

- ◆ Accountants
(Certified General) Act
- ◆ Bylaws
- ◆ Code of Ethical Principles and
Rules of Conduct
- ◆ Independence Standard
- ◆ **Key Public Practice Policies**

AS AT SEPTEMBER 20, 2014



KEY PUBLIC PRACTICE POLICIES

The Certified General Accountants Association of British Columbia (CGA-BC) has a well-earned reputation as a self-governing professional organization that is responsible for regulating its members and protecting the public interest. The interests of the general public and clients of public practitioners require a high standard and quality of work. The Public Practice Policies are designed to help practitioners meet these requirements, and to further enhance the solid reputation that CGAs in public practice have earned over the years.

The following policies are promulgated by CGA-BC for the administration of members engaged in the practice of public accounting. These policies are in addition to the Bylaws and the Code of Ethical Principles and Rules of Conduct.

PUBLIC PRACTICE ENTRY REQUIREMENTS

The following are the rules for entry into public practice applicable to all members of CGA-BC.

Full Public Practice Registration

There are two categories of full public practice registration:

1. Full Public Practice Registration – Assurance (either authorized to undertake audits or restricted from audit)
2. Full Public Practice Registration – Compilation and Tax

Limited Public Practice Registration

There are two categories of limited public practice registration:

3. Limited Public Practice Registration – T1
4. Limited Public Practice Registration – Other

1. Full Public Practice Registration – Assurance

a) Prerequisites:

- Membership in CGA-BC
- Payment of all applicable fees in advance
- Completion of the Case Study within the year prior to registration (exemption may apply)
- Completion of seminars on the following within two years prior to registration(exemptions may apply):
 - Practice Management;
 - *CPA Canada Handbook*;
 - Review Engagements;
 - Compilation Engagements; and
 - Audit Engagements

- Completion of the following courses within five years prior to registration (exemptions may apply):
 - CGA-Canada Tax 2 or Tax 2 Home Study (or equivalent); and
 - CGA-Canada Auditing 2 or Auditing 2 Home Study (or equivalent)
 - Enrolment in the following seminars, which will be completed within six months of registration if not completed within two years prior to registration (or have exemption granted):
 - Trust Examination and Special Reports; and
 - Advisory Services and Future-Oriented Financial Information
 - Proof of purchase of professional liability insurance
 - Proof of purchase of the *CGA-Canada Public Practice Manual* or the *CPA Practice Engagement Manual*
 - Proof of access to the current *CPA Canada Handbook* (both accounting and assurance volumes)
- b) Post-registration requirements:
- Completion of the following seminars within six months of registration if not completed within two years prior to registration (or have exemption granted):
 - Trust Examination and Special Reports; and
 - Advisory Services and Future-Oriented Financial Information
 - Submission of firm's Privacy Code pursuant to the *Personal Information Protection Act* (PIPA) and Compliance Regime pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) within six months of registration; and
 - A successful practice review within 12 months of registration
- c) Experience Requirements—Mentor Program
- Members are required to have a minimum three years of appropriate Canadian experience in a professional accounting firm as an employee (member or student) immediately prior to the date of application. Members are also required to complete 1,250 assurance hours and 200 taxation hours. For members intending to provide audit services, a minimum of 625 of the 1,250 hours shall be in audits of historical financial information.

For those members unable to meet this experience requirement, but intending to have a proprietary interest in a public practice firm, a mentor option will be available. Under this process, the mentor would be engaged by the member to review files for the following:

- all assurance engagements (audit or review engagements) until sufficient competency and 1,250 assurance hours have been achieved within five years of registration;
- for those members intending to provide audit services, a minimum of 625 of the 1,250 hours shall be in audits of historical financial information;
- the first five compilation engagements; and
- related tax work for all files.

In addition, the mentor requirement must be completed within five years of registration.

Partners in a firm who meet the mentor criteria will be permitted to be a mentor for a member joining the firm as a partner.

