



Proper handling of enquiries and requests from clients or stakeholders to minimize complaints

From time to time, Institute members in public practice may receive enquiries and requests from clients or stakeholders. A few examples are:

- Enquiries raised on accounting or auditing issues;
- Enquiries on delay or failure in delivering services;
- Requests for a copy of audited accounts; and
- Enquiries on fees and disbursements charged.

Clients or stakeholders usually have the high expectation that their enquiries will be addressed promptly.

Understanding the issue behind a potential complaint and trying to resolve the matter can help members in preventing complaints lodged by clients or stakeholders. The following cases offer tips on how matters could be handled differently.

Case one

One shareholder wrote to draw the auditor's attention to his suspicion on omissions of income and expenses in the audited accounts and requested the auditor to respond to questions related to those alleged omissions. The auditor

replied that due to the requirements on confidentiality, they would not respond to the questions.

The individual shareholder, apparently, had an expectation that the auditor was obliged to answer his questions on the audited accounts.



The response to the shareholder could be further elaborated by explaining to him that auditors are responsible to the shareholders collectively, not to individual shareholder. The auditor may want to stress that the alleged omissions concerned the responsibilities of the directors and he should approach them directly to obtain a better understanding of the reasons for the alleged omissions. Providing thorough

explanations to an enquirer should help minimize the chance of being the subject of a complaint filed by the enquirer.

Case two

A director and shareholder of a private company lodged a complaint against the company's auditor, alleging that the auditor did not reply to his question regarding the delay in completing the audit of the company's accounts. He was frustrated because the service fees were prepaid and, after a number of months, the audit had still not been completed.

The Institute's enquiries revealed that the auditor had been communicating with the directors of the company and there was, apparently, outstanding information that was essential for the audit. The delay was a result of this information not yet being provided to the auditor at the time of the complaint.

The complainant's grievances could be reduced by properly managing his expectation regarding the timing of completing the audit. Such communications may include, for example, stating the conditions for meeting the initial timeline when the service fees were quoted and keeping clients posted on revised



timelines with reasons and explanations. Setting out clear terms for services and providing timely, written explanations for subsequent changes can be beneficial to all parties.

Case three

Clients sometimes confuse accounting company or company secretarial services with their auditors. This may lead to them approaching the wrong party for information.

A director and beneficial shareholder of a private company asked the auditor to provide him with copies of audited accounts of the company. He had previously been denied access to the company's books and records due to disputes among directors and shareholders. A member of the audit staff replied that he should contact the company secretary to obtain the documents. However, the company secretary did not provide him with the requested documents.

In the interest of maintaining good client relations, the individual could be advised that a Hong Kong incorporated company is required to allow its members (shareholders) and directors to inspect various corporate records and documents.

If the interested party wishes to exercise his statutory right to inspect the company's documents, he may seek independent legal advice and then consider what appropriate action or remedy he should pursue for his purpose.

Case four

A private company lodged a complaint against its auditor for, *inter alia*, charging the company additional fees, which were more than the original amount quoted. The company asserted that the auditor did not bill according to contract terms and charged additional fees without advance notice. The company also questioned the nature and reasonableness of the fees charged by the auditor.

Some clients may be under the impression that service fees quoted by auditors are "fixed" and "all inclusive." It is therefore important to make clients aware of the terms of the engagements, the basis on which fees are charged, and which services are covered by the quoted fees. It would also be helpful to indicate to the clients the circumstances under which additional fees would be charged and the basis for calculating those fees. Lastly, ensuring clients are aware of the nature of fees in advance

may help reduce future billing enquiries and promote client satisfaction.

Institute resources

The Institute's website provides useful guides and standards:

- Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (Volume III of Members' Handbook)
- Section 150 Professional Behaviour of the *Code of Ethics for Professional Accountants* (Volume I of Members' Handbook)
- Guidance notes for dealing with a complaint (Institute's website under "Compliance section")
- Guidance notes for responding to a complaint (Institute's website under "Compliance section")



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