

# INSTITUTE OF CHARTERED PROFESSIONAL ACCOUNTANTS OF SASKATCHEWAN

## RULES OF PROFESSIONAL CONDUCT

### Contents

|   |           |
|---|-----------|
| III. RULES OF PROFESSIONAL CONDUCT (200-299) .....  | 3         |
| <b>A. PREAMBLE TO THE RULES OF PROFESSIONAL CONDUCT .....</b>   | <b>3</b>  |
| <i>Introduction.....</i>  | <i>3</i>  |
| <i>Characteristics of a profession.....</i>   | <i>4</i>  |
| <i>Responsibility for compliance with the RPC.....</i>  | <i>4</i>  |
| <i>Fundamental principles governing conduct.....</i>  | <i>4</i>  |
| <i>Personal character and ethical conduct .....</i>   | <i>7</i>  |
| <i>Ethical conflict resolution .....</i>  | <i>8</i>  |
| <i>Principles governing the responsibilities of firms.....</i>  | <i>8</i>  |
| <b>B. ETHICAL CONDUCT .....</b>   | <b>10</b> |
| Maintenance of the Reputation of the Profession .....   | 10        |
| Integrity and Due Care .....  | 10        |
| Objectivity .....   | 10        |
| Professional Competence .....   | 10        |
| Independence .....  | 10        |
| Assurance and Specified Auditing Procedures Engagements .....   | 15        |
| Compliance with Rule 204.1 .....  | 16        |
| Identification of Threats and Safeguards .....  | 16        |
| Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements .....                                  | 16        |
| Loans and Guarantees .....  | 18        |
| Close Business Relationship .....   | 19        |
| Family and Personal Relationships .....   | 19        |
| Employment or service with a Reporting Issuer or Listed Entity Audit Client .....                                     | 20        |
| Temporary loan of staff to an audit or review client .....  | 20        |
| Serving as an Officer or Director of an Assurance Client .....  | 20        |
| Serving as an Officer or Director of an Audit or Review Client.....   | 21        |
| Serving as an Officer or Director of a Reporting Issuer or Listed Entity Audit Client .....                           | 21        |
| Long Association of Senior Personnel with a Reporting Issuer or Listed Entity Audit Client .....                      | 21        |
| Audit Committee Approval of Services to a Reporting Issuer or Listed Entity Audit Client.....                         | 21        |
| Performance of Management Functions .....   | 22        |
| Preparation of Journal Entries and Source Documents.....  | 22        |
| Preparation of Accounting Records and Financial Statements for a Reporting Issuer or Listed Entity Audit Client ..... | 22        |
| Provision of Valuation Services to an Audit or Review Client that is not a Reporting Issuer or Listed Entity.....     | 23        |
| Provision of Valuation Services to a Reporting Issuer or Listed Entity Audit Client.....                              | 23        |
| Provision of Actuarial Services to a Reporting Issuer or Listed Entity Audit Client.....                              | 24        |
| Provision of internal audit services to an audit or review client .....   | 24        |
| Provision of Internal Audit Services to a Reporting Issuer or Listed Entity Audit Client .....                        | 24        |
| Provision of Information Technology System Services to an Audit or Review Client.....                                 | 24        |
| Provision of Information Technology System Services to a Reporting Issuer or Listed Entity Audit Client .....         | 25        |
| Provision of Litigation Support Services to an Audit or Review Client .....   | 25        |
| Provision of Litigation Support Services to a Reporting Issuer or Listed Entity Audit Client .....                    | 26        |
| Provision of Legal Services to an Audit or Review Client .....  | 26        |
| Provision of Legal Services to a Reporting Issuer or Listed Entity Audit Client .....                                 | 26        |
| Human Resource Services for a Reporting Issuer or Listed Entity Audit Client .....                                    | 26        |

|   |           |
|---|-----------|
| Provision of Corporate Finance and Similar Services to an Audit and Review Client .....                                     | 26        |
| Provision of taxation planning or other taxation advisory services to an audit or review client .....                       | 27        |
| Provision of tax calculations for the purpose of preparing accounting entries for a reporting issuer or listed entity ..... | 27        |
| Provision of non-assurance services prior to commencement of audit or review services .....                                 | 28        |
| Provision of previous non-assurance services to an entity that has become a reporting issuer or listed entity.....          | 28        |
| Engagement Fees.....  | 28        |
| Contingent fees .....   | 29        |
| Relative size of fees of a reporting issuer or listed entity audit client .....   | 29        |
| Evaluation of Compensation of Partners .....  | 30        |
| Gifts and Hospitality.....  | 30        |
| Client mergers and acquisitions.....  | 30        |
| Documentation .....   | 31        |
| Breach of a provision of Rule 204.3 or 204.4.....   | 32        |
| Members Must Disclose Prohibited Interests and Relationships .....  | 34        |
| Independence: Insolvency Engagements.....   | 35        |
| Disclosure of Impaired Independence .....   | 35        |
| Audits under elections legislation.....   | 36        |
| False or Misleading Documents and Oral Representations .....  | 36        |
| Compliance with Professional Standards .....  | 36        |
| Unauthorized Benefits.....  | 37        |
| Confidentiality of Information .....  | 37        |
| Borrowing from Clients .....  | 38        |
| Conflict of Interest.....   | 39        |
| Duty to Report Breach of Standards of Professional Conduct.....   | 40        |
| Handling of Trust Funds and Other Property .....  | 40        |
| Handling Property of Others .....   | 40        |
| Unlawful Activity .....   | 41        |
| Fee Quotations and Billings .....   | 41        |
| Contingency Fees.....   | 41        |
| Commission and other compensation arrangements .....  | 41        |
| Advertising and Promotion.....  | 43        |
| Solicitation .....  | 43        |
| Endorsements .....  | 43        |
| Retention of documentation and working papers.....  | 44        |
| <b>C. COMPLIANCE AND REPORTING .....</b>  | <b>44</b> |
| Compliance with governing legislation, bylaws, regulations and the Rules of Professional Conduct...                         | 44        |
| False or misleading applications .....  | 44        |
| <b>D. COOPERATION.....</b>  | <b>45</b> |
| Requirement to cooperate.....   | 45        |
| Hindrance, Inappropriate Influence and Intimidation .....   | 45        |
| Communication with Predecessor .....  | 45        |
| Cooperation with Successor Accountant .....   | 45        |
| Joint Engagements .....   | 46        |
| Communication of Special Engagements to Incumbent.....  | 46        |
| Responsibilities on Accepting Engagements .....   | 46        |
| Responsibilities on Referred Engagements .....  | 46        |
| <b>E. MANNER AND METHOD OF PRACTICE .....</b>   | <b>46</b> |
| Firm's Maintenance of Policies and Procedures for Compliance with Professional Standards .....                              | 46        |
| Firm's Maintenance of Policies and Procedures .....   | 46        |
| Association with Firms.....   | 47        |

### III. RULES OF PROFESSIONAL CONDUCT (200-299)

#### A. PREAMBLE TO THE RULES OF PROFESSIONAL CONDUCT

The Rules of Professional Conduct ("RPC") sets out general and specific duties for sound and fair financial and management reporting and business practices owed by all registrants to clients, employers and the public generally as well as to the profession.

- The RPC applies to all registrants, irrespective of the type of professional services being provided. Throughout the RPC, the term "registrant" is used to refer inclusively to a member, firm, candidate, and where necessary, explicit references to a member, firm, candidate are used in place of the term registrant.
- Registrants not engaged in the practice of professional accounting or other regulated services must observe the RPC unless there is a specific exception made in a particular provision or the wording of any provision makes it clear that it relates specifically to the practice of professional accounting or other regulated services.
- The term "professional services" applies to all registrants and is not restricted only to those who are engaged in the practice of professional accounting or other regulated services. It includes those of a registrant's activities, whether undertaken for remuneration or not, where clients, employers, the public or professional colleagues are entitled to rely on registration with the Institute as giving the registrant particular competence and requiring due care, integrity and an objective state of mind.
- The RPC also applies, with the necessary modifications, to every registrant acting in respect of a matter of personal concern and to the exercise, by the registrant, of any other activity, in particular, a job, a function, an office or the operation of an enterprise.
- The RPC is to be read and applied in light of this Preamble and the Rules. Rules impose an obligation on registrants; accordingly, compliance with the Rules is mandatory. Where Guidance is provided, it is intended to assist in the understanding and application of the related Rule.

#### ***Introduction***

This Preamble to the RPC sets out the philosophy that underlies the code governing the Chartered Professional Accountant's responsibilities to those to whom professional services are provided, to the public generally and to colleagues, in respect of:

- characteristics of a profession;
- responsibility for compliance with the RPC;
- fundamental principles governing conduct;
- personal character and ethical conduct;
- ethical conflict resolution; and
- principles governing the responsibilities of firms.

The RPC, comprehensive in its scope, practical in application and addressing high ethical standards, serves not only as a guide to the profession itself but as a source of assurance of the profession's concern to serve the public interest. It is a hallmark of a profession that there is a voluntary assumption, by those who comprise it -- the members of the profession -- of ethical principles which are aimed, first and foremost, at serving the public interest and, second, at achieving orderly and courteous conduct within the profession. It is to these purposes that the Institute's RPC is directed.

### ***Characteristics of a profession***

The RPC presumes the existence of a profession. Since the word "profession" has lost some of its earlier precision, through widespread application, it is worthwhile reviewing the characteristics which mark a calling as professional in the traditional sense. Much has been written on the subject and court cases have revolved around it. The weight of the authorities, however, identifies the following distinguishing elements:

- there is mastery of a particular intellectual skill, acquired by lengthy training and education;
- the traditional foundation of the calling rests in the provision of services to others through the application of the acquired skill to their affairs;
- the calling centres on the provision of personal services rather than entrepreneurial dealing in goods;
- there is an outlook, in the practice of the calling, which is essentially objective;
- there is acceptance of a responsibility to subordinate personal interests to those of the public good;
- there is acceptance of being accountable to and governed by professional peers;
- there exists a developed and independent body, comprising the members of the profession, which sets and maintains standards of qualification, attests to the competence of the individual members and safeguards and develops the skills and standards of the profession;
- there is a specialized code of ethical conduct, laid down and enforced by that body, designed principally for the protection of the public; and
- there is a belief, on the part of those engaged in the calling, in the virtue of interchange of views, and in a duty to contribute to the development of their profession, adding to its knowledge and sharing advances in knowledge and technique with their fellow professionals.

By these criteria chartered professional accountancy is a profession.

### ***Responsibility for compliance with the RPC***

- Registrants are responsible to the Institute for compliance with the RPC by others who are either under their supervision or share with them proprietary interest in a firm or other enterprise. In this regard, a registrant must not permit others to carry out acts which if carried out by the registrant would contravene the RPC.
- Registrants who reside outside Saskatchewan continue to be subject to the RPC or its equivalent in each province of registration. They may also be subject to the code of another organized accounting profession in the jurisdiction in which they reside. Should the code in two or more jurisdictions conflict, a registrant will, where possible, observe the higher or stronger of the conflicting codes and, where that is not possible, the ethical conflict guidance set out as part of this Preamble will apply.

### ***Fundamental principles governing conduct***

Registrants have a fundamental responsibility to act in the public interest. The public's trust and reliance on sound and fair financial and management reporting and competent advice on business affairs - and the economic importance of that reporting and advice - impose these special obligations on the profession. They also establish, firmly, the profession's social usefulness.

The RPC is derived from six fundamental principles of ethics - statements of accepted conduct for all registrants whose soundness is, for the most part, self-evident. These principles are fundamental to the conduct of all registrants and are as follows:

## Professional Behaviour

*200.6 A registrant or suspended registrant shall not at any time knowingly engage in any professional, business, or personal activity that he knows or should know will impair or is likely to impair the profession's integrity, objectivity, or good reputation.*

*201.1 A registrant shall act at all times with courtesy and respect and in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.*

In doing so, registrants are expected to avoid any action that would discredit the profession.

There are business considerations involved in the creation and development of any organization, whether it is a professional practice or an entity that operates outside of that domain. A registrant's involvement in any organization should be based primarily upon a reputation for professional excellence. In particular, registrants who occupy positions of senior authority should recognize that such positions include an obligation to influence events, practices and attitudes within that organization. Accordingly, such registrants should encourage an ethics-based culture in their organizations that emphasizes the importance of ethical behaviour and compliance with generally accepted standards of practice of the profession.

At all times, registrants are expected to act in relation to other professional colleagues with the courtesy and consideration they would expect to be accorded by their professional colleagues.

## Integrity and Due Care

*200.1 A registrant or suspended registrant shall comply with the principle of integrity, which requires that a registrant or suspended registrant be straightforward and honest in all professional and business relationships.*

*202.1 A registrant shall perform professional services with integrity and due care.*

Registrants are expected to be straightforward, honest and fair dealing in all professional relationships. They are also expected to act diligently and in accordance with applicable technical and professional standards when providing professional services. Diligence includes the responsibility to act, in respect of any professional service, carefully, thoroughly, and on a timely basis. Members are required to ensure that those performing professional services under their authority have adequate training and supervision.

