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

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AS AT SEPTEMBER 20, 2014

CGA
Certified General Accountants
Association of British Columbia

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

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THE ACT IS THE GOVERNING LEGISLATION FOR CGA-BC. The Association was originally incorporated in 1951 and the Act has been amended subsequently. The provincial Ministry of Advanced Education administers the Act. Provisions of the Act include the structure and legal capacity of the Association, governance, the right to use the designation and protection of the public.

**If you have any questions about the Act, please contact Edward Tanaka – Manager, Regulatory Practices.**

AS AT SEPTEMBER 20, 2014

Certified General Accountants Association of British Columbia

# Accountant (Certified General) Act
# [RSBC 1996] Chapter 2

**Association continued as a corporation**

**1** The corporation known as The Certified General Accountants Association of British Columbia is continued.

**Head office**

**2** The head office of the association must be at the City of Vancouver or at a place in British Columbia as may be determined by bylaw.

**Chapters and branches**

**3** The association may establish chapters or branches in various centres within British Columbia for the social and educational welfare of its members and students, with the powers as may be determined by bylaw.

**Legal capacity**

**4** For the purposes of this Act, the association has the powers and capacity of a natural person.

**Objects of the association**

**5** The objects of the association are as follows:

(a) to provide means and facilities by which its members may increase their knowledge, skill and proficiency in all things relating to the business or profession of an accountant or an auditor;

(b) to hold examinations and establish tests of competency to qualify for admission to membership;

(c) to discipline a member guilty of default or misconduct in the practice of the member's business or profession;

(d) to establish and enforce standards of professional conduct, competence and proficiency to be maintained by its members and students;

(e) to represent the interests of its members and students.

**Lectures and classes**

**6** The association may establish lectures and classes for students, or enter into agreement with the governing body of The University of British Columbia, or its affiliates, or a college in British Columbia, or with a body of accountants incorporated by Act of the government of Canada or of

a province, for the attendance of students at lectures, classes and correspondence courses that come within the course of subjects specified by the bylaws of the association.

**Benevolent fund**

**7** The association may establish and administer a benevolent fund for the benefit of any members or the families of deceased members who may require financial assistance, and for that purpose may make and receive contributions and donations.

**Affiliations**

**8** The association may enter into contracts, in accordance with the bylaws of the association, to affiliate with any body or bodies of accountants incorporated by Act of the government of Canada or of a province for the mutual benefit of its members and the establishment of uniform qualifications or examinations.

**Board of Governors**

**9** (1) The affairs and business of the association must be managed and controlled by a board known as the Board of Governors consisting of

(a) not less than 15 and not more than 21 members elected by and from the members of the association, and

(b) one member who is not a member of the association, the Institute of Chartered Accountants of British Columbia or the Society of Management Accountants of British Columbia, appointed during pleasure by the Lieutenant Governor in Council, to represent the general public.

(2) The elected members of the board hold office for a term set by bylaw.

(3) If a vacancy occurs in the elected membership of the board, the board must appoint some other member of the association to fill the vacancy.

(4) The board must

(a) elect from its members a president, a first and second vice president, and

(b) appoint a secretary treasurer, or a secretary and a treasurer, who need not be a member of the board.

**General meetings**

**10** (1) General meetings must be held as the bylaws of the association may provide, but at least once in each calendar year.

(2) At any general or special meeting, members may be represented and vote by proxy, but

(a) a proxy must not be exercised by a person who is not a member of the association, and

(b) the proxy must be exercised in accordance with the bylaws on voting and proxies.

**Bylaws**

**11** (1) In this section and in sections 11.1 and 11.2, **"limited liability partnership"** means a partnership registered as a limited liability partnership under Part 6 of the *Partnership Act*.

(1.1) The objects and powers of the association must be carried out and exercised under bylaws and resolutions passed by the board, but every bylaw, unless in the meantime confirmed at a special meeting called for the purpose of considering it, has force only until the next general meeting, and in default of confirmation at that time ceases to have force.

(2) A bylaw passed by the board may be repealed, amended, varied or otherwise dealt with by the association, at any general meeting or at a special meeting called for the purpose.

(3) The board may pass bylaws as follows:

(a) to establish a curriculum and the courses of studies to be pursued by students, and the subjects upon which students and candidates for admission as members must be examined;

(b) for granting certificates to students and candidates who have successfully passed the examinations;

(c) for the appointment of examiners for the purpose of ascertaining and reporting on the qualifications of candidates for membership and students;

(d) for defining examiners' duties and fixing their remuneration;

(e) regulating and governing the conduct of the association's members in the practice of their business or profession, including the suspension or expulsion of any member for misconduct or violation of the rules or bylaws of the association;

(f) respecting investigation and discipline of a current or former member or a student;

(g) governing the manner and method of practice of the association's members;

(h) respecting the investigation through inspection, by a person designated by the board, of the association's members' offices and books, accounts and other records, of the practice methods and procedures of any member or class of members;

(i) requiring members to submit to the inspections;

(j) establishing standards of professional conduct, competency and proficiency to be maintained by the association's members and students;

(k) providing for periodic review of the qualifications and competency of its members and students and for their optional or compulsory training or continuing education;

(l) setting the annual dues and fees, levies or incidental charges to be paid by candidates, members or students as may be necessary to implement the objectives in section 5;

(m) governing the election of members of the board and setting the procedure to be adopted at meetings;

(n) respecting the establishment and composition of committees, which may include persons who are not members of the association, and an executive committee of the board and the powers, duties and functions of these committees to implement the objectives in section 5;

(o) respecting appeals to the board from a decision or order of a committee;

(p) respecting inquiries into the conduct of a current or former member or a student;

(q) respecting the establishment of a panel under section 20;

(r) respecting the conduct of a practice review under section 20;

(s) respecting insurance against professional liability claims including requirements that members maintain this insurance, provisions for the exemption of a member or class of membership from some or all of these requirements, minimum coverage and provisions that empower the association to act as agent for its members in obtaining insurance;

(t) establishing fees for insurance against professional liability claims including provisions exempting a member or class of membership from payment of all or part of the insurance fee;

(t.1) granting authorization to members to provide accounting services to the public through limited liability partnerships;

(t.2) prerequisites, conditions, limitations and requirements for members to provide accounting services to the public through limited liability partnerships;

(u) generally for the better carrying out of the purposes of this Act.

(4) A bylaw may be annulled by the Lieutenant Governor in Council.

**Liability not affected by practice through limited liability partnerships**

**11.1** The civil liability for professional negligence of a member is not affected by the fact that the member is providing accounting services through a limited liability partnership.

**Application of Act not affected by practice through limited liability partnerships**

**11.2** A member's relationship to a limited liability partnership as a partner, employee or contractor of the limited liability partnership does not affect, modify or diminish the application to the member of this Act or the bylaws.

**Right to examination on application**

**12** A person over 19 years of age and of good moral character residing in British Columbia, who has taken the course of studies specified by the board, on making written application to the board before the holding of the examination for admission to membership and on paying the specified examination fees, has the right to try the examination.

**Admission as member**

**13** The following persons must be admitted to membership in the association:

(a) members of any incorporated association or body of accountants or auditors with objects and purposes similar to those of the association, under conditions the board considers proper, and in compliance with the conditions of membership set out in the bylaws of the association;

(b) students and candidates who have passed the specified examination, and who comply with the conditions of membership set out in the bylaws of the association;

(c) persons who are entitled under the *Labour Mobility Act* to be admitted to membership in the association.

**Right to use name "C.G.A."**

**14** (1) A member of the association may use the designation "certified general accountant", and may use after the member's name the initials "C.G.A.", indicating that the member is a certified general accountant.

(2) A person must not

(a) use or display the designation "certified general accountant" or the initials "C.G.A.", alone or in combination with any other word, name, title, initial, letter or description, or

(b) imply, suggest or hold out that the person is a certified general accountant

unless the person is a registered member in good standing of the association.

(3) A person must not imply, suggest or hold out that the person is an accredited public accountant or use or display the designation "accredited public accountant" or the initials "A.P.A." signifying that designation.

(4) A person must not imply, suggest or hold out that the person is a certified public accountant or a certified public auditor or use or display the designation "certified public accountant" or "certified public auditor" or the initials "C.P.A." signifying that designation unless

(a) the person is a member in good standing of the association,

(b) the designation or initials are used or displayed together with and follow the designation "Certified General Accountant" or the initials "C.G.A.",

(c) the use or display is accompanied by the name of the jurisdiction where the designation "certified public accountant" or "certified public auditor" or the initials "C.P.A." were granted, and

(d) the jurisdiction where the designation "certified public accountant" or "certified public auditor" or the initials "C.P.A." were granted authorizes the person to use and display them in that jurisdiction.

(5) This section does not apply to the use or display of a designation or initials as provided for by section 17 of the *Accountants (Chartered) Act*.

**Right to practise**

**15** This Act does not affect or interfere with the right of a person not a member of the association to practise as an accountant or auditor in British Columbia.

**Register**

**16** (1) The secretary treasurer or secretary must keep a register in which must be entered in alphabetical order the names of all members in good standing.

(2) Only those members whose names are entered in the register are entitled to the privileges of membership.

(3) The register must at all times be open to inspection by any person free of charge.

**Application of profit**

**17** Any surplus derived from carrying on the affairs and business of the association must be devoted and applied only in promoting and carrying out its objects and purposes, and must not be divided among its members.

**Remuneration of secretary treasurer**

**18** The secretary treasurer or the secretary and treasurer may be paid that remuneration set by the board.

**Membership ceasing**

**19** If for any reason a person ceases to be a member of the association, the person and the person's representatives have no interest in or claim against the funds and property of the association because of the person's membership in the association.

**Investigation and practice review**

**20** (1) An officer, committee or panel of the association or a person designated by the board may

(a) investigate the conduct of a current or former member or a student to determine whether grounds exist for disciplinary action against that person under section 23, and

(b) conduct a practice review of a member by inspecting the member's professional practice for the purpose of identifying deficiencies in the practice, competence or conduct of the member.

(2) If the officer, committee, panel or person referred to in subsection (1) is satisfied on reasonable and probable grounds that a current member, former member or student possesses any information, record or thing which is relevant to an investigation of a current or former member or a student or a practice review of a member, the officer, committee, panel or person may make a written request to the current member, former member or student requiring that person to answer inquiries of the officer, committee, panel or person

relating to the investigation or practice review and to produce to the officer, committee, panel or person the record or thing for examination.

(3) If a request is made under subsection (2), the current member, former member or student must comply with the request.

(4) If a current member, former member or student who receives a request under subsection (2) refuses or neglects to promptly comply with the request, the association may apply to the Supreme Court for an order requiring the person to comply.

(5) The Supreme Court, on being satisfied that a person has contravened subsection (3), may order that the person comply with the request and may impose requirements as to time and manner of compliance.

(6) A person must not refuse to comply with this section on the grounds of confidentiality.

**Court ordered production**

**21** On application by the association to the Supreme Court, the court may order that a person produce to an officer, committee or panel of the association or a person designated by the board any record or thing if the court is satisfied that the record or thing is relevant to and reasonably required by the officer, committee, panel or person for an investigation of the conduct of a current or former member or a student or for the conduct of a review of the professional practice of a current member or former member.

**Confidentiality**

**22** (1) A person acting under this Act must keep confidential all facts, information and records obtained or provided under this Act or under a former enactment, except so far as the person's public duty requires or this Act or the bylaws permit the person to make disclosure of them or to report or take official action on them.

(2) Except in respect of a proceeding under this Act, a person to whom subsection (1) applies must not in any civil proceeding be compelled to give evidence respecting any facts, information or records obtained by the person in the course of the person's duties.

**Orders to be made after an inquiry**

**23** (1) If, after an inquiry, a committee or panel appointed by the board is satisfied that a current or former member or a student is incompetent, has committed professional misconduct or has contravened this Act or the bylaws, the committee or the panel may, by order, do one or more of the following:

(a) reprimand the member or student;

(b) suspend the current member from membership, bar the former member from reinstatement or suspend the student from enrolment for a period not exceeding 2 years;

(c) expel the current member from membership or remove the name of the student from the register of students;

(d) impose conditions on the continuance of the member's membership or the student's enrolment;

(e) impose a fine payable to the association of not more than

(i) $10 000 against the current or former member, and

(ii) $2 000 against the student;

(f) assess and impose costs against the current or former member or the student.

(2) A current or former member or a student who is the subject of an order made by a panel or committee under subsection (1) may appeal that decision to the board in accordance with the bylaws.

(3) For the purposes of an appeal under subsection (2), the board has all the powers referred to in subsection (1) and may

(a) substitute its order for the order of the panel or committee, or

(b) confirm the order of the panel or committee.

(4) A member of a committee or a panel must not sit on an appeal held by the board with respect to a matter in relation to which the member exercised a power or performed a duty as a member of the committee or panel.

(5) The committee and panel and a member of the committee or panel have the same power for the purposes of an inquiry

(a) to summon and enforce the attendance of a witness,

(b) to compel a witness to give evidence on oath or in any other manner, and

(c) to compel a witness to produce records and things in the possession or control of the witness

as the Supreme Court has for the trial of civil actions.

(6) For the purposes of subsection (5), the failure or refusal of a person

(a) to attend,

(b) to take an oath or affirmation,

(c) to give evidence, or

(d) to produce the records or things in the person's possession or control

makes the person, on application to the Supreme Court, liable to be committed for contempt as if in breach of an order or judgment of the Supreme Court.

(7) A person aggrieved by an order made by the board under subsection (3) may appeal the order to the Supreme Court.

(8) The Supreme Court may confirm, vary or reverse the order or refer the matter, with instructions, back to the board, committee or panel.

**Protection against actions**

**24** (1) No action for damages lies against a person acting, or purporting to act, in furtherance of the objects of the association for anything done or omitted in good faith in the exercise or purported exercise of the powers conferred under this Act.

(2) Subsection (1) does not absolve the association from vicarious liability or any other liability to which it would otherwise be subject.

**Offence**

**25** (1) Section 5 of the *Offence Act* does not apply to this Act or to the bylaws made under it.

(2) A person who contravenes section 14 or 22 (1) commits an offence and is liable on conviction to a fine of not more than $2 000 or to imprisonment for not more than 6 months, or to both.

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

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BYLAWS ARE THE OPERATIONAL RULES BY WHICH our association is governed and they cover every aspect of the running of the Association: membership, Board, meetings, committees, education, finance, chapters, discipline and public practice. Bylaws ensure that there is a process for dealing with these organizational elements and that there is fair and equitable treatment for all members and students. The authority of the Bylaws comes directly from the Act.

**If you have any questions about the Bylaws, please contact Edward Tanaka – Manager, Regulatory Practices.**

AS AT SEPTEMBER 20, 2014

CGA Certified General Accountants Association of British Columbia

# Bylaws

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# Bylaws

## Definitions

**"Act"** means the *Accountants (Certified General) Act. R.S.B.C. 1996, c.2.*

**"Association"** means The Certified General Accountants Association of British Columbia.

**"Auditors"** means those Members appointed in accordance with these Bylaws and includes a partnership of auditors.

**"Board"** means the Board of Governors of the Association referred to in Section 9 of the Act.

**"Certified General Accountants Association of Canada"** or **"CGA-Canada"** means Certified General Accountants Association of Canada as incorporated July 30, 1982 which means the same as and replaces, "General Accountants' Association" incorporated S.C. 1913, c.116.

**"Code"** means the Code of Ethical Principles and Rules of Conduct of the Association from time to time.

**"Committee"** means a Committee formed pursuant to these Bylaws.

**"Costs"** for the purposes of Bylaws B904 and B906, means disbursements and expenses incurred by the Association as well as party and party costs consistent with the British Columbia Supreme Court Civil Rules.

**"Firm"** means a proprietorship, partnership, limited liability partnership, corporation or professional corporation engaged in the practice of public accounting.

**"Honorary Member"** means a person so elected under these Bylaws.

**“Lay Member”** means a person who is not and never has been a member of any professional accounting organization.

**"Life Member"** means a Member on whom this honour has been conferred by the Board in accordance with these Bylaws.

**"Make or Made Available"** means:

1. publishing the materials, in a downloadable and printable format, on the Internet on a World Wide Website maintained by the Association; and
2. Sending, to all Members, notification of the Uniform Resource Locator for the Association's World Wide Website and other information required for Members to access the materials.

**"Member"** means any person who has conformed with the Act and the Bylaws of the Association and has been duly accepted into membership in accordance therewith, and has not resigned or been expelled in accordance with these Bylaws. Where applicable, the term includes duly registered Students.

**"Officers"** means those persons elected or appointed under Bylaw B305.

**"Panel"** means a Panel struck under these Bylaws.

**"Prosecutor"** means legal counsel or another person who is not a member of any of the Ethics Committee, Discipline Committee or Appeals Committee appointed under Bylaw B905.

**"Registered Public Practitioner"** means a Member engaged in the practice of public accounting and registered with the Association pursuant to Rule R517.

**"Secretary"** means the Secretary of the Association appointed under the Act.

**"Send or Sent"** means:

1. personal delivery or mailed postage pre-paid to the last mailing address provided by the Member to the Secretary; or
2. where the Member has authorized electronic delivery of materials, delivery by electronic mail to the last electronic mail address provided by the Member to the Secretary.

**"Special Resolution"** means a resolution passed by a majority of not less than 75% of the votes of those Members of the Association who, being entitled to do so, vote in person or by proxy at a duly convened General Meeting of the Association.

**"Student"** means any person enrolled in the course of studies established by the Board.

**“Suspended Member”** means a Member that has the responsibilities of membership but does not enjoy the privileges of membership. Responsibilities of membership include paying annual member dues and obtaining and reporting Continuing Professional Development. The privileges of membership include the use of the designation Certified General Accountant and the initials “CGA” after their name and the right to vote at the Annual General Meeting.

**Membership**

B101. (a) The Board may admit as a Member any person who in its opinion is of good character and reputation and who:

(i) is not less than **nineteen** years of age;

(ii) is sponsored by **two** members from CGA-BC or CGA-Canada;

(iii) has such training and experience and met such standards and requirements as the Board may specify; and

(iv) has passed such examinations as the Board may specify.

(b) Notwithstanding the provisions of paragraph (a) above, persons holding a valid certificate of membership from CGA-Canada and, immediately prior to application, were members of another Certified General Accountants' Association acceptable to the Board, may apply to the Board for membership. Requirements, procedures and fees for application shall be as determined by the Board from time to time.

(c) All members of CGA-Canada who are resident in British Columbia must maintain membership with the Association.

B102. (a) Students who are completing their final courses must complete an Application for Membership prior to the examinations.

(b) Every Application for Membership and the fee for the application shall be delivered to the Head Office of the Association. The form and fee for such application shall be as determined by the Board from time to time.

(c) All applications shall be considered by the Board.

(d) Applicants whose applications are approved by the Board shall forthwith become Members.

B103. Following admission of Members to membership in the Association, the Secretary shall issue to each Member a Certificate of Membership in the form specified by the Board and bearing the Seal of the Association.

B104. Certificates of Membership shall remain at all times the property of the Association. In the event that any Member resigns from the Association, or is suspended or expelled from membership in the Association, then the Association shall demand the immediate return of the said Certificate and the Member shall forthwith return the said Certificate to the Association.

B105. The Board may, by resolution approved by not less than **eight** of its members, confer Life Membership upon any Member. Notwithstanding any other provisions in these Bylaws, a Life Member shall not be required to pay annual member dues or special assessments.

B106. The Association may, by unanimous resolution of the Board, confer Honorary Membership in the Association on any person recommended by the Honours & Awards Committee, in accordance with the policy of the Board. An Honorary Member may use the designation "CGA (Hon.)", however, an Honorary Member

shall not be eligible for nomination to the Board or to vote at meetings or elections of the Association.

B107. The Board may appoint from among the Members or Honorary Members a person of prominence as Honorary President for such period as it may deem fit.

B108. A Member may resign provided that all indebtedness payable to the Association has been paid in full or waived as specified by these Bylaws. A Member whose resignation is received by the Secretary within **thirty** days subsequent to the commencement of a fiscal year shall not be liable for the annual dues for that fiscal year. Procedures for resignation shall be as determined by the Board from time to time.

B109. (a) A former Member who has resigned from membership in accordance with Bylaw B108 or who has been deemed to have resigned from membership in accordance with Bylaw B114 may apply in writing for readmission to membership.

(b) A Member who has been suspended from membership for a definite period and who has met all conditions imposed in respect of such suspension and provides a sworn declaration stating that the Suspended Member's conduct, since the date of suspension, has been in accordance with the Act, the Bylaws and the Code, shall, upon the expiration of that period, be reinstated as a Member. The declaration shall be in accordance with the policy of the Board.

A Suspended Member, as defined in these Bylaws, is required to have paid all annual member dues due and payable and complied with the requirements of the Continuing Professional Development program during the time of their suspension.

(c) A Student who, as a result of an ethics complaint, has been suspended from enrolment for a definite period, or whose name has been removed from enrolment as a CGA Student for a specified period, and who has met all conditions imposed in respect of such suspension shall, upon the expiration of that period, be reinstated as a CGA Student enrolled in the program of professional studies.

(d) A former Member who has been barred from reinstatement for a specified period may, upon expiration of that period, apply for readmission to membership.