- d) Practice Review/Inspection Program
An initial practice review/inspection will be conducted by CGA-BC within one year of registration, with subsequent reviews conducted in accordance with practice review/inspection policy.
- e) Conditional Public Practice Registration
A member who registers in the practice of public accounting will be granted “conditional” registration subject to the following conditions, as applicable:
- Completion of required post-registration seminars within six months of registration
 - Submission of firm’s Privacy Code pursuant to the *Personal Information Protection Act (PIPA)* and Compliance Regime pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* within six months of registration;
 - A successful practice review/inspection within 12 months of registration
 - Compliance with mentor requirements
 - Completion of mentor program within five years of registration

If the member is in default for non-completion of any of these requirements the member is, without notice, deemed to have resigned from public practice unless written notice of extenuating circumstances is received within 30 days of non-compliance. A public notice will also be published announcing that the member is no longer registered in public practice.

2. Full Public Practice Registration – Compilation and Tax

- a) Prerequisites:
- Membership in CGA-BC
 - Payment of all applicable fees in advance
 - Completion of the Case Study within the year prior to registration (exemption may apply)
 - Completion of seminars on the following within two years prior to registration (exemptions may apply):
 - Practice Management;
 - *CPA Canada Handbook*; and
 - Compilation Engagements
 - Completion of the CGA-Canada Tax 2 or Tax 2 Home Study course (or equivalent) within five years prior to registration (exemption may apply)

- Enrolment in the following seminars, which will be completed within six months of registration if not completed within the year prior to registration (or have exemption granted):
 - Trust Examination and Special Reports; and
 - Advisory Services and Future-Oriented Financial Information
 - Proof of purchase of professional liability insurance
 - Proof of purchase of the *CGA-Canada Public Practice Manual* or the *CPA Practice Engagement Manual*
 - Proof of access to the current *CPA Canada Handbook* (both accounting and assurance volumes)
- b) Post-registration requirements:
- Completion of the following seminars within six months of registration if not completed within two years prior to registration (or have exemption granted):
 - Trust Examination and Special Reports; and
 - Advisory Services and Future-Oriented Financial Information
 - Submission of firm's Privacy Code pursuant to the *Personal Information Protection Act* (PIPA) and Compliance Regime pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) within six months of registration; and
 - A successful practice review/inspection within 12 months of registration
- c) Experience Requirements - Mentor Program
- Members are required to have a minimum of three years of appropriate Canadian experience in a professional accounting firm as an employee (member or student) immediately prior to the date of application.

For those members unable to meet this experience requirement, but intending to have a proprietary interest in a public practice firm, a mentor option will be available. Under this process, the mentor would be engaged by the member to review files for the following:

- a minimum of the first five compilation engagements and until sufficient competency has been achieved; and
- related tax work for all files.

In addition, the mentor requirement must be completed within five years of registration.

Partners in a firm who meet the mentor criteria will be permitted to be a mentor for a member joining the firm as a partner.

- d) Practice Review/Inspection Program
- An initial practice review will be conducted by CGA-BC within one year of registration, with subsequent reviews conducted in accordance with practice review/inspection policy.

e) Conditional Public Practice Registration

A member who registers in the practice of public accounting will be granted “conditional” registration subject to the following conditions, as applicable:

- Completion of required post-registration seminars within six months of registration
- Submission of firm’s Privacy Code pursuant to the *Personal Information Protection Act* (PIPA) and Compliance Regime pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) within six months of registration
- A successful practice review/inspection within 12 months of registration
- Compliance with mentor requirements
- Completion of mentor program within five years of registration

If the member is in default for non-completion of any of these requirements the member is, without notice, deemed to have resigned from public practice unless written notice of extenuating circumstances is received within 30 days of non-compliance. A public notice will also be published announcing that the member is no longer registered in public practice.

f) Transition to Assurance Category

Members who are registered under Full – Compilation and Tax and wish to transition to Full – Assurance in order to undertake review and/or audit engagements must satisfy the following requirements:

- Completion of a Review seminar and/or Audit seminar as a prerequisite(exemptions may apply);
- Completion of the CGA-Canada Auditing 2 or Auditing 2 Home Study course (or equivalent) as a prerequisite (exemption may apply);
- Submission of an application for transition to the Full – Assurance registration category;
- Fulfillment of the mentor requirement for Full – Assurance, which includes completing the appropriate number of assurance engagements (audit and/or review engagements) until sufficient competency and 1,250 hours have been achieved within five years of registration (exemption may apply). For members intending to provide audit services, a minimum of 625 of the 1,250 hours shall be in audits of historical financial information.

3. Limited Public Practice Registration – T1

Members who are registered in this category are only permitted to provide T1 preparation services and those services permitted in the Limited – Other category.

a) Prerequisites:

These members will be exempted from all public practice registration requirements, with the exception of the following:

- Payment of all applicable fees in advance; and
- Proof of purchase of professional liability insurance.

b) Post-registration requirement:

Completion of the CGA-Canada Tax 1 or Tax 1 Home Study assignments or equivalent within one year of registration (exemption may apply)

- c) **Practice Review/Inspection Program**
An initial practice review/inspection will be conducted by CGA-BC within one year of registration, with subsequent reviews conducted in accordance with practice review/inspection policy.
- d) **Conditional Public Practice Registration**
A member who registers in the practice of public accounting, including limited practice registrations, will be granted “conditional” registration for 12 months. If the member is in default for non-completion of the mandatory registration requirements within 12 months of registration, the member is, without notice, deemed to have resigned from public practice unless written notice of extenuating circumstances is received within 30 days from the end of the “conditional” registration period. A public notice will also be published announcing that the member is no longer registered in public practice.

4. Limited Public Practice Registration – Other

Members who are registered in this category are permitted to provide only:

- Forensic accounting, financial investigation and financial litigation support services; and/or
- An accounting service insofar as it involves summarization, analysis, advice, counsel or interpretation but excluding an accounting service which is incidental to the provider’s primary occupation which is not public accounting; and/or
- Statutory filing services. (T1s and T2s are not considered statutory filings.)

These members will be exempted from all public practice registration requirements, with the exception of the following which must be provided at the time of registration:

- Information on intended scope of services;
- Payment of all applicable fees; and
- Proof of purchase of professional liability insurance.

Liability Insurance Requirements – All Categories

All CGAs applying to register in public practice must adhere to the following requirements in order to be eligible to practise:

Carry professional liability insurance in accordance with the CGA Professional Liability Insurance Program. The coverage loss limit per claim shall not be less than \$1,000,000.

The coverage loss limit aggregate, per annual policy period, shall not be less than:

- \$3,000,000 for a sole proprietor/practitioner;
- \$4,000,000 for a partnership comprised of two or more partners; and
- \$5,000,000 for a corporation with more than one practitioner.

The maximum allowable deductible, per claim, afforded by the policy shall not exceed \$1,000.

In the event that the insured's right to practise as a CGA has been revoked, suspended, or surrendered, the coverage will provide for an extended claim reporting period of not less than three years.

Mandatory Public Practice Publications

All firms registered in public practice must obtain and maintain the *CGA-Canada Public Practice Manual* or the *CPA Practice Engagement Manual*. They are also required to have access to the current *CPA Handbook - Accounting* and *CPA Canada Handbook - Assurance* as part of their registration requirements.

Assisting Accountant Appointment

Upon registration, a member registering as a sole proprietor is required to appoint an Assisting Accountant in accordance with the Assisting Accountant Policy.