## Objectivity

*200.2 A registrant or suspended registrant shall comply with the principle of objectivity, which requires that a registrant or suspended registrant not compromise professional or business judgment because of bias, conflict of interest, or undue influence of others.*

*202.2 A registrant shall perform professional services with an objective state of mind.*

Clients, employers and the public generally expect that registrants will bring objectivity and sound professional judgment to their services. It thus becomes essential that a registrant will not subordinate professional judgment to external influences or the will of others.

The principle of objectivity underlies the Rules related to potential conflicts of interest as well as the requirement for independence in relation to the performance of assurance engagements. With respect to both independence and conflicts of interest, the profession employs the criterion of

whether a reasonable observer would conclude that a specified situation or circumstance posed an unacceptable threat to a registrant's objectivity and professional judgment. Only then can public confidence in the objectivity and integrity of the registrant be sustained, and it is upon this public confidence that the reputation and usefulness of the profession rest. The reasonable observer should be regarded as a hypothetical individual who has knowledge of the facts which the registrant knew or ought to have known, and applies judgment objectively with integrity and due care.

### Professional Competence

*200.3 A registrant or suspended registrant shall comply with the principle of professional competence and due care, which requires that a registrant or suspended registrant ensure a client or employer receives competent professional service and therefore:*

- (a) Attain and maintain professional knowledge and skill at the required level required to ensure competent professional service, based on current technical and professional standards and relevant legislation; and*
- (b) Provide professional services diligently and in accordance with applicable technical and professional standards, and relevant legislation.*

*203.1 A member shall sustain professional competence by keeping informed of, and complying with, developments in professional standards in all functions in which the member practices the profession or provides professional services or is relied upon because of the member's calling.*

Clients, employers and the public generally expect the accounting profession to maintain a high level of competence. This underscores the need for maintaining individual professional skill and competence by keeping abreast of and complying with developments in the professional standards and pertinent legislation in all functions where a registrant performs professional services, or where others rely upon a registrant's calling.

### Confidentiality

*200.4 A registrant or suspended registrant shall comply with the principle of confidentiality, which requires that a registrant respect the confidentiality of information acquired as a result of professional and business relationships.*

#### Confidentiality of Information

*For the purposes of Rules 208.1 and the related Guidance:*

*"confidential information" means information acquired in the course of a professional services relationship with a party. Such information is confidential to the party regardless of the nature or source of the information or the fact that others may share the knowledge. Such information remains confidential until the party expressly or impliedly authorizes it to be divulged. In the case of an employee-employer relationship, a member, candidate has legal obligations to the employer that include a duty of confidentiality. The RPC imposes a duty of confidentiality as a professional obligation, which is in addition to the member's, candidate's legal obligation to the employer.*

*208.1 A registrant shall not disclose any confidential information concerning the affairs of any client, former client, employer or former employer except when:*

- (a) properly acting in the course of carrying out professional duties;*
- (b) such information should properly be disclosed for purposes of Rules;*
- (c) such information is required to be disclosed by order of lawful authority or, in the proper exercise of their duties;*

- (d) justified in order to defend, the registrant or any associates or employees of the registrant, as the case may be against any lawsuit or other legal proceeding or against alleged professional misconduct or in any legal proceeding for recovery of unpaid professional fees and disbursements, but only to the extent necessary for such purpose; or*
- (e) the client, former client, employer or former employer, as the case may be, has consented to such disclosure.*

*208.2 A registrant shall not use confidential information of any client, former client, employer or former employer, as the case may be, obtained in the course of the practice of the profession for such client or employer:*

- (a) for the advantage of the registrant,*
- (b) for the advantage of a third party, or*
- (c) to the disadvantage of such client or employer without the knowledge and written consent of the client, former client, employer or former employer.*

*208.3 A registrant shall:*

- (a) take appropriate measures to maintain and protect confidential information of any client, former client, employer or former employer, as the case may be and to ensure that access to such information by another person is limited to those with legitimate purpose to access the information; and*
- (b) obtain the written agreement of any such person to carefully and faithfully preserve the confidentiality of any such information and not to make use of such information other than as shall be required in the practice of the profession.*

The principle of confidentiality obliges registrants to protect and maintain the confidentiality of information both outside of and within a registrant's firm or employing organization and to properly address a situation that may arise when confidentiality is breached.

The disclosure of confidential information by a registrant may be required or appropriate where such disclosure is:

- Permitted or authorized by the client or employer;
- Required by law; or
- Permitted or required by a professional right or duty, when not prohibited by law.

## **Compliance and Cooperation**

*200.5 A registrant or suspended registrant, at all times, shall comply with the relevant laws and regulations of Canada and the province in which they reside or in which they provide professional services.*

*200.7 A registrant or suspended registrant shall cooperate with the regulatory processes of the Institute.*

The principles of compliance and cooperation obliges the registrants and former registrants to execute professional services under the acknowledgement of being a member of a regulated profession. Cooperation must be open, honest and helpful.

### ***Personal character and ethical conduct***

The Rules and Guidance which follow are based on the principles expressed above in this Preamble. These principles have emerged out of the collective experience of the profession as it has sought, down the years, to demonstrate its sense of responsibility to clients, employers and the public generally. By their commitment to honourable conduct, registrants of the Institute and its predecessors, throughout their history, have given particular meaning and worth to the

designation and its predecessors. They have done so by recognizing that a code of professional conduct, which is enforceable by sanctions, does not by its nature state the most that is expected of registrants, but simply the least.

Ethical conduct in its highest sense, however, is a product of personal character -- an acknowledgement by the individual that the standard to be observed goes beyond that of simply conforming to the letter of a list of prohibitions.

### ***Ethical conflict resolution***

Circumstances may arise where a registrant encounters and is required to resolve a conflict in the application of the fundamental principles or compliance with the RPC derived therefrom.

When initiating a process for the resolution of an ethical conflict, a registrant should consider, either individually or together with others, as part of the resolution process, the following:

- relevant facts;
- ethical issues involved;
- fundamental principles and provisions of the RPC applicable to the matter in question;
- established internal procedures; and
- alternative courses of action.

Having considered these issues, the registrant should determine the appropriate course of action that is consistent with the RPC. The registrant should also weigh the consequences of each possible course of action. If the matter remains unresolved, the registrant should consult with other appropriate persons within the firm or employing organization for help in obtaining resolution.

Where a matter involves a conflict with, or within, a firm or an employing organization, a registrant should also consider consulting with those charged with governance of the organization, such as the board of directors or the audit committee.

It would be in the best interests of the registrant to document the substance of the issue and details of any discussions held or decisions taken, concerning that issue.

If a significant conflict cannot be resolved, a registrant may wish to obtain guidance on ethical issues without breaching confidentiality from the Institute or legal advisors. For example, a registrant may have encountered a fraud, the reporting of which could breach the responsibility to respect confidentiality. The registrant is advised to consider obtaining legal advice to determine whether there is a requirement to report.

If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, the registrant should, where ethically possible, refuse to remain associated with the matter creating the conflict. The registrant may determine that, in the circumstances, it is appropriate to withdraw from the particular engagement team or assignment, or to resign altogether from the engagement, the firm or the employing organization in a manner consistent with the RPC.

### ***Principles governing the responsibilities of firms***

Firms of Chartered Professional Accountants have a responsibility which they share with all other persons in the firm to provide services that maintain the profession's reputation for competence and integrity. It is clear that the manner in which firms conduct their affairs and provide services has an importance that goes well beyond the establishment of their individual reputations; it affects the public perception of the chartered professional accountancy profession as a whole. Accordingly, it is critical that firms be bound by the RPC.



This broader responsibility requires that firms be accountable to the profession and to clients, employers and the public generally in respect of ethical conduct and professional competence. The accountability of firms is formalized by bringing them within the authority of the RPC in a manner that is similar to that for members but which also appropriately recognizes that the responsibility of firms as business organizations differs in important respects from that of the individual members carrying on professional engagements on their behalf.

The responsibility of firms to the profession is fulfilled in the first instance by establishing, maintaining and upholding appropriate policies and procedures designed to ensure that their members provide professional services in a manner that complies with the standards of conduct and competence prescribed in the RPC.

The accountability of firms is based on the recognition that the services they provide are carried out by Chartered Professional Accountants through their individual and collective actions, through the actions of all other persons in a firm and through the exercise of professional judgment. All persons in a firm are expected at all times to comply with the RPC and to adhere to the generally accepted standards of practice of the profession. Depending on the circumstances and the particular standard of competence or conduct, therefore, a firm's accountability for a failure to comply with the RPC may be shared with a member or other persons in the firm. It is acknowledged in this regard that a firm cannot be held accountable for the conduct of any person in the firm who does not comply with the RPC, where the firm has done all that it could be reasonably expected to have done to ensure that such persons do comply with the RPC.

A firm will be held accountable, as an organization, for its professional conduct in those instances where:

- the firm has policies and/or procedures which are inconsistent with the RPC;
- the breach of the RPC by any person in the firm is found to be related to the absence of quality control procedures or to the existence of quality control procedures that are inadequate for the type of practice in which it is engaged;
- the firm is identified with conduct or the provision of professional services that is in breach of the RPC and a person in the firm who is responsible for such breach cannot be identified or cannot be held accountable by the Institute;
- the conduct that breaches the RPC was authorized, initiated, implemented or condoned by the firm prior to or at the time it takes place;
- the conduct that breaches the RPC is condoned or concealed by the firm after it learns of it;
- the firm did not take appropriate action in response to becoming aware of any conduct that breaches the RPC; or
- there are repeated instances of breaches of the RPC by person(s) in the firm.

In keeping with the principle that firms have a responsibility to maintain the good reputation of the profession, it is only appropriate in these circumstances that the firm and the individual member(s) be the subject of investigation and disciplinary sanction.

The inclusion of firms within the authority of the RPC does not presume that an investigation against a firm automatically calls into question the character, competence or conduct of all of the members of the firm. Indeed, there is an obligation on the part of those given responsibility for the enforcement of the RPC to ensure that any investigation of a firm be restricted to those who should properly be the subject of the investigation and resulting disciplinary sanction. This involves recognizing that firms may have many partners and/or offices and/or a number of departments or units within the offices, whether or not they are geographically distinct. In some circumstances, therefore, accountability for a failure to comply with the RPC will rest solely with the individual partners of a firm who had knowledge of the matter that is the reason for making charges against

the firm. In other circumstances, the accountability will rest with identifiable departments or units within a firm, or with a firm's executive committee, management committee or equivalent group.

## **B. ETHICAL CONDUCT**

### Maintenance of the Reputation of the Profession

201.1 A registrant shall act at all times with courtesy and respect and in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.

201.2 There is a rebuttable presumption that a registrant has failed to maintain the good reputation of the profession or its ability to serve the public interest when the registrant is charged under Bylaw 200.6 or Rule 201.1 on account of any matter referred to in Rule 304.5 and a certified copy of a document which provides proof of guilt in respect of such matters is filed with the Discipline Committee. For purposes of this Rule, documents which provide proof of guilt include a certificate of conviction, order, decision, settlement agreement which includes an admission of guilt or other similar relevant document.

201.3 There is a rebuttable presumption that a registrant has failed to maintain the good reputation of the profession and its ability to serve the public interest when the registrant is charged under Bylaw 200.6 or Rule 201.1 on account a matter referred to in Rule 304.6 where the resolution of the matter includes:

- (a) a finding of guilt by, or a settlement agreement with, another provincial institute, and the registrant was suspended, expelled, cancelled or resigned in order to resolve a disciplinary matter, or when restrictions were imposed on their practice rights; or a former registrant was barred from reinstatement or re-entry; or
  - (b) a finding of guilt by, or an admission of guilt by a registrant to, another provincial institute that the reputation of the profession was not maintained by the registrant;
- and a certified copy of the order, decision, settlement agreement or other relevant document from the other provincial institute is filed with the Discipline Committee.

### Integrity and Due Care

202.1 A registrant shall perform professional services with integrity and due care.

### Objectivity

202.2 A registrant shall perform professional services with an objective state of mind.

### Professional Competence

203.1 A registrant shall sustain professional competence by keeping informed of, and complying with, developments in professional standards in all functions in which the member practices the profession or provides professional services or is relied upon because of the member's calling.