(e) A former Member who has been expelled from the Association may, after **five** years from the date of the expulsion apply for readmission to membership.

(f) An application under paragraphs (a), (d) and (e) shall be made to the Member Readmission Committee. The application form under paragraphs (d) and (e) shall be accompanied by a sworn declaration of the applicant stating that the applicant's conduct since the date of barring or expulsion has been in accordance with the Act, the Bylaws and the Code.

(i) The form, fee and declaration for such application and any other requirements for readmission to membership shall be as determined by the Board from time to time.

(ii) Such application may be made at any time and from time to time but not more than once in any calendar year.

(g) The Member Readmission Committee shall investigate the application in such manner as it sees fit and for that purpose may require any Member and the applicant to attend any meeting of the Committee and to produce documents and to give oral evidence relative to the application. The Committee shall report the results of its investigation, with or without recommendations, to the Board.

(h) The Board shall give written notice of its decision to the applicant and, if the application for readmission is granted, to every Member and to any other association or body which, in the opinion of the Board, should be so informed.

B110. A former Member seeking and denied readmission shall have the right to appeal to the Association at the next Annual General Meeting, provided that written notice of such appeal is received by the Secretary within **thirty** days of the date of mailing to the former Member of the notice of the Board's refusal to grant application for readmission.

B111. The amount and time of payment of fees for Students and for admission to membership in the Association shall be as determined by the Board from time to time.

B112. The amount and time of payment of the annual dues of Members shall be as follows:

(a) by Special Resolution of the Members at an Annual General Meeting; or

(b) by resolution of a **seventy five percent** majority of the Board provided the increase does not exceed the lesser of **five percent** per annum of the current level of dues or the Canadian inflation index of the previous **twelve** months.

B113. The Board may, by resolution approved by not less than **eight** of its members, defer, reduce or waive the annual dues or reinstatement fee of any Member where:

(a) a Member has retired from active business and has met such conditions as the Board may determine from time to time; or

(b) a Member has established grounds for special consideration as determined by the Board.

B114. (a) A Member who is in default for annual dues or special assessment, or any portion thereof, **thirty** days after they become due and payable is without notice deemed to have resigned from membership unless such Member has given written notice to the Board of extenuating circumstances within such **thirty** day period. If the Board does not consider the circumstances to be extenuating, the Member will be deemed to have resigned effective upon the expiry of such **thirty** day period.

(b) The Board shall give notice of all deemed resignations under this Bylaw to every Member and to any other association or body which in the opinion of the Board should be so informed.

B115. The Board may, from time to time, by resolution approved by not less than **eight** of its members:

(a) levy a special assessment upon Members, Students or both; and

(b) assess incidental charges, including but not limited to administrative fees, to Members and Students.

B116. The amount and time of payment of the annual registration fees for Members engaged in the practice of public accounting and the fee for a practice review shall be as determined by the Board from time to time.

B117. The Board may grant associate membership upon such terms as it deems fit to a member of CGA-Canada who does not reside in British Columbia. Such associate members shall not be eligible for nomination to the Board, or to vote at meetings or elections of the Association.

B118. The references in Section 14(4) (c) and (d) of the Act to the jurisdiction where the designation "Certified Public Accountant" or "Certified Public Auditor" or the initials "C.P.A." signifying this designation was granted, refer only to a state or territory of the United States of America including the District of Columbia.

Any Member in good standing may use or display the designation "Chartered Professional Accountant" or the initials "CPA.". If a Member uses or displays the designation "Chartered Professional Accountant" or the initials "CPA.", it must be used or displayed together with and preceding the designation "Certified General Accountant" or the initials "C.G.A.".

**Members of the Board**

B201. The affairs and business of the Association shall be managed and controlled by a Board consisting of:

(a) **fifteen** Members elected or appointed pursuant to these Bylaws; and

(b) **one** person who is not a Member of the Association, appointed during pleasure by the Lieutenant Governor in Council of British Columbia.

B202. For the purposes of these Bylaws the Province shall be divided into **six** districts, namely:

**District 1** - The Counties of Vancouver and Westminster, from which there shall be elected **one** member of the Board to represent the membership in that District and **nine** additional members of the Board to represent the membership at large;

**District 2** - The County of Victoria and that part of the County of Nanaimo from Duncan south, from which there shall be elected **one** member of the Board to represent the membership in that District;

**District 3** - The remainder of the County of Nanaimo from which there shall be elected **one** member of the Board to represent the membership in that District;

**District 4** - The County of Yale, from which there shall be elected **one** member of the Board to represent the membership in that District;

**District 5** - The County of Kootenay, from which there shall be elected **one** member of the Board to represent the membership in that District;

**District 6** - The Counties of Prince Rupert and Cariboo, from which there shall be elected **one** member of the Board to represent the membership in that District.

B203. A Member is eligible to be a candidate for election to the Board from any district if:

(a) the Member is not an employee of the Association;

(b) the Member resides in that district; and

(c) the Member's nomination in writing, proposed by **two** other Members, and the Member's written consent to the nomination have been received by the Secretary at least **forty-five** days prior to the date of the Annual General Meeting.

B204. At all elections a retiring member of the Board is, if otherwise qualified, eligible to be a candidate for re-election, unless:

(a) the member has served as the Past-President during their current term; or

(b) the member has served **two** consecutive **three**-year terms. Eligibility is extended where the member was appointed to a partial term in accordance with Bylaw B220, elected for a partial term or if the member has served as a Vice-President or the President of the Association during the final year of their current term.

In either (a) or (b) above, the member is not eligible to hold office as a member of the Board for the **three** years following the expiry of their term.

B205. Members of the Board shall be elected by ballot. Voting for the candidates shall be as follows:

Candidates to represent each specific district shall be voted on only by the Members residing in that particular District, with the exception of candidates from District 1 who shall be voted on by the membership at large. When a candidate is to be elected to represent District 1, only the ballots from that district shall be counted to determine such representative. Once this determination has been made, all the ballots will be counted to determine the representatives at large.

B206. Elections for the following members of the Board shall be held immediately prior to each Annual General Meeting as provided in these Bylaws, and those members elected shall assume office on January 1st of the year following their election:

(a) **five** members of the Board for a term of **three** years; and

(b) a member or members of the Board to fill any vacancy or vacancies of the Board for the unexpired term or terms of any such vacancy or vacancies.

B207. The Secretary shall, on a date at least **ninety** days prior to the date of the Annual General Meeting, Send or Make Available to each Member who is entitled to vote:

(a) a form of nomination; and

(b) a list of the members of the Board in office, indicating those terms expiring or vacancies to be filled.

B208. If for any vacancy on the Board the number of candidates nominated does not exceed the number to be elected from that District, those candidates shall be elected by acclamation.

B209. The Board may from time to time by resolution adopt and amend policies which are not inconsistent with these Bylaws prescribing the detailed process for election of members of the Board, including:

(a) the method of Sending or Making Available ballots to and receiving ballots from eligible voters;

(b) instructions for the guidance of eligible voters; and

(c) procedures to be followed by an independent third party administering the election process on behalf of the Association ("Election Administrator") in order to safeguard voter anonymity, integrity of the process, accuracy and accountability.

Such policies may include reasonable measures for secure electronic voting for the election of members of the Board.

B210. The Secretary, on a date not more than **forty-five** and not less than **twenty-five** days prior to the date of the Annual General Meeting, shall prepare a list of all Members eligible to vote to elect the Board, as at that date.

B211. The Secretary, not less than **twenty-five** days prior to the date of the Annual General Meeting, shall, by such means as is required or permitted by the policy of the Board, Send or Make Available to each Member whose name appears on the list of eligible voters a ballot with such instruction for the guidance of voters as is required by the policy of the Board.

B212. Each voter shall mark their ballot and submit it to the Election Administrator in accordance with the instructions provided, so that it shall be in the Election Administrator's possession not later than **5:00 p.m.** of the **eighth** day prior to the date of the Annual General Meeting. Any ballot received after that time shall not be counted.

B213. The Board, on a date not less than **ten** days prior to the date of the Annual General Meeting, shall appoint **two** or more persons as independent election auditors ("Election Auditors") who will be responsible for overseeing the validation and counting of ballots and for performing all such further duties in accordance with the policy of the Board. Any independent person shall be eligible for appointment as an Election Auditor. Any person who is a member of the Board, a candidate or an employee of the Association is deemed to be not independent. The Election Auditors may be different from the Auditors of the Association.

B214. The non-receipt of a ballot by a Member of the Association does not invalidate an election.

B215. The Election Administrator shall record the receipt of each ballot on the list of eligible voters, count the votes and provide a report of the results to the Election Auditors.

B216. Not less than **five** days prior to the date of the Annual General Meeting, the Election Auditors shall oversee the validation of the ballots and the counting of the votes and perform all such further duties in accordance with the policy of the Board, including:

(a) reviewing the report from the Election Administrator and reporting the results of the election to the Secretary: and

(b) maintaining control of the ballots until after the Annual General Meeting, at which time the ballots shall be destroyed.

B217. In the event of a tie vote between candidates the Election Auditors shall arrange to have the successful candidate(s) selected by drawing lots. In such a case the procedure for drawing lots and the person to draw the lots shall be at the sole discretion of the Election Auditors.

B218. (a) The list of those candidates elected by vote or by acclamation and signed by the Election Auditors shall be a final and conclusive declaration of the election of the members of the Board.

(b) The Secretary shall report the names of elected candidates to any inquiring Member, and to the Annual General Meeting.

B219. In the event that any district does not elect the requisite number of members of the Board, the Board shall, prior to the commencement of the term of office specified for the vacancy, appoint any Member duly qualified to be elected as a member of the Board from the district. The Member so appointed shall hold office until the last day of the calendar year following the date of such appointment.

B220. When a vacancy occurs in the elected Board for any reason, the Board shall, within **three** months after the occurrence of such vacancy, appoint a Member qualified to fill the vacancy, and the Member so appointed shall hold office as a member of the Board until the last day of the current calendar year following the date of such appointment.

B221. The Board shall, at its next regular meeting, remove a member from the Board when said member:

(a) ceases to be a Member;

(b) ceases to reside in the district the member represents;

(c) being a representative at large, ceases to reside in District 1; or

(d) is determined by a resolution of a **two-thirds** majority of the Board to be in contravention of the governance policies of the Association.

B222. The Board shall annually appoint representatives to the Board and Affiliation Council of CGA-Canada. All representatives must be Members and meet criteria established by the Board.

The duties of a representative shall be to:

(a) attend national and provincial meetings as required;

(b) represent the expressed interests of the Board; and

(c) report regularly to the Board on national activities.

**Board Meetings**

B301. (a) Board meetings shall be held at such times and locations as the Board may determine. For purposes of this Bylaw, meetings are defined as being face-to-face, teleconference and video-conference.

(b) The Board may, as it deems necessary, conduct its business by resolution in writing communicated by any means to all members of the Board. Acceptance of the resolution shall be evidenced in writing and placed with the minutes of the Board.

B302. The President:

(a) may call a meeting of the Board at any time; and

(b) shall call a meeting of the Board upon receipt by the Secretary of a written request that a meeting of the Board be held, such request to be signed by not less than **three** members of the Board. The date of the meeting shall be not later than **two** weeks after the receipt by the Secretary of the written request.

B303. Notice of the time and location of any meeting of the Board shall be Sent or Made Available to each member of the Board not less than **seven** days before the date of such meeting. If all the members of the Board are present, a meeting may be held without notice.

B304. At a meeting of the Board, **eight** members of the Board shall constitute a quorum.

B305. The members of the Board who shall be in office on the **first** day of January following the Annual General Meeting shall meet immediately following the Annual General Meeting to elect a President, a First Vice-President and a Second Vice-President, each of whom shall be members of the Board. The Board shall at the same time appoint a Secretary-Treasurer, or a Secretary and a Treasurer, who need not be members of the Board.

B306. In the event that the election called for in Bylaw B305 cannot be held immediately following the Annual General Meeting, it shall be held at the next meeting of the Board following the Annual General Meeting.

**General Meetings**

B401. An Annual General Meeting of the Association shall be held in each calendar year at a time and location determined by the Board.

B402. The Board shall convene a Special General Meeting of the Association:

(a) when the Board deems it necessary and at such time and location as the Board shall determine; or

(b) within **sixty** days of receipt by the Secretary of the written request of not less than **two hundred** Members, provided that such a request shall specify the resolutions to be proposed and the reasons for the request. The time and location of the meeting shall be determined by the Board.

B403. The Secretary shall Send or Make Available to each Member a notice of the time and location of an Annual General Meeting or a Special General Meeting, such notice to be Sent or Made Available not less than **twenty-five** days before the day of such meeting.

B404. The notice of a Special General Meeting shall state the resolutions to be decided at the meeting and no other business shall be transacted at the meeting, or at any adjournment thereof.

B405. No business shall be transacted at any General Meeting of the Association unless a quorum is present. For this purpose **fifty** Members, personally present, shall constitute a quorum. If within half an hour of the time appointed for the meeting a quorum is not present, then:

(a) in the case of the Annual General Meeting, the meeting shall stand adjourned to such time and location and date fixed by a majority of Members present. At the adjourned meeting the Members present shall constitute a quorum; and

(b) in the case of a Special General Meeting the meeting shall be dissolved.

B406. A Member may be represented at a General Meeting of the Association but at no Board, Committee or other meeting of the Association, by another Member acting as that Member's proxy.

B407. Proxies shall:

(a) be written in the form approved and published by the Board and received by the Secretary at or before **4:00 p.m**. no later than **five** business days before the day of the meeting to which it is to apply;

(b) only be valid for the meeting, or any adjournment thereof, for which they are specifically given;

(c) only be given to specifically named Members but may list up to **four** names to whom the proxy shall be given in order if the Members first named are unable to act;

(d) be limited to a maximum of **five** to be held by any **one** Member; and

(e) be considered withdrawn if the Member, having given a proxy, subsequently attends the meetings for which the proxy was given. A proxy withdrawn may not be re-instated.

B408. Proxies shall not be counted in voting at a General Meeting unless any **five** Members, personally present, demand a poll vote. In this case, the Chair shall determine the procedures for conducting such a poll vote.

B409. The order of procedure at an Annual General Meeting shall be as follows:

(a) minutes of the previous Annual General Meeting and all intervening General Meetings;

(b) correspondence;

(c) reports of Committees;

(d) audited financial statements;

(e) amendments to Bylaws;

(f) results of election of members of the Board;

(g) appointment of Auditors; and

(h) other business.

B410. The procedure of meetings of the Association and the Board shall be governed by Robert's Rules of Order (latest edition), except as these Bylaws may otherwise provide.

B411. Notice of motion amending these Bylaws shall be given to the Secretary not later than **forty-five** days prior to the date of the General Meeting at which they are to be considered. Such notices shall be Sent or Made Available to Members by the Secretary at least **twenty-five** days prior to the General Meeting at which they are to be considered. Notices of motion under this Bylaw shall be in writing and shall state the exact form of the proposed amendment.

B412. The Auditors of the Association shall be appointed for the ensuing year at each Annual General Meeting. Any Member, other than a member of the Board, or the Finance and Audit Committees as appointed by the Board from time to time, shall be eligible for appointment as an Auditor.

**Committees**

B501. There shall be an Executive Committee which shall consist of the President, the First Vice-President, the Second Vice-President, the Secretary, the Treasurer or the Secretary-Treasurer and the immediate Past-President of the Association. The Chief Executive Officer of the Association shall be a non-voting member of the Executive Committee. Additional members of the Board may by resolution of the Board be appointed to the Executive Committee provided always that the number of members on the Executive Committee shall not exceed **seven**. The Board may delegate, with such limitations or conditions as may be deemed necessary, to the Executive Committee any of the administrative powers and duties of the Board except those matters relating to policy or extraordinary expenditure.

B502. The Board shall appoint the Discipline Committee, the Ethics Committee, the Practice Review Committee, the Appeals Committee, the Education Appeals Committee and the Member Readmission Committee, and may appoint such other Committees as may be deemed necessary, all of which Committees may include persons who are not Members of the Association, and shall designate **one** of the members of each Committee as Chair thereof and prescribe the duties and powers of such Committees. No person may be a member of more than one of the Ethics Committee, the Discipline Committee and the Appeals Committee.

B503. (a) The Discipline Committee shall consist of **one** member of the Board who shall be Chair, plus not more than **33** other Members, none of whom may be a member of the Board. Of these other Members, **one** shall be the Vice-Chair. At least **two-thirds** on the members of the Discipline Committee shall be in the practice of public accounting. In addition, at least **one** Lay Member shall be appointed.

(b) No member of the Discipline Committee shall inform the Appeals Committee of any complaint against a Member, Student or Firm of Members or of any particulars relating directly or indirectly thereto.

B504. (a) The Ethics Committee shall consist of **one** Member, who need not be a member of the Board, who shall be Chair, plus not less than **five** other Members, none of whom shall be a member of the Board. Of these other Members, **one** shall be the Vice-Chair. At least **two-thirds** of the members on the Ethics Committee shall be in the practice of public accounting. In addition, at least **one** Lay Member shall be appointed.

(b) No member of the Ethics Committee shall inform the Discipline Committee or the Appeals Committee of any complaint against a Member, Student or Firm of Members or of any particulars relating directly or indirectly to such complaint.

B505. The Practice Review Committee shall consist of a member of the Board who shall be the Chair and **five** other Members, none of whom shall be a member of the Board.

B506. The Member Readmission Committee shall consist of **one** Member, who need not be a member of the Board, who shall be the Chair and **five** other Members, none of whom shall be a member of the Board.

B507. The Appeals Committee shall consist of **three** members of the Board, with a Past-President or a member of the Board who has been a Past-President as Chair and **two** other Board members, **one** of whom is the Lay Member of the Board under B201(b). An alternate member or members of the Board shall be appointed by the Board to serve on the Appeals Committee in the event of the absence or inability to act of **one** or more of the other non-lay committee members. Of the committee members and alternate committee member(s), at least **two** shall be engaged in the practice of public accounting. In the event of the absence or inability to act of the Lay Member of the Board, the Board shall appoint a member of the Law Society of British Columbia to serve on the Appeals Committee for the duration of the particular hearing.

B508. The Education Appeals Committee shall consist of **seven** Members: **two** members from the Board and **five** from the Members at large. The Chair of the Education Appeals Committee shall be one of the **two** appointed members of the Committee from the Board of Governors.

**Education**

B601. Education policies shall be determined by the Board.

B602. The amount and time of payment of fees for the courses and examinations shall be as determined by the Board from time to time.

B603. Regulations implementing approved education policies and related matters shall be determined and published by the Board.

B604. The Board may enter into arrangements with a university or a college in the Province, or with a body of accountants incorporated by act of the government of Canada or of a Province, to provide and administer all or any part of the prescribed courses and examinations.

B605. The Board may establish the practical experience requirements which a Student must obtain before being considered as having completed the course of studies.

B606. (a) A Student shall have the right to appeal the application of the Association's educational and administrative regulations to the Education Appeals Committee. Such appeal must be in writing and must be received by the Director, Education & Student Services within **thirty** days of the date the relevant decision is Sent to the Student.

(b) The Chair of the Education Appeals Committee shall appoint a Panel of **five** members of the Committee, one of whom must be a member of the Board. The Chair of each Panel shall be a member of the Board. A Student shall have the right to appear before the Panel and be represented by a Member, another Student or legal counsel.

(c) Where a Panel member cannot, because of illness or other reasonable cause, act or continue to act, the Chair of the Education Appeals Committee may discharge the Panel member.

(d) Where a Panel member is discharged under paragraph (c) of this Bylaw, the Panel is, as long as the number of Panel members is not less than **three**, properly constituted and the hearing may proceed or continue and a decision may be validly given.

(e) The Education Appeals Committee's ruling on such appeals shall be final.

B607. Students are subject to all Bylaws and to the Code.

**Finance and Administration**

B701. The Head Office of the Association shall be in any organized city or municipality located in the Counties of Vancouver or Westminster. The specific location shall be determined by the Board.

B702. The fiscal year of the Association shall be determined by the Board.

B703. The bank account or accounts and banking business of the Association shall be conducted with a chartered bank, trust company, credit union or other financial institution approved by the Board. Signing authorities shall be determined by the Board.

B704. The Board may from time to time, at their discretion, cause the Association to borrow upon its credit, to issue debentures, or any mortgage or charge, whether specific or floating, or other security on the whole or any part of the property of the Association, both present and future.

B705. The Board shall cause to be kept proper records and accounts of all transactions of the Association.

B706. A copy of the Annual Financial Statements, approved by the Board and certified by the Auditors, shall be Sent or Made Available to each Member not less than **seven** days prior to the Annual General Meeting.

B707. The Board shall determine policies governing payment, hiring, firing and discipline of employees and may delegate administrative authority to senior employees and assign duties to such Officers, employees and Members as they deem appropriate and necessary for the conduct of the business of the Association.

B708. A reasonable allowance to defray the expenses of a Member on authorized business may be made by the Board and paid out of the funds of the Association. The Board shall establish policies determining the reasons and basis for such payments.

B709. The Association may indemnify any member of the Board, Officer, employee or agent of the Association, and the individual's heirs and personal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment in a civil, criminal, or administrative action or proceeding to which the individual is made a party by reason of being or having been a member of the Board, Officer, employee or agent of the Association, including an action brought by the Association.

