



SUBCONTRACTING ACCOUNTANCY SERVICES – USING A SUBCONTRACTOR

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INTRODUCTION

This helpsheet covers subcontracting accountancy services, specifically obtaining the services of a subcontractor. In the appendices, there are checklists to help you identify the information needed to clarify your role, responsibilities and liabilities. There is also an outline of considerations to include in an agreement between a firm and a subcontractor.

Members may also wish to refer to the following related helpsheet and regulations:

- [ICAEW statement on members engaging in public practice](#)
- [Setting up a practice](#)
- [Subcontracting accountancy work – acting as a subcontractor](#)

LAYOUT OF THIS HELPSHEET

- [Obtaining the services of a subcontractor](#)
- [Appendix 1: Subcontracting firm checklist](#)
- [Appendix 2: Proforma summary about the subcontractor](#)
- [Appendix 3: Outline contract between firm and subcontractor](#)

OBTAINING THE SERVICES OF A SUBCONTRACTOR

Clarity of relationship

Common relationship scenarios include:

- the firm retains responsibility for the client, services are passed on to the client by the firm
- services are provided directly by the subcontractor to the client,

In situations where you retain responsibility for the work of the subcontractor and services are passed on to the client by your firm, you are the client of the subcontractor.

Where you agree with the subcontractor that they provide the service directly to your clients, you are not necessarily involved in the service and your client becomes their client for the purposes of the service. This may have implications for the goodwill of your firm and you may wish to have clauses in place in the subcontracting agreement to protect your client relationship.

Always be clear about the respective responsibilities of the subcontractor. As the firm you may be responsible for all aspects of the client service, but both of you must remember you have a duty of care to each other and potentially others, notably the client. When employing a subcontractor you should consider matters such as client confidentiality, handling confidential data, the existence of possible conflicts of interest, and other factors that might affect independence as well as the technical requirements of the work itself.

Anti-money laundering

From the perspective of the firm, the subcontractor will be acting as a quasi-employee of the practice that is itself supervised for the purposes of money laundering regulations. All the responsibilities for complying with money laundering regulations in respect of the subcontracted work remain with the firm. Therefore, you would want to ensure that the subcontractor is contractually responsible for complying with the firm's own procedures and for reporting any relevant suspicious activity to the MLRO.

The firm must ensure that it provides AML training to the subcontractor. In some cases, the subcontractor may already have undertaken relevant training. Businesses may rely on evidence of this training provided by the agent.

The firm should also include the subcontractor in any employee screening procedures the firm has designed to comply with money laundering regulations.

Data protection legislation

If the subcontractor has assessed their status as a data processor then you will need to have clauses in your contract that reflect this. See helpsheet [Engagement letters and privacy notices](#).

Your documentation on data mapping will need to be revised and consider whether there are any training needs.

Specialist services

Where the work to be undertaken falls within a 'reserved' area of practice (Audit, ATOL Reporting, Investment Business Advice, Insolvency work or Probate), the firm should pay particular attention to matters such as confirmation of 'fit and proper' status and maintenance of competence, including the achievement of adequate continuing professional development (CPD). In many cases, the simple approach may be to consider the subcontractor to be like an employee and expect them to meet the requirements made of employees in areas such as declarations of fit and proper status, independence, confirmation of CPD, etc. The subcontractor should also have access to the firm's key policies and procedures.

Professional indemnity insurance

The firm should expect the subcontractor's work to be covered by their professional indemnity insurance (PII). However, in order for the anti-subrogation clause of the policy to be extended to the subcontractor, their name and status as a subcontractor must be advised to the PII insurers.

Other considerations

The firm should satisfy itself as to the skill set of the subcontractor and address practical issues of location and availability.

Obtain and document your understanding of the likely employment status of the subcontractor with regard to legal rights and taxation and consider any likely implications for your firm.

IF IN DOUBT SEEK ADVICE

ICAEW members, affiliates, ICAEW students and staff in eligible firms with **member firm access** can discuss their specific situation with the Ethics Advisory Service on +44 (0)1908 248 250 or via **webchat**.

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