### Independence

#### Definitions

*For the purposes of rules 204.1 to 204.10 and the related Guidance:*

- (a) "accounting role" means a role in which a person is in a position to or does exercise more than minimal influence over:
  - (i) the contents of the client's accounting records related to the financial statements subject to audit or review by the member or firm; or
  - (ii) anyone who prepares such financial statements.
- (b) "assurance client" means an entity in respect of which a member or firm has been engaged to perform an assurance engagement. In the application of Rule 204.4(1) to (12) "assurance client" includes its related entities, and the reference to an assurance

- client, a client or an entity that is an assurance client shall be read as including all related entities of the assurance client, client or entity as the case may be.
- (c) “assurance engagement” means an assurance engagement as contemplated in the *CPA Canada Handbook – Assurance*. For the purpose of Rule 204.4, “assurance engagement” also includes a specified auditing procedures engagement as contemplated by the *CPA Canada Handbook – Assurance*.
  - (d) “audit client” means an entity in respect of which a member or firm has been engaged to perform an audit of the financial statements. In the application of rule 204.4(1) to (12) “audit client” includes its related entities, and the reference to an assurance client, a client or an entity that is an audit client shall be read as including all related entities of the assurance client, client or entity as the case may be.
  - (e) “audit committee” means the audit committee of the entity, or if there is no audit committee another governance body which has the duties and responsibilities normally granted to an audit committee or those charged with governance of the entity.
  - (f) “audit engagement” means an engagement to audit financial statements as contemplated in the *CPA Canada Handbook – Assurance*.
  - (g) “audit partner” means a person who is a partner in a firm or a person who has equivalent responsibility, who is a member of the engagement team, other than a specialist or technical partner or equivalent who consults with others on the engagement team regarding technical or industry-specific issues, transactions or events.
  - (h) “clearly insignificant” means trivial and inconsequential.
  - (i) “close family member” means a parent, child or sibling who is not an immediate family member.
  - (j) “direct financial interest” means a financial interest:
    - (i) owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others);
    - (ii) beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control or ability to influence investment decisions;
    - (iii) owned through an investment club or by a private mutual fund in which the individual participates in the investment decisions.
  - (k) “engagement period” means the period that starts at the earlier of the date when the member or firm signs the engagement letter or commences procedures in respect of the engagement and ends when the assurance report is issued, except when the engagement is of a recurring nature, in which case the engagement period ends with:
    - (i) notification by either the client or the firm that the professional relationship has terminated or the issuance of the final assurance report, whichever is later; or
    - (ii) in the case of an audit engagement for a reporting issuer or listed entity, notification by either the client or the firm to the relevant Securities Commission that the audit client is no longer an audit client of the firm.
  - (l) “engagement quality control reviewer”, often referred to as reviewing, concurring or second partner, means the audit partner or other person in the firm who, prior to issuance of the audit report, provides an objective evaluation of the significant judgments made and conclusions reached by the members of the engagement team in formulating the report on the engagement.
  - (m) “engagement team” means:
    - (i) each member of the firm performing the assurance engagement;
    - (ii) all other members of the firm who can directly influence the outcome of the assurance engagement, including:

- (A) those who recommend the compensation of, or who provide direct supervisory, management or other oversight of, the assurance engagement partner in connection with the performance of the assurance engagement. For the purposes of an audit engagement this includes those at all successively senior levels above the lead engagement partner through to the firm's chief executive officer;
  - (B) those who provide consultation regarding technical or industry-specific issues, transactions or events for the assurance engagement; and
  - (C) those who provide quality control for the assurance engagement; and
- (iii) in the case of an audit client, all persons in a network firm who can directly influence the outcome of the audit engagement.
- (n) "financial interest" includes a direct or indirect ownership interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.
- (o) "financial reporting oversight role" means a role in which a person is in a position to or does exercise influence over:
  - (i) the contents of the financial statements subject to audit or review by the member of firm; or
  - (ii) anyone who prepares the financial statements.
- (p) "firm" means a sole practitioner, partnership, professional corporation or association of members who carries or carry on the practice of professional accounting, other regulated services or carries or carry on related activities as defined by the Board. A related business or practice is considered to be part of the firm.
- (q) "fund manager" means, with respect to a mutual fund, an entity that is responsible for investing the mutual fund's assets, managing its portfolio trading and providing it with administrative and other services, pursuant to a management contract.
- (r) "immediate family member" means a spouse (or equivalent) or dependant.
- (s) "indirect financial interest" means a financial interest beneficially owned through a collective investment vehicle such as a mutual fund, estate, trust or other intermediary over which the beneficial owner has no control or ability to influence investment decisions.
- (t) "key audit partner" means:
  - (i) an audit partner who is the lead engagement partner;
  - (ii) the engagement quality control reviewer; and
  - (iii) any other audit partner on the engagement team who makes important decisions or judgments on significant matters with respect to the audit or review engagement.
- (u) "lead engagement partner" means the partner or other person who is responsible for the engagement and its performance, for the report that is issued on behalf of the firm and who, where required, has the appropriate authority from a professional, legal or regulatory body.
- (v) "legal service" means any service that may only be provided by a person licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided. If the same service could be provided in Canada by a person who is not a lawyer, such a service is not a legal service for the purposes of this rule..
- (w) "listed entity" means an entity whose shares, debt or other securities are quoted on, listed on or marketed through a recognized stock exchange or other equivalent body, whether within or outside of Canada, other than an entity that has, in respect of a particular fiscal year, market capitalization and total assets that are each less than

\$10,000,000. An entity that becomes a listed entity by virtue of the market capitalization or total assets becoming \$10,000,000 or more in respect of a particular fiscal year shall be considered to be a listed entity thenceforward unless and until the entity ceases to have its shares or debt quoted, listed or marketed in connection with a recognized stock exchange or the entity has remained under the market capitalization or total assets threshold for a period of two years.

In the case of a period in which an entity makes a public offering:

- (A) the term “market capitalization” shall be read as referring to the market price of all outstanding listed securities and publicly traded debt measured using the closing price on the day of the public offering; and
  - (B) the term “total assets” shall be read as referring to the amount of total assets presented on the most recent financial statements prepared in accordance with generally accepted accounting principles included in the public offering document.
- (x) “market capitalization” in respect of a particular fiscal year means the average market price of all outstanding listed securities and publicly traded debt of the entity measured at the end of each of the first, second and third quarters of the prior fiscal year and the year-end of the second prior fiscal year.
- (y) “member of a firm” or “member of the firm”, as the case may be, means a person, whether or not a member of a provincial institute, who is:
- (i) a sole practitioner;
  - (ii) a partner, professional employee or candidate of the firm;
  - (iii) an individual engaged under contract by the firm to provide services that might otherwise be provided by a partner or professional employee of the firm, but does not include an external expert possessing skills, knowledge and experience in a field other than accounting or auditing whose work in that field is used to assist the member or firm in obtaining sufficient appropriate evidence;
  - (iv) an individual who provides to the firm services which are referred to in rule 204.1 and includes any corporate or other entity through which the individual contracts to provide such services; or
  - (v) a retired partner of the firm who retains a close association with the firm.
- (z) “mutual fund” means a mutual fund that is a reporting issuer under the applicable Canadian provincial or territorial securities legislation.
- (aa) “mutual fund complex” means:
- (i) a mutual fund that has the same fund manager as a client;
  - (ii) a mutual fund that has a fund manager that is controlled by the fund manager of a client; and
  - (iii) a mutual fund that has a fund manager that is under common control with the fund manager of a client.
- (bb) “network firm” means an entity that is, or that a reasonable observer would conclude to be, part of a larger structure of co-operating entities that shares:
- (i) common quality control policies and procedures that are designed, implemented and monitored across the larger structure;
  - (ii) common business strategy that involves agreement to achieve common strategic objectives;
  - (iii) the use of a common brand name, including the use of common initials and the use of the common brand name as part of, or along with, a firm name when a partner of the firm signs an audit or review engagement report; or
  - (iv) professional resources, such as:
    - (A) common systems that enable the exchange of information such as client data, billing or time records;

- (B) partners and staff;
  - (C) technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements;
  - (D) audit methodology or audit manuals; or
  - (E) training courses and facilities,

where such professional resources are significant.
- (cc) “office” means a distinct sub-group of a firm, whether organized on geographical or practice lines.
- (dd) “related entity” means any one of the following:
  - (i) in the case of an engagement to audit the financial statements of a client that is a reporting issuer or listed entity,
    - (A) an entity over which the client has control;
    - (B) an entity that has control over the client, provided that the client is material to such entity;
    - (C) an entity that has significant influence over the client, provided that the client is material to such entity;
    - (D) an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or
    - (E) an entity over which a client has significant influence, provided that the entity is material to the client;
  - (ii) in the case of an engagement to audit or review the financial statement of a client that is not a reporting issuer or listed entity:
    - (A) an entity over which the client has control;
    - (B) any of the following entities where the engagement team knows or has reason to believe that the existence of an activity, interest or relationship involving the member or firm and that other entity is relevant to the evaluation of the independence of the member or firm with respect to the audit or review of the financial statements of the client:
      - (I) an entity that has control over the client, provided that the client is material to such entity;
      - (II) an entity that has significant influence over the client, provided that the client is material to such entity;
      - (III) an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or
      - (IV) an entity over which a client has significant influence, provided that the entity is material to the client; and
  - (iii) in the case of an assurance engagement that is not an engagement to audit or review the financial statements of a client, any of the following entities where the engagement team knows or has reason to believe that the existence of an activity, interest or relationship involving the member or firm and that other entity is relevant to the evaluation of the independence of the member or firm with respect to the assurance engagement:
    - (A) an entity over which the client has control;
    - (B) an entity that has control over the client, provided that the client is material to such entity;
    - (C) an entity that has significant influence over the client, provided that the client is material to such entity;

- (D) an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or
  - (E) an entity over which a client has significant influence, provided that the entity is material to the client.
- (ee) “reporting issuer” means an entity that is defined as a reporting issuer under the applicable Canadian provincial or territorial securities legislation other than an entity that has, in respect of a particular fiscal year, market capitalization and total assets that are each less than \$10,000,000. An entity that becomes a listed entity reporting issuer by virtue of the market capitalization or total assets becoming \$10,000,000 or more in respect of a particular fiscal year shall be considered to be a listed entity reporting issuer thenceforward unless and until the entity ceases to have its shares, units or debt quoted, listed or marketed in connection with a recognized stock exchange or the entity has remained under the market capitalization or total assets threshold for a period of two years.

In the case of a period in which an entity makes a public offering:

- (i) the term “market capitalization” shall be read as referring to the market price of all outstanding listed securities and publicly traded debt measured using the closing price on the day of the public offering; and
- (ii) the term “total assets” shall be read as referring to the amount of total assets presented on the most recent financial statements prepared in accordance with generally accepted accounting principles included in the public offering document.

In the case of a reporting issuer that does not have listed securities or publicly traded debt, the definition of reporting issuer shall be read without reference to market capitalization.

- (ff) “review client” means an entity in respect of which a member or firm conducts a review engagement. In the application of rule 204.4(1) to (12) “review client” includes its related entities, and the reference to an assurance client, a client or an entity that is a review client shall be read as including all related entities of the assurance client, client or entity, as the case may be.
- (gg) “review engagement” means an engagement to review financial statements as contemplated in the CPA Canada Handbook – Assurance.
- (hh) “specified auditing procedures engagement” means an engagement to perform specified auditing procedures contemplated in the CPA Canada Handbook – Assurance.
- (ii) “total assets” in respect of a particular fiscal year means the amount of total assets presented on the third quarter of the prior fiscal year’s financial statements prepared in accordance with generally accepted accounting principles that are filed with a relevant securities regulator or stock exchange. In the case of an entity that is not required to file quarterly financial statements, total assets in respect of a particular fiscal year means the amount of total assets presented on the annual financial statements of the second previous fiscal year prepared in accordance with generally accepted accounting principles that are filed with a relevant securities regulator or stock exchange.

#### *Assurance and Specified Auditing Procedures Engagements*

204.1 A member or firm who engages or participates in an engagement:

- (a) to issue a written communication under the terms of an assurance engagement; or
- (b) to issue a report on the results of applying specified auditing procedures;

shall be and remain independent such that the member, firm and members of the firm shall be and remain free of any influence, interest or relationship which, in respect of the engagement, impairs the professional judgment or objectivity of the member, firm or a member of the firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member, firm or a member of the firm.

*Compliance with Rule 204.1*

204.2 A member or firm who is required to be independent pursuant to Rule 204.1 shall, in respect of the particular engagement, comply with the provisions of Rules 204.3 and 204.4.

*Identification of Threats and Safeguards*

204.3 A member or firm who is required to be independent pursuant to Rule 204.1 shall, in respect of the particular engagement, identify threats to independence, evaluate the significance of those threats and, if the threats are other than clearly insignificant, identify and apply safeguards to reduce the threats to an acceptable level. Where safeguards are not available to reduce the threat or threats to an acceptable level, the member or firm shall eliminate the activity, interest or relationship creating the threat or threats, or refuse to accept or continue the engagement.

*Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*

204.4 Financial interests

- (1) (a) A member or candidate shall not participate on the engagement team for an assurance client if the member or candidate, or an immediate family member of the member or candidate, holds a direct financial interest or a material indirect financial interest in the client.
- (b) A member or candidate shall not participate on the engagement team for an assurance client if the member or candidate, or an immediate family member of the member or candidate, holds, as trustee, a direct financial interest or a material direct financial interest in the client.
- (1.1) Notwithstanding Rules 204.4(1)(a) and (b), if the assurance client is a co-operative, credit union or caisse populaire; a social club, such as a golf club or curling club; or a similar organization, the financial interest in the assurance client held, either personally or as a trustee, by a member or candidate or an immediate or close family member of the member or candidate shall not preclude the member or candidate from participating on the engagement team provided that:
  - (a) such a financial interest is restricted to the minimum amount that is a prerequisite of membership;
  - (b) the assets of the organization cannot by virtue of the organization's bylaws be distributed to the individual members of the organization other than as patronage dividends or in circumstances of forced liquidation or expropriation, unless there is a written undertaking with the organization to forfeit entitlement to such distributed assets; and
  - (c) the member, candidate or immediate or close family member:
    - (i) does not serve on the governing body or as an officer of the organization;
    - (ii) does not have the right or responsibility to exercise significant influence over the financial or accounting policies of the organization or any of its associates;
    - (iii) does not exercise any right derived from membership to vote at meetings of the organization; and
    - (iv) cannot dispose of the financial interest for gain.



- (2) (a) A member or firm shall not perform an assurance engagement for an entity if the member or firm holds a direct financial interest or material indirect financial interest in the entity.
- (b) A member or firm shall not perform an audit or review engagement for an entity if the member, firm or a network firm, has a direct financial interest or a material indirect financial interest in the entity.
- (2.1) Notwithstanding Rules 204.4(2)(a) and (b), if an assurance client is a co-operative, credit union or caisse populaire; a social club, such as a golf club or curling club; or a similar organization, the financial interest in the entity held by a member or firm, or in the case of an audit or review engagement, a member, firm or a network firm, shall not preclude the member or firm from performing an assurance or audit or review engagement, as the case may be, for the entity, provided that:
  - (a) such a financial interest is restricted to the minimum amount that is a prerequisite of membership;
  - (b) the assets of the organization cannot by virtue of the organization's bylaws be distributed to the individual members of the organization other than as patronage dividends or in circumstances of forced liquidation or expropriation, unless there is a written undertaking with the organization to forfeit entitlement to such distributed assets; and
  - (c) the member, firm or network firm, as the case may be:
    - (i) does not serve on the governing body or as an officer of the organization;
    - (ii) does not have the right or responsibility to exercise significant influence over the financial or accounting policies of the organization or any of its associates;
    - (iii) does not exercise any right derived from membership to vote at meetings of the organization; and
    - (iv) cannot dispose of the financial interest for gain.
- (3) A member or firm shall not perform an audit or review engagement for an entity if a pension or other retirement plan of the firm or network firm has a direct financial interest or a material indirect financial interest in the entity.
- (4) A member who is a partner of a firm and who holds, or whose immediate family member holds, a direct financial interest or a material indirect financial interest in an audit or review client shall not practice in the same office as the lead engagement partner for the client, unless, in the case of a financial interest held by an immediate family member, the financial interest is received as a result of employment and
  - (a) the immediate family member does not have the right to dispose of the financial interest or, in the case of a share option, the right to exercise the option; or
  - (b) where such rights are obtained, the financial interest is disposed of as soon as is practicable.
- (5) (a) A member who is a partner or managerial employee of a firm and who holds, a direct financial interest or a material indirect financial interest in an audit or review client shall not provide a non-assurance service to the client, unless the non-assurance service is clearly insignificant.
- (b) A member who is a partner or managerial employee of a firm whose immediate family member holds, a direct financial interest or a material indirect financial interest in an audit or review client shall not provide a non-assurance service to the client, unless
  - (i) the non-assurance service is clearly insignificant; or
  - (ii) the financial interest is received as a result of employment and

- (A) the immediate family member does not have the right to dispose of the financial interest or, in the case of a share option, the right to exercise the option; or
  - (B) where such rights are obtained, the financial interest is disposed of as soon as is practicable.
- (6) (a) A member or firm shall not perform an audit or review engagement for an entity (the first entity) if the firm or a network firm has a financial interest in a second entity, and the member or firm knows that the first entity or a director, officer or controlling owner of the first entity also has a financial interest in the second entity, unless the respective financial interests of the firm or network firm and the first entity, the director, officer or controlling owner of the first entity are immaterial and the first entity cannot exercise significant influence over the second entity.
- (b) A member or candidate shall not participate on the engagement team for an audit or review client if the member or candidate or an immediate family member of the member or candidate has a financial interest in an entity and the member or candidate knows that the client or a director, officer or controlling owner of the client also has a financial interest in the entity, unless the respective financial interests of the member or candidate, or immediate family member, and the client, the director, officer or controlling owner of the client are immaterial and the client cannot exercise significant influence over the entity.

**(7)-(9) are left blank at this time.**

*Loans and Guarantees*

- (10) (a) A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, has a loan from or has a loan guaranteed by the client, except when the client is a bank or similar financial institution and the loan or guarantee is immaterial to the firm, the network firm, and the client, and the loan or guarantee is made under normal commercial terms and conditions and is in good standing.
- (b) A member or firm shall not perform an assurance engagement for a client that is not a bank or similar financial institution if the firm, or a network firm in the case of an audit or review client, has a loan to the client.
- (c) A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, guarantees a loan of the client.
- (11) (a) A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, has a loan from or has a loan guaranteed by:
  - (i) an officer or director of the assurance client; or
  - (ii) a shareholder of the assurance client who owns more than 10% of the equity securities of the client, unless the shareholder is a bank or similar financial institution and the loan or guarantee is made under normal commercial terms and conditions.
- (b) A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, has a loan to or guarantees a loan of:

- (i) an officer or director of the assurance client; or
  - (ii) a shareholder of the assurance client who owns more than 10% of the equity securities of the client.
- (12) (a) A member or candidate shall not participate on the engagement team of an assurance client where the member or candidate has a loan from or has a loan guaranteed by:
  - (i) such a client, except a client that is a bank or similar financial institution where the loan or guarantee is made under normal commercial terms and conditions and the loan is in good standing;
  - (ii) an officer or director of the client; or
  - (iii) a shareholder of the client who owns more than 10% of the equity securities of the client, unless the shareholder is a bank or similar financial institution and the loan or guarantee is made under normal commercial terms and conditions.
- (b) A member or candidate shall not participate on the engagement team for an assurance client where the member or candidate has a loan to or guarantees the borrowing of:
  - (i) such a client that is not a bank or similar financial institution;
  - (ii) an officer or director of the client; or
  - (iii) a shareholder of the client who owns more than 10% of the equity securities of the client.

*Close Business Relationship*

- (13) (a) A member or firm shall not perform an audit or review engagement for an entity if the firm, or a network firm, has a close business relationship with the entity, a related entity or the management of either unless the close business relationship is limited to a financial interest that is immaterial and the relationship is clearly insignificant to the firm or network firm and either entity or its management, as the case may be.
- (b) A member or firm shall not perform an assurance engagement that is not an audit or review engagement if the firm has a close business relationship with the assurance client, a related entity or the management of either unless the close business relationship is limited to a financial interest that is immaterial and the relationship is clearly insignificant to the firm and the client, the related entity or the management of either, as the case may be.
- (c) A member or candidate who has, or whose immediate family member has, a close business relationship with an assurance client, a related entity or the management of either shall not participate on the engagement team for the client unless the close business relationship is limited to a financial interest that is immaterial and the relationship is clearly insignificant to the member, candidate or immediate family member and the client, the related entity or the management of either, as the case may be.

*Family and Personal Relationships*

- (14) A member or candidate shall not participate on the engagement team for an assurance client if the member's or candidate's immediate family member is an officer or director of the client or a related entity or is in a position to exert significant influence over the subject matter of the engagement, or was in such a position during the period covered by the assurance report or the engagement period.

- (15) A member or candidate shall not participate on the engagement team for an audit client that is a reporting issuer or listed entity if the member's or candidate's immediate or close family member has an accounting role or a financial reporting oversight role, or had such a position during the period covered by the financial statements subject to audit by the member of firm or the engagement period.

*Employment or service with a Reporting Issuer or Listed Entity Audit Client*

- (16) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if:
- (a) a person who participated in an audit capacity in an audit of the financial statements of the entity performed by the member or firm is an officer or director of the entity or is in a financial reporting oversight role unless a period of one year has elapsed from the date that the financial statements were filed with the relevant securities regulator or stock exchange; or
  - (b) a person who was the firm's chief executive officer is an officer or director of the entity or is in a financial reporting oversight role, unless a period of one year has elapsed from the date that the individual was the chief executive officer of the firm.

*Recent Service with or for an Assurance Client*

- (17) (a) A member or candidate shall not participate on the engagement team for an assurance client if the member or candidate served as an officer or director of the client or a related entity or was in a position to exert significant influence over the subject matter of the engagement during the period covered by the assurance report or the engagement period.

*Temporary loan of staff to an audit or review client*

- (b) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member or firm has loaned a member of the firm or a network firm to the entity or a related entity, unless:
- (i) the loan of any such person or persons is made for only a short period of time;
  - (ii) the loan of any such person or persons is not made on a recurring basis;
  - (iii) the loan of any such person or persons does not result in the person or persons making a management decision or performing a management function or providing any non-assurance services that would otherwise be prohibited by Rules 204.4(22) to (34); and
  - (iv) management of the entity or related entity directs and supervises the work performed by the person or persons.

*Serving as an Officer or Director of an Assurance Client*

- (18) (a) A member or firm shall not perform an assurance engagement for an entity if a member or an employee of the firm serves as an officer or director of the entity or a related entity, except for serving as company secretary when the practice is specifically permitted under local law, professional rules or practice, and the duties and functions undertaken are limited to those of a routine and formal administrative nature.

*Serving as an Officer or Director of an Audit or Review Client*

- (b) A member or firm shall not perform an audit or review engagement for an entity that is not a reporting issuer or listed entity if a member or an employee of the firm or of a network firm serves as an officer or director of the entity or a related entity except for serving as company secretary when the practice is specifically permitted under local law, professional rules or practice, and the duties and functions undertaken are limited to those of a routine and formal administrative nature.

*Serving as an Officer or Director of a Reporting Issuer or Listed Entity Audit Client*

- (19) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if a member or an employee of the firm or of a network firm serves as an officer or a director of the reporting issuer or listed entity or a related entity.

*Long Association of Senior Personnel with a Reporting Issuer or Listed Entity Audit Client*

- (20) (a) A member shall not continue as the lead engagement partner or the engagement quality control reviewer with respect to the audit of the financial statements of a reporting issuer or listed entity for more than seven years in total, and shall not thereafter participate in an audit of the financial statements of the reporting issuer or listed entity until a further five years have elapsed.

In the case of an audit engagement of a reporting issuer that is a mutual fund, the lead engagement partner and the engagement quality control reviewer shall not thereafter participate in an audit of the financial statements of the reporting issuer or another reporting issuer that is in the same mutual fund complex as the reporting issuer until a further five years have elapsed.

- (b) A member, who is a key audit partner with respect to the audit of the financial statements of a reporting issuer or listed entity, other than a lead engagement partner or engagement quality control reviewer, shall not continue in such role for more than seven years in total and shall not thereafter participate in an of audit of financial statements of the reporting issuer or listed entity until a further two years have elapsed.

In the case of an audit engagement of a reporting issuer that is a mutual fund, such an audit partner shall not thereafter participate in an audit of the financial statements of the reporting issuer or another reporting issuer that is in the same mutual fund complex as the reporting issuer until a further two years have elapsed.

- (c) Notwithstanding paragraph (b), when an audit client becomes a reporting issuer or listed entity, a key audit partner who has served in that capacity for five or more years at the time the client becomes a reporting issuer or listed entity may continue in that capacity for two more years before being replaced as a key audit partner.

**Audit Committee Approval of Services to a Reporting Issuer or Listed Entity Audit Client**

- (21) A member or firm shall not provide a professional service to an audit client that is a reporting issuer or listed entity, or to a subsidiary thereof, without the prior approval of the reporting issuer's or listed entity's audit committee.

*Performance of Management Functions*

- (22) (a) A member or firm shall not perform an assurance engagement for an entity if, during the period covered by the assurance report or the engagement period, a member of the firm makes a management decision or performs a management function for the entity or a related entity, including:
- (i) authorizing, approving, executing or consummating a transaction;
  - (ii) having or exercising authority on behalf of the entity;
  - (iii) determining which recommendation of the member or firm will be implemented; or
  - (iv) reporting in a management role to those charged with governance of the entity;
- unless the management decision or management function is not related to the subject matter of the assurance engagement that is performed by the member or firm.
- (b) A member or firm shall not perform an audit or review engagement for an entity, if a member of the firm or a network firm, during either the period covered by the financial statements subject to audit or review or the engagement period, makes a management decision or performs a management function for the entity or a related entity, including any of the services listed in paragraph 22(a)(i) to (iv), whether or not the management decision or management function is related to the subject matter of the audit or review engagement that is performed by the member or firm.

*Preparation of Journal Entries and Source Documents*

- (23) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, a member of the firm or a network firm:
- (i) prepares or changes a journal entry, determines or changes an account code or a classification for a transaction or prepares or changes another accounting record, for the entity or a related entity, that affects the financial statements subject to audit or review by the member or firm, without obtaining the approval of management of the entity; or
  - (ii) prepares a source document or originating data, or makes a change to such a document or data underlying such financial statements.

*Preparation of Accounting Records and Financial Statements for a Reporting Issuer or Listed Entity Audit Client*

- (24) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, in other than emergency situations, during either the period covered by the financial statements subject to audit or the engagement period, the member, firm, a network firm or a member of the firm or a network firm provides accounting or bookkeeping services related to the accounting records or financial statements including:
- (a) maintaining or preparing the entity's, or related entity's, accounting records;
  - (b) preparing the financial statements or preparing financial statements which form the basis of the financial statements on which the audit report is provided; or

- (c) preparing or originating source data underlying such financial statements,

unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during the audit of such financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the accounting or bookkeeping services will be subject to audit procedures.