B710. When, as provided by the Act, a Bylaw has been passed, amended or deleted by the Board, the Board shall:

(a) set an effective date for such passage, amendment or deletion; and

(b) cause notice of such passage, amendment or deletion to be Sent or Made Available to Members and Students within **twenty-one** days after such effective date.

B711. (a) The Seal of the Association shall be in such form as the Board may approve from time to time.

(b) The Seal of the Association shall not be affixed to any document other than membership certificates except by resolution of the Board.

B712. In the event of any vacancy occurring in the position of Auditor, the Board may appoint an Auditor to serve until the next Annual General Meeting.

B713. The official shield and the logo of the Association are the exclusive property of the Association and shall not be used or displayed by Members, except in such manner as may be designated by the Board.

B714. The Board shall have the power from time to time by resolution to appoint any Officer or employee on behalf of the Association either to sign contracts, documents and instruments in writing generally or to sign specific contracts, documents or instruments in writing.

B715. The Board shall have the power and authority to make changes to any Bylaw or Rule relating to grammar, spelling, punctuation or phrasing as the Board in its discretion deems necessary, provided that such changes shall not in any way affect the substantial meaning or intent of such Bylaws or Rules.

B716. The Board shall for the purposes of the *Freedom of Information and Protection of Privacy Act*:

(a) designate a person as the head of the Association;

(b) designate a person as the co-ordinator to perform any duty or exercise any related function; and

(c) set any fees to be paid.

**Chapters and Divisions**

B801. The Board may establish chapters, groupings of chapters, branches or divisions in order to promote the aims of the Association. The Board may establish geographic boundaries or other bases of organization and provide funds for their operation and control their operations in every respect.

B802. For the organizations established under Bylaw B801, policies, fiscal years, structure and any other matters deemed appropriate shall be as determined by the Board from time to time.

**Discipline**

B901. (a) The Bylaws include the Code and establish standards of professional conduct, competence and proficiency to be maintained by Members and Students, and shall be enforced by the Association.

(b) A current or former Member or a Student shall be subject to disciplinary action for any offence which constitutes a breach of any **one** or more of the Act, the Bylaws or the Code.

(c) A current or former Member or a Student who has been convicted of any criminal or similar offence which may cast doubt as to the individual's honesty, integrity or professional competency may be subject to disciplinary action under the Bylaws. In such cases, satisfactory evidence of the conviction issued by any competent court shall be sufficient evidence.

B902. (a) Any person may file a complaint, which shall be in writing, against a current or former Member or a Student alleging a breach of the Act, the Bylaws or the Code by delivering such complaint to the Head Office of the Association or to any Officer or member of the Board. Any such complaint shall immediately be referred to the Chair of the Ethics Committee.

(b) The Chair and the Vice-Chair of the Ethics Committee may decline to investigate a complaint if they are both satisfied that the complaint:

(i) is outside the jurisdiction of the Association;

(ii) is frivolous, vexatious or an abuse of process; or

(iii) does not allege facts that, if proved, would constitute a breach of the Act, the Bylaws or the Code.

in which case the complainant may request that the decision not to investigate be independently reviewed by a Lay Member of the Ethics Committee. Such request shall be in writing and received by the Secretary at the Head Office of the Association within **sixty** days of the mailing or delivery of the decision. In the event of the absence or inability to act of a Lay Member of the Committee, the Lay Member of the Board shall undertake the particular review.

(c) All complaints regarding Continuing Professional Development shall be investigated in accordance with the policies of the Board.

B903. Subject to application of Bylaw B902(b) and B902(c), an investigator of the complaint shall be appointed. The investigator shall have all powers under the Act and may, without limitation, request:

(a) the person who filed the complaint and any witness to:

(i) attend at a meeting;

(ii) give evidence on oath or in any other manner;

(iii) produce records and things in the individual's possession or control; or

(iv) comply with any **two** or more of the above;

(b) the current or former Member or the Student against whom the complaint was filed to:

(i) answer inquiries relating to the investigation; and

(ii) produce any information, record or thing which is relevant to the investigation.

No person shall refuse to comply with a request under paragraph (b) of this Bylaw on the grounds of confidentiality.

All requests from the investigator, under Bylaw B903(b)(ii) shall be in writing. Failure to promptly comply with any request made under Bylaw B903 may result in the Association applying to the British Columbia Supreme Court for an order requiring the person to comply.

B904. (a) After making such investigation as the investigator deems appropriate, the investigator and the Chair of the Ethics Committee shall:

(i) request that a Panel be called to hear the complaint; or

(ii) determine that the complaint is frivolous, vexatious, insignificant or unfounded, in which case the Chair of the Ethics Committee shall so advise, in writing, the person who filed the complaint and the current or former Member or the Student against whom the complaint was filed and no further proceedings shall be taken with regard to the complaint; in which case the complainant may request that the decision be independently reviewed by a Lay Member of the Ethics Committee. In the event of the absence or inability to act of a Lay Member of the Committee, the Lay Member of the Board shall undertake the particular review; or

(iii) determine that the complaint refers to a clear and obvious violation of the Act, the Bylaws or the Code, in which case the Chair of the Ethics Committee may order that:

(A) the Member or Student be required to improve their conduct or competence, or both;

(B) the Member or Student be reprimanded;
(C) the current or former Member be assessed a fine payable to the Association of not more than **$10,000** and the Student be assessed a fine payable to the Association of not more than **$2,000**;
(D) the current or former Member or the Student pay to the Association all or any part of the Costs in connection with the investigation and any proceedings under these Bylaws;
(E) the Member undergo a special practice review and a report of such a review be provided to the Member and the Chair of the Ethics Committee; or
(F) any **two** or more of the above be ordered,

and shall so advise, in writing, the current or former Member or the Student against whom the complaint was filed. Such advice shall apprise the current or former Member or the Student of the individual's rights under paragraph (b) of this Bylaw.

(b) Notwithstanding the above order under paragraph (a)(iii) of this Bylaw, a current or former Member or the Student shall have the right to refuse the decision and request that a Panel be struck to hear the complaint. Such request shall be in writing and received by the Chair of the Discipline Committee at the Head Office of the Association within **twenty-one** days of the mailing or delivery of the advice under paragraph (a)(iii). A duly received request shall not be denied.

(c) Subject to Bylaw B910, unless a Panel has been requested under paragraph (b) of this Bylaw, the Chair of the Ethics Committee shall, at the expiration of the period referred to in paragraph (b), Send or Make Available a summary of the decision to discipline to:

(i) every Member; and

(ii) the complainant.

B905. (a) Should a Panel be struck under Bylaw B904, or a new Panel be struck under Bylaw B908(a)(iv), the Chair of the Discipline Committee or, in the event of the absence or inability to act of the Chair, the Vice-Chair shall select a Panel consisting of **five** other members of the Discipline Committee, **one** of whom the Chair shall designate as Panel Chair and another of whom shall be a Lay member of the Discipline Committee. The Panel shall have all the powers of the investigator under the Act and Bylaw B903 and shall hear the complaint and determine if, in their opinion, the current or former Member or the Student:

(i) has committed an act of professional misconduct;

(ii) has defaulted in the performance of the individual's professional duty;

(iii) is incompetent in professional matters;

(iv) has exhibited a lack of professional integrity or has otherwise behaved in a manner unbecoming to the profession;

(v) has violated any provisions of the Act, the Bylaws or the Code or regulations made by the Board; or

(vi) has been convicted of an offence which reflects adversely upon the individual's character or professional competence, which conviction has not been successfully appealed.

(b) The complaint shall be presented to the Panel by:

(i) the investigator appointed under Bylaw B903; or

(ii) a Prosecutor appointed by the Chair of the Discipline Committee.

(c) The Chair of the Discipline Committee shall fix a time and place to hear the complaint, and shall by registered mail or delivery to the last address known to the Association give at least **twenty-one** days notice of the time and place of the hearing to:

(i) the persons against whom the complaint has been made;

(ii) the persons making the complaint;

(iii) the investigator or the Prosecutor presenting the complaint; and

(iv) at the Chair's discretion, any Member, Student or other person apparently interested in or affected by the complaint whom the Chair reasonably believes could assist the Panel.

(d) The notice of hearing Sent to the persons referred to in paragraphs (c)(i), (c)(ii) and (c)(iii) of this Bylaw shall:

(i) be accompanied by a copy of the complaint and copies of documents to be exhibited in evidence before the Panel; and

(ii) state that each of such persons has the right to appear at the time and place fixed for the hearing and give oral evidence and produce any documents relevant to the complaint.

The notice of hearing Sent to the persons referred to in paragraph (c)(iv) of this Bylaw may request that they attend at the time and place fixed for the hearing and give oral evidence and produce any documents relevant to the complaint under Bylaw B903.

(e) At a hearing, a current or former Member or a Student may be represented by another Member, Student or legal counsel. The investigator or Prosecutor presenting the complaint may be represented by legal counsel. Written notice of such representation shall be received by the Chair of the Discipline Committee at least **ten** days prior to the hearing.

(f) The Panel may:

(i) adjourn a hearing from time to time and reconvene at any designated time and place;

(ii) subject to the rules and principles of natural justice, dispense with the rules of evidence, in whole or in part;

(iii) proceed notwithstanding the absence of any person to whom notice of the hearing has been Sent, including a current or former Member or the Student against whom a complaint has been made;

(iv) retain legal counsel or other advisors;

(v) require any current or former Member or any Student to produce documents relevant to the complaint. All such requests shall be in writing from the Panel Chair and no person shall refuse to comply with this request on the grounds of confidentiality; or

(vi) any combination of **two** or more of the foregoing.

(g) At every hearing the Panel shall cause a record of the proceedings to be made. On request, a copy of such record shall be supplied, at cost, to:

(i) the persons against whom the complaint has been made; or

(ii) the persons making the complaint, provided that they were in attendance at the Panel hearing.

(h) The Panel may request the Practice Review Committee to conduct a review of the practice of the Member against whom a complaint has been made and to provide the report of such review to the Panel.

(i) Where a Panel member cannot, because of illness or other reasonable cause, act or continue to act, the Chair of the Discipline Committee may discharge the Panel member.

(j) Where a Panel member is discharged under paragraph (i) of this Bylaw, the Panel is, as long as the number of Panel members is not less than **three**, and includes a Lay Member of the Discipline Committee, properly constituted and the hearing may proceed or continue and a decision may be validly given.

B906. (a) After the conclusion of the hearing of a complaint against a current or former Member, the Panel may, by majority vote, dismiss the complaint or find it to be proved in which event the Panel may order that the:

(i) Member be required to improve conduct or competence, or both, pursuant to the directions of the Panel;

(ii) Member be reprimanded;

(iii) Member be suspended from membership for a period not exceeding **two** years;

(iv) former Member be barred from reinstatement for a period not exceeding **two** years;

(v) Member be expelled from membership;

(vi) current or former Member be assessed a fine payable to the Association of not more than **$10,000**;

(vii) current or former Member pay to the Association all or any part of the Costs in connection with the investigation, hearing and any proceedings;

(viii) Member be suspended from registration or be prohibited from registering as a Member or Firm engaged in the practice of public accounting;

(ix) the Member undergo a special practice review and a report of such a review be provided to the Member and the Chair of the Discipline Committee; or

(x) any combination of **two** or more of the foregoing.

(b) After the conclusion of a hearing of a complaint against a Student, the Panel may, by majority vote, dismiss the complaint or find it to be proved in which event the Panel may order that the:

(i) Student be required to improve conduct or competence, or both, pursuant to the directions of the Panel;

(ii) Student be reprimanded;

(iii) Student be suspended from enrolment for a period not exceeding **two** years;

(iv) Student's name be removed from enrolment as a CGA Student for a specified period of time;

(v) Student be assessed a fine payable to the Association of not more than **$2,000**;

(vi) Student pay to the Association all or any part of the Costs in connection with the investigation, hearing and any proceedings under the Bylaws;

(vii) any combination of **two** or more of the foregoing.

(c) When making an order under Bylaw B906(a) or (b) a Panel shall, at the same time, make an order as to the consequences of the failure to comply with the initial order. These consequential orders may include orders that the:

(i) Member be suspended from membership for a period not exceeding **two** years;

(ii) former Member be barred from reinstatement;

(iii) Member be expelled from membership;

(iv) current or former Member be assessed a fine payable to the Association of not more than **$10,000**;

(v) Student be suspended from enrolment for a period not exceeding **two** years;

(vi) Student's name be removed from enrolment as a CGA Student for a specified period of time;

(vii) Student be assessed a fine payable to the Association of not more than **$2,000**; or

(viii) any combination of **two** or more of the foregoing.

(d) (i) The Chair of the Discipline Committee shall have recorded the decisions of the Panel in writing and shall Send by registered mail or delivery to the last address known to the Association a copy of such decision, signed by the Chair, to the persons against whom the complaint was made.

(ii) The Chair of the Discipline Committee shall have recorded the decisions of the Panel in writing and shall Send a copy of such decision, signed by the Chair, to each member of the Panel.

(e) Subject to Bylaw B910 unless an appeal has been filed under Bylaw B907(a), the Chair of the Discipline Committee shall, at the expiration of the period referred to in Bylaw B907(a), Send or Make Available a summary of every decision of the Panel to:

(i) every Member; and

(ii) any other association or body which, in the opinion of the Board, should be so informed.

(f) The Chair of the Discipline Committee shall inform the investigator or the Prosecutor presenting the complaint and the complainant, in writing, of the decisions of the Panel:

(i) immediately upon dismissal of a complaint against a current or former Member or the Student; or

(ii) after the expiration of the appeal period referred to in Bylaw B907(a), providing that no appeal has been filed.

(g) If, after the conclusion of a hearing, a Panel cannot reach a decision, the Chair of the Discipline Committee may appoint a new Panel pursuant to Bylaw B905 to hear the matter.

B907. (a) The current or former Member or the Student against whom a complaint has been proved or their legal counsel may, within **twenty-one** days of the date of the mailing or delivery of the decisions of the Panel, appeal the decisions of the Panel to the Appeals Committee by giving written notice of such appeal to the Secretary at the Head Office of the Association. Specific reasons for the appeal shall be included with the written notice of appeal.

(b) Upon receipt of a notice of appeal under paragraph (a) of this Bylaw, the receipt of notice shall operate as a stay of the decisions of the Panel, except for a suspension, expulsion or bar from reinstatement. The Panel may, upon application from the Member, lift such suspension, expulsion or bar from reinstatement where it is deemed not necessary for the protection of the public.

(c) Upon receipt of a notice of appeal under paragraph (a) of this Bylaw the Appeals Committee shall refer the matter to an appeal hearing.

(d) Upon an appeal being referred to an appeal hearing pursuant to paragraph (c) of this Bylaw, the Secretary shall forthwith Send by registered mail or delivery to the Appeals Committee, to the current or former Member or the Student appealing the decisions of the Panel, or their legal counsel and to the investigator or the Prosecutor presenting the complaint and the complainant:

(i) the notice of appeal, including the specific reasons for the appeal and all accompanying documents;

(ii) a summary of the complaint;

(iii) a copy of the decisions of the Panel appealed from;

(iv) a record of the oral evidence heard by the Panel;

(v) the documents or copies thereof exhibited in evidence before the Panel; and

(vi) notice of the time and place fixed for the appeal hearing.

(e) An appeal shall be heard by the Appeals Committee on the evidence contained in the record and documents referred to in paragraph (d) of this Bylaw and such additional evidence as the Appeals Committee may permit to be adduced.

(f) The current or former Member or the Student or legal counsel appealing the decisions of the Panel, the investigator or Prosecutor presenting the complaint, the complainant and any witnesses shall have the right to appear at the time and place fixed for the appeal hearing.

(g) At an appeal, a current or former Member or a Student appealing the decisions of the Panel, may be represented by another Member, Student or legal counsel. The investigator or the Prosecutor presenting the complaint and the complainant may be represented by legal counsel. Written notice of such representation shall be received by the Secretary at least **ten** days prior to the appeal hearing.

(h) The Appeals Committee may:

(i) adjourn an appeal hearing from time to time and reconvene at any designated time and place;

(ii) subject to the rules and principles of natural justice, dispense with the rules of evidence, in whole or in part;

(iii) proceed notwithstanding the absence of any person to whom notice of the appeal hearing has been Sent, including a current or former Member or a Student who is a party to the appeal;

(iv) retain legal counsel on its own behalf;

(v) direct the Panel to reconsider the matter either generally or on a particular issue and may withhold its decision pending the finding of the Panel; or

(vi) any combination of **two** or more of the foregoing.

B908. (a) At the conclusion of an appeal, the Appeals Committee may by majority vote:

(i) allow or dismiss the appeal;

(ii) vary any order imposed by the Panel;

(iii) direct the Panel to reconsider the matter either generally or on a particular issue; or

(iv) order the Discipline Committee to strike a new Panel to hear the complaint.

(b) The Appeals Committee shall forthwith Send by registered mail or delivery to the last address known to the Association a copy of every decision of the Appeals Committee under this Bylaw to:

(i) the Chairs of the Ethics Committee and the Discipline Committee; and

(ii) the person against whom a complaint had been proved and was the subject of the appeal.

(c) Subject to Bylaw B910, the Appeals Committee shall, within **thirty** days, after complying with paragraph (c) of this Bylaw, Send or Make Available a summary of every decision of the Appeals Committee under this Bylaw to:

(i) every Member;

(ii) the complainant;

(iii) the investigator or the Prosecutor presenting the complaint; and

(iv) any other association or body which, in the opinion of the Appeals Committee, should be so informed.

B909. (a) Notwithstanding anything in Bylaws B901 to B908, the Board may suspend or expel a Member and may remove from enrolment as a CGA Student the name of a Student who:

(i) makes an assignment in bankruptcy, is declared a bankrupt or who takes the benefit of any statutory provision for insolvent debtors; or

(ii) is declared by a court to be incompetent by reason of being unable to manage their affairs.

(b) A Member or Student who makes an assignment in bankruptcy, is declared a bankrupt or who takes the benefit of any statutory provision for insolvent debtors shall inform the Association in writing forthwith.

B910. The name of a Member reprimanded, suspended or expelled from membership, or a former Member fined or barred from reinstatement, or a Student reprimanded, suspended or removed from enrolment as a CGA Student, shall be included in all decisions and published in such manner as the Board may determine.

B911. The Ethics Committee may, from time to time, establish procedures not inconsistent with these Bylaws for the conduct of investigations. The Discipline Committee may, from time to time, establish procedures not inconsistent with these Bylaws for the conduct of hearings, and the Board may similarly establish procedures for the conduct of appeals.

**Public Practice**

B1001. Public Practice policies shall be determined by the Board.

B1002. The Practice Review Committee shall:

(a) cause a practice review to be conducted within **twelve** months of initial registration of every Member registered as a Registered Public Practitioner;

(b) cause a practice review to be conducted at least once every **three** years of every Registered Public Practitioner; and

(c) report on the findings of the practice review.

B1003. On request of a Panel of the Discipline Committee, the Practice Review Committee shall conduct a review of a Member and report to the Member and the Panel on the individual's professional standards.

B1004. The Practice Review Committee shall file a complaint to the Ethics Committee regarding any Member who does not comply with the changes required by the Practice Review Committee within the time specified.

B1005. Practice reviews shall be conducted by Members engaged or employed for that purpose.

B1006. The Practice Review Committee shall have the power to require a Registered Public Practitioner to:

(a) produce any books, documents, working or other papers in the individual's possession, custody or control except financial records for the practice under review; and
(b) meet the level of practice standards as recommended by the Association.

Where a Panel orders a review of a Member's practice under Bylaw B905(h), no records are excluded.

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

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THE CODE OF ETHICAL PRINCIPLES AND RULES OF CONDUCT provides the standard that accountants must use to make their professional judgments. This Code sets out the minimum standard of acceptable behavior. They govern our lives, both professionally and personally. As members, we are bound to uphold them. There are seven principles contained in the Code. Each principle has a set of related Rules of Conduct that are more specific. The Rules of Conduct provide very clear statements of required or prohibited behavior in specific situations.

**If you have any questions about the Code of Ethical Principles and Rules of Conduct, please contact Edward Tanaka – Manager, Regulatory Practices.**

AS AT SEPTEMBER 20, 2014

CGA
Certified General Accountants
Association of British Columbia

## Code of Ethical Principles and Rules of Conduct

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**Definitions**

# Code of Ethical Principles
# and Rules of Conduct

## Preamble

The Certified General Accountants' Associations in Canada have adopted a uniform *Code of Ethical Principles and Rules of Conduct* developed by CGA-Canada. The CGA-Canada Code of Ethics provides uniform rules and principles of professional conduct and ethics by which members will conduct themselves in discharging their professional duties and responsibilities.

The Certified General Accountants Association of British Columbia has established additional rules in accordance with the Association's Bylaws. These rules apply to Members and Students of the Certified General Accountants Association of British Columbia. Any Member or Student who contravenes any of these rules and/or principles shall be accountable to the Ethics Committee and the Board of Governors of the Association.

Certified General Accountants shall always be mindful of their responsibilities as members of the accounting profession, and shall carry on their work with fidelity to Clients or employers, with fairness to employees and with loyalty to the Association, in a manner worthy of a professional accountant. It is expected that a Member shall encourage and assist Students in their professional development and in obtaining experience and proficiency required for membership.