Volunteer Service to Not-For-Profit Organizations

Members who are solely providing public practice services to non-profit associations on a volunteer (no remuneration) basis must register in public practice; however:

- the registration fee shall be waived;
- the requirement to complete the Case Study, the CICA Handbook seminar and the Tax 2 lessons shall be waived;
- the requirement to attend the Public Practice Series Seminars shall be waived, except for the seminar that specifically relates to the type of engagement the member will be performing;
- the requirement to engage a mentor shall be waived;
- the requirement to subscribe to the *CICA Handbook – Accounting and CICA Handbook – Assurance* and the *CGA-Canada Public Practice Manual* shall be waived provided the member has access to these reference sources;
- the member must provide evidence of professional liability insurance, but the fee will be waived by the insurer;
- each engagement the member undertakes must be submitted to the Association for a compliance review, however the fee shall be waived; and
- should the member subsequently wish to open a practice, then, at that time, the member will be required to complete the exempted registration requirements.

Dual Designations

Where a member with the dual designation CGA/CA is operating in practice as a CA only and provides satisfactory evidence to the Association that the member is licensed in public practice with the Institute of Chartered Accountants of British Columbia, the member is not required to register in public practice with the Association.

INCORPORATION

The following are the requirements for the incorporation of members registered in the practice of public accounting:

1. A member wishing to become associated with a Company that is, or is to become, engaged in the practice of public accounting, shall apply to the Association for permission before doing so. A member shall be deemed to be associated with a Company if the member:

- a) is or is to become the registered or beneficial owner of voting shares of the Company; or
- b) is or is to become a director or officer of the Company.

The term "voting shares" includes any security of a Company that is convertible or exchangeable into voting shares of a Company, or that entitles the holder to vote at any meeting of the shareholders of the Company.

2. Each member wishing to incorporate a new Company or to reorganize an existing Company shall complete an application on Form A that must be signed by each member then wishing to be associated with that Company.
3. Each member wishing to acquire voting shares of a Company previously incorporated or reorganized pursuant to these Rules or to become a director or officer of a Company previously incorporated or reorganized pursuant to these Rules shall complete an application on Form G.
4. The applicant(s) shall pay to the Association at the time of submitting the application, the application fee in the amount prescribed by the Board of Governors.
5. The Association shall review each Form A application and, if it complies with these Rules, shall deliver to the applicant(s) the consent of the Association to the incorporation or reorganization of the Company having the proposed corporate name set forth in the application by the applicant(s) unless, for good and valid reason, it disapproves of such corporate name. The incorporation documents should be filed by the applicant(s) with the Office of the Registrar of Companies for the Province of British Columbia.
6. A Company to be incorporated by the applicant(s) for the purposes of these Rules shall be incorporated pursuant to the *Business Corporations Act* of British Columbia (the "Business Corporations Act") and shall have:
 - a) an Incorporation Agreement;
 - b) a Notice of Articles; and
 - c) Articles,

all of which are completed in accordance with the instructions contained in and attached to the Form A.

7. A Company to be reorganized by the applicant(s) for the purposes of these Rules shall be reorganized pursuant to the Business Corporations Act and:
 - a) shall have a Notice of Articles; and
 - b) shall have Articles in the format approved by the Association pursuant to the resolution dated June 26, 2004,both of which are completed in accordance with the instructions contained in and attached to the Form A.
8. Members associated with a Company incorporated or reorganized pursuant to these Rules shall not cause or permit the Company to alter its Articles without the prior written approval of the Association to the proposed alterations.
9. Members associated with a Company incorporated or reorganized pursuant to these Rules shall not cause or permit the Company to invest in any business that is inimical to the proper and ethical practice of public accounting or which creates a conflict of interest for the Company or its employees.
10. After incorporation or reorganization, the members associated with a Company incorporated or reorganized pursuant to these Rules shall cause the Company to obtain adequate professional liability insurance coverage and to maintain such coverage in force so long as the Company is engaged in the practice of accounting. The policy or policies of professional liability insurance shall insure the Company, its directors, officers and employees who are members, to a limit of at least \$1,000,000 per occurrence. The aggregate annual claim limit shall be at least \$3,000,000 for each insurance certificate. The amounts specified in this paragraph may be amended by the Board of Governors of the Association upon notice to the members. The policy or policies of professional liability insurance shall otherwise be on such terms as the Board of Governors of the Association may from time to time determine.
11. After incorporation of a new Company or the reorganization of an existing Company pursuant to these Rules, the applicant(s) shall file with the Association the following:
 - a) the Declaration of Compliance on Form B completed and signed by the Company;
 - b) a Certificate of Solicitor on Form C completed and signed by a member in good standing of the Law Society of British Columbia; and
 - c) an Amended Insurance Certificate completed and signed on behalf of the insurer.

12. Upon receipt of the documents referred to in paragraph 11, the Association shall review the same and, if they comply with these Rules, including the conditions set forth in the Application for Consent attached as Form A, the Association shall issue to the applicant, jointly if more than one, a permit (the "Permit") on Form E permitting the Company to be engaged in the practice of public accounting and permitting the applicant or applicants, as the case may be, to be associated with that Company.
13. The conditions on which a Permit is issued pursuant to paragraph 12 may be deleted, altered or added to, in whole or in part, by resolution of the Board of Governors and any such deletion, alteration or addition shall become effective and binding upon the holders of the Permit 30 days after the date of notice to the holders in writing setting forth the deletion, alteration or addition. The Board of Governors may, by resolution, cancel any Permit or all Permits for any reasons that it considers appropriate, and any such cancellation will become effective and binding upon the holder of such Permits 30 days after the date notice is given to the holder.
14. Upon receipt of a Form G application, the Association shall review the same and, if it complies with these Rules, including the conditions set forth in the Application for Consent attached as Form A, and provided the applicant complies with such further requirements that the Association may have, the Association shall add the name of the applicant to the Permit issued to the other members associated with the Company named in the application.
15. The Association may cancel a Permit immediately upon the occurrence of any of the following events:
 - a) the death of any of the members associated with the Company that holds the Permit;
 - b) if any of the members associated with the Company, or the Company itself, makes a general assignment for the benefit of its creditors, is declared bankrupt, files a petition in bankruptcy or insolvency or makes any readjustment of debts or creditors arrangement, or makes any proposal under the *Bankruptcy and Insolvency Act* of Canada, or takes advantage of any legislation for the relief of bankrupt or insolvent debtors in respect of his/her or its own debts;
 - c) an order being made or an effective resolution being passed for the winding-up or liquidation of the Company or the surrender or forfeiture of its charter; or
 - d) any of the securities of the Company being seized pursuant to any process of execution, attachment or similar process or any declaration being made under the *Family Law Act* of British Columbia or under any other legislation that an interest in any securities of the Company is held by any person who is not permitted to hold same pursuant to these Rules.
16. Any of the holders of a Permit may appeal a decision of the Association to the Board by giving written notice thereof to the Secretary at the Head Office of the Association within 21 days of the mailing or delivery of the decision.

17. No member shall transfer voting shares of a Company holding a Permit without the prior written consent of the Association. Generally speaking, the consent for transfer to another member of the Association, or a Company holding a Permit with which the member is associated, will be granted if the member executes and delivers to the Association the Form G and any additional documents which may be required in order to fulfill such obligations as the Association may impose on the member, including such obligations as would have been imposed on the member in the course of an application for incorporation under these Rules. Generally speaking, the consent will be granted for a transfer of voting shares to a person who is not a member of the Association if:

- a) the purpose of the transfer is the transfer of an accounting practice in its entirety; and
- b) the name of the Company is changed to a name which does not include any designation or initials, the use of which is restricted by Section 14 of the *Accountants (Certified General) Act* of British Columbia as amended from time to time or any successor legislation.

PRACTICE REVIEW

The compliance review program ensures that every practitioner has in place an effective administrative system that encompasses the total financial statement preparation engagement. The program includes:

- a review of the appointment of the engagement;
- a review to ensure that all of the working papers balances agree to the financial statements;
- a review of the financial statement items and presentation to ensure conformance with Canadian generally accepted accounting principles and standards;
- a review of any optional tax returns performed;
- if assurance engagements are performed, there will be a review of the Quality Control Manual.

Where, in the Practice Review Committee's opinion, a practice review is found to be substantially deficient, the practitioner is required to engage one of the Association's reviewers to conduct an expanded review. In this expanded review, the reviewer engaged is to undertake a review of engagements completed by the practitioner after the date of the original review and provide the practitioner with a summary of those areas of the file preparation system that are not meeting minimum standards of the Association. The practitioner shall be required to correct the deficiencies and re-submit the files to the reviewer. The process is to continue until such time that the files completed by the practitioner are deemed by the reviewer to meet the minimum required standards. The files shall then be subjected to the normal review process and the results dealt with by the Committee.

Practice Re-reviews

The cost of a public practice re-review would continue to be the responsibility of the member.

File Review

Those practitioners who think the random selection process did not provide a fair representation of their firm are permitted to have an opportunity to submit additional files for review at the practitioner's expense. The additional files to be reviewed would be selected from files completed in the same time frame as those in the original review. The additional review would be at the member's cost for both review time as well as other travel costs. The practitioner's re-review request would only be triggered in a situation where the member is required to take either the CICA Handbook or a Practice Refresher and Orientation Series as a result of the Practice Review Committee's initial review. It will not be an option for any other remedial action that is required by the Committee. If the member does not have a replacement file of the same type of engagement, the member is required to accept the results of the practice review because the file chosen must be indicative of the normal file preparation for this type of engagement.

Monthly Compilation Engagements – Representation Letter

Normally, a representation letter is required for all engagements. It has been determined that a representation letter is not required on a monthly basis for compilation engagements.

INDEPENDENCE AND PRACTITIONER ACCESS TO CLIENTS' ACCOUNTS HELD AT FINANCIAL INSTITUTIONS

A client may choose to give a member access to the client's financial accounts, electronically or otherwise. This is only acceptable practice if it is done in accordance with requirements of the financial institution and is documented appropriately between the client, the financial institution and the practitioner. A member should never have informal access to a client's account through use of the client's personal password.

Access to a client's financial account, other than mere viewing privileges, impacts independence such that, where a member:

- signs cheques drawn on a client's account; or
- has electronic access to a client's account and can undertake electronic transactions on a client's behalf,

for purposes of R701 of the *Code of Ethical Principles and Rules of Conduct* (CEPROC), the member is not considered independent; and

for purposes of R202 of CEPROC, disclosure in the Notice to Reader is required to identify lack of independence.

ADDITIONAL NOTES

File Sign-Off Requirements

It has been determined that it would be permissible for professional staff (CGA, CA, or CMA) to sign the communication attached to the financial statements, but that a principal of the firm must sign the CGA-Canada final review checklist (file closing). The *CGA-Canada Public Practice Manual* indicates that the final review checklist is to be signed by the engagement partner. The financial statement that has a communication attached that is signed by a professional staff member may be published prior to the principal signing the final review checklist.

Advertising for Public Practice Firms

For purposes of Rule R509 of the Code of Ethical Principles and Rules of Conduct, when a firm wishes to identify staff in their advertising, staff must be clearly differentiated from a proprietor/partner/shareholder of the firm in the advertisement. This applies for all types of advertising. The purpose of this restriction is to ensure that the public is not misled into thinking that a staff member is a proprietor/partner/shareholder of the public practice firm.

Firm Names

For purposes of Rule R510 of the Code of Ethical Principles and Rules of Conduct, it has been determined that for purposes of firm names, the term 'predecessor' is not limited to 'immediate predecessor'. The firm can use the predecessor name so long as the name was never dropped from the firm name but cannot resurrect a name once it has been dropped from the firm name. If a member wishes to restrict the use of his/her personal name in a firm name once he/she has left the partnership, this matter needs to be addressed in the partnership agreement as it is a legal issue rather than an ethical one.