In the event of an emergency situation, the member or firm may perform the audit and perform such an accounting or bookkeeping service provided:

- (i) those who provide the service are not members of the engagement team for the audit;
- (ii) the provision of the service in such circumstances is not expected to recur;
- (iii) the provision of the service would not lead to any members of the firm or a network firm making decisions or judgments which are properly the responsibility of management; and
- (iv) the provision of the service receives the prior approval of the audit committee of the reporting issuer or listed entity in accordance with the provisions of Rule 204.4(21).

*Provision of Valuation Services to an Audit or Review Client that is not a Reporting Issuer or Listed Entity.*

- (25) (a) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, provides a valuation service to the entity or a related entity where the valuation involves a significant degree of subjectivity and relates to amounts that are material to the financial statements subject to audit or review by the member or firm, unless the valuation is performed for tax purposes only and relates to amounts that will affect such financial statements only through accounting entries related to taxation.

*Provision of Valuation Services to a Reporting Issuer or Listed Entity Audit Client*

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, provides a valuation service to the client or a related entity, unless
  - (i) the valuation is performed for tax purposes only and relates to amounts that will affect such financial statements only through accounting entries related to taxation, or
  - (ii) it is reasonable to conclude that the results of that service will not be subject to audit procedures during the audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the valuation service will be subject to audit procedures.

*Provision of Actuarial Services to a Reporting Issuer or Listed Entity Audit Client*

- (26) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides an actuarial service to the client or a related entity, unless it is reasonable to conclude that the results of that service will not be subject to audit procedures during the audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the actuarial service will be subject to audit procedures.

*Provision of internal audit services to an audit or review client*

- (27) (a) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm or a network firm or a member of the firm or network firm provides an internal audit service to the entity or a related entity unless, with respect to the entity for which the internal audit service is provided:
- (i) the entity designates an appropriate and competent resource within senior management to be responsible for internal audit activities and to acknowledge responsibility for designing, implementing and maintaining internal controls;
  - (ii) the entity or its audit committee reviews, assesses and approves the scope, risk and frequency of the internal audit services;
  - (iii) the entity's management evaluates the adequacy of the internal audit services and the findings resulting from their performance;
  - (iv) the entity's management evaluates and determines which recommendations resulting from the internal audit services to implement and manages the implementation process; and
  - (v) the entity's management reports to the audit committee the significant findings and recommendations resulting from the internal audit services.

**Provision of Internal Audit Services to a Reporting Issuer or Listed Entity Audit Client**

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides an internal audit service to the client or a related entity, that relates to the client's, or the related entity's, internal accounting controls, financial systems or financial statements unless it is reasonable to conclude that the results of that service will not be subject to audit procedures during the audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the internal audit service will be subject to audit procedures.

*Provision of Information Technology System Services to an Audit or Review Client*

- (28) (a) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm provides a financial information systems design or implementation service to the entity or a



related entity where the service involves the design or implementation of all or part of a financial information technology system that either generates information that is significant to the accounting records or financial statements subject to audit or review by the member or firm, or forms a significant part of either entity's internal controls that are relevant to the financial statements that are subject to audit or review by the member or firm, unless, with respect to the entity for which the information technology service is provided:

- (i) the entity acknowledges its responsibility for establishing and monitoring a system of internal controls;
- (ii) the entity assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;
- (iii) the entity makes all management decisions with respect to the design and implementation process;
- (iv) the entity evaluates the adequacy and results of the design and implementation of the system; and
- (v) the entity is responsible for operating the hardware or software system and for the data it uses or generates.

*Provision of Information Technology System Services to a Reporting Issuer or Listed Entity Audit Client*

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm provides financial information systems design or implementation services and the services involve:
  - (i) directly or indirectly operating, or supervising the operation of, the entity's or a related entity's information system, or managing the entity's or a related entity's local area network; or
  - (ii) designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the entity's or a related entity's financial statements or other financial information systems taken as a whole;

unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the financial information systems design and implementation services will be subject to audit procedures.

*Provision of Litigation Support Services to an Audit or Review Client*

- (29) (a) A member or firm shall not perform an audit or review engagement for a client if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides a litigation support service for the entity or a related entity, or for a legal representative thereof, for the purpose of advancing the entity's or related entity's interest in a civil, criminal, regulatory, administrative or legislative proceeding or

investigation with respect to an amount or amounts that are material to the financial statements subject to audit or review by the member or firm.

*Provision of Litigation Support Services to a Reporting Issuer or Listed Entity Audit Client*

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides a litigation support service for the entity or a related entity, or for a legal representative thereof, for the purpose of advancing the entity's or related entity's, interest in a civil, criminal, regulatory, administrative or legislative proceeding or investigation.

*Provision of Legal Services to an Audit or Review Client*

- (30) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm provides a legal service to the entity or a related entity in the resolution of a dispute or litigation in circumstances where the matters in dispute or subject to litigation are material in relation to such financial statements.

*Provision of Legal Services to a Reporting Issuer or Listed Entity Audit Client*

- (31) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides a legal service to the entity or a related entity.

*Human Resource Services for a Reporting Issuer or Listed Entity Audit Client*

- (32) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides any of the following services to the entity or a related entity:
  - (a) searching for or seeking out prospective candidates for management, executive or director positions;
  - (b) engaging in psychological testing, or other formal testing or evaluation programs;
  - (c) undertaking reference checks of prospective candidates for an executive or director position;
  - (d) acting as a negotiator or mediator with respect to employees or future employees with respect to any condition of employment, including position, status or title, compensation or fringe benefits; or
  - (e) recommending or advising with respect to hiring a specific candidate for a specific job.

*Provision of Corporate Finance and Similar Services to an Audit and Review Client*

- (33) A member or firm shall not perform an audit or review engagement for an entity if, during the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides any of the following services:

- (a) promoting, dealing in or underwriting the entity's or a related entity's securities;
- (b) advising the entity or a related entity on other corporate finance matters where:
  - (i) the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements;
  - (ii) the outcome or consequences of the advice has or will have a material effect on the financial statements; and
  - (iii) the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework;
- (c) making investment decisions on behalf of the entity or a related entity or otherwise having discretionary authority over the entity's or a related entity's investments;
- (d) executing a transaction to buy or sell the entity's or a related entity's investments; or
- (e) having custody of assets of the entity or a related entity, including taking temporary possession of securities purchased by the entity or a related entity.

*Provision of taxation planning or other taxation advisory services to an audit or review client*

- (34) (a) A member or firm shall not perform an audit or review engagement for a client if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, provides taxation planning or other taxation advice to the client or a related entity, where
  - (i) the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements,
  - (ii) the outcome or consequences of the advice has or will have a material effect on the financial statements, and
  - (iii) the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

*Provision of tax calculations for the purpose of preparing accounting entries for a reporting issuer or listed entity*

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, in other than emergency situations, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, prepares tax calculations of current and future tax liabilities or assets for the reporting issuer or listed entity or a related entity for the purpose of preparing accounting entries that are subject to audit by the member or firm.

In the event of an emergency situation, the member or firm may perform the audit and perform such a tax service provided:

- (i) those who provide the service are not members of the audit engagement team;
- (ii) the provision of the service in such circumstances is not expected to recur;

- (iii) the provision of the service would not lead to any members of the firm or a network firm making decisions or judgments which are properly the responsibility of management; and
- (iv) the provision of the service receives the prior approval of the audit committee of the reporting issuer or listed entity in accordance with the provisions of Rule 204.4(21).

*Provision of non-assurance services prior to commencement of audit or review services*

- (35) (a) Where a member, firm, a network firm or a member of the firm or a network firm has provided a non-assurance service referred to in Rules 204.4(22) to (34) to a client prior to the engagement of the member or firm to perform an audit or review engagement for the client but during or after the period covered by the financial statements subject to audit or review by the member or firm, the member or firm shall not perform the audit or review engagement unless the particular non-assurance service was provided before the engagement period and the member or firm:
  - (i) discusses independence issues related to the provision of the non-assurance service with the audit committee;
  - (ii) requires the client to review and accept responsibility for the results of the non-assurance service; and
  - (iii) precludes personnel who provided the non-assurance service from participating in the audit or review engagement, such that any threat created by the provision of the non-assurance service is reduced to an acceptable level.

*Provision of previous non-assurance services to an entity that has become a reporting issuer or listed entity*

- (b) Where a member, firm, a network firm or a member of the firm or a network firm has performed a non-assurance service referred to in Rules 204.4 (22) to (34) for an audit or review client that has become a reporting issuer or listed entity and the provisions of Rules 204.4(22) to (34) would have precluded the member or firm from performing an audit engagement for a reporting issuer or listed entity, the member or firm shall not perform an audit engagement for the client unless the member or firm
  - (i) discusses independence issues related to the provision of the non-assurance service with the audit committee;
  - (ii) requires the client to review and accept responsibility for the results of the non-assurance service; and
  - (iii) precludes personnel who provided the non-assurance service from participating in the audit engagement, such that any threat to independence created by the provision of the non-assurance service is reduced to an acceptable level.

*Engagement Fees*

- (36) A member or firm shall not provide an assurance service for a fee that the member or firm knows is significantly lower than that charged by the predecessor member or firm, or contained in other proposals for the engagement, unless the member or firm can demonstrate:
  - (a) that qualified members of the firm have been assigned to the engagement and will devote the appropriate time to it; and
  - (b) that all applicable assurance standards, guidelines and quality control procedures have been followed.

*Contingent fees*

- (36.1) (a) A member or firm shall not provide, directly or indirectly, an assurance service on a contingent fee basis.
- (b) A member or firm shall not provide an assurance service to a client to whom he provides, directly or indirectly, any non-assurance service on a contingent fee basis when the outcome of the non-assurance service and the amount of the fee is dependent on a contemporaneous or future judgment related to a matter that is material to the subject matter of the assurance engagement.
- (c) A member or firm shall not perform an audit or review engagement to a client to whom he provides, directly or indirectly, any non-assurance service on a contingent fee basis when:
- (i) The contingent fee that is charged by the firm to the audit or review client is or is expected to be material to the firm;
  - (ii) a member of the audit or review engagement team for that client will be entitled to a portion of that contingent fee and that portion is material to that member of the audit or review engagement team; or
  - (iii) the outcome of the non-assurance service and the amount of the contingent fee is dependent on a contemporaneous or future judgment related to a matter that is material to the financial statements that are subject to audit or review by the member or firm.
- (d) A member or firm shall not perform an audit or review engagement if a network firm that participates in a significant part of the audit or review engagement provides a non-assurance service on a contingent fee basis to the audit or review client and that contingent fee is expected to be material to that network firm.

*Relative size of fees of a reporting issuer or listed entity audit client*

- (37) (a) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity when the total revenue, calculated on an accrual basis, for any services provided to the client and its related entities for the two consecutive fiscal years of the firm most recently concluded prior to the date of the financial statements subject to audit by the member or firm, represent more than 15% of the total revenue of the firm, calculated on an accrual basis, in each such fiscal year, unless:
- (i) the member or firm discloses to the audit committee the fact that the total of such revenue represents more than 15% of the total revenue of the firm, calculated on an accrual basis, in each of those fiscal years; and
  - (ii) another professional accountant who is not a member of the firm performs a review, that is substantially equivalent to an engagement quality control review, of the audit engagement, either
    - (A) prior to the audit opinion in respect of the financial statements being issued, or
    - (B) subsequent to the audit opinion in respect of the financial statements being issued but prior to the audit opinion on the client's financial statements for the immediately following fiscal period being issued.

Thereafter, when the total revenue, calculated on an accrual basis, for any services provided to the client and its related entities continue to represent

more than 15% of the total revenue of the firm, calculated on an accrual basis, in the firm's most recently concluded prior fiscal year, the member or firm shall not perform the audit unless the requirements of paragraphs (37)(a)(i) and (ii)(A) are met.

(b) A member shall not perform the review required by Rule 204.4(37)(a)(ii) if the member or the member's firm would be prohibited, pursuant to any provision of Rule 204, from performing an audit of the financial statements referred to in Rule 204.4(37)(a).

#### *Evaluation of Compensation of Partners*

(38) A member who is or was a key audit partner shall not be evaluated or compensated based on the member's solicitation or sales of non-assurance services to the particular client or a related entity if such solicitation or sales occurred during the period during which the member is or was a key audit partner.

#### *Gifts and Hospitality*

(39) A member or candidate who participates on an engagement team for an assurance client and the member's or candidate's firm shall not accept a gift or hospitality, including a product or service discount, from the client or a related entity, unless the gift or hospitality is clearly insignificant to the registrant, as the case may be.

#### *Client mergers and acquisitions*

- (40) (a) A member or firm shall not perform or continue with an audit or review engagement for an entity where, as a result of a merger or acquisition, another entity merges with or becomes a related entity of the audit or review client, and the member or firm has a previous or current activity, interest or relationship with the other entity that would, after the merger or acquisition, be prohibited pursuant to any provision of Rule 204 in relation to the audit or review engagement, unless:
- (i) the member or firm terminates, by the effective date of the merger or acquisition, any such activity, interest or relationship;
  - (ii) the member or firm terminates, as soon as reasonably possible and, in all cases, within six months following the effective date of the merger or acquisition, any such activity, interest or relationship and the requirements of Rule 204.4(40)(b) are met; or
  - (iii) the member or firm has completed a significant amount of work on the audit or review engagement and expects to be able to complete the engagement within a short period of time, the member or firm discontinues in the role of audit or review service provider on completion of the current engagement and the provisions of Rule 204.4(40)(b) are met.
- (b) Notwithstanding the existence of the previous or current activity, interest or relationship described in Rule 204.4(40)(a), the provisions of Rule 204.4(40)(a)(ii) and (iii) permit the member or firm to perform or continue with the audit or review engagement provided that:
- (i) the member or firm evaluates and discusses with the audit committee the significance of the threat created by any such activity, interest or relationship and the reasons why the activity, interest or relationship is not terminated or cannot reasonably be terminated

- by the effective date of the merger or acquisition, or within six months thereof, as the case may be;
- (ii) the audit committee requests the member or firm to complete the audit or review engagement;
- (iii) any person involved in any such activity or who has any such interest or relationship will not participate in the audit or review engagement or as an engagement quality control reviewer; and
- (iv) the member or firm applies an appropriate measure or measures, as discussed with the audit committee, to address the threat created by any such activity, interest or relationship.
- (c) Where the previous or current activity, interest or relationship described in Rule 204.4(40)(a) creates such a significant threat to independence that compliance with the requirements of paragraphs 204.4(40)(a) and (b) would still not reduce any such threat to an acceptable level, the member or firm shall not perform or continue with the audit or review engagement.

#### *Documentation*

- 204.5 (a) A member or firm who, in accordance with Rule 204.2, has identified a threat that is not clearly insignificant, shall document a decision to accept or continue the particular engagement. The documentation shall include the following information:
- (i) a description of the nature of the engagement;
  - (ii) the threat identified;
  - (iii) the safeguard or safeguards identified and applied to eliminate the threat or reduce it to an acceptable level; and
  - (iv) an explanation of how, in the member's or firm's professional judgment, the safeguards eliminate the threat or reduce it to an acceptable level.
- (b) A member or firm who, in an emergency situation, provides an accounting or bookkeeping service to a reporting issuer or listed entity audit client in accordance with the requirements of Rule 204.4(24) shall document both the rationale supporting the determination that the situation constitutes an emergency and that the member or firm has complied with the provisions of subparagraphs (i) through (iv) of the Rule.
- (c) A member or firm who, in an emergency situation, prepares tax calculations of current and future income tax liabilities or assets for a reporting issuer or listed entity audit client in accordance with the requirements of Rule 204.4(34)(b), for the purpose of preparing accounting entries that are subject to audit by the member or firm shall document both the rationale supporting the determination that the situation constitutes an emergency and that the member or firm has complied with the provisions of subparagraphs (i) through (iv) of the Rule.
- (d) A member or firm who, in accordance with the requirements of Rule 204.4(35)(a), performs an audit or review engagement for a client where the member, firm, a network firm or a member of the firm or a network firm has provided a non-assurance service referred to in Rules 204.4(22) to (34) to the client prior to the engagement period but during or after the period covered by the financial statements subject to audit or review by the member or firm, shall document:
- (i) a description of the previously provided non-assurance service;
  - (ii) the results of the discussion with the audit committee;

- (iii) any further measures applied to address the threat created by the provision of the previous non-assurance service; and
  - (iv) the rationale to support the decision of the member or firm.
- (e) A member or firm who, in accordance with the requirements of Rules 204.4(35)(b), performs an audit engagement for a client that has become a reporting issuer or listed entity where the member, the firm, a network firm or a member of the firm or a network firm provided a non-assurance service to the client prior to it having become a reporting issuer or listed entity and the provisions of Rules 204.4(22) to (34) would have precluded the member or firm from performing an audit engagement for a reporting issuer or listed entity, shall document:
  - (i) a description of the non-assurance service;
  - (ii) the results of the discussion with the audit committee;
  - (iii) any further measures applied to address the threat created by the provision of the non-assurance service; and
  - (iv) the rationale to support the decision of the member or firm.
- (f) A member or firm who, in accordance with the requirements of Rules 204.4(40)(a) and (b), performs or continues with an audit or review engagement where, as a result of a merger or acquisition, another entity merges with or becomes a related entity of the audit or review client, and the member or firm has a previous or current activity, interest or relationship with the other entity that would, after the merger or acquisition, be prohibited pursuant to any provision of Rule 204 in relation to the audit or review engagement, shall document:
  - (i) a description of the activity, interest or relationship that will not be terminated by the effective date of the merger or acquisition and the reasons why it will not be terminated;
  - (ii) the results of the discussion with the audit committee and measures applied to address the threat created by any such activity, interest or relationship; and
  - (iii) the rationale to support the decision of the member or firm.

*Breach of a provision of Rule 204.3 or 204.4*  
 204.6

- (a) When a member or candidate identifies a breach of any of the provisions of Rule 204.3 or 204.4 with respect to an assurance engagement, the member or candidate shall immediately communicate the nature of the breach in accordance with the firm's policies and procedures that address the reporting of such breaches.
- (b) The individual who has received notification of the breach shall ensure that:
  - (i) the significance of the breach is evaluated;
  - (ii) the actions set out in (d) to (h) are taken; and
  - (iii) the nature of the breach is communicated to a network firm, when appropriate.
- (c) Notwithstanding the provisions of Rule 204.2, when a breach of the provisions of Rule 204.3 or 204.4 is identified, the affected assurance engagement may be continued provided that:
  - (i) the activity, interest or relationship that caused the breach is terminated, suspended or eliminated and the consequences of the breach are addressed;



- (ii) any legal or regulatory requirements that apply with respect to the breach are met;
  - (iii) the significance of the breach and its impact on objectivity and the ability to issue an audit opinion, review engagement report, or other assurance report, as applicable, is evaluated and a conclusion is reached that it is possible to take action that is appropriate in the circumstances to satisfactorily address the consequences of the breach such that a reasonable observer would be likely to conclude that objectivity has not been compromised, and
  - (iv) concurrence with that conclusion is obtained in accordance with the provisions of paragraph (d) below:
    - (A) in the case of an assurance engagement that is not an audit or review engagement, from the audit committee or those charged with governance, or the party that engaged the firm, as appropriate; or
    - (B) in the case of an audit or review engagement, from the audit committee or those charged with governance.
- (d) (i) When a conclusion is reached that action has been or can be taken that is appropriate in the circumstances to satisfactorily address the consequences of the breach, the matter shall be discussed with the audit committee or those charged with governance, or, in the case of an assurance engagement that is not an audit or review engagement, the party that engaged the firm, and concurrence with that conclusion shall be obtained.
- (ii) In the case of an assurance engagement that is not an audit or review engagement, the timing for such a discussion shall take into account the circumstances of the engagement and the breach.
  - (iii) In the case of an audit or review engagement, such a discussion shall take place as soon as possible, unless an alternative timing for reporting less significant breaches has been specified by the audit committee or those charged with governance and the breach is less significant. In addition, the following matters shall be communicated in writing to the audit committee or those charged with governance:
    - (A) the nature, duration and significance of the breach;
    - (B) how the breach occurred and was identified;
    - (C) the action taken or proposed to be taken and the rationale as to how the action will satisfactorily address the consequences of the breach and enable the audit or review engagement to continue;
    - (D) a description of the firm's policies and procedures relevant to the breach designed to provide reasonable assurance that independence is maintained and any steps that the firm has taken or proposes to take to reduce or avoid the risk of further breaches occurring; and
    - (E) the conclusion that objectivity has not been compromised.
- (e) (i) If a conclusion is reached that it is not possible to take action that is appropriate in the circumstances to satisfactorily address the consequences of the breach, the matter shall be discussed, as soon as possible, with the audit committee or those charged with governance, or, in the case of an assurance

engagement that is not an audit or review engagement, the party that engaged the firm, and the necessary steps shall be taken to terminate the engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the engagement.

- (ii) If the audit committee or those charged with governance, or party that engaged the firm does not concur with the conclusion that action can be taken to satisfactorily address the consequences of the breach, the necessary steps shall be taken to terminate the engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the engagement.

(f) If the breach occurred prior to the issuance of a previous audit opinion, review engagement report or other assurance report,

- (i) consideration shall be given to the impact of the breach, if any, on any previously issued audit opinions, review engagement reports or other assurance reports;
- (ii) the matter shall be discussed with the audit committee or those charged with governance, or, in the case of an assurance engagement that is not an audit or review engagement, the party that engaged the firm; and
- (iii) consideration shall be given to whether it is necessary to withdraw such opinions or reports.

(g) The following matters shall be documented:

- (i) the breach;
- (ii) the action taken;
- (iii) key decisions made;
- (iv) the consideration of the impact of the breach, if any, on previously issued audit opinions, review engagement reports or other assurance reports;
- (v) the conclusion, if such a conclusion is reached, that objectivity has not been compromised such that an audit opinion, review engagement report or other assurance report can be issued;
- (vi) an analysis supporting that conclusion;
- (vii) all the matters discussed with the audit committee or those charged with governance, or the party that engaged the firm; and
- (viii) discussions, if any, with the Institute, a relevant regulator or other oversight authority.

In the event of a breach of the provisions of Rule 204.3 or 204.4 that results in a conclusion to withdraw any previously issued audit opinion, review engagement report or other assurance report, information concerning any such breach shall be reported to the Institute.

#### *Members Must Disclose Prohibited Interests and Relationships*

##### **204.7**

- (a) A member or candidate who has a relationship or interest, or who has provided a professional service, that is precluded by this rule shall advise in writing a designated partner of the firm of the interest, relationship or service.
- (b) A member or candidate who has been assigned to an engagement team for an assurance client shall advise, in writing, a designated partner of the firm of any interest, relationship or activity that would preclude the person from being on the engagement team.

### *Firms to Ensure Compliance*

204.8 A firm that performs an assurance engagement shall ensure that members of the firm do not have a relationship or interest, do not perform a service and remain free of any influence that would preclude the firm from performing the engagement pursuant to Rules 204.1, 204.3, 204.4 or 204.9.

### *Independence: Insolvency Engagements*

204.9 A registrant who engages or participates in an engagement to act in any aspect of insolvency practice, including as a trustee in bankruptcy, a liquidator, a receiver or a receiver-manager, shall be and remain independent such that the registrant and members of the firm shall be and shall remain free of any influence, interest or relationship which, in respect of the engagement, impairs the professional judgment or objectivity of the member, firm or member of the firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the registrant or member of the firm.

### *Disclosure of Impaired Independence*

For the purpose of 204.10:

- (a) "the Acts" means the federal Companies' Creditor Arrangement Act, the Bankruptcy and Insolvency Act, the Winding-up and Restructuring Act and relevant provincial or territorial legislation, or any combination of them, as the circumstances may require.
- (b) "agent for a secured creditor", "liquidator", "inspector", "receiver", "receiver-manager", "trustee", and "trustee in bankruptcy" all have the meanings ascribed to them under the Acts.

204.10 A member or firm engaged in the practice of professional accounting, other regulated services or any related function, who provides a service not subject to the requirements of Rules 204.1 to 204.9, shall disclose any activity, interest or relationship which, in respect of the engagement, would be seen by a reasonable observer to impair the member's or firm's independence such that the professional judgment or objectivity of the member, firm or member of the firm would appear to be impaired, and such disclosure shall be made in the member's or firm's written report or other written communication accompanying financial statements or financial or other information and the disclosure shall indicate the nature of the influence or relationship and the nature and extent of the interest.

### 204.11 Effective date and transitional provisions

#### *A. Effective Date*

Rules 204.1 to 204.10 shall take effect:

- (a) for an assurance engagement in respect of a particular reporting period of a client, for the first reporting period commencing after December 15, 2014; and
- (b) for any other assurance engagement and an engagement to issue a report of the results of applying specified auditing procedures where the engagement is commenced after December 15, 2014,

subject to the following transitional provisions, as may be applicable.

#### *B. Provision of litigation support services*

The litigation services referred to in 204.4(29)(a) do not include a service that has not been completed before July 1, 2014 where:

- (i) there exists on June 30, 2014 a binding contract for the member or firm to provide the service; and
- (ii) the provision of the service by the member or firm would not have contravened the

provisions of Rule 204.1 as it read prior to July 1, 2014.

*C. Key audit partner rotation*

Notwithstanding the requirements of 204.4(20), where the application of the definition of “key audit partner” which takes effect pursuant to the effective date established by A. above has the effect of requiring the rotation of a person who would not have been subject to rotation based on the definition of “audit partner” in effect immediately prior to that effective date, that person may continue to participate in the audit of the financial statements of the particular client up to and including the audit engagement for the second fiscal year of the client commencing after December 15, 2014.

*D. Rule 204.6 - Breach of a provision of Rule 204.3 or 204.4 Rule 204.6 shall take effect:*

- (a) for audit or review engagements for fiscal periods beginning after December 15, 2016; and
- (b) for any other assurance engagement and an engagement to issue a report of the results of applying specified auditing procedures where the engagement is commenced after December 15, 2016.

*E. Rule 204.4(36.1)- Contingent Fees Rule 204.4(36.1) shall take effect:*

- (a) for audit or review engagements for fiscal periods beginning after December 15, 2016; and
- (b) for any other assurance engagement and an engagement to issue a report of the results of applying specified auditing procedures where the engagement is commenced after December 15, 2016.

Audits under elections legislation

For purposes of Rule 204.20 and related Guidance:

- (a) “the Act” means the Canada Elections Act or the relevant provincial or territorial legislation.
- (b) “electoral candidate” means a candidate as defined by the Act.
- (c) “registered agent”, “registered party”, “official agent”, “registered association”, “leadership contestant”, “nomination contestant” and “election period” have the meaning given to them in the Act.

204.20 A member or firm who performs an audit under federal, provincial, territorial or other legislation in relation to an electoral candidate, registered agent, registered party, official agent, registered association, leadership contestant, or a nomination contestant shall comply with the provisions of Rules 204.1 and 204.3.

False or Misleading Documents and Oral Representations

205.1 A registrant shall not:

- (a) sign or associate with any letter, report, statement, representation or financial statement which the registrant knows, or should know, is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor
- (b) make or associate with any oral report, statement or representation which the registrant knows, or should know, is false or misleading.

Compliance with Professional Standards

*For the purpose of Rule 206 and related Guidance:*

“appropriate financial reporting framework(s)” encompass broad principles and conventions of general application as well as rules and procedures that determine accepted accounting principles and practices at a particular time. An appropriate financial reporting framework would include those frameworks contained in the CPA Canada Handbook – Accounting and the CPA Canada Public Sector Accounting Handbook. However, some entities will report financial information in

accordance with other bases of accounting, for example, accounting principles that are generally accepted in another jurisdiction. Where another basis of accounting is appropriate in the particular circumstances, it is also an appropriate financial reporting framework.

206.1 A registrant shall perform professional services in accordance with Standards of Professional Practice.

206.2 A registrant who, as a member of an entity's audit committee or board of directors or their equivalent, is required to participate in the review or approval, by such committee or board, of the entity's financial statements prepared in accordance with an appropriate financial reporting framework, shall carry out that responsibility competently and with due care.

#### Unauthorized Benefits

207.1 A registrant shall not, in connection with any professional service or transaction involving a client or an employer hold, receive, bargain for, become entitled to or acquire, directly or indirectly, any fee, remuneration or benefit for the registrant's personal advantage or for the advantage of a third party without the consent of the client or employer, as the case may be.

#### Confidentiality of Information

*For the purposes of Rules 208.1 and the related Guidance:*

"confidential information" means information acquired in the course of a professional services relationship with a party. Such information is confidential to the party regardless of the nature or source of the information or the fact that others may share the knowledge. Such information remains confidential until the party expressly or impliedly authorizes it to be divulged. In the case of an employee-employer relationship, a member, candidate has legal obligations to the employer that include a duty of confidentiality. The RPC imposes a duty of confidentiality as a professional obligation, which is in addition to the member's, candidate's legal obligation to the employer.

208.1 A registrant shall not disclose any confidential information concerning the affairs of any client, former client, employer or former employer except when:

- (a) properly acting in the course of carrying out professional duties;
- (b) such information should properly be disclosed for purposes of the Rules;
- (c) such information is required to be disclosed by order of lawful authority or, in the proper exercise of their duties;
- (d) justified in order to defend, the registrant or any associates or employees of the registrant, as the case may be against any lawsuit or other legal proceeding or against alleged professional misconduct or in any legal proceeding for recovery of unpaid professional fees and disbursements, but only to the extent necessary for such purpose; or
- (e) the client, former client, employer or former employer, as the case may be, has consented to such disclosure.

208.2 A registrant shall not use confidential information of any client, former client, employer or former employer, as the case may be, obtained in the course of the practice of the profession for such client or employer:

- (a) for the advantage of the registrant,
- (b) for the advantage of a third party, or
- (c) to the disadvantage of such client or employer without the knowledge and written consent of the client, former client, employer or former employer.

208.3 A registrant shall:

- (a) take appropriate measures to maintain and protect confidential information of any client, former client, employer or former employer, as the case may be and to ensure that access to such information by another person is limited to those with legitimate purpose to access the information; and
- (b) obtain the written agreement of any such person to carefully and faithfully preserve the confidentiality of any such information and not to make use of such information other than as shall be required in the practice of the profession.

Borrowing from Clients

*For purposes of Rule 209.1 and related Guidance:*

- (a) a client includes a person or entity who has, within the previous two years, engaged the member or firm to provide a professional service
- (b) a family member means any of the following persons:
  - (i) a spouse (or equivalent); or
  - (ii) a parent (or equivalent), child, aunt, uncle, niece, nephew or first cousin who is related to the member or candidate or the member's or candidate's spouse (or equivalent).
- (c) "conflict of interest" means an interest, restriction or relationship that, in respect of the provision of any professional service, would be seen by a reasonable observer to influence a registrant's judgment or objectivity in the provision of the professional service.
- (d) "consent" means fully informed and voluntary consent given, after disclosure of sufficient information and with sufficient time to make a knowledgeable decision,
  - (i) in writing, provided that if more than one person consents, each signs the same or a separate document recording the consent; or
  - (ii) orally, provided that each person consenting receives a separate written communication recording the consent as soon as practicable.

209.1 A registrant shall not, directly or indirectly, obtain a loan or loan guarantee from a client unless either:

- (a) the loan or loan guarantee has been made under normal commercial terms and conditions, and
  - (i) the client is a bank or similar financial institution whose business includes lending money to the public; or
  - (ii) the client is a person or entity, a significant portion of whose business is the private lending of money; or
- (b)
  - (i) in the case of a member or candidate, the client is a family member or an entity over which a family member exercises significant influence; or
  - (ii) in the case of a firm, the client is a family member of a partner or shareholder of the firm or an entity over which a family member of a partner or shareholder of the firm exercises significant influence.

209.2 Rule 209.1 does not apply to:

- (a) the financing of a bona fide business venture between a registrant and a client that is not an assurance client;
- (b) amounts received from a client as a retainer or as a deposit on account of future services to be provided by the registrant; or
- (c) a loan received from a member or candidate's employer.

### Conflict of Interest

*For purposes of Rule 210 and related Guidance:*

- (a) “affected party” is a party who is or may be affected by a conflict of interest as contemplated by Rule 210.2.
- (b) “client” includes any person or entity for whom the registrant, or any other person engaged in the practice of professional accounting, other regulated services or a related business or practice in association with the registrant, provides or is engaged to provide a professional service.

210.1 A registrant shall determine, in relation to a particular matter and before agreeing to undertake or continuing to provide any professional service, whether a conflict of interest may exist as contemplated by the Rules.

210.2

- (a) Subject to Rule 210.3, a registrant shall not undertake or continue to provide professional services to any client or employer in circumstances where there is conflict of interest between:
  - (i) the interest of the registrant and that of the client or employer;
  - (ii) the interests of two or more clients or employers; or
  - (iii) the interests of the client or employer and those of a third party, where the interest of the third party and the registrant are aligned.
- (b) Subject to Rule 210.3, a registrant shall not undertake or continue to provide any professional service to any client or employer in circumstances where an interest described in paragraph (a) relating to a former client or former employer creates a conflict of interest in respect of any such proposed or current professional service.

210.3 Where the agreement to provide any professional service would result in a conflict under Rule 210.2 or where a previously unidentified conflict under Rule 210.2 arises or is discovered in the course of providing professional service, the registrant must decline to provide professional service or withdraw from all affected professional services unless:

- (a)
  - (i) the registrant is able to rely upon conflict management techniques that are generally accepted and the use of such techniques will not breach the terms of any agreement to provide professional service or any duty to another client, employer or third party;
  - (ii) the registrant informs each affected party of the existence of the conflict and the techniques that will be used to manage it; and
  - (iii) the registrant obtains the consent of each affected party to accept or continue the professional services; or
- (b) the affected parties have knowledge of the conflict of interest and their agreement for the registrant to accept or continue providing professional services is implied by their conduct, in keeping with commonly accepted practice.

210.4 Where a registrant has determined, in accordance with Rule 210.3, that a professional service in respect of which a conflict of interest exists may be undertaken, the registrant shall document:

- (a) in the case of a conflict of interest in relation to which consent is not implied by the affected parties’ conduct in keeping with commonly accepted practice:
  - (i) the nature of the conflict of interest that has been identified;
  - (ii) the conflict management technique that has been used to manage the conflict of interest;
  - (iii) the rationale for the choice of the technique and its effectiveness; and

- (iv) the disclosure that has been made, as necessary, to each of the affected parties; or
- (b) in the case of a conflict of interest in relation to which consent is implied by the affected parties' conduct in keeping with commonly accepted practice, the basis on which the registrant has concluded that:
  - (i) the affected parties have knowledge of the conflict of interest; and
  - (ii) their agreement for the registrant to accept or continue the professional services engagement has been implied.

#### Duty to Report Breach of Standards of Professional Conduct

211.1 A registrant shall promptly report to the Institute any information concerning an apparent breach of these Rules of Professional Conduct, or any information raising doubt as to the competence or integrity or capacity to practice the profession of another registrant or applicant, unless such disclosure would result in:

- (a) the breach of a statutory duty not to disclose, or
- (b) the reporting of information by a registrant exempted from this Rule for the purpose and to the extent specified by the Board, or
- (c) the loss of solicitor-client privilege, or
- (d) the reporting of a matter that has already been reported, or
- (e) the reporting of a trivial matter.

211.2 A registrant required to report under Rule 211.1 and who is engaged, or is in consultation with a view to being engaged, with respect to a civil or criminal investigation need not report to the Institute any information obtained in the course of such engagement or consultation concerning an apparent breach of the Rules of Professional Conduct or any information raising doubt as to the competence or integrity or capacity of a registrant or applicant until such time as:

- (a) the client or employer has provided consent to the release of the information, or
- (b) the registrant becomes aware that the information is known to third parties other than the client or employer's legal advisors, or
- (c) it becomes apparent to the registrant that the information will not become known to third parties other than legal advisors.

#### Handling of Trust Funds and Other Property

##### 212.1

- (a) A registrant, receiving, handling or holding money or other property in any capacity as a trustee, or as a receiver or receiver/manager, guardian, administrator/manager or liquidator shall do so in accordance with the terms of the engagement, including the terms of any applicable trust, and the law relating thereto and shall maintain such records as are necessary to account properly for the money or other property; unless otherwise provided for by the terms of a trust, money held in trust shall be kept in a separate trust bank account or accounts.
- (b) When a registrant receives a retainer for the provision of future services and no written agreement has been executed regarding the terms which must be met for disbursement of the retainer, the registrant shall consider and handle the retainer as funds held in trust in accordance with paragraph (a) above.

#### Handling Property of Others

212.2 A registrant in the course of providing professional services shall handle with due care any entrusted property.



### Unlawful Activity

213.1 A registrant shall not associate with any activity that the registrant knows, or should know, to be unlawful.

### Fee Quotations and Billings

214.1 A registrant shall:

- (a) obtain adequate information before providing a fee quotation to provide professional service; and
- (b) render billings for the professional services on a fair and reasonable basis and provide such appropriate explanations as are necessary to understand the billing.

### Contingency Fees

*For the purpose of Rule 215 and related Guidance:*

"partner" means a registrant's partner or shareholder, whether or not a member of provincial institute, in either the registrant's professional service or a related business or practice.

215.1 A registrant engaged in the practice of professional accounting or other regulated services or in a related business or practice shall not offer or engage to perform a professional service for a contingent fee where the service is:

- (a) one in respect of which independence is required in accordance with Rule 204; or
- (b) a compilation engagement; or
- (c) preparation of an income tax return.

215.2 Other than in respect of an engagement described in Rule 215.1, a registrant engaged in professional accounting or other regulated services or in a related business or practice may offer or engage to perform a professional service for a contingent fee provided the client has agreed in writing to the basis for determining the fee before the substantial completion of the engagement and:

- (a) the fee arrangement does not constitute an influence, interest or relationship which impairs or, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member or a partner of the member in respect of an engagement for which independence is required in accordance with the provisions of Rule 204; or
- (b) the fee arrangement is not one which influences, or in the view of a reasonable observer would influence, the result of a compilation engagement performed or an income tax return prepared by the registrant or a partner of the registrant for the same client.

### Commission and other compensation arrangements

*For the purpose of Rule 216 and related Guidance:*

- (a) "assurance client" means an entity in respect of which a registrant or any related practice has been engaged to perform an assurance engagement as contemplated in the CPA Canada Handbook-Assurance. In the application of Rule 216, "assurance client" includes its related entities, and the reference to an assurance client, a client or an entity that is an assurance client shall be read as including all related entities of the assurance client, client or entity as the case may be.
- (b) "clearly insignificant" means trivial and inconsequential.
- (c) "client" means any person or entity, and employers, for whom professional services are performed or to whom products or services are sold or provided by the registrant or any related business or practice directly or indirectly or through referral to others. In the application of Rule 216, references to "client" shall be read as including all related entities of the client.

- (d) “Commission and other compensation” includes, but is not limited to, a commission, rebate, preference, discount, benefit or other consideration paid or received directly or indirectly, whether monetary or non-monetary, but does not include a fee for services and hereinafter, is collectively referred to as compensation.
- (e) “contingent fee” means a fee that is calculated on a predetermined basis relating to the outcome of a transaction or the result of services provided by a member or firm, but does not include:
  - (i) a fee established by a court or other public authority;
  - (ii) a fee for a professional service in respect of any aspect of an insolvency practice, including acting as a trustee in bankruptcy, a liquidator, a receiver or a receiver-manager;
  - (iii) a fee for the administration of trusts or estates, which by statute or tradition, is based on a percentage of realizations, assets under administration, or both: or
    - (A) a fee that is agreed at the time of billing, commonly referred to as a value billing, and that, is based on criteria which include;
    - (B) the level of training and experience of the persons engaged in the work,
    - (C) the time expended by the persons engaged in the work,
    - (D) the degree of risk and responsibility which the work entails,
    - (E) the priority and importance of the work to the client, and
    - (F) the value of the work to the client.
- (f) “related entity” has the same meaning as in Rule 204.

216.1 A registrant engaged in the provision of professional services to a client may pay or receive any compensation in relation to obtaining or referring a client or the referral of products or services of others, provided that:

- (b) the prohibitions outlined in Rule 216.2 do not apply; and
- (c) the registrant:
  - (i) identifies threats to the objectivity of the registrant arising from the proposed payment or receipt of compensation;
  - (ii) evaluates the significance of those threats and, if the threats are other than clearly insignificant, the registrant:
    - (A) identifies and applies any safeguards as appropriate to reduce the threats to an acceptable level;
    - (B) informs the client of the safeguards applied to reduce the threats to objectivity to an acceptable level;
    - (C) discloses the compensation to the client in writing; and
    - (D) obtains the consent of the client prior to the earlier of payment or receipt of the compensation or the provision of the goods or services.

216.1.1 Payment or receipt of compensation is not permitted in the following circumstances:

- (a) prohibited by Rule 216.2, or
- (b) safeguards are not available to reduce the threats to an acceptable level, the registrant shall not pay or receive the compensation.

216.2 Other than as allowed by Rule 216.3 and Rule 216.4, a registrant shall not directly or indirectly pay or receive any compensation in relation to or in respect of:

- (a) obtaining an assurance client;
- (b) the referral of an assurance client to others;
- (c) the referral of products or services of others to an assurance client;
- (d) the referral of products or services of an assurance client to others; or (e) the provision of other professional services to an assurance client.

### 216.3

- (a) Notwithstanding Rule 216.2, a registrant engaged or employed in the professional services may pay to another registrant engaged or employed in the professional services a commission or other compensation in relation to obtaining the other registrant's existing client(s) or assurance client(s).
- (b) Notwithstanding Rule 216.2, a registrant engaged or employed in the professional services may receive, in relation to referring an existing client or assurance client, a commission or other compensation from another registrant engaged or employed in professional services.
- (c) Notwithstanding Rule 216.2, a registrant engaged or employed in the professional services may pay or receive, in relation to obtaining or referring a client or assurance client, a commission or other compensation to or from any person who is a partner, shareholder or employee of the registrant.

For greater certainty, the provisions of Rule 216.1(b) do not apply to the circumstances outlined in Rule 216.3(a), Rule 216.3(b) or Rule 216.3(c).

216.4 A registrant may pay or receive compensation in connection with the sale or purchase of a practice or a portion thereof.

For greater certainty, the provisions of Rule 216.1(b) do not apply to the circumstances outlined in Rule 216.4.

### Advertising and Promotion

217.1 A registrant may advertise or seek publicity for the registrant's services, achievements or products and may seek to obtain new engagements and clients by various means, but shall not do so, directly or indirectly, in any manner:

- (a) which the registrant knows, or should know, is false or misleading or which includes a statement the contents of which the registrant cannot substantiate;
- (b) which makes unfavourable reflections on the competence or integrity of the profession or any registrant; or
- (c) which otherwise brings disrepute on the profession.

### Solicitation

217.2 Notwithstanding Rule 217.1, a registrant shall not, either directly or indirectly solicit, in a manner that is persistent, coercive or harassing, any professional engagement.

### Endorsements

*For the purpose of Rule 217 "endorsement" and related Guidance:  
"endorsement" means:*

- (a) public promotion, support, sponsorship, recommendation, guarantee, sanction or validation of any product or service of another person or entity; or
- (b) public indication or implication that the registrant either:
  - (i) uses a product or service of another person or entity; or
  - (ii) has an association with a product or service of another person or entity that is of a nature that has enabled the registrant to formulate an opinion or belief as to the quality of the product or service or the benefits to be derived by the purchasers or users of the product or service; or
- (c) agreement, including by acquiescence, to the use of the registrant's name in connection with any of the activities described in (a) or (b).

217.3 A registrant may advertise or endorse any product or service of another person or entity that the registrant uses or otherwise has an association with, provided the registrant has sufficient knowledge or expertise to make an informed and considered assessment of the product or service. However, in doing so,

- (a) the registrant must act with integrity and due care;
- (b) the registrant must be satisfied that the endorsement:
  - (i) is not false or misleading or does not include a statement the contents of which the registrant cannot substantiate;
  - (ii) does not make unfavourable reflections on the competence or integrity of the profession or any registrant, and
  - (iii) does not otherwise bring disrepute on the profession, and
- (c) when associating the CPA designation with an endorsement, the registrant must conduct sufficient appropriate procedures to support the assertions made about the product or service.

#### Retention of documentation and working papers

218.1 A registrant shall take reasonable steps to maintain information for which the registrant is responsible, including retaining for a reasonable period of time such working papers, records or other documentation which reasonably evidence the nature and extent of the work done in respect of any professional service.

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### **C. COMPLIANCE AND REPORTING**

#### Compliance with governing legislation, bylaws, regulations and the Rules of Professional Conduct

220.1

- (a) All registrants, regardless of their jurisdiction of residence, shall comply with the Rules of Professional Conduct.
- (b) All registrants, regardless of their jurisdiction of residence, shall comply with:
  - (i) the Rules, as they may be approved and in force from time to time; and
  - (ii) any order or resolution of the Board, or any order of any officer, agent, tribunal, committee or other authoritative body acting on behalf of the Institute, made under the Rules.
- (c) Notwithstanding the provisions of paragraphs (a) and (b), if a registrant is prohibited by law from complying with any part of the Rules of the Institute, the registrant shall comply with all other parts of those governing documents.
- (d) Where a registrant is registered in another provincial institute and another professional body, whether in Canada or elsewhere, and there is a conflict between the requirements of the Institute and the other professional body, the registrant shall comply with the requirement that establishes the more stringent requirement.

220.2 Registrants who identify that they have breached the Rules of Professional Conduct shall:

- (a) take whatever action might be appropriate or required by law, as soon as possible, to satisfactorily address the consequences of any such breach; and
- (b) evaluate whether the breach is such that it needs to be reported to the Institute, and if so, report it promptly.

#### False or misleading applications

221.1 A registrant shall not sign or associate with any letter, report, statement or representation relating to any application to the Institute which the registrant knows, or should know, is false or misleading.

## **D. COOPERATION**

### Requirement to cooperate

222.1 A registrant shall cooperate with the regulatory processes of the Institute.

222.2 A registrant shall:

- (a) promptly reply in writing to any communication from the Institute in which a written reply is specifically required;
- (b) promptly produce documents when required to do so by the Institute; and
- (c) attend in person in the manner requested when required to do so by the Institute in relation to the matters referred to in Rule 222.1.

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### Hindrance, Inappropriate Influence and Intimidation

224.1 A registrant shall not, directly or indirectly hinder any regulatory process of the Institute or otherwise attempt to exert inappropriate influence or pressure on the outcome of a regulatory matter of the Institute.

224.2 A registrant shall not harass, threaten or intimidate a complainant, witness, or any other person related to a regulatory matter of the Institute nor shall a registrant harass, threaten or intimidate officers, staff, volunteers or agents of the Institute acting on behalf of the Institute.

### Communication with Predecessor

225.1 A registrant ("successor") shall not accept an engagement with respect to the practice of professional accounting, other regulated services or the provision of professional services not inconsistent there with, where the successor is replacing another registrant or other person ("predecessor") without taking reasonable steps to communicate with such predecessor and enquire whether there are any circumstances that should be taken into account which might influence the decision whether or not to accept the engagement.

225.2 The registrant shall respond promptly to the communication referred to in Rule 225.1.

225.3

- (a) When responding as required by Rule 225.2, if a registrant was unable to continue with or resigned from an engagement with respect to the practice of professional accounting, other regulated services or the provision of professional services, the registrant shall inform the successor of the fact of the withdrawal or resignation, as the case may be.
- (b) When a registrant has been informed of the circumstances described in Rule 225.3(a), the registrant shall obtain the necessary information to make an informed decision as to whether to accept the client by:
  - (i) requesting such further information from the client; or
  - (ii) requesting permission from the client to obtain such further information from the predecessor.

### Cooperation with Successor Accountant

226.1

- (a) A registrant, shall, upon written request of the client and on a timely basis, supply reasonable and necessary client information to the registrant's successor. Such cooperation is required with any successor accountant ("successor"), including a non-member.
- (b) A registrant ("predecessor") shall cooperate with the successor on an engagement.

226.2 A registrant shall transfer promptly to the client or, on the client's instructions, to another party, all property of the client which is in the registrant's possession or control. Such property shall be transferred in the medium in which it is maintained by the registrant, or such other

medium that is mutually agreeable, that will facilitate a timely and efficient transfer which best serves the client's interests. Ordinarily, when electronic copies of the property of the client are readily available, the client's interest will be best served when such information is provided as electronic data, rather than in printed form, provided that supplying the information in such a form will not violate licensing, copyright or similar legal agreements or proprietary rights.

#### Joint Engagements

227.1 A registrant accepting an engagement jointly with another registrant shall accept joint and several responsibility for any portion of the work to be performed by either; no registrant shall proceed in any matter within the terms of such joint engagement without due notice to the other registrant.

#### Communication of Special Engagements to Incumbent

228.1 A registrant engaged in the provision of professional services shall, before commencing any engagement for a client for which another registrant is the duly appointed auditor or accountant, first notify such auditor or accountant of the engagement, unless the client makes an unsolicited request, evidenced in writing, that such notification not be given.

228.2 Rule 228.1 applies only where the services to be provided under the terms of the engagement relate to a professional service not inconsistent therewith.

#### Responsibilities on Accepting Engagements

229.1 A registrant accepting an engagement, whether by referral or otherwise, to provide professional services to a client of another registrant having a continuing professional relationship with that client shall not take any action which may impair the ongoing relationship of the other registrant with the client.

#### Responsibilities on Referred Engagements

229.2 A registrant receiving an engagement for services by referral from another registrant shall not provide or offer to provide any additional services to the referred client without the consent of the referring registrant; the interest of the client being of overriding concern, the referring registrant shall not unreasonably withhold such consent.

### **E. MANNER AND METHOD OF PRACTICE**

#### Firm's Maintenance of Policies and Procedures for Compliance with Professional Standards

230.1 A firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that its services are performed in accordance with generally accepted standards of practice of the profession, and the standards of the particular business or practice, provided that the standards are not lower than or inconsistent with those of the profession in which case the generally accepted standards of the profession must be followed.

#### Firm's Maintenance of Policies and Procedures

231.1 A firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that, in the conduct of the practice, the registrants of the Institute who are associated with the firm and any other employees of the firm or other persons with whom the firm contracts to carry out its professional services comply with the RPC, and in particular:

- (a) conduct themselves in a manner which will maintain the good reputation of the profession and its ability to serve the public interest;
- (b) perform their professional services with integrity and due care;
- (c) comply with the independence requirements of the Institute;
- (d) comply with the conflict of interest requirements of the Institute;

- (e) sustain their professional competence and keep informed of and comply with developments in professional standards in all functions in which they practice or are relied on because of their calling;
- (f) ensure only authorized individuals have access to and can authorize the release of financial and confidential information relating to clients;
- (g) do not sign or associate themselves with any letters, reports, statements, representation or financial statements which they know or should know is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor make or associate themselves with any oral report, statement or representation which they know or should know is false or misleading;
- (h) ensure that partners or others who are not professional colleagues, such as head office personnel,
  - (i) cannot supersede decisions of members relating to the performance of client engagements within the definition of the practice of professional accounting or other regulated services, and
  - (ii) are familiar with and comply with and the Rules; and
  - (i) ensure that members of the firm who are members of other professional associations comply with those associations' bylaws and code of ethics.

#### Association with Firms

232.1 A firm shall not associate professionally with any other firm practising as Chartered Professional Accountants in Saskatchewan unless the other firm meets the ownership requirements set out in Rule 314.