a professional accountant or of an immediate or close family member (that is, where loss of client fees would be material),  • Self-review threats, which may occur when a previous judgment needs to be reevaluated by the professional accountant responsible for that judgment,  • Advocacy threats, which may occur when a professional accountant promotes a position or opinion to the point that subsequent objectivity may be compromised (that is, acting as an advocate on behalf of the client in litigation or in share promotion),  • Familiarity threat, which may occur when, because of a close relationship, a professional accountant becomes too sympathetic to the interests of others, and  • Intimidation threat, which may occur when a professional accountant may be deterred from acting objectively by threats, actual or perceived.  (b) Evaluate and document whether these threats, considered individually and collectively, are clearly insignificant.  (c) For each threat that is not clearly insignificant, document the safeguards that exist within the entity or at the firm and how they serve to reduce the threat to an acceptable level. Safeguards may include professional standards and monitoring, firm policies on continuing education, practice inspection, quality assurance, client approval of journal entries and classifications, and client safeguards such as a strong control environment and hiring of competent client personnel.  (d) Are you satisfied that there are sufficient safeguards in place, and that threats to independence are eliminated or reduced to an acceptable level? |  |  |  |  |
| **Engagement Risk Assessment** | | | | |
| 16. Have you determined that the risks associated with this industry and this prospective client are acceptable to the firm? Describe any known or suspected risks and their effect on the proposed engagement, including:  (a) A domineering owner;  (b) Breaches in industry laws/regulations that would result in material fines or penalties;  (c) Financing or solvency problems;  (d) High media interest in the entity or its management;  (e) Industry trends and performance;  (f ) Overly conservative or optimistic management;  (g) Participation in high-risk business ventures;  (h) Particularly risky nature of business;  (i) Poor accounting systems and records;  (j) Significant number of unusual or related party transactions;  (k) Unusual or complex corporate/operational structures;  (l) Weak controls and management;  (m) Lack of clear revenue recognition policies;  (n) Significant impact on the industry or business from changes in technology;  (o) Significant potential benefits to management that depend on favorable financial or performance results;  (p) Competence or credibility issues with management;  (q) Recent changes in management, key personnel, accountants or lawyers; and  (r) Public entity reporting requirements. |  |  |  |  |
| 17. Who are the likely users of the financial statements?  • Banks  • Government taxation agencies  • Regulatory bodies  • Management  • Creditors  • Potential investors/purchasers  • Shareholders/members  • Others |  |  |  |  |
| Are there any shareholder disputes or other disputes that will be affected by the results of the engagement? |  |  |  |  |
| Does the anticipated reliance of these users on the report issued represent a reasonable risk? |  |  |  |  |
| 18. Are there specific areas of the financial statements or specific accounts that deserve extra attention? If so, document the details. |  |  |  |  |
| 19. Did the previous auditor/accountant propose many adjustments and/or identify many unadjusted immaterial corrections? If so, document the likely reason and its effect on the engagement risk. |  |  |  |  |
| 20. Are you satisfied that there is no significant reason to doubt the prospective client’s ability to continue in existence for the foreseeable future (at least one year)? |  |  |  |  |
| 21. Are you satisfied that the prospective client is both willing and able to pay an acceptable fee? |  |  |  |  |
| **Limitations to Scope** | | | | |
| 22. Are you satisfied that there will be no scope limitations imposed on your work by client management? |  |  |  |  |
| 23. Are there appropriate criteria (for example, IFRSs) against which the subject matter of the engagement can be evaluated? |  |  |  |  |
| **Client Acceptance** | **Yes** | **No** | **N/A** | **Comments** |
| 24. Are the time frames for completion of the work reasonable? |  |  |  |  |
| **Other** | | | | |
| 25. Are there any additional client acceptance issues to consider, such as a more detailed assessment of independence and risk factors?  If so, document the issues and your handling of these issues. |  |  |  |  |
| 26. Other comments. |  |  |  |  |

**Partner conclusion**

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| **Partner comments** |
| Based on my preliminary knowledge of the prospective client and any factors outlined above, this prospective client should be rated as:   High risk  Moderate risk  Low risk |

1. I am satisfied that there are no prohibitions that would prevent the firm or any member of the engagement team from performing this assignment.

2. Where significant threats to our independence have been identified, existing safeguards are in place to eliminate or reduce such threats to an acceptable level.

3. I am not aware of any factors that would impair our independence or appearance of independence.

4. I am satisfied that we have obtained sufficient information to assess whether or not to accept this engagement.

In my opinion, we should **accept**  or **decline**  this engagement.

**Second partner approval (if applicable)**

Signature Date …………………………………...

Signature: Date