RESIGNING FROM AN ASSURANCE ENGAGEMENT

Author: Professional Advisory Services | February 2021

As a CPA practitioner, when you are considering resigning from a professional engagement, there are ethical implications to consider. It is important that your actions maintain the profession's reputation and serve the public interest, whether your reasons for resigning materialize before or during the engagement.

The focus of this article is on resigning from assurance engagements (audits or reviews), however, you can apply similar considerations to any professional service. Note that the term "auditor" is used to describe the role of the practitioner in both audit and review engagements.[1]

Fulfilling your statutory duties as an auditor

By accepting an assurance engagement, you assume a statutory duty that is not fulfilled until the engagement is complete and a report is issued. When contemplating a resignation, you may only cease to act on your client's behalf once a successor has been properly appointed and you are relieved or disqualified.[2]

During the course of an engagement, exceptional circumstances that justify your resignation may arise, requiring your professional judgment. Acceptable reasons for resigning may include:[3]

- loss of trust in the client;
- a situation where the auditor's independence or objectivity could reasonably be questioned; or
- inducement by the client to perform illegal, unjust or fraudulent acts.

In some circumstances you may be asked to resign at the request of a board of directors before fulfilling your statutory duties. In this scenario, you may still have a requirement to report under legislation and/or regulation, especially if you have reason to suspect any impropriety or concealment.

Where there is good and sufficient reason to resign before fulfilling your statutory duties, consider obtaining legal advice, then provide your resignation in writing and determine whether there are any outstanding statutory obligations.

Relevant rules in the CPA Code of Professional Conduct (CPA Code):

Rule 201, *Maintenance of the good reputation of the profession*

Rule 204.4(40), *Independence, Specific prohibitions for assurance and specified auditing procedures engagements – Client mergers and acquisitions*

Rule 205, *False or misleading information*

Rule 206, *Compliance with professional standards*

Rule 208, *Confidentiality of information*

Rule 210, *Conflicts of interest*

Rule 302, *Communication with predecessor*

1 CSRE 2400, *Engagements to review historical financial statements*, uses the term practitioner instead of auditor.
2 Rule 201, guidance paragraph 8
3 Rule 201, guidance paragraph 10

Ethical conflicts that may require your resignation

As discussed in the CPA Code, several specific circumstances may require you to resign from an assurance engagement, where possible under applicable law or regulation.

Circumstances that may require resignation	Considerations before resigning	Rationale for resignation
Another entity merges with or becomes a related entity (e.g., a parent or subsidiary) of an audit or review client, creating a significant threat to independence.[4]	Resigning may not be required if you can apply safeguards to reduce the independence threat to an acceptable level, such as having another member who is not part of the engagement team review the work.	In cases where you cannot apply safeguards to reduce the threat, your independence will be impaired and you should not proceed with the audit or review engagement.
Financial statements prepared by your client contain misstatements.[5]	Before resigning, you should first consider the guidance found in the CPA Canada Handbook – Assurance and whether you can take the necessary steps to ensure the financial statements comply with accounting standards or issue a report with an appropriate reservation.	If there are material uncorrected misstatements which cannot be addressed by issuing a report with an appropriate reservation, you may lose trust in the client and risk non-compliance with the CPA Code[6] and professional standards.
An engagement to provide a professional service results in a conflict of interest,[7] such as a conflict with an engagement for another client.[8]	Resigning may not be required if you can apply conflict management techniques and receive consent from each affected party.	In cases where such techniques cannot be applied and consent cannot be obtained, your objectivity will be impaired if you perform both engagements.

Note that outstanding fees from an engagement do not provide sufficient reason to resign before issuing a report. Refer to the professional advisory article on setting and collecting fees for further details. However, if outstanding fees for assurance engagements pose a threat to independence, this must be factored into client continuation considerations for future engagements.

4 Rule 204.4(40)(c)
5 Rule 206, guidance paragraph 7
6 Rule 205 and Rule 206
7 Rule 210.3
8 Rule 210, guidance paragraph 41

Ending a client relationship

After completing your statutory duties regarding a current engagement and issuing a report, you may decide to terminate the client relationship due to poor payment practices, an uncooperative client, etc. In such cases, to act in the best interest of the client, notify them as soon as possible so they have adequate time to find a new accountant and meet any significant filing deadlines. The ideal time to end a client relationship is after completing the engagement, but before reappointment or re-engagement.

Communicating with successors

Under the CPA Code, the successor accountant has an obligation to ask you (the predecessor) whether there are any circumstances that may influence their decision to accept the engagement.[9] This requirement is intended to protect a successor from accepting an engagement without prior knowledge of the circumstances under which your services were discontinued. You are required to respond promptly to this request[10] while keeping in mind relevant confidentiality rules. You must also inform the successor if you were "unable to continue with or resigned from an engagement with respect to the practice of public accounting"[11].

The level of detail in your response depends on the reasons for your withdrawal or resignation, and the rules surrounding confidentiality of information. If there are circumstances that cannot be disclosed because of confidentiality, your response to the successor should state that there are, in your opinion, circumstances which should be taken into account, but details cannot be disclosed without the client's consent. For example, disclosures about the existence of a suspected fraud or a conflict of interest may be considered confidential . If a letter was provided to the client, setting out your reasons for resigning, your response to the successor might suggest that they ask the client to see the resignation letter.

If you are uncertain about what you can and cannot disclose to the successor, consider obtaining legal advice.

As no two situations are identical, CPAs are responsible for ensuring that their own situation complies with the [CPA Code of Professional Conduct](), [By-law and Regulations](). Please note that this article is considered to be non-authoritative guidance only.

9 Rule 302.1
10 Rule 302.2
11 Rule 302.3(a)
12 Rule 302, guidance paragraph 3

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