A professional organization and its members are granted the legal right by society to organize themselves, to control entrance into the profession, and to formulate standards of behaviour governing its members. In return for this right, members of the profession are to act in the interest of society and its members. Provincial and Federal Acts, and the *Code of Ethical Principles and Rules of Conduct* formalize this arrangement. In order to fulfil this responsibility, professionals must have a number of important character traits, as well as the skill to make expert technical and moral judgments which serve the interest of society.

Certified General Accountants thus have an important role to play in society. In the performance of that role, many of a professional's actions have an effect on the welfare of other people. Because of their social responsibilities, members of a profession are obligated to act in the interest of these other parties, who have a stake in the nature and quality of professional activities. These stakeholders include employers, clients, various identifiable third parties, and the public at large. Therefore, the professional organization and its members have a stake in the performance of individual members. The *Code of Ethical Principles and Rules of Conduct* applies to the behaviour of Members of the Association when they either perform the role of a professional accountant or represent themselves as Members of the Association.

The role of a CGA is broad and general. It is defined in two ways: first, by specifying the tasks which accountants characteristically perform and second, by specifying the parties who are to benefit from the performance of those tasks and how professional accountants should act in order to benefit them.

The characteristic tasks performed by Certified General Accountants include the production, analysis, and distribution of information, in addition, the provision of ancillary services related to the core expertise in accounting. The *Code of Ethical Principles and Rules of Conduct* governs the CGA's actions in the performance of these tasks.

Certified General Accountants are committed to providing Professional Services competently and with due care. This requires extensive knowledge and experience, and the ability to make appropriate judgments. Competence and due care imply the necessity and ability to make ethical judgments. In addition, CGAs are committed to improving the quality of Professional Services and the Profession itself.

Certified General Accountants are committed to the public interest. Normally, acting in the public interest is achieved by acting in the interest of one's Client or employer. However, whenever there is a conflict between these interests, the professional's first obligation is to the public at large. Acting appropriately in such situations may require the courage of one's convictions.

By virtue of their commitment to the public interest, Certified General Accountants owe an obligation to other parties. In order to satisfy that obligation, two elements of character are crucial to Members of the CGA Profession. They must act with integrity and be trustworthy. Acting with integrity means that they are committed to a high standard of behaviour and strive to achieve it in their work. It implies the highest standard of behaviour, and thus exceeds the minimum allowable under laws, regulations, or specific professional pronouncements. Trustworthiness means that others may safely put themselves in a position in which a CGA is expected to help them. Integrity and trustworthiness imply the possession of other character traits, including honesty, prudence, competence, loyalty to the proper beneficiaries of their actions and objectivity. Objectivity in turn requires that Certified General Accountants should be truthful and impartial, and should act fairly with regard to the interests of themselves and others.

Certified General Accountants are also committed to avoiding conflicts of interest. When a situation arises in which a conflict either cannot be avoided, or it is undesirable to avoid from the beneficiaries' point of view, disclosure of the conflict (and consent of the beneficiaries) is necessary. Furthermore, CGAs are committed to protecting the confidentiality of information about their Client or employer which they obtain or produce in the course of performing their role. This protection, however, is not absolute.

Certified General Accountants are committed to acting in accordance with all applicable legal and professional standards. In situations where violation of some standard occurs, the burden of proof is on the CGA to show why such an action is justifiable.

The standards of conduct contained in the *Code of Ethical Principles and Rules of Conduct* provide standards of acceptable behaviour of Association Members. They apply to all Members of the Association, and extend to Students (except where the wording of any rule makes it clear that it specifically relates to Members only). These standards take the form of Ethical Principles and Rules. Some of the basic principles apply to all CGAs; others relate specifically to the role which Members play when they provide Professional Services. They provide a positive guide to Members of the Association in their professional activities to help them make judgments about how they ought to act. They also provide a basis for enforcing a minimum level of acceptable behaviour.

The most important part of this document is the *Code of Ethical Principles*. They provide the ethical standards in accordance with which accountants are to make their professional judgments. The *Rules of Conduct* provide clear statements of required or prohibited behaviour in specific situations. They are appropriate in areas in which the standard of acceptable behaviour is either vague or sufficiently important to formulate a written standard.

This *Code of Ethical Principles and Rules of Conduct* is structured so that the *Ethical Principles* are relatively general and only rarely subject to revision. As the Profession and its environment change, it is anticipated that the *Rules of Conduct* will be amended occasionally by addition, modification, and deletion, as warranted.

## Code of Ethical Principles and Rules of Conduct

### Ethical Principles

### 1. Responsibilities to Society

Members have a fundamental responsibility to safeguard and advance the interests of society. This implies acting with trustworthiness, integrity and objectivity. This responsibility extends beyond a Member's own behaviour to the behaviour of colleagues and to the standards of the Association and the Profession.

### 2. Trust and Duties

Members shall act in the interest of their Clients, employers and interested third parties, and shall be prepared to sacrifice their self-interest to do so. Members shall honour the trust bestowed on them by others, and shall not use their privileged position without their principal's knowledge and consent. Members shall avoid conflicts of interest.

### 3. Due Care and Professional Judgment

Members shall strive to continually upgrade and develop their technical knowledge and skills in the areas in which they practice as professionals. This technical expertise shall be employed with due professional care and judgment.

### 4. Deceptive Information

Members shall not be associated with information which the Member knows, or should know, to be false or misleading, whether by statement or omission.

### 5. Practice of the Profession

Members shall act openly and fairly towards others in the practice of their Profession.

### 6. Responsibilities to the Profession

Members shall always act in accordance with the duties and responsibilities associated with being Members of the Profession, and shall carry on work in a manner which will enhance the image of the Profession and the Association.

### 7. Independence

Members shall be free of any influence, interest or relationship in respect of a Client's affairs that impairs the Member's professional judgment or objectivity or that, in the view of a reasonable observer, may have that effect.

## Rules of Conduct

The *Rules of Conduct* provide specific statements of the minimum standards of acceptable professional behaviour. They provide clear statements about specific ethical issues, but do not exhaust the range of enforceable ethical standards. They are organized under the headings of the *Ethical Principles* to which they apply. The *Rules of Conduct* also provide guidance concerning the application of the rules to certain specific situations. A Member shall, when encountered with a circumstance or relationship not explicitly addressed in the *Code of Ethical Principles and Rules of Conduct*, comply with the ethical principles when evaluating the specific facts. The Member shall be alert for such circumstances and relationships.

## Responsibilities to Society

Members have a fundamental responsibility to safeguard and advance the interests of society. This implies acting with trustworthiness, integrity and objectivity. This responsibility extends beyond a Member's own behaviour to the behaviour of colleagues and to the standards of the Association and the Profession.

**R101 Discredit**

A Member shall not permit the Member's Firm name or the Member's name to be used with, participate in or knowingly provide services to any practice, pronouncement or act which the Member knows, or which a Reasonable and Informed Third Party would believe, would be of a nature likely to discredit the Profession.

**R102 Unlawful Activity**

A Member shall not permit the Member's Firm name or the Member's name to be used with, participate in or provide services to, any activity which the Member knows, or which a Reasonable and Informed Third Party would believe, to be unlawful.

**R103 Discrimination**

A Member shall not discriminate against a person for any reason, including but not limited to the race, colour, sex, sexual orientation, age, religion, national extraction or social origin of such person.

**R104 Breach of Rules**

(a) A Member shall, having identified their own breach of the Code, take whatever action that might be appropriate, as soon as possible, to satisfactorily address the consequences of the breach, including reporting the breach to those who may have been affected by the breach.

(b) A Member shall, subject to Rule 104.1, Rule 104.2, Rule 104.3, R105 and Rule R201, notify the Association of any breach of the Code by another Member, or any other situation of which the Member has sufficient knowledge which appears to put in doubt the competence, reputation or integrity of Members.

**R104.1 Member Advisor**

A Member or other person appointed by the Association as a Member Advisor, or to a similar position, shall be exempt and prohibited from reporting under these rules any matter of which the appointee becomes aware in the course of the duties incumbent in such a position.

**R104.2 Practice Review Committee**

A Member shall, when appointed by the Association to a Practice Review Committee, or engaged by such a Committee to conduct a practice review, be exempt and prohibited from reporting under these rules any matter of which the Member becomes aware in the course of Association-related duties except when:

(a) the Practice Review Committee files a complaint relating to a breach of these rules; or

(b) the practice review was made on request of a Panel of the Discipline Committee.

**R104.3 Disclosure Prohibited by Law**

A Member shall be exempt and prohibited from reporting under Rule R104 where the disclosure of such matters is otherwise prohibited by law.

**R105 Criticism of a Professional Colleague**

A Member shall not criticize another Professional Colleague without first submitting this criticism to that colleague for explanation. Where the criticism may result in a complaint against the colleague being lodged with the Ethics Committee, the Member must, where required, first submit that criticism in writing to the colleague for explanation. The Member thereafter shall inform that colleague as to the action the Member has taken concerning the criticism. The lodging of an ethics complaint against a Professional Colleague is considered a criticism under Rule R105.

**R105.1 Notice Waived**

Notwithstanding Rule R105, a Member may first submit a criticism of another Professional Colleague to the Association should the matter be considered of such a nature that prior written notice to that colleague is not appropriate.

**R106 Reporting of Acts Detrimental to the Profession**

A Member shall report to the Association any situation of which the Member has sufficient personal knowledge and which the Member thinks may be detrimental to the Profession.

**R107 Compatible Activities**

A Member may engage in any profession, trade, industry, office or duty except where these undertakings are detrimental to the public good or to the standards of the Profession.

**R107.1 Professional Practice other than Public Accounting**

A Member engaged in the Practice of Public Accounting may carry on a business or practice, other than public accounting, through an organization separate and distinct from such public accounting practice, either as a proprietor or partner, or as a director, officer or shareholder of a corporation, and may associate with non-members for this purpose, in accordance with the policy of the Association and subject to the following provisions:

(a) the business or practice shall not be designated “Certified General Accountant(s)”; and

(b) no reference to any such business or practice may be made in the letterheads, name plates, professional cards or announcements of the public accounting practice, nor may reference be made to the public accounting practice in the letterheads, name plates, professional cards or announcements of any such business or practice.

**R107.2 Constraints on a Professional Practice other than Public Accounting**

A Member engaged in a Professional Practice other than public accounting but not also engaged in the Practice of Public Accounting may, in carrying on such a practice, conduct these affairs (or the firm's or corporation's affairs) free of the constraints imposed upon Members engaged in the Practice of Public Accounting, but not in such a fashion as to bring disrepute on the Profession or the Association.

**R107.3 Referral for a Commission**

A Member practising as described in Rule R107.2 shall not refer a Client for services to another Member or Firm engaged in the Practice of Public Accounting for a commission or other compensation.

**R107.4 Use of Normal Business Methods**

A firm or corporation carrying on a business or practice as described in Rule R107.1 may use normal business methods to solicit business for its own functions, but such methods may not be used, or appear to be used, for the solicitation of Clients for the public accounting practice with which the Member is associated.

**R108 Conduct Unbecoming**

A Member or Student shall not, while acting in a professional capacity or otherwise, engage in misconduct of a reprehensible or serious nature which reflects on the Member's or Student's honesty, integrity, or trustworthiness or, is relevant to the person's suitability as a member of the Profession.

## Trust and Duties

Members shall act in the interest of their Clients, employers and interested third parties, and shall be prepared to sacrifice their self-interest to do so. Members shall honour the trust bestowed on them by others, and shall not use their privileged position without their principal's knowledge and consent. Members shall avoid conflicts of interest.

**R201 Confidentiality**

A Member shall not disclose or use any confidential information acquired as a result of professional or business relationships, without proper and specific authority:

(a) concerning the affairs of any Client, former Client, employer or former employer; or

(b) where the Member provides or has provided service in a voluntary position where confidentiality is implied, expected or required

except as described in Rules R201.1, R201.2 and R201.3.

**R201.1 Mandatory Disclosure**

A Member shall disclose confidential information:

(a) where disclosure is compelled by a process of law or by a statute; or

(b) where such information is required to be disclosed by the Board or any committees of the Association in the proper exercise of their duties.

**R201.2 Discretionary Disclosure**

A Member is not prohibited from disclosing confidential information where a Member becomes aware of apparent or suspected criminal activity. Before making such a disclosure, a Member should obtain advice from a member of the appropriate provincial or territorial law society as to the Member's duties and obligations as a citizen in the context of the Member's professional activities. A Member so doing shall not be in violation of this rule regarding confidentiality by reason only of the seeking or following of such legal advice or reporting.

**R201.3 Confidentiality by a Person Contracted by a Member**

A Member engaged to perform a particular service may contract for the services of a person not employed by the Member to assist in the performance of that service provided:

(a) consent is first obtained from the Client; and

(b) the Member obtains agreement in writing from the person contracted, to preserve the confidentiality of any information used for the purposes of the engagement, and not to make use of such information other than as required in the performance of such services.

**R202 Compilation Engagements**

A Member may issue a Notice to Reader as long as appropriate disclosure of any interest, influence or relationship between the Member and the Client is made in the Notice to Reader.

**R203 Not-for-Profit Organizations**

A Member providing audit or review services to a not-for-profit organization may accept an honorary or advisory position other than as an officer or director with such not-for-profit organization as long as the Member does not assume administrative or financial responsibilities or make decisions affecting the management of the organization.

**R204 Resolution of Conflicts of Interest**

Subject to Rules R507, R516 and R521:

(a) A Member shall inform a Client or employer of any business connections, affiliations and interests of which the Client or employer might reasonably expect to be informed. For Members engaged in the Practice of Public Accounting, it may not be necessary to disclose Professional Services that the Member may be rendering or proposing to render to other Clients.

(b) A Member shall not, when acting on behalf of a Client or employer, bargain for the Member's own use any fee, remuneration or benefit from a third party without the Client's or employer's written consent.

(c) When recommending or selling a service or product, a Member shall clearly disclose in writing to the Client:

(i) any conflict of interest the Member may have regarding the service or product; and

(ii) any fees, commissions, profit or benefit the Member may receive regarding the service or product, except where it is normal industry practice for the Member to receive a fee, commission, profit or benefit.

(d) A Member shall, when rendering advice to two or more Clients who are parties to the same transaction, inform each of the Clients in writing that the Member's services have been retained by other parties to the transaction and that the Member may derive fees from such parties. Each party to the transaction must also be advised in writing that confidential information obtained may be disclosed to other parties to the transaction. In addition, each party to the transaction must provide written consent to the Member acknowledging these terms.

**R204.1 (Removed September 18, 2010)**

**R204.2 (Removed September 18, 2010)**

**R205 Information Used for Personal Advantage**

A Member shall not, without an employer's or Client's consent, use confidential information relating to the business of the Member's employer or Client to directly or indirectly obtain a personal advantage. Without limiting the foregoing, Members shall not make unauthorized use of confidential information relating to an employer's or Client's affairs obtained in the course of the Member's duties by taking any action, such as directly or indirectly acquiring any interest, property or benefit.

**R206 Custody of Client Assets**

Members who handle money or other property in trust shall do so in accordance with the terms of the trust and the general law relating to trusts. These Members shall maintain such records as are necessary to account properly for the money or other property.

**R206.1 Money or Other Assets Held in Trust**

All money held in trust shall be kept in a separate trust account or accounts in any bank, credit union or trust company subject to the terms under which the money is held. All income earned by the trust is the property of the trust. All trust records shall be reconciled on a monthly basis. Members entrusted with money (or other assets) belonging to others shall:

(a) keep such assets separately from personal or firm assets;

(b) use such assets only for the purpose for which they are intended;

(c) at all times, be ready to account for those assets and any income, dividends or gains generated, to any person entitled to such accounting; and

(d) comply with all relevant laws and regulations relevant to the holding and accounting for such assets.

**R207 Conflicts of Interest**

(a) A Member engaged in the Practice of Public Accounting or a Member in business may be faced with a conflict of interest when undertaking a Professional Service. A conflict of interest creates a threat to objectivity and may create threats to other ethical principles. Such threats may be created by:

(i) conflicts between the interests of two or more parties for whom the Member undertakes Professional Services; or

(ii) conflicts between the interests of the Member and the interests of a party for whom the Member undertakes a Professional Service.

(b) A Member engaged in the Practice of Public Accounting shall not undertake a Professional Service unless the following conditions are met:

(i) the Member does not act in an advocacy role for one client by assuming an adversarial position against the other client;

(ii) specific mechanisms are in place to prevent disclosure of information between engagement teams serving two clients; and

(iii) the Member is satisfied, weighing all the specific facts and circumstances, that a Reasonable and Informed Third Party would conclude that it is appropriate for the Member to perform the Professional Service in the particular circumstances.

If safeguards cannot eliminate the threat to objectivity and any threat to compliance with other ethical principles created by a conflict of interest or reduce it to an acceptable level, the Member shall decline to perform or discontinue the professional service that could result in the conflict of interest; or terminate certain relationships or dispose of certain interests to eliminate the conflict.

**R207.1 Identifying Conflict**

A Member shall take reasonable steps to identify circumstances that might create a conflict of interest. When identifying and evaluating the interests and relationships that might create a conflict of interest and implementing safeguards, when necessary, the Member shall take into account whether a Reasonable and Informed Third Party would be likely to conclude, weighing all the specific facts and circumstances available to the Member at that time, that compliance with the ethical principles is compromised.

In identifying whether a conflict of interest exists or may be created, and evaluating the significance of any threat to objectivity or compliance with other ethical principles, a Member shall:

(a) understand the nature of the relationships between the parties involved and any relevant interests;

(b) understand the nature of the service and its implications for relevant parties;

(c) evaluate the significance of relevant interests or relationships.

(d) evaluate the extent to which a professional service performed for more than one party may result in a conflict of interest; and

(e) where engaged in the Practice of Public Accounting, evaluate any potential conflicts of interest that the Member has reason to believe may exist due to interests or relationships of a network firm, taking into account factors such as the nature of the Professional Service provided and the parties serviced, and the geographic locations of all relevant parties.

**R207.2 Addressing Conflict**

The Member shall evaluate the significance of the threat to objectivity and any threat to compliance with other ethical principles created by a conflict of interest and shall apply safeguards, when necessary, to eliminate the threat or reduce it to an acceptable level. It is generally necessary to disclose the nature of the conflict to all known relevant parties and to obtain written consent from such parties to perform the Professional Service. In certain circumstances consent may be implied by the party's conduct in keeping with common commercial practice. If consent is obtained verbally or is implied by the party's conduct, the Member is encouraged to document such consent. In certain circumstances, requesting consent would in itself result in a breach of confidentiality.

## Due Care and Professional Judgment

Members shall strive to continually upgrade and develop their technical knowledge and skills in the areas in which they practice as professionals. This technical expertise shall be employed with due professional care and judgment.

**R301 Competence**

A Member shall sustain professional competence by keeping informed of, and complying with, developments in the acknowledged standards of the Profession in all areas in which the Member practises or is relied upon because of the Member's Profession.

**R302 Professional Development**

A Member shall undertake continuing education and professional development activities in accordance with the standards and policies established by the Association.

**R303 Adherence to Acknowledged Principles and Standards of Professional Practice**

Members shall adhere to acknowledged principles and standards of Professional Practice. This phrase expresses a wide meaning, namely that body of principles and practices which have been generally adopted by the Profession and which are applied in the preparation of Financial Statements, taken together with the requirements of any governing statutes, subject to (e) below. That is, a Member shall adhere to:

(a) Canadian generally accepted accounting principles within financial reporting standards unless departure from these principles is fully disclosed;

(b) Canadian generally accepted auditing standards or general review standards in an attest engagement;

(c) accounting and auditing practices that differ from those recommended by the Association, provided that there is substantial authoritative support for alternative treatment and the departure from the Association's recommendations is disclosed;

(d) accounting and auditing practices not specifically dealt with by the Association but which are otherwise generally accepted;

(e) requirements of any governing act or regulation, providing, however, in the event that there is a conflict between the accounting and auditing standards of the Profession and a specific statutory or regulatory requirement, the Member shall make appropriate qualification in the report; and

(f) accounting and auditing practices and standards recommended by the Association, including those found in:

(i) the CGA-Canada *Public Practice Manual;*

(ii) the *CGA Independence Standard;* and

(iii) the *CICA Handbook*; wherein references to the Rules of Conduct/Code of Ethics of the provincial institutes/Ordre appear, this should be read as the *CGA-BC Code of Ethical Principles and Rules of Conduct*.

**R304 Terms of Engagement**

(a) A Member shall state clearly in writing to a Client the nature and scope of services to be rendered under the terms of the engagement.

(b) Rule 304(a) does not apply if the engagement is solely to prepare and/or file a personal tax return.

**R305 Sufficient Information**

A Member shall not permit the Firm name or the Member's name to be used with any Communication or recommendation concerning Financial Information unless the Member has considered all the information required to support such Communication or recommendation.

**Deceptive Information**

Members shall not be associated with information which the Member knows, or should know, to be false or misleading, whether by statement or omission.

**R401 Communication Issued in Connection with Financial Information**

A Member shall not issue a Communication on any Financial Information, whether for publication or not, when the information is prepared in a manner which might tend to be misleading.

**R402 Association with Financial and Other Information**

A Member shall not sign or be associated with any letter, report, statement, representation, Financial Statement or tax filing, whether written or oral, which the Member knows, or should know, is false or misleading, regardless of any disclaimer of responsibility.

**R402.1 Employer/Employee Conflicts**

It is recognized that, under exceptional circumstances, compliance with Rule R402 may place a Member in a difficult position vis-à-vis the Member's employer. Nevertheless, it is a breach of professional duty if the Member becomes associated with any letter, report, statement, representation, Financial Statement or tax filing, whether written or oral, which the Member knows, or should know, is false or misleading.

**R403 Known Omission**

A Member shall disclose any fact or information known to the Member which is not disclosed in the Financial Information, the omission of which would make that information misleading.

**R404 Material Discrepancy**

A Member shall immediately disclose any material discrepancy that becomes known to the Member concerning Financial Information on which the Member has issued a Communication, or with which the Member is associated.

## Practice of the Profession

Members shall act openly and fairly towards others in the practice of their Profession.

**R501 Unfair Methods of Competition**

A Member shall not engage in unfair methods of competition in providing quotes or obtaining customers. Unfair methods of competition include, but are not limited to, price fixing and conspiring to allocate customers.

**R502 Impairment of Incumbent Accountant**

(a) A Member engaged in the Practice of Public Accounting, when not limited or restricted in writing by the terms of the assignment, shall, before commencing any special assignment for a client of another Public Accountant, first notify such accountant of the assignment.

(b) A Member shall not, when accepting a special assignment (whether by referral or otherwise) from a client of an accountant who is continuing in the relationship with that client, take any action which would tend to impair the position of the other accountant in the ongoing work with that Client.

**R503 Services Provided on Referral**

A Member shall not, when receiving a special assignment for services by referral from another accountant, provide or offer to provide any different services to the referring accountant's client without the consent of the referring accountant. The referring accountant, if a Member, shall not unreasonably withhold such consent.

**R504 Replacement**

(a) A Member engaged in the Practice of Public Accounting shall, before accepting an appointment to replace another professional accountant or Firm, inquire from such other professional accountant or Firm in writing whether there is any professional reason why such appointment should not be accepted.

(b) When a Member who is a sole proprietor engaged in the Practice of Public Accounting dies, other Members should, for a reasonable period of time, continue to consider the clientele as being served by an accountant. It is recognized that some time may be necessary for the estate of the deceased Member to arrange for a proper sale of the practice. It is also recognized that, in some cases, Clients may require immediate service and may not be able to await the orderly disposal of the practice. Any Member who is approached to take over the account of a prospective Client who had been served by a deceased Member, shall communicate with the Association before agreeing to assume the account.

**R505 Takeover**

(a) A Member engaged in the Practice of Public Accounting shall respond promptly to takeover letters received from other professional accountants. There must be readiness to co-operate with the successor, recognizing that the Client's interests are paramount. Provided all outstanding billings have been paid, the Member shall supply reasonable information to the successor accountant about the work being assumed.

(b) A Member shall transfer to the Client, or on the Client's instructions, to the newly appointed accountant, all books and documents belonging to the Client, which are in the Member's possession.

**R506 Fees**

A Member or Firm engaged in the Practice of Public Accounting shall establish a fee structure and shall ensure that a fee quoted and/or charged to a Client for the performance of Professional Services is sufficient in that:

(a) independence, where required, will not be impaired;

(b) qualified members of the Firm will be assigned to the engagement and will devote appropriate time to it; and

(c) the quality of work will not be impaired and that due care will be applied to comply with all applicable professional standards, guidelines and quality control procedures in the performance of those services.

**R506.1 Absence of Fees**

Providing the conditions in R506 (a), (b) and (c) are met, a Member or Firm is permitted to provide pro bono Professional Services.

**R507 Referral Fees**

(a) A Member or Firm engaged in the Practice of Public Accounting may only pay or receive a referral fee or commission relating to a Client if such payment is paid or received for referring a Client to, or from, another Professional Colleague engaged in the Practice of Public Accounting. Accepting such a referral fee or commission may give rise to threats to objectivity and professional competence and due care. In such instances, a Member or Firm shall establish precautions that include:

(i) disclosing to the Client any arrangements to pay or receive a referral fee or commission; and

(ii) obtaining advance agreement from the Client for such arrangements.

(b) A Member or Firm engaged in the Practice of Public Accounting may purchase or sell all or part of a Firm. Payments in respect of such sale are not regarded as commissions or referral fees for the purposes of this rule.

**R508 Contingent Fee**

A Member or Firm engaged in the Practice of Public Accounting or related business or practice shall not enter into a Contingent Fee arrangement in respect of:

(a) an Assurance Engagement; or

(b) a compilation engagement or original tax return preparation.

**R508.1 Contingent Fees for Other Non-Assurance Services**

A Member or Firm engaged in the Practice of Public Accounting or related business or practice may charge a Contingent Fee in respect of a non-assurance service other than the services described in R508(b), provided:

(a) it does not create any interest, influence or relationship which impairs the professional judgment or objectivity of the Member or Firm, or which, in the view of a Reasonable and Informed Third Party, may have that effect in respect of an engagement described in R508(a);

(b) it does not create any influence or which, in the view of a Reasonable and Informed Third Party, may have that effect in respect of any engagement as described in R508(b) performed by the Member or Firm for the same Client; and

(c) a written agreement with the Client detailing the basis of remuneration is obtained in advance of the engagement.

**R509 Advertising and Other Forms of Solicitation**

A Member shall not seek to obtain clients by advertising or other form of solicitation that:

(a) is false or deceptive;

(b) includes the use of harassing conduct;

(c) creates an unjustified expectation of favourable results; or

(d) contains self-laudatory statements that are not verifiable.

**R509.1 Misleading Name of Firm or Style of Practice**

A Member shall not engage in the Practice of Public Accounting or in any function consistent therewith, under a name or style which is misleading as to the nature of the organization (proprietorship, partnership or, where permitted, corporation) or the nature of the functions performed.

**R509.2 Preferred Areas of Practice**

A Member shall be permitted to refer to preferred or restricted area(s) of practice in advertising, on business cards or on letterhead.

**R509.3 Restricted Practice**

A Member whose practice is restricted to T1 (personal tax returns) preparation services only is required to indicate this restriction in all telephone directory or media advertising, unless the advertisement is placed under a heading which specifies this restriction.

**R509.4 Advertising Format**

(a) A Member shall be permitted to advertise only in an objective, informative, tasteful and professionally dignified manner in any medium that is generally available to all Members and in which such placement does not, in the opinion of the Association, tend to lower public respect for the Profession.

(b) The stationery and advertising of a Member engaged in the Practice of Public Accounting should be dignified in form and may include the official logo of the Association.

(c) Any advertisement in any medium shall include the Member’s name or Firm name and contact information.

**R510 Name of Practice**

All Members engaged in the Practice of Public Accounting and pursuant to Rule R510.1 would ordinarily practise under the Member's name(s). A Member shall, if engaged in the Practice of Public Accounting in partnership, practise under at least one of the partners’ names. Partners' names are those who are or have been associated with the Firm. Where the Firm consists of more than one partner, the Firm name may consist of any combination of partners, former partners or predecessors, voting shareholders or former voting shareholders. The Firm name may also be in the form of the initials drawn from the first letter of the partners' last names.

If a Member wishes to practice using a Firm name other than that permitted above, the Member shall practice only under a name or style which:

(i) is not misleading, confusing or deceptive;

(ii) is not self-laudatory;

(iii) does not contravene professional good taste; and

(iv) has been approved by the Association.

All Members so engaged must ensure the Firm name clearly identifies the style of practice and complies with Rule R509.1 as follows:

(a) If practising as a professional corporation, make it clearly understood to the public that the Member is practising as a professional corporation and ensure that the Firm name consists of a name that is allowed under this rule and the B.C. Business Corporations Act.

(b) If practising as a corporation, where the Firm consists of one or more practitioners, make it clearly understood to the public that the Firm is incorporated and ensure that the Firm name consists of a name that is allowed under this rule and the B.C. Business Corporations Act.

(c) If practising as a limited liability partnership, make it clearly understood to the public that the Firm is a limited liability partnership and ensure that the Firm name consists of a name that is allowed under this rule and the B.C. Business Corporations Act.

(d) The addition of “& Co.” or other similar term is permitted only where the Member employs Staff, where the number of partners exceeds that named in the Firm or where the Member is practising with one or more Professional Colleagues who are not partners or employees.

(e) If a Member is practising in partnership with a Professional Colleague who is a non-member, make it clearly understood to the public that the Firm is a partnership and ensure that the Firm name consists of a name that is allowed under this rule and a descriptive style permitted under Rule R510.1.

**R510.1 Use of Descriptive Style “Certified General Accountant(s)” in the Name of Firm**

Members engaged in the Practice of Public Accounting shall practise under the descriptive style “Certified General Accountant(s)”.

(a) The plural use of the descriptive style “Certified General Accountants” shall only be used in a partnership of Members or a corporation of Members or professional corporation of Members.

(b) Notwithstanding R510.1(a), if a Member is engaged in the Practice of Public Accounting with a Professional Colleague who is a non-member, the Firm shall not use the descriptive style “Certified General Accountant(s)” if:

(i) the non-member's name forms a part of the Firm name; or

(ii) the partners who are Members exercise less than 50% legal control of the Firm.

**R510.2 Application**

A Firm engaged in the Practice of Public Accounting as of September 20, 2008, and whose name at that date included the phrase “& Co.” or other similar wording as permitted by the rules then in effect, may continue to use such name for as long as that Firm is engaged in the Practice of Public Accounting under that name.

**R510.3 Legal Change of Member's Name**

A Member whose name is legally changed may continue to use the former name in the name of the Firm without being considered in breach of this rule.

**R511 Responsibility and Control**

(a) A Member engaged in the Practice of Public Accounting shall personally undertake or delegate to one or more certified Members of the Association or a Professional Colleague, the responsibility for each public practice Office maintained by the Member or the Member's Firm. Such Member(s) or Professional Colleague(s) shall normally be accessible to meet the needs of Clients or such Office(s).

(b) A Member engaged in the Practice of Public Accounting who is associated with non-members in such practice shall be responsible to the Association for any failure of such associates to abide by the Code of the Association.

**R512 Specialization**

A Member shall only use the title of “Specialist” in conjunction with their designation, “Certified General Accountant” or “CGA”, if all the requirements established by the Association have been satisfied.

**R512.1 Disclosure of Services Provided**

A Member engaged in the Practice of Public Accounting may, in conjunction with the designation “Certified General Accountant” or “CGA”, use the title or titles describing the particular type of services the Member provides, but without holding out that the Member is a specialist.

**R513 Association of Member with Non-Members in the Practice of Public Accounting**

A Member shall not associate in the Practice of Public Accounting in any way with a Professional Colleague, who is a non-member unless:

(a) such association maintains the good reputation of the Profession and its ability to serve the public interest;

(b) such business or practice establishes and maintains policies, procedures and arrangements suitable for ensuring;

(i) that every such non-member Professional Colleagues is knowledgeable of and complies with:

(1) the Association’s governing legislation, regulations, Bylaws and *Code of Ethical Principles and Rules of Conduct*; and

(2) the ethical and other regulations applicable to members of a recognized professional organization or regulated body of which the non-member Professional Colleague is a member; and

(ii) that no style, presentation or communication is used that implies the non-member Professional Colleague is a Member.

**R514 Personal Practice when an Employee**

A Member shall not undertake Professional Services for the Member's own benefit without first advising, in writing, the Member's employer.

**R515 Representation of Firm**

A Member engaged in the Practice of Public Accounting shall not represent or imply that the Member or the Member's Firm:

(a) has an Office in an area where the Member or the Firm is only represented by another Member, where that latter Member in addition to representing the first Member carries on a practice under a different Firm name; or

(b) maintains an Office of another Firm of Public Accountants where the Member or the Member's Firm only represents that other Firm of Public Accountants.

**R516 Marketing of Goods and Services**

A Member engaged in the Practice of Public Accounting shall not market goods and services other than Professional Services for a profit through the Member's Firm.

**R517 Registration**

A Member shall, if engaged in the Practice of Public Accounting part time or full time, register in accordance with the requirements prescribed by the Association. This rule shall also apply to Members who own, operate or control a professional corporation or a limited liability partnership engaged in the Practice of Public Accounting.

**R518 Practice Review Requirements**

A Member shall comply with, and adhere to, the practice review requirements of the Association and the standards contained therein.

**R519 Professional Liability Insurance**

A Member engaged in the Practice of Public Accounting shall maintain professional liability insurance as specified, and provide evidence of such insurance as required, by the Association.

Upon withdrawing from the Practice of Public Accounting as a proprietor, partner, limited liability partner or professional corporation, a Member shall provide evidence to the Association that the Member has acquired professional liability insurance described as “extended reporting period” having the minimum policy amount and requirements specified by the Board.

**R520 Service by an Employee**

A Member shall not permit an employee to perform Professional Services which the Member is not permitted to perform unless the employee has been granted a licence to perform such Professional Services.

**R521 Commission from Dealers or Brokers**

A Member engaged in the Practice of Public Accounting shall not accept commission or other remuneration directly or indirectly from investment dealers or insurance brokers for the trading of securities or placement of insurance for Clients.

**R522 Right to Take Cognizance**

A Member shall respect the right of any Client, providing that the Member's professional fees have been paid, to have reasonable access to the documents in any financial record made by the Member concerning the Client, and to obtain copies of those documents.

**R523 Students in the Practice of Public Accounting**

A Student shall not engage in the Practice of Public Accounting independently or in association with others. This rule shall not restrict a Student from being an employee of a Firm. This exemption does not apply to employees of Firms that are owned, operated or controlled by a non-arms length person or persons, and that are not CGA, CA or CMA Firms registered with, and regulated by, their respective associations.

**R524 Employment Offer**

A Member shall inform another Member of the Member's intention to offer employment to an employee of that Member. This restriction does not apply if employees approach a Member on their own initiative or in response to a public advertisement.

**R525 General Business Principles**

Members in Business may be solely or jointly responsible for the preparation and reporting of financial and other information, which both their employing organizations and third parties may rely on. They may also be responsible for providing effective financial management and competent advice on a variety of business-related matters. Members in Business are often involved in the preparation and reporting of information that may either be made public or used by others inside or outside the employing organization. Such information may include financial or management information; for example, forecasts and budgets, Financial Statements, management discussion and analysis, and the management letter of representation provided to the auditor's audit of the entity's Financial Statements. As such, a Member shall:

(a) recognize that investors, creditors, employers and other sectors of the business community, as well as governments and the public at large, all may rely on the work of a Member in Business;

(b) prepare or present such information fairly, honestly and in accordance with relevant professional standards so that the information will be understood in its context; and

(c) recognize their responsibility to further the legitimate aims of their employing organization.

**R526 Responsibility to Encourage an Ethics-Based Culture**

A Member shall recognize that the more senior their position, the greater their ability and opportunity to influence events, practices and attitudes. A Member shall encourage an ethics-based culture in their organization that emphasizes the importance of ethical behaviour.

**R527 Remedies Exhausted**

In circumstances where a Member believes that unethical behaviour or actions by others will continue to occur within the organization, the Member shall consider obtaining legal advice. In those extreme situations where all available remedies have been exhausted, a Member in Business must consider that the only appropriate action is to resign from the employing organization.

## Responsibilities to the Profession

Members shall always act in accordance with the duties and responsibilities associated with being members of the Profession, and shall carry on work in a manner which will enhance the image of the Profession and the Association.

**R601 Compliance**

A Member shall comply with the Bylaws and the Code of the Association as amended from time to time, and with any order or resolution of the Board or its committees under the Bylaws.

**R602 Disciplinary Action**

A Member shall be subject to disciplinary action for any offence which constitutes a breach of professional conduct.

**R602.1 Jurisdiction of Disciplinary Action**

A Member shall be subject to disciplinary action only through the Member's Provincial association or Ordre Professional. In circumstances where no Provincial association or Ordre Professional has jurisdiction, the Member shall be subject to disciplinary action by the Board of Directors of CGA-Canada as provided by its Bylaws.

**R603 Membership Obtained Fraudulently**

(a) A Member shall not obtain admission to membership by means of fraud or other irregularity.

(b) A Member shall notify the Association immediately regarding a person who has obtained membership by means of fraud or other irregularity.

**R604 Admittance to Membership**

(a) A Member shall report to the Association a fact known to that Member sufficient to affect the admittance as a Member of any person whose admission may be detrimental to the Association.

(b) An individual shall, when applying to become a Student or a Member, not sign or be associated with any related letter, report, statement or representation which the applicant knew, or ought to have known, was false or misleading.

(c) A Member shall comply at all times with the principles, obligations and responsibilities in the Oath of Obligation, as follows:

I as a Member of THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF BRITISH COLUMBIA acknowledge that as such I have an obligation to the science and art of accountancy. I therefore do most sincerely promise and solemnly swear to discharge actively this obligation and more specifically -

To uphold the standards of my Profession and continually search for new truths and disseminate my findings.

To keep myself fully informed of developments in the field of accountancy and to co-operate with others in the use of our common knowledge.

To guard the interests of my principals and employers, whose trust I hold, and to advise them wisely and honestly.

To do all in my power to assure the progress and contentment of my fellow workers and at all times to deal with them fairly and openly, sharing of my acquired knowledge and experience freely.

To recognize my dual obligation to society, arising through my personal and professional relations in the social and economic life of our nation.

To recognize my continuing obligation to my country and to the chosen way of life of my fellow citizens.

To conduct myself and my actions in accordance with the spirit and the letter of the law, regulations and *Code of Ethical Principles and Rules of Conduct*.

All this I do swear without any equivocation, mental evasion or secret reservation.

So help me God.

**R605 Responsibility for Firm**

A Member engaged in the Practice of Public Accounting who

(a) is associated with a Firm or corporation carrying on a business or practice as described in Rule R107.1, whether as principal, partner, director, officer or shareholder; and

(b) has a significant influence on the ownership or management of such Firm or corporation,

shall be responsible to the Association for any failure of such Firm or corporation to abide by the Code of the Association.

**R606 Detrimental Actions**

(a) A Member shall not participate in any action which is detrimental to the Association or the Profession.

(b) A Member shall, subject to Rules R201 and R105, report to the Association any situation of which the Member has sufficient personal knowledge and which the Member thinks may be detrimental to the Association or the Profession.

**R607 Conviction of Criminal or Similar Offences and Evidence of Professional Misconduct**

A Member who has been:

(a) convicted of an offence of fraud, theft, forgery or tax evasion, or is convicted of an offence of conspiring or attempting to commit such offences; or

(b) found guilty of violating the provisions of any securities legislation; or

(c) convicted of any criminal or similar offence for conduct in or relating to their professional capacity, or for conduct in circumstances where there was reliance on the Member's membership in, or association with, the Association; or

(d) discharged absolutely or upon conviction after pleading guilty to or being found guilty of or pleading no contest (*nolo contendere*) to an offence described in (a), (b), or (c) above or an offence which may cast doubt as to that Member's honesty, integrity or professional competence;

shall promptly inform the Association in writing of the conviction, finding of guilt or discharge, as the case may be, when the right of appeal has been exhausted or expired.

In such cases, satisfactory evidence of the conviction, finding of guilt, or discharge issued by any competent court or regulatory body shall be sufficient evidence of the conviction and the perpetration of the offence.

**R607.1 (Removed September 24, 2011)**

**R608 Bankruptcy**
A Member shall immediately notify the Association if the Member becomes bankrupt and provide a copy of the discharge when granted.

**R609 Public Statements**
A Member shall not make public statements or comments which may be interpreted as representing the Association or its views, except when authorized to act as an “official spokesperson” for the Association.

**R610 Requirement to Reply in Writing**
A Member shall promptly reply in writing to any request from the Association in which a written reply is specifically required.

**R611 Assistance to the Board**
A Member shall, when required:

(a) comply with the request of the Board or its committees in the exercise of their duties in matters of the appropriate CGA Act, the Bylaws or the Code; and

(b) produce any documents in the Member's possession, custody or control, subject to Rules R201, R104.2 and R104.3.

**R612 Person Expelled or Suspended**
A Member shall, before knowingly employing a person who has been expelled or who is under suspension from any accounting body, obtain through the Association the facts concerning the expulsion or suspension.

**R613 Legal Action Against a Member**
A Member shall, before entering into a legal action against another Member which might discredit the Profession, give the Association as much notice as is possible of such an intention, outlining the basis of the proposed action.

**R614 Use of CGA Reference by Students**
Students shall not make any reference to the Association, its name or its designation on stationery, business cards, business announcements, business directories, office signs or advertising.

## Independence

Members shall be free of any influence, interest or relationship in respect of a Client's affairs that impairs the Member's professional judgment or objectivity or that, in the view of a reasonable observer, may have that effect.

**Note: These rules are to be read in conjunction with the Independence Standard which is an integral part of the Code.**

**R701 Audit, Review Engagement, Other Assurance and Specified Auditing Procedures Engagements**
A Member or Firm who engages or participates in an engagement:

(a) to issue a written Communication under the terms of an Audit, Review or Other 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, the Member's Firm and members of the Member's 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, the Member's Firm or a member of the Member's Firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the Member, the Member's Firm or a member of the Member's Firm.

**R702 Identification of Threats and Safeguards**

A Member or Firm who is required to be independent pursuant to Rule R701 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 the Member's Firm shall eliminate the activity, interest or relationship creating the threat or threats, or refuse to accept or continue the engagement.

**R703 Documentation**

A Member or Firm who, in accordance with Rule R702, 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:

(a) a description of the nature of the engagement;

(b) the threat(s) identified;

(c) the safeguard(s) identified and applied to eliminate the threat(s) or reduce it to an acceptable level; and

(d) an explanation of how, in the Member's or Firm's professional judgment, the safeguard(s) eliminate the threat(s) or reduce it to an acceptable level.

Should the decision be to decline or refuse to continue the engagement, appropriate documentation should be maintained.

**R704 Financial Interests by a Member of the Engagement Team**

(a) A Member shall not participate on the Engagement Team for an Audit, Review or Other Assurance Engagement Client if the Member, member of the Member's Immediate Family or Firm holds a Direct Financial Interest or a material Indirect Financial Interest in the Audit, Review or Other Assurance Engagement Client. [I/S 4.4, 5.13 and 7.5]

(b) A Member of the Engagement Team, a member of that individual's Immediate Family or the Firm shall not have a Direct or material Indirect Financial Interest in an entity that has a controlling interest in the Audit or Review or Other Assurance Engagement Client, where the Client is material to the entity. [I/S 4.6 and 7.7]

(c) A Member shall not participate on the Engagement Team for an Audit, Review or Other Assurance Engagement Client if the Member or the Immediate Family of the Member holds, as trustee, a Direct Financial Interest or a material Indirect Financial Interest in the Client. [I/S 4.14 and 7.8]

**R705** **(Removed September 18, 2010)**

**R706** **(Removed September 18, 2010)**

**R707** **Financial Interests by a Partner**

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 Engagement Client shall not practise in the same Office as the lead engagement partner for the Client. [I/S 4.8]

**R708** **Financial Interests and Non-Assurance Services**

A Member who is a partner or managerial employee of a Firm, not on the Engagement Team, and who holds, or whose Immediate Family member holds, a Direct Financial Interest or a material Indirect Financial Interest in an Audit or Review Engagement Client, shall not provide a non-assurance service to the Client. [I/S 4.10]

**R709** **Financial Interests in an Associated Entity**

(a) A Firm shall not perform an Audit or Review Engagement if the Firm, a member of the Engagement Team or a member of that individual's Immediate Family has a Financial Interest in an entity and an Audit or Review Engagement Client also has a Financial Interest in that entity, unless the respective Financial Interests are clearly immaterial and the Client cannot exercise significant influence over the entity. [I/S 4.12]

(b) Any individual with such a material interest shall, before becoming a member of the Engagement Team, either:

(i) dispose of the interest; or

(ii) dispose of a sufficient amount of the interest so that the remaining interest is no longer material. [I/S 4.12]

**R710** **(Removed September 18, 2010)**

**R711** **(Removed September 18, 2010)**

**R712** **Loans and Guarantees from/for a Client**

(a) If the loan or guarantee is not made under normal lending procedures, terms and conditions, neither a member of the Engagement Team, nor a member of that individual's Immediate Family, nor a Firm shall accept such a loan or guarantee from an Audit, Review or Other Assurance Engagement Client that is a bank or a similar institution. [I/S 4.19 and 7.13]

(b) If the Firm, a member of the Engagement Team or a member of that individual's Immediate Family accepts a loan from, or has a borrowing guaranteed by an Audit, Review or Other Assurance Engagement Client that is not a bank or similar institution, or an officer or director of the Client, or a shareholder of the Client that owns more than 10% of the equity, a Firm shall not perform an Audit, Review or Other Assurance Engagement for a Client, unless the loan or guarantee is immaterial to both the Firm or the member of the Engagement Team and the Immediate Family member, and the Client.[I/S 4.22 and 7.16]

**R713 Loans and Guarantees to a Client or its Officers/Directors/Shareholders**

If the Firm, or a member of the Engagement Team, or a member of that individual's Immediate Family makes or guarantees a loan to an Audit or Review Client, an officer or director of the Client, or a shareholder of the Client that owns more than 10% of the equity, the Firm shall not perform an Audit, Review or Other Assurance Engagement, unless the loan or guarantee is immaterial to both the Firm or the member of the Engagement Team and the Immediate Family member, and the Client. [I/S 4.23 and 7.17]

**R714 (Removed September 18, 2010)**

**R715 Close Business Relationships**

Unless the Financial Interest is immaterial and the business relationship is Clearly Insignificant to the Firm and the Client or its management:

a) a business relationship shall not be entered into, or shall be reduced to an insignificant level or terminated; or

b) the Firm shall decline or terminate any Audit or Review Engagement. [I/S 4.25 and 7.20]

**R716 Family and Personal Relationships**

A Member shall not participate on the Engagement Team for an Audit or Review Engagement Client if any member of the Member's Immediate Family is a director or officer of the Client or an employee of the Client in a position to exert significant influence over the preparation of the Client's accounting records or the Financial Statements. [I/S 4.29]

**R717 Officer/Director/Employee of a Public Interest Entity Audit and Review Engagement Client**

(a) A Firm shall not perform an Audit or Review Engagement for a Public Interest Entity if a Key Audit Partner joins an Audit or Review Engagement Client as:

(i) a director or officer of the entity; or

(ii) an employee in a position to exert significant influence over the preparation of the Client's accounting records or the Financial Statements

unless subsequent to the partner ceasing to be a Key Audit Partner the Public Interest Entity had issued, audited or reviewed Financial Statements covering a period of not less than twelve months and the partner was not a member of the Engagement Team with respect to the audit or review of those Financial Statements. [I/S 4.40]

(b) A Firm shall not perform an Audit or Review Engagement for a Public Interest Entity if an individual who is the Firm's Senior or Managing Partner (Chief Executive or equivalent) joins that Client as:

(i) an employee in a position to exert significant influence over the preparation of the entity's accounting records or its Financial Statements; or

(ii) a director or an officer of the entity

unless twelve months have passed since the individual was the Senior or Managing Partner (Chief Executive or equivalent) of the Firm. [I/S 4.41]

**R718 Recent Service with an Audit, Review or Other Assurance Engagement Client**

A Member shall not participate on an Engagement Team for an Audit, Review or Other Assurance Engagement Client if, during the period covered by the Audit or Review Engagement report, the Member served as an officer or director of the Client or was an employee in a position to exert significant influence over the preparation of the Client's accounting records or the Financial Statements. [I/S 4.45 and 7.34]

**R719 Serving as an Officer or Director of an Audit, Review or Other Assurance Engagement Client**

A Firm shall withdraw from the Audit, Review or Other Assurance Engagement if a partner or employee accepts a position as a director or officer of an Audit, Review or Other Assurance Engagement Client. [I/S 4.47 and 7.36]

**R720 (Removed September 18, 2010)**

**R721 Long Association of Senior Personnel (Including Partner Rotation)**

Using the same Key Audit or Review Partner on an Audit Engagement over a prolonged period may create a familiarity threat. This threat is particularly relevant in the context of the audit for reporting issuers. The following safeguards shall be applied in such situations to reduce the threats to an acceptable level:

(a) in respect of an audit of a Reporting Issuer, an individual shall not be a Key Audit Partner for more than seven years. After such time, the individual shall not return to the Audit Team or be a Key Audit Partner for the Client for five years. During that period, the individual shall not participate in the audit of the entity; provide quality control for the engagement; consult with the Audit Team or the Client regarding technical or industry-specific issues, transactions or events; or otherwise directly influence the outcome of the engagement; [I/S 4.51(a)], and

(b) a Member who is other than a Key Audit Partner referred to in Rule R721 (a) and (e), who, during the engagement period provides more than ten hours of assurance services, or who is a subsidiary engagement partner, shall be rotated off after a period of no more than seven years; [I/S 4.51(b)], and

(c) in the case of R721(b), the member shall not participate in the Assurance Engagement as an engagement partner until a period of five years has elapsed. In the case of an Audit Engagement that is a Mutual Fund, the engagement partner shall not thereafter perform the role of engagement partner of the Reporting Issuer, or another Mutual Fund that is in the same Mutual Fund complex as the Reporting Issuer, until a five-year-period has elapsed; [I/S 4.51(c)], and

(d) in the case of an Audit Engagement of a Reporting Issuer that is a Mutual Fund, the Key Audit Partner shall not thereafter resume or assume either such role with the reporting issuer or another Mutual Fund that is in the same Mutual Fund complex as the Reporting Issuer until a five-year-period has elapsed. [I/S 4.51 (d)], and

(e) when an Audit or Review Client becomes a Reporting Issuer, the length of time the individual has served the Client as a Key Audit or Review Partner before the Client becomes a Reporting Issuer shall be considered in determining when the individual shall be rotated. If the individual has served the Client as a Key Audit or Review Partner for five years or less at the time the Client becomes a Reporting Issuer, the number of years the individual may continue to serve the Client in that capacity before rotating off the engagement is seven years less the number of years already served. If the individual has served the Client as a Key Audit or Review Partner for six or more years when the Client becomes a Reporting Issuer, the partner may continue to serve in that capacity for two additional years before rotating off the engagement. [I/S 4.52]

**R722 (Removed September 18, 2010)**

**R723 Performance of Management Functions for an Assurance Audit, Review or Other Assurance Engagement Client**

A Firm shall not perform an Audit, Review or Other Assurance Engagement for an entity if, during the engagement period, members of the Engagement Team make a management decision or perform a management function for the entity. [I/S 4.64 and 7.47]

**R724 (Removed September 18, 2010)**

**R725 Preparation of Accounting Records and Financial Statements for a Public Interest Entity Audit or Review Engagement Client**

Except in emergency situations, a Firm shall not provide to an Audit or Review Client that is a Public Interest Entity accounting and bookkeeping services, including payroll services, or prepare Financial Statements on which the Firm will express an opinion or prepare Financial Information that forms the basis of the Financial Statements, unless:

(a) the accounting and bookkeeping services, including payroll services, or the preparation of Financial Statements or other Financial Information, are of a routine or mechanical nature and are for divisions or Related Entities of an Audit or Review Engagement Client that is a Public Interest Entity; and

(b) the personnel providing the services are not members of the Engagement Team;

and either:

(c) the divisions or Related Entities for which the service is provided are collectively immaterial to the Financial Statements on which the Firm will express an opinion; or

(d) the services relate to matters that are collectively immaterial to the Financial Statements of the division or Related Entity. [I/S 4.71 and 4.72]

**R726 Provision of Valuation Services**

(a) A Firm shall not perform an Audit or Review Engagement for a Client that is not a Public Interest Entity if the valuation service has a material effect on the Financial Statements on which the Firm will express an opinion and the valuation involves a significant degree of subjectivity. [I/S 4.78]

(b) A Firm shall not perform an Audit or Review Engagement for a Client that is a Public Interest Entity if the valuation service has a material effect, separately or in the aggregate, on the Financial Statements on which the Firm will express an opinion. [I/S 4.79]

**R727 (Removed September 18, 2010)**

**R728 Provision of Internal Audit Services**

(a) A Firm shall ensure that its Staff do not assume a management responsibility when providing internal audit services to an Audit or Review Engagement Client. [I/S 4.96]

(b) In the case of an Audit or Review Client that is a Public Interest Entity, a Firm shall not provide internal audit services that relate to the internal accounting controls, financial systems or Financial Statements. [I/S 4.100]

**R729 Provision of IT System Services to a Public Interest Entity Audit or Review Client**

In the case of an Audit or Review Client that is a Public Interest Entity, a Firm shall not provide services involving the design or implementation of IT systems that:

(a) form a significant part of the internal control over financial reporting; or

(b) generate information that is significant to the Client's accounting records or Financial Statements on which the Firm will express an opinion. [I/S 4.106]

**R730 (Removed September 18, 2010)**

**R731 Provision of Legal Services to an Audit or Review Client**

(a) A Firm shall not act in an advocacy role for an Audit or Review Engagement Client in resolving a dispute or litigation when the amounts involved are material in relation to the Financial Statements on which the Firm will express an opinion. [I/S 4.111]

(b) No member of the Firm shall accept the appointment as General Counsel for legal affairs for an Audit or Review Engagement Client. The position of General Counsel is generally a senior management position with broad responsibility for the legal affairs of a company. [I/S 4.113]

**R732 (Removed September 18, 2010)**

**R733 Recruiting Services**

(a) A Firm shall not undertake management responsibilities for an Audit or Review Engagement Client, including acting as a negotiator on the Client's behalf, and the hiring decision shall be left to the Client. [I/S 4.114]

(b) A Firm shall not provide the following recruiting services for an Audit or Review Client that is a Public Interest Entity with respect to a director or officer of the entity or senior management in a position to exert significant influence over the preparation of the Client's accounting records or the Financial Statements on which the Firm will express an opinion:

(i) searching for or seeking out candidates for such positions; and

(ii) undertaking reference checks of prospective candidates for such positions. [I/S 4.115]

**R734 Provision of Corporate Finance Services to an Audit or Review Engagement Client**

(a) Corporate finance advice shall not be provided where the effectiveness of the advice depends on a particular accounting treatment or presentation in the Financial Statements and:

(i) the Engagement Team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and

(ii) the outcome or consequences or the corporate finance advice will have a material effect on the Financial Statements on which the Firm will express an opinion. [I/S 4.118]

(b) A Firm shall not provide corporate finance services involving promoting, dealing in, or underwriting an Audit or Review Engagement Client's shares. [I/S 4.119]

**R735 (Removed September 18, 2010)**

**R736 Compensation of Key Audit or Review Partners of an Audit or Review Engagement Client**

A Key Audit or Review Partner shall not be evaluated on, or compensated based on, that partner's success in selling non-assurance services to the partner's Clients. This is not intended to prohibit normal profit-sharing arrangements between partners of a Firm. [I/S 4.125]

**R737 Gifts and Hospitality**

A Firm or member of the Engagement Team of an Audit, Review or Other Assurance Engagement shall not accept gifts or hospitality, unless the value is trivial and inconsequential. [I/S 4.126 and 7.55]

**R738 Members Must Disclose Prohibited Interests and Relationships**

(a) A Member who has a relationship or interest, or who has provided a Professional Service, that is precluded by these rules shall advise in writing a designated partner of the Firm of the interest, relationship or service.

(b) A Member 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.

**R739 Independence: Insolvency Engagements**

A Member or Firm who is engaged in 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 Member, the Firm and Staff 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, the Firm or Staff of the Firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the Member or Firm.

**R740 Disclosure of Impaired Independence**

A Member engaged in the Practice of Public Accounting or any related function, who provides a service not subject to the requirements of Rules R701 to R744, 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 the Firm's independence such that the professional judgment or objectivity of the Member or 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.

**R741 Firms to Ensure Compliance by Partners and Professional Employees**

A Member who is a partner or proprietor of a Firm, or a Member whose professional corporation is a partner or proprietor of a Firm, shall ensure that the Firm complies with Rules R701 to R744 and that Members or professional employees 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 R701 to R744.

**R742 Tax Calculations for an Audit or Review Engagement Client**

(a) Except in emergency situations, in the case of an Audit or Review Engagement Client that is a Public Interest Entity, a Firm shall not prepare tax calculations of current and future tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the Financial Statements on which the Firm will express an opinion. [I/S 4.84]

(b) The preparation of current and future tax liabilities (or assets) calculations for an Audit or Review Client for the purpose of the preparation of accounting entries, which would otherwise not be permitted under this section, may be provided to Clients in emergency or other unusual situations when it is impractical for the Client to make other arrangements. This may be the case when:

(i) only the Firm has the resources and necessary knowledge of the Client's business to assist the Client in the timely preparation of its calculations of current and future tax liabilities (or assets); and

(ii) a restriction on the Firm's ability to provide the services would result in significant difficulties for the Client (for example, as might result from a failure to meet regulatory reporting requirements).

In such situations, a Firm may provide such services if:

(1) those who provide the services are not members of the Engagement Team; and

(2) the services are provided for only a short period of time and are not expected to recur.

In addition, the situation shall be discussed with Those Charged with Governance.[I/S 4.85]

**R743** **Tax Advice for an Audit or Review Engagement Client**

A Firm shall not provide tax advice to an Audit or Review Engagement Client where the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the Financial Statements and:

(a) the Engagement Team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework [I/S 4.89 (a)]; and

(b) the outcome or consequences of the tax advice will have a material effect on the Financial Statements on which the Firm will express an opinion. [I/S 4.89 (b)]

The only other course of action would be to withdraw from the engagement. [I/S 4.89]

**R744** **Tax Services Involving Acting as an Advocate for an Audit or Review Engagement Entity**

A Firm shall not perform taxation services where the services involve acting as an advocate for an Audit or Review Engagement Client before a public tribunal or court in the resolution of a tax matter, and the amounts involved are material to the Financial Statements on which the Firm will express an opinion. [I/S 4.92]

## Definitions

**"Association"** means the Certified General Accountants Association of British Columbia.

**"Assurance Client"** means the responsible party in respect of which a Firm conducts an Assurance Engagement. Where the Assurance Client is a Public Interest Entity, the Assurance Client will always include its Related Entities.

**"Assurance Engagement"** means an engagement defined by the recommendations and generally accepted standards for Assurance Engagements, contained in the *CICA Handbook – Assurance* where, pursuant to an accountability relationship between two or more parties, a practitioner is engaged to issue a written Communication expressing a conclusion concerning a subject matter for which the accountable party is responsible.

**"Assurance Team"** means:

(a) All Members of the Engagement Team for the Assurance Engagement;

(b) All others within a Firm who can directly influence the outcome of the Assurance Engagement including:

(i) 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, including for the purposes of an Audit Engagement those at all successively senior levels above the lead engagement partner through to the Firm's chief executive;

(ii) those who provide consultation regarding technical or industry-specific issues, transaction or events for the Assurance Engagement;

(iii) those who provide quality control for the Assurance Engagement, including those who perform the Engagement Quality Control Review.

(c) For the purpose of an Audit Client, all those within a Network Firm who can directly influence the outcome of an Audit Engagement.

**"Audit Client"** means an entity in respect of which a Firm conducts an Audit Engagement. When the Audit Client is a Public Interest Entity, the Audit Client will always include its Related Entities.

**"Audit Engagement"** means an Assurance Engagement as defined by the recommendations of standards for Audit Engagements as contained in the *CICA Handbook – Assurance*, where there is an accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria.

**"Audit Team"** means:

(a) All members of the Engagement Team for the Audit Engagement;

(b) All others within a Firm who can directly influence the outcome of the Audit Engagement including:

(i) those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the Audit Engagement, including those at all successively senior levels above the engagement partner through the Firm's chief executive;

(ii) those who provide consultation regarding technical or industry-specific issues, transactions or events of the engagement; and

(iii) those who provide quality control for the engagement, including those who perform the Engagement Quality Control Review for the engagement; and

(c) All those within a Network Firm who can directly influence the outcome of the Audit Engagement.

**"Board"** means the Board of Governors of the Certified General Accountants Association of British Columbia.

**"Clearly Insignificant"** means a matter that is deemed to be both trivial and inconsequential.

**"Client"** means the person or entity engaging a Member as an independent contractor for the performance of Professional Services.

**"Close Family"** means a parent, non-dependent child or sibling.

**"Code"** means the *Code of Ethical Principles and Rules of Conduct* of the Association and the *Independence Standard*, as amended from time to time.

**"Communication"** refers to one of three reports prepared for the Client:

(a) **Auditor's Report:**
The report which accompanies Financial Statements on which the Member has performed an audit, and which expresses an opinion on the fairness of those Financial Statements.

(b) **Review Engagement Report:**
The report accompanying unaudited Financial Statements in which the Member provides a limited degree of assurance about those Financial Statements.

(c) **Notice to Reader:**
A disclaimer signed by or identified with the Member clearly stating that neither an audit nor a review has been performed, and that no other attempts to verify the accuracy or completeness of the Financial Statements have been made.

**"Contingent Fee"** means a fee calculated on a predetermined basis relating to the outcome or result of a transaction or the result of the work performed. A fee established or required to be approved by a court or other public authority or related to a Professional Service in respect of any aspect of insolvency practice, including acting as a trustee in bankruptcy, liquidator, receiver or receiver-manager is not a Contingent Fee.

**"Direct Financial Interest"** means a Financial Interest that is:

(a) owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others);

(b) beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control; or

(c) owned through an investment club or by a private Mutual Fund in which the individual participates in the investment decisions.

**“Engagement Quality Control Review”** means a process designed to provide an objective evaluation, in accordance with the general standards of quality control for Firms performing Assurance Engagements contained in the *CICA Handbook – Assurance*, of the significant judgments the Engagement Team made and the conclusions reached in formulating the report.

**“Engagement Team”** means all personnel performing the engagement and any individuals contracted by the Firm who provide services on the engagement that might otherwise be provided by personnel of the Firm.

**“Financial Interest”** means an interest in 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.

**“Financial Statements or Information”** means statements, reports and footnotes related thereto that purport to show an entity's financial position, or results of operations or changes in financial position. This term includes balance sheets, statements of income, cash flows and statements of retained earnings or statements of changes in owners' equity. In the case of not-for-profit organizations, this term includes statements of financial position, statements of operations, statements of changes in net assets and statements of cash flows. This term does not include incidental financial data included in management advisory or similar reports to support recommendations to a Client.

**“Firm”** means:

(a) a sole practitioner, proprietorship, partnership, limited liability partnership, professional corporation or a corporation engaged in the Practice of Public Accounting;

(b) an entity that controls such parties through ownership, management or other means; and

(c) an entity controlled by such parties through ownership, management or other means.

**“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.

**“Immediate Family”** means a spouse (or equivalent) or dependent.

**“Indirect Financial Interest”** means a Financial Interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the beneficial owner has no control.

**“Key Audit or Review Partner”** means the engagement partner, the individual responsible for the Engagement Quality Control Review, and other Audit or Review Partners on the Engagement Team (such as lead partners on significant subsidiaries or divisions), who are responsible for key decisions or judgments on significant matters with respect to the audit or review of the Financial Statements on which the Firm will express an opinion.

**“Member Advisor”** means a person or persons appointed by the Association for the specific purpose of providing professional assistance to Members, including Members engaged in or entering the Practice of Public Accounting. In British Columbia this position is designated to be the Public Practice Advisor.

**“Member in Business”** means a Member employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not-for-profit sector, regulatory bodies or professional bodies, or a Member contracted by such entities.

**“Member”** means any person who has conformed with the Act and the Bylaws of the Association and has been duly accepted into membership in accordance therewith, and has not resigned or been expelled in accordance with the Bylaws. Where applicable, the term includes duly registered Students.

**“Mutual Fund”** means a Mutual Fund that is a Reporting Issuer under the applicable Canadian provincial or territorial securities legislation.

**“Network Firm”** means a Firm or entity that belongs to a Network.

**“Network”** means a larger structure:

(a) that is aimed at cooperation; and

(b) that is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.

**“Office”** means a distinct sub-group of a Firm, whether organized on geographical or practice lines.

**“Other Assurance Engagement”** means an Assurance Engagement as defined by the recommendations and generally accepted standards for Assurance Engagements contained in the *CICA Handbook – Assurance* where, pursuant to an accountability relationship between two or more parties, a practitioner is engaged to issue a written Communication expressing a conclusion concerning a subject matter for which the accountable party is responsible. An Other Assurance Engagement excludes those engagements where the primary purpose is to provide an Audit or Review Engagement report of a set of Financial Statements.

**“Practice of Public Accounting”** means:

(a) Providing or offering to provide one or more of the following services to the public:
- an Assurance Engagement;
- a Specified Auditing Procedures Engagement;
- a compilation engagement;
- 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;
- forensic accounting, financial investigation or financial litigation support services;
- advice, counsel or interpretation with respect to taxation matters; and
- the preparation of a tax return or other statutory filing.

(b) A Member who is “employed” in the Practice of Public Accounting is not considered to be “engaged” in the Practice of Public Accounting. This exemption does not apply to employees of Firms that are owned, operated or controlled by a non-arms length person or persons, and that are not CGA, CA or CMA Firms registered with, and regulated by, their respective associations.

**“Profession”** means the Profession of accountancy.

**“Professional Colleague”** means an accountant recognized by statutory authority.

**“Professional Practice”** means the provision of Professional Services, as defined.

**“Professional Services”** means any services performed or offered to be performed by a Member for a Client or employer, where the public or the Member's employer is entitled to rely on the Member's membership in the Association as giving particular competence.

**“Public Accountant”** means, unless otherwise specified by legislation, any person engaged in the Practice of Public Accounting.

**“Public Interest Entity”** means:

(a) all Reporting Issuers; and

(b) entities that, due to the large number and wide range of stakeholders, size and number of employees, and nature or fiduciary capacity, reflect a broad extent of public interest (for example, private for-profit enterprises, co-operative business enterprises, not-for-profit organizations, and governments and other entities in the public sector).

**“Reasonable and Informed Third Party”** means the meaning as used in modern jurisprudence, including but not limited to arbitrations and tribunals. For clarity sake, a Reasonable and Informed Third Party is an individual or legal person who by way of education and/or experience possesses the necessary knowledge to consult, or question the particular conduct and/or course of action, and said legal person is of sound mind, and operating without duress or other limitation.

**“Related Entity”** means an entity that has any of the following relationships with the Client:

(a) direct or indirect control over the Client provided the Client is material to such entity;

(b) a Direct Financial Interest in the Client provided such entity has significant influence over the Client and the interest in the Client is material to such entity;

(c) the Client has direct or indirect control over the entity;

(d) an entity in which the Client, or a Related Entity as described in (c), has a Direct Financial Interest that gives it significant influence over such entity and the interest is material to the Client and its Related Entity as described in (c); or

(e) an entity that is under common control with the Client (hereinafter a “sister entity”) provided the sister entity and the Client are both material to the entity that controls both the Client and the sister entity.

In the case of a Reporting Issuer that is a Mutual Fund, the term Related Entity is limited to any entity that is:

(a) the Fund Manager of the Mutual Fund; and

(b) another Mutual Fund that has the same Fund Manager as the Mutual Fund and that is audited by the same Firm or a Network Firm.

**“Reporting Issuer”** means an entity that is deemed to be 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, a market capitalization or total assets that are each less than $10,000,000. An entity that becomes a Reporting Issuer by virtue of the market capitalization or total assets becoming $10,000,000 or more in respect of a particular fiscal year will be considered to be a Reporting Issuer thence forward unless and until the entity ceases to have its shares, units or debt quoted, listed or marketed in connection with the recognized stock exchange or the entity has remained under the market capitalization 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 during 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.

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.

**“Review Client”** means an entity in respect of which a Firm conducts a Review Engagement.

**“Review Engagement”** means an Assurance Engagement defined by the recommendations and generally accepted standards for Review Engagements of the *CICA Handbook – Assurance* where there is enquiry, analytical procedures, and discussion relating to information supplied by the Review Client with the limited objective of assessing whether the information being reported on is plausible within the framework of appropriate criteria.

**“Review Team”** means:

(a) all members of the Engagement Team for the Review Engagement;

(b) all others within a Firm who can directly influence the outcome of the Review Engagement, including:

(i) those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the Review Engagement including those at all successively senior levels above the engagement partner through to the individual who is the Firm’s senior or managing partner (chief executive officer or equivalent);

(ii) those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement;

(iii) those who provide quality control for the engagement, including those who perform the Engagement Quality Control Review for the engagement; and

(c) all those within a Network Firm who can directly influence the outcome of the Review Engagement.

**“Specified Auditing Procedures Engagement”** means an engagement as contemplated in “Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other Than Financial Statements”, Section 9100 of the CICA Handbook – Assurance.

**“Staff”** means an individual or entity employed or engaged under contract by the Firm to provide services that might otherwise be provided by a partner or professional employee of a Firm.

**“Student”** means an individual who is enrolled in the Association's program of professional studies. A Student must observe these Rules except where the wording of any Rule makes it clear that it specifically relates to Members or there is a specific exception made in a particular Rule.

**"Those Charged with Governance"** means the persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process.

**Effective Date — Audit or Review Engagements**

The *CGA Independence Standard* and the related *CGA-BC Code of Ethical Principles and Rules of Conduct* (CEPROC) are applicable to Audit and Review Engagements, effective December 15, 2010. This date is regardless of the period ending date of the Financial Statements which are the subject of the report, and the commencement date of the engagement.

**Transitional Provisions**

(a) **Provision of non-assurance services**

The revised *CGA Independence Standard* will expand some of the restrictions on providing certain non-assurance services to Audit and Review Clients. CGA-BC requires that a Firm shall not contract for such services after the effective date of December 15, 2010 and any ongoing services that were contracted for before the effective date shall be completed within six months after that date. Therefore, a Firm shall not contract for any such services after December 15, 2010 and any ongoing services that were contracted for before this date shall be completed by June 15, 2011.

(b) **Audit partner rotation**

The revised *CGA Independence Standard* will extend the existing partner rotation requirements to all Key Audit Partners and to all Firms, irrespective of size. CGA-BC is of the view that where the revised independence requirements would require additional individuals to rotate, it is appropriate to provide an additional year before this requirement is effective for those individuals. For example, Key Audit Partners who are neither the engagement partner nor the individual responsible for the Engagement Quality Control Review would be subject to the rotation requirements on December 15, 2011. Any individuals who had served in such a position for seven or more years on December 15, 2011 would be required to rotate off the Engagement Team and would not be permitted to be a member of the Engagement Team or a Key Audit Partner for two years.

(c) **Public Interest Entities**

The revised *CGA Independence Standard* will extend the independence requirements that apply with respect to the audits of Reporting Issuers to all other Public Interest Entities as defined (see definition section). CGA-BC is of the view that it is appropriate to provide an additional year after the effective date before these requirements are effective. Therefore, these provisions are effective on December 15, 2011.

**Effective Date – Other Assurance Engagements**

(a) The *CGA Independence Standard* and the related *Code of Ethical Principles and Rules of Conduct* (CEPROC) are applicable to Other Assurance Engagements effective December 15, 2010. This date is regardless of the period ending date of the Other Assurance Engagement report and the commencement of the engagement.

(b) The provisions apply to any Other Assurance Engagement and engagements to issue a report of the results of applying specified auditing procedures where the engagement is commenced after December 31, 2010.

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

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AS AT SEPTEMBER 20, 2014

CGA
Certified General Accountants
Association of British Columbia

# Independence Standard

Version 2.1

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## DEFINITIONS

**"Assurance client"**

The responsible party in respect of which a firm conducts an assurance engagement. Where the assurance client is a public interest entity, the assurance client will always include its related entities.

**"Assurance engagement"**

An engagement defined by the recommendations and generally accepted standards for assurance engagements contained in the *CICA Handbook — Assurance*. Where, pursuant to an accountability relationship between two or more parties, a practitioner is engaged to issue a written communication expressing a conclusion concerning a subject matter for which the accountable party is responsible.

**"Assurance team"**

a) All members of the engagement team for the assurance engagement;

b) All others within a firm who can directly influence the outcome of the assurance engagement, including:

   i) 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, including for the purposes of an audit engagement those at all successively senior levels above the lead engagement partner through to the firm's chief executive;

   ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the assurance engagement;

   iii) Those who provide quality control for the assurance engagement, including those who perform the engagement quality control review.

c) For the purpose of an audit client, all those within a network firm who can directly influence the outcome of an audit engagement.

**"Audit client"**

An entity in respect of which a firm conducts an audit engagement. When the audit client is a public interest entity, the audit client will always include its related entities.

**"Audit engagement"**

An assurance engagement as defined by the recommendations of standards for audit engagements as contained in the *CICA Handbook — Assurance*, where there is an accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria.

**"Audit team"**

a) All members of the engagement team for the audit engagement;

b) All others within a firm who can directly influence the outcome of the audit engagement including:
   i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through the firm's chief executive;
   ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events of the engagement; and
   iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and

c) All those within a network firm who can directly influence the outcome of the audit engagement.

**"Close family"**

A parent, non-dependent child or sibling.

**"Clearly insignificant"**

A matter that is deemed to be both trivial and inconsequential.

**"Direct financial interest"**

A financial interest that is:

a) owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others);

b) beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control; or

c) owned through an investment club or private mutual fund in which the individual participates in the investment decisions.

**"Engagement Quality Control Review"**

A process designed to provide an objective evaluation, in accordance with the general standards of quality control for firms performing assurance engagements contained in the *CICA Handbook — Assurance*, of the significant judgements the engagement team made and the conclusions reached in formulating the report.

**"Engagement team"**

All personnel performing the engagement and any individuals contracted by the firm who provide services on the engagement that might otherwise be provided by personnel of the firm.

**"Financial interest"**

An interest in 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.

**"Firm"**

a) A sole practitioner, partnership, limited liability partnership, professional corporation, or a corporation engaged in the practice of public accounting;

b) An entity that controls such parties through ownership, management or other means; and

c) An entity controlled by such parties through ownership, management or other means.

**"Fund manager"**

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.

**"Immediate family"**

A spouse (or equivalent) or dependent.

**"Indirect financial interest"**

A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control.

**"Key audit or review partner"**

The engagement partner, the individual responsible for the engagement quality control review, and other audit or review partners on the engagement team (such as lead partners on significant subsidiaries or divisions), who are responsible for key decisions or judgements on significant matters with respect to the audit or review of the financial statements on which the firm will express an opinion.

**"Member"**

An individual who holds a Certified General Accountant designation and is in good standing. Where applicable, the term includes duly registered CGA students.

**"Mutual fund"**

A mutual fund that is a reporting issuer under the applicable Canadian provincial or territorial securities legislation.

**"Network firm"**[1]

A firm or entity that belongs to a network.

[1] See page 19 for further explanatory requirements for networks and network firms.

**"Network"**[2]

A larger structure:

a) that is aimed at cooperation; and

b) that is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.

**"Office"**

A distinct sub-group, whether organized on geographical or practice lines.

**"Other assurance engagement"**

An assurance engagement is defined by the recommendations and generally accepted standards for assurance engagements contained in the *CICA Handbook — Assurance*, where, pursuant to an accountability relationship between two or more parties, a practitioner is engaged to issue a written communication expressing a conclusion concerning a subject matter for which the accountable party is responsible. An other assurance engagement excludes those engagements where the primary purpose is to provide an audit or review engagement report of a set of financial statements.

**"Professional colleague"**

An accountant recognized by statutory authority.

**"Public interest entity"**

Public interest entities are defined to include:

a) All reporting issuers; and

b) Entities that, due to the large number and wide range of stakeholders, size and number of employees, and nature or fiduciary capacity, reflect a broad extent of public interest (for example, private for-profit enterprises, co-operative business enterprises, not-for-profit organizations, and governments and other entities in the public sector).

**"Related entity"**

An entity that has any of the following relationships with the client:

a) direct or indirect control over the client provided the client is material to such entity;

b) a direct financial interest in the client provided such entity has significant influence over the client and the interest in the client is material to such entity;

c) the client has direct or indirect control over the entity;

d) an entity in which the client, or a related entity as described in c), has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity as described in c); or

[2] See page 19 for further explanatory requirements for networks and network firms.

e) an entity that is under common control with the client (hereinafter a "sister entity") provided the sister entity and the client are both material to the entity that controls both the client and sister entity.

In the case of a reporting issuer that is a mutual fund, the term "related entity" is limited to any entity that is:

- the fund manager of the mutual fund; and
- another mutual fund that has the same fund manager as the mutual fund and that is audited by the same firm or a network firm.

**"Reporting issuer"**

An entity that is deemed to be 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, a market capitalization or total assets that are each less than $10,000,000. An entity that becomes a reporting issuer by virtue of the market capitalization or total assets becoming $10,000,000 or more in respect of a particular fiscal year will be considered to be a reporting issuer thence forward 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 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 during 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.

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.

**"Review client"**

An entity in respect of which a firm conducts a review engagement.

**"Review engagement"**

An assurance engagement defined by the recommendations and generally accepted standards for review engagements of the *CICA Handbook — Assurance* where there is enquiry, analytical procedures, and discussion relating to information supplied by the review client with the limited objective of assessing whether the information being reported on is plausible within the framework of appropriate criteria.

**"Review team"**

a) All members of the engagement team for the review engagement; and
b) All others within a firm who can directly influence the outcome of the review engagement, including:
   i) those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement including those at all successively senior

levels above the engagement partner through to the individual who is the firm's senior or managing partner (chief executive officer or equivalent);

ii) those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and

iii) those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and

c) All those within a network firm who can directly influence the outcome of the review engagement.

**"Those charged with governance"**

The persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process.

# 1. INTRODUCTION

1.1 It is in the public interest that members, engagement teams, and firms be independent of assurance clients. This independence is necessary in order to provide a reasonable level of assurance that any engagement conducted and subsequent report issued is grounded on professional judgement that is free of conflict of interest or bias.

1.2 This requirement for independence in assurance and specified auditing procedures engagements is formally set out in the 2nd Ethical Principle – Trust and Duties; 7th Ethical Principle – Independence; and rules R701 to R744 in the CGA-BC *Code of Ethical Principles and Rules of Conduct* (CEPROC) of which this Standard forms an integral component. The 7th Ethical Principle requires that a member shall be free of any influence, interest or relationship in respect of a client's affairs that impairs the member's professional judgement or objectivity, or that, in the view of a reasonable observer, may have that effect.

Rules R701 and R702 prohibits a member from issuing a communication in assurance or specified auditing procedures engagements unless the member has considered and either reduced to an acceptable level or eliminated any threats to the member's independence.

This requirement creates an ongoing obligation for members, engagement teams, and firms to identify and evaluate circumstances and relationships that create threats to independence and to take appropriate action to eliminate these threats or reduce them to an acceptable level by the application of safeguards. Furthermore, rule R741 obligates a member to ensure that personnel of the firm are in compliance with these independence requirements.

1.3 This Standard provides members, engagement teams, and firms with a conceptual framework for identifying, evaluating, and responding to threats to independence.

1.4 This Standard makes use of the conceptual framework contained in the International Federation of Accountants Code of Ethics for Professional Accountants.

**A Conceptual Framework Approach to Independence**

1.5 Independence requires:

a) Independence of mind:

The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional scepticism;

and

b) Independence in appearance:

The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's or a member of the engagement team's integrity, objectivity or professional scepticism had been compromised.

1.6 In the context of this Standard, the word "independence" should not be construed to mean that a person exercising professional judgement ought to be free from all economic, financial, and other relationships. This is impossible, as every member of society has relationships with others. Rather, it requires that the significance of economic, financial, and other relationships be evaluated in the light of what a reasonable and informed third party, weighing all the specific facts and circumstances available to the member at the time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level by the

application of the safeguards, such that compliance with the fundamental principles is not compromised.

1.7 Many different circumstances, or combinations of circumstances, may be relevant in assessing threats to independence. It is impossible to define every situation that creates threats to independence and specify the appropriate action. Therefore, the *CGA-BC Independence Standard* provides a conceptual framework approach that assists members in practice in complying with the ethical requirements of both the *Code of Ethical Principles and Rules of Conduct* and the *CGA-BC Independence Standard*. It accommodates many variations in circumstances that create threats to independence and can deter a member from concluding a situation is permitted if it is not specifically prohibited.

## 2. FRAMEWORK FOR ASSESSING INDEPENDENCE

2.1 In accordance with the 7th Ethical Principle and rules R701 to R744 in CEPROC, this Standard provides a framework that members, engagement teams, and firms must use to:

a) identify threats to independence;

b) evaluate whether these threats, considered individually and collectively, are clearly insignificant; and

c) in cases where the threats are not clearly insignificant, identify and apply safeguards to eliminate or reduce the threats to an acceptable level, such that independence of mind and independence in appearance are not compromised.

2.2 In cases where no safeguards are available to reduce the threat to an acceptable level, the only possible actions are to eliminate the activities or interest creating the threat, or to decline to accept or continue the assurance engagement. It is not possible to identify all such cases. However, there are specific circumstances identified in this Standard that result in such a case. Those identified are denoted by italics and constitute a specified prohibition which must be complied with in accordance with CEPROC rules R701 to R744.

2.3 In accordance with the 7th Ethical Principle in CEPROC, members, engagement teams, and firms are obligated to identify and evaluate circumstances and relationships that create threats to independence. This obligation includes identifying and evaluating relationships between the member, engagement team, firm and network firms and the assurance client. In addition, consideration should be given as to whether relationships between individuals outside of the assurance team and the assurance client create threats to independence.

Consideration of Type of Engagement

2.4 This Standard applies to all assurance and specified auditing procedures engagements. The nature of the threats to independence and the applicable safeguards necessary to eliminate the threats or reduce them to an acceptable level will differ depending on the characteristics of the individual engagement. Therefore, the evaluation of relevant circumstances must include consideration of whether the assurance engagement is an audit or review engagement or another type of engagement, and in the case of an assurance engagement that is not an audit or review engagement, the purpose, subject matter, and intended users of the report issued as a result of that engagement.

2.5 At a minimum, it will be necessary to apply the provisions of this Standard when evaluating the independence of the member of the engagement team, the firm, and their immediate family and close relatives. Further, if the member, engagement team, or firm has a material financial interest in the client, whether direct or indirect, the self-interest threat would be so

significant no safeguard could reduce that threat to an acceptable level. Limited consideration of any threats created by network firm interests and relationships may be sufficient.

Audit and Review Engagements

2.6 Paragraphs 2.27 to 2.32 of this Standard identify threats to independence. Paragraphs 2.33 to 2.41 analyze the safeguards capable of eliminating these threats or reducing them to an acceptable level. The threats and safeguards in this Standard are generally discussed in the context of interests or relationships between the member, engagement team, or firm and the audit or review client. In certain cases, the interest and relationships should be extended as follows:

a) where a client is a public interest entity, the member, engagement team or firm is required to further consider the interests and relationships that involve the client's related entities and specific prohibitions are extended to the related entities; and

b) in the case of an audit or review client, the prohibitions with respect to financial interests are extended to related entities of the client.

For interests and relationships that require consideration, independence assessment should be completed in advance of accepting an engagement. The evaluation of threats to independence, subsequent safeguards, and whether a particular individual person will be a member of the engagement team should be supported by evidence obtained before deciding whether it is appropriate to accept an engagement.

Other Assurance Engagements

2.7 For assurance engagements where the client is not an audit or review client and the engagement is not expressly restricted for use by identified users, the member, assurance team and firm are required to be independent of the client. In addition, in the case of these engagements, consideration should be given to any threats that the member or firm has reason to believe may be created by network firm interests and relationships.

2.8 For assurance engagements where the client is not an audit or review client and the engagement is expressly restricted for use by identified users, the users are considered to be knowledgeable as to the purpose, subject matter, and limitations of that report through their participation in establishing the nature and scope of the member's or firm's instructions to deliver the services, including the criteria by which the subject matter is to be evaluated. This knowledge and enhanced ability of the member or firm to communicate with all users of the report increases the effectiveness of safeguards to independence in appearance. These circumstances may be taken into account by the member or firm in evaluating the threats to independence and considering the applicable safeguards necessary to eliminate threats or reduce them to an acceptable level.

2.9 Paragraphs 2.27 to 2.32 of this Standard identify threats to independence. Paragraphs 2.33 to 2.41 analyze the safeguards capable of eliminating these threats or reducing them to an acceptable level. The threats and safeguards in this Standard are generally discussed in the context of interests or relationships between the member, engagement team, or firm and the audit or review client. In certain cases, the interest and relationships should be extended as follows:

a) for all other assurance clients, when the assurance team has reason to believe that a related entity of such an assurance client is relevant to the evaluation of the member's or firm's independence, the member or the assurance team should consider that related entity when evaluating independence and applying appropriate safeguards.

Related Entities

***Audit or Review Clients that are Listed Public Interest Entities***

2.10 In the case of an audit or review client that is a reporting issuer, references to a client in this section include related entities of the client (unless otherwise stated). For all other audit or review clients, references to a client in this section include related entities over which the client has direct or indirect control. When the engagement team knows or has reason to believe that a relationship or circumstance involving another related entity of the client is relevant to the evaluation of the firm's independence from the client, the engagement team shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.

***Audit or Review Clients that are Non-listed Public Interest Entities***

2.11 In the case of non-listed public interest entities, references to an audit or review client will, unless otherwise stated, generally include its related entities; in certain circumstances, depending on the nature and structure of the client's organization, it may not be necessary to apply the enhanced safeguards referred to above to all related entities to maintain independence from the client. This might be the case, for example, in the audit of a government-controlled entity.

2.12 In the case of an audit or review engagement when the conditions set out in paragraphs 5.1 to 5.4 are met, it is not necessary to apply the additional requirements in paragraphs 4.2 to 4.127 that apply to engagements for public interest entities.

2.13 In the case of an engagement when the conditions set out in paragraphs 5.1 to 5.4 are met, references to an audit or review client do not include its related entities. However, when the engagement team knows or has reason to believe that a related entity of the client is relevant to the evaluation of the firm's independence of the client, the engagement team shall consider that related entity when evaluating threats to independence and applying appropriate safeguards.

Networks and Network Firms

2.14 In the case of an engagement when the conditions set out in paragraphs 5.1 to 5.4 are met, reference to the firm does not include network firms. However, where the firm knows or has reason to believe that threats may be created by any interests and relationships of a network firm, they shall be considered in the evaluation of threats to independence.

Financial Interests, Loans and Guarantees, Close Business Relationships, and Family and Personal Relationships

2.15 In the case of an engagement when the conditions set out in paragraphs 5.1 to 5.4 are met, the relevant provisions set out in paragraphs 4.2 to 4.46 apply to all members of the engagement team, their immediate family members and close family members.

2.16 In addition, consideration shall be given to whether threats to independence are created by interests and relationships, as described in paragraphs 4.2 to 4.46, between the audit or review client and the following members of the engagement team:

a) those who provide consultation regarding technical or industry-specific issues, transactions or events; and

b) those who provide quality control for the engagement, including those who perform the engagement quality control review.

2.17 Consideration shall also be given to any threats that the engagement team has reason to believe may be created by interests and relationships between the audit or review client and others within the firm who can directly influence the outcome of the engagement, including those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit or review engagement (including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent)).

2.18 Consideration shall also be given to any threats that the engagement team has reason to believe may be created by financial interests in the audit or review client held by individuals, as described in paragraphs 4.8 to 4.10 and paragraphs 4.13 to 4.15.

Where a threat to independence that is not clearly insignificant is identified, safeguards shall be considered and applied when necessary to eliminate the threat or reduce it to an acceptable level.

2.19 In applying the provisions set out in paragraphs 4.6 to 4.15 to interests of the firm, if the firm had a material financial interest, whether direct or indirect, in the audit or review client, the self-interest threat would be so significant that no safeguard could reduce the threat to an acceptable level. Therefore, the firm shall not have such a financial interest.

Employment with an Audit or Review Client

2.20 Consideration shall also be given to threats from any employment relationships as described in paragraphs 4.35 to 4.39. Where a threat exists that is not clearly insignificant, safeguards shall be considered and applied when necessary to eliminate the threat or reduce it to an acceptable level. Appropriate safeguards might include those set out in paragraph 4.37.

Provision of Non-Assurance Services to Audit or Review Clients

2.21 If the firm provides a non-assurance service to an audit or review client, the provisions of paragraphs 4.55 to 4.127 shall be complied with, subject to paragraphs 5.5 to 5.8.

Other Considerations

2.22 The evaluation should be ongoing while the engagement is being performed to determine if the engagement should be continued. The obligation to make such an evaluation and take action arises when a member, engagement team, firm or network firm knows, or could reasonably be expected to know, of circumstances or relationships that might compromise independence.

2.23 In accordance with CEPROC rule R703, when threats to independence that are not insignificant are identified, and the member or firm decides to accept or continue the engagement, the decision must be documented. The documentation must include a description of the threats identified and the safeguards applied to eliminate or reduce the threats to an acceptable level.

2.24 Throughout this Standard, reference is made to significant or insignificant threats in the evaluation of independence. In considering the significance of any particular matter, qualitative as well as quantitative factors must be taken into account. A matter may be considered insignificant only if it is deemed to be both trivial and inconsequential.

2.25 This Standard concludes with examples of how the conceptual framework approach to independence is applied to specific circumstances and relationships that may create threats to independence, and considers how these threats can be eliminated or reduced to an acceptable

level by the application of safeguards. In certain examples, the threats to independence are so significant the only possible actions are to eliminate the threat or decline to accept or continue the assurance engagement. The examples presented are intended to illustrate the application of this Standard but are not intended to be, nor should they be interpreted as, an exhaustive list of all circumstances that may create threats to independence. Consequently, it is not sufficient for a member engagement team, firm or network firm to comply with these examples; rather, professional judgement must be used in applying this Standard to identify, evaluate, and eliminate or reduce to an acceptable level threats to independence.

**Breach of a Provision**

2.26 A breach of a provision may occur despite the firm having policies and procedures designed to provide it with reasonable assurance that independence is maintained. A consequence of such a breach may be that termination of the audit or review engagement is necessary.

2.27 If the firm concludes that a breach has occurred, the firm shall communicate the matter to those charged with governance and terminate, suspend or eliminate the interest or relationship that caused the breach and address the consequences of the breach.

2.28 When a breach is identified, the firm shall consider whether there are any legal or regulatory requirements that apply with respect to the breach and, if so, shall comply with those requirements.

2.29 When a breach is identified, the firm shall evaluate the significance of that breach and its impact on the firm's objectivity and ability to issue an audit or review report. The significance of the breach will depend on factors such as:

a) the nature and duration of the breach;

b) the number and nature of previous breaches with respect to the current audit or review engagement;

c) whether a member of the engagement team had knowledge of the interest or relationship that caused the breach;

d) whether the individual who caused the breach is a member of the engagement team or another individual for whom there are independence requirements;

e) if the breach relates to a member of the engagement team, the role of that individual; and

f) if the breach was caused by a non-assurance service, the impact of that non-assurance service on the accounting records or amounts recorded in the financial statements on which the firm will express an opinion or conclusion.

2.30 Depending upon the significance of the breach, it may be possible to take action that satisfactorily addresses the consequences of the breach. The firm shall determine whether such action can be taken. In making this determination the firm shall consider whether, even if such action can be taken, a reasonable and informed third party, weighing the significance of the breach, would be likely to conclude that the firm's objectivity would be compromised such that the firm is unable to issue an audit or review report.

Examples of actions that the firm might consider include one or more of the following:

- removing the relevant individual from the engagement team;

- conducting an additional review of the affected work or re-performing that work to the extent necessary, in either case using different personnel;
- recommending that the audit or review client engage another firm to review or re-perform the affected work to the extent necessary; and
- where the breach relates to a non-assurance service that affects the accounting records or an amount that is recorded in the financial statements, engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service.

2.31 If the firm determines that action cannot be taken to satisfactorily address the consequences of the breach, the firm shall, after discussion with those charged with governance, take the steps necessary to terminate the engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the engagement.

2.32 If the firm determines that action can be taken to satisfactorily address the consequences of the breach, the firm shall discuss the breach and the action it proposes to take with those charged with governance as soon as possible. The matters to be discussed shall include:

- the significance of the breach, including its nature and duration;
- how the breach occurred and how it was detected;
- a description of the firm's relevant policies and procedures designed to provide it with reasonable assurance that independence is maintained;
- the conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for that conclusion;
- the action proposed to be taken and the firm's rationale for why the action will satisfactorily address the consequences of the breach and enable it to issue an audit report;
- any additional action that those charged with governance request the firm to take; and
- any steps that the firm has taken or proposes to take to reduce or avoid the risk of further breaches occurring.

2.33 If those charged with governance agree that action can be taken to satisfactorily address the consequences of the breach and such action is taken, the firm may continue with the engagement.

2.34 If those charged with governance do not agree that the action satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to terminate the engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the engagement.

2.35 If the breach occurred prior to the issuance of the previous report, the firm shall comply with these provisions in evaluating the significance of the breach and its impact on the firm's objectivity and its ability to issue a report in the current period. The firm shall consider the impact of the breach, if any, on any previously issued reports, including the possibility of withdrawing such reports, and discuss the matter with those charged with governance.

2.36 The firm shall document the action taken and all the matters discussed with those charged with governance and, if applicable, discussions with relevant regulators. When the firm

continues with the engagement, the matters to be documented shall also include the conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for why the action taken satisfactorily addressed the consequences of the breach such that the firm could issue a report.

**Threats to Independence**

2.37 Independence is potentially affected by self-interest, self-review, advocacy, familiarity, and intimidation threats.

2.38 A self-interest threat occurs when a financial or other interest will inappropriately influence the member of the engagement team's, firm's or network firm's judgement or behaviour.

Examples of circumstances that may create this threat include:

a) a direct financial interest in a client;

b) undue dependence on total fees from a client;

c) a significant close business relationship with a client;

d) being concerned about the possibility of losing a significant client;

e) entering into employment negotiations with a client; and

f) discovering a significant error when evaluating the results of a previous professional service performed by a member's firm.

2.39 A self-review threat occurs when a member will not appropriately evaluate the results of a previous judgement made or service performed by the member, or by another individual within the firm or employing organization, on which the member will rely when forming a judgement as part of providing a current service. Examples of circumstances that may create this threat include:

a) a firm issuing an engagement report on the effectiveness of the operation of financial systems after designing or implementing the systems;

b) a firm having prepared the original data used to generate records that are the subject matter of an engagement;

c) a member or member of the engagement team being, or having recently been, a director or officer of the client;

d) a member or member of the engagement team being, or having recently been, employed by the client in a position to exert significant influence over the subject matter of the engagement, and performing a service for a client that directly affects the subject matter information of the engagement.

2.40 An advocacy threat occurs when a member promotes a client's or employer's position to the point that the member's objectivity is compromised. Examples of circumstances that may create this threat include:

a) promoting shares in a client; and

b) acting as an advocate on behalf of a client in litigation or disputes with third parties.

2.41 A familiarity threat occurs when, due to a long or close relationship with a client or employer, a member will be too sympathetic to their interests or too accepting of their work.

Examples of circumstances that may create this threat include:

a) a member of the engagement team having a close or immediate family member who is a director or an officer of the client;

b) a member of the engagement team having a close or immediate family member who, as an employee of the client, is in a position to exert direct and significant influence over the subject matter of the assurance engagement;

c) a director or officer of the client or an employee in a position to exert significant influence over the subject matter of the engagement having recently been a partner of the firm; and

d) accepting gifts or preferential treatment from a client, unless the value is trivial or inconsequential.

2.42 An intimidation threat occurs when a member will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the member.

Examples of circumstances that may create this threat include:

a) a firm being threatened with dismissal from a client engagement;

b) a client indicating that it will not award a planned non-assurance contract to the firm if the firm continues to disagree with the client's accounting treatment for a particular transaction;

c) a firm being threatened with litigation by the client;

d) a firm being pressured to reduce inappropriately the extent of work performed in order to reduce fees;

e) a member feeling pressured to agree with the judgement of a client employee because the employee has more expertise on a matter in question; and

f) a member being informed by a partner of the firm that a planned promotion will not occur unless the member agrees with a client's inappropriate accounting treatment.

**Safeguards**

2.43 When threats that are more than clearly insignificant are identified, appropriate safeguards must be identified to eliminate the threats or reduce them to an acceptable level. The nature of the safeguards to be applied will vary depending on the circumstances of a particular engagement. Consideration must always be given to what a reasonable and informed third party having knowledge of all of the relevant information, including safeguards, would reasonably conclude to be unacceptable. Such consideration will be affected by matters such as the significance of the threat, the nature of the assurance engagement, the intended users of the report, and the structure of the firm.

2.44 Safeguards fall into two broad categories:

a) those created by the profession, legislation or regulation; and

b) those in the work environment.

2.45 Safeguards created by the profession, legislation or regulation include the following:

a) educational, training, and experience requirements for both entry into the profession and the provision of public accounting services;

b) continuing professional development requirements;

c) professional standards and monitoring and disciplinary processes;

d) external practice reviews;

e) legislation governing the independence requirements of the firm, members, and other professional colleagues; and

f) participation by members of the public in the governance of the profession.

2.46 Safeguards within the assurance client may include the following:

a) the client has competent employees to make managerial decisions;

b) policies and procedures that emphasize the client's commitment to fair financial reporting;

c) internal procedures that ensure objective choices in commissioning non-assurance engagements; and

d) an audit committee consisting those charged with governance that provides appropriate oversight and communications regarding a firm's service.

2.47 Safeguards within the firm's own systems and procedures may include firm-wide safeguards such as the following:

a) firm leadership that stresses the importance of independence and the expectation that members and members of engagement teams will act in the public interest;

b) policies and procedures to implement and monitor quality control of engagements;

c) documented independence policies regarding the identification of threats to independence, the evaluation of the significance of these threats, and the identification and application of safeguards to eliminate or reduce the threats, other than those that are clearly insignificant, to an acceptable level;

d) internal policies and procedures to monitor compliance with firm policies and procedures as they relate to independence;

e) policies and procedures that will enable the identification of interests or relationships between the member, engagement team, or firm and clients;

f) policies and procedures to monitor and, if necessary, manage the reliance on revenue received from a single client;

g) using different partners and engagement teams with separate reporting lines for the provision of non-assurance services to a client;

h) policies and procedures to prohibit individuals who are not members of the engagement team from influencing the outcome of the engagement;

i) timely communication of a member's or firm's policies and procedures, and any changes thereto, to all members of the engagement team, including appropriate training and education;

j) designating a member of senior management to be responsible for overseeing the adequate functioning of the safeguarding system;

k) means of advising members of the firm and members of the engagement team of those clients and related entities from which they must be independent;

l) a disciplinary mechanism within the firm to promote compliance with policies and procedures; and

m) policies and procedures to empower members of the engagement team to communicate to senior levels within the firm any issues of independence and objectivity that concern them; this includes informing the engagement team of the procedures open to them.

2.48 Safeguards within the firm's own systems and procedures may include engagement-specific safeguards such as the following:

a) having a professional colleague review the work or otherwise advise as necessary; this could include someone from outside the firm or someone from within the firm who was not otherwise associated with the engagement team;

b) consulting a third party, such as a committee of independent directors, a professional regulatory body, including a member advisor of an affiliate or another professional colleague;

c) rotating senior individuals from an engagement team;

d) discussing independence issues with members of the audit committee or, in the absence of an audit committee, those charged with governance;

e) disclosing the nature of services provided and extent of fees charged to the audit committee, or in the absence of an audit committee, those charged with governance;

f) having policies and procedures to ensure members of the engagement team do not make, or assume responsibility for, management decisions for the assurance client;

g) involving another firm to perform or re-perform part of the engagement;

h) involving another firm to re-perform the non-assurance service to the extent necessary that will enable it to take responsibility for that service; and

i) removing an individual from the engagement team, when that individual's financial interests or relationships create a threat to independence.

2.49 Audit committees assume an important corporate governance role when they operate independently of client management and are able to assist the Board of Directors in satisfying them that a member or firm is independent in carrying out its audit role. There should be regular communications between the member or firm and the audit committee, or if there is no audit committee, those charged with governance, regarding relationships and other matters that might, in the member's or firm's opinion, reasonably be thought to bear on independence.

2.50 Requirements are set out for communication to those charged with governance in the *CICA Handbook — Assurance.* Members and firms are required to establish policies and procedures relating to regular independence communications with audit committees, or if there is no audit committee, those charged with governance. For audit engagements, of entities that are reporting issuers, the member or firm must communicate orally and in writing at least annually regarding all relationships and other matters between the member, firm or network firm, and the audit client that, in the professional judgement of the member of the engagement

team involved, may reasonably be thought to affect independence. Matters to be communicated will vary with the circumstances of the engagement; however, the communication should generally address the relevant independence matters set out in this Standard.

2.51 When the safeguards available, such as those described in the preceding paragraphs, are insufficient to eliminate the threats to independence or to reduce them to an acceptable level, or when a member or firm chooses not to eliminate the activities or interests creating the threat, the only course of action available will be the refusal to perform, or withdrawal from, the assurance engagement.

**Guidance for Sole Proprietors and Small Firms**

2.52 Small firms and sole proprietors have clients that are mainly owner-managed or small-sized enterprises. Many of the safeguards normally available within the firm or the client would not be available.

2.53 Often these practitioners are relied on by owner-managed and small-sized enterprise clients to provide them with a broad range of accounting and business services. In these circumstances, independence will not be impaired provided safeguards are applied as required to eliminate or reduce any threat to an acceptable level and the services provided are not specifically prohibited by this Standard. For example, an appropriate safeguard might include explaining to the client the intention behind providing certain services and then obtaining the client's approval for the end result.

2.54 Small and medium-sized enterprise clients will often enjoy a long-standing personal relationship with a sole proprietor or small firm. In that situation, independence will not be impaired provided safeguards are applied to reduce any familiarity threat that may result from that relationship to an acceptable level. In most circumstances, the mandatory external practice review and, where appropriate, consultation with a third party such as a member advisor of an Affiliate or a professional colleague from outside the firm will reduce any potential threats to independence to an acceptable level.

2.55 Practitioners will find additional guidance throughout Section 4, Application of Framework in Specific Situations. In addition to the safeguards identified in paragraphs 2.43 and 2.44, such as paragraphs 4.37, 4.43, and 4.50 discuss issues and provide safeguards in circumstances that are common to small firms or sole proprietors. Also, the Guidance Bulletin, *Independence for Sole Proprietors and Small Firms*, is accessible through the Public Practice Manual CD or the PPM Online.

Networks and Network Firms

2.56 An entity that belongs to a network might be a firm, which is defined as a sole practitioner, partnership or corporation of professional accountants, and an entity that controls or is controlled by such parties. Or the entity might be another type of entity, such as a consulting practice. The independence requirements in this section that apply to a network firm apply to any entity that meets the definition of a network firm irrespective of whether the entity itself meets the definition of a firm.

2.57 To enhance their ability to provide professional services, firms frequently form larger structures with other firms and entities. Whether these larger structures create a network depends on the particular facts and circumstances and does not depend on whether the firms and entities are legally separate and distinct. For example, a larger structure may be aimed only at facilitating the referral of work, which in itself does not meet the criteria necessary to constitute a network. Alternatively, a larger structure might be such that it is aimed at co-

operation, and the firms share a common brand name, a common system of quality control, or significant professional resources. A larger structure of this type is deemed to be a network.

2.58 The judgement as to whether the larger structure is a network shall be made in light of whether a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that the entities are associated in such a way that a network exists. The judgement shall be applied consistently throughout the network.

2.59 Where the larger structure is aimed at co-operation, and it is clearly aimed at profit or cost sharing among the entities within the structure, it is deemed to be a network. However, the sharing of immaterial costs does not in itself create a network. In addition, if the sharing of costs is limited only to those costs related to the development of audit methodologies, manuals, or training courses, this would not in itself create a network. Further, an association between a firm and an otherwise unrelated entity to jointly provide a service or develop a product does not in itself create a network.

2.60 Where the larger structure is aimed at cooperation and the entities within the structure share common ownership, control or management, it is deemed to be a network. This could be achieved by contract or other means.

2.61 Where the larger structure is aimed at cooperation and the entities within the structure share common quality control policies and procedures, it is deemