



On Communication with previous Auditor

Q. Whether communication on E-mail would suffice the requirement of Clause (8) of Part-I of First schedule to The Chartered Accountants Act, 1949?

- A. The requirement of communication under Clause (8) of Part-I of First Schedule to The Chartered Accountants Act, 1949 is deemed to be complete on the delivery of communication to the retiring Auditor. Accordingly, members are required to communicate in such a manner as to retain in their hands positive evidence of the delivery of the communication to the addressee.

With regard to communication through E-mail, as per the revised Volume-II of Code of Ethics, 2020 applicable from 1st July, 2020, the communication would be deemed as complete on receipt of acknowledgement from the retiring Auditor's E-mail address registered with the Institute or his last known official E-mail address.

Q. Has communication vide E-mail replaced the other modes of communication?

- A. No. The earlier modes of communication continue to be valid. The communication vide E-mail is only an additional alternative mode of communication.

Accordingly, henceforth, the requirement of positive delivery of communication would be deemed to be fulfilled either by (i) a letter sent "Registered Acknowledgement due", or (ii) by hand against a written acknowledgement, or (iii) by Acknowledgement from retiring auditor's vide E-mail address registered with the Institute or last known official E-mail address.

It may also be noted that another new mode of communication with the retiring Auditor is through Unique Identification Number (UDIN) generated on UDIN portal. However, it is subject to separate guidelines to be issued by the Council in this regard.

Q. How can the Incoming Auditor know the E-mail id. of retiring Auditor?

- A. The Incoming Auditor may seek the E-mail id. from the retiring Auditor on phone, or from the client.

Q. Which of the two mail ids – registered with the Institute, or last known official id. is preferable for communication?

- A. The member may communicate on either of the two mail ids. There is no order of the preference.

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Q. Whether communication on E-mail would be valid only where post offices or offices of CA Firms are not open?

A. No, the members may use the option of E-mail irrespective of opening of post office or CA Firm.

Q. What will be the position if the Incoming Auditor sends an E-mail, however, does not receive an acknowledgement from the retiring auditor?

A. In such situation, it would not be reckoned as valid communication, as the positive evidence of delivery is not available.

Q. What kind of acknowledgment from the retiring Auditor will be deemed as valid to qualify for positive evidence of delivery?

A. Any kind of acknowledgment would be deemed as positive evidence of delivery, e.g. writing "ok", "Received", etc.

Q. Whether the Incoming Auditor can send request for acknowledgement of receipt of communication from the Retiring Auditor?

A. Yes, the Incoming Auditor can send request for acknowledgement of receipt of communication from the Retiring Auditor. However, it would be deemed as positive evidence of delivery only if the Retiring Auditor accepts the request, and sends acknowledgement.

Q. Whether the Incoming Auditor may commence the Audit immediately after receiving acknowledgement from the retiring Auditor?

A. As the communication through E-mail is instant, the receipt of acknowledgement will be a valid proof of delivery as well as entitlement to acceptance of the Audit, unless of course, the retiring Auditor has raised such objection(s) wherein the Incoming Auditor should not accept the Audit.

Q. What are the professional reasons for not accepting Audit?

A. The professional reasons for not accepting an audit are :

(i) Non-compliance of the provisions of the Companies Act as mentioned in Clause (9)

of Part-I of First Schedule to The Chartered Accountants Act, 1949;

(ii) Non-payment of undisputed audit fees by auditees other than in case of sick units for carrying out the Statutory Audit under the Companies Act, 2013 or various other statutes ; and

(iii) Issuance of a qualified report.

In the first two cases, an auditor who accepts the audit would be guilty of professional misconduct.

In the last case, however, he may accept the audit if he is satisfied that the attitude of the retiring auditor was not proper and justified. If, on the other hand, he feels that the retiring auditor had qualified the report for good and valid reasons, he should refuse to accept the audit.

Q. In case of appointments done by Government entities/Companies/Banks or their Branches, the time for acceptance of audit is sometimes so little that there is no time to wait for the reply of the Retiring auditor. What should be the recourse in such case?

A. In case the time schedule given for the assignment is such that there is no time to wait for the reply from the retiring auditor, the Incoming auditor may give a conditional acceptance of the appointment and commence the work which needs to be attended to immediately after he has sent the communication to the retiring auditor in accordance with this clause. In his acceptance letter, he should make clear to the client that his acceptance of appointment is subject to professional objections, if any, from the retiring auditor and that he will decide about his final acceptance after taking into account the information received from the retiring auditor.

Q. Whether communication with the retiring Auditor is permissible vide sms or WhatsApp?

A. No, communication vide sms or WhatsApp is not permissible as an evidence of communication being sent, as required under Clause (8) of Part-I of the First Schedule to the Chartered Accountants Act, 1949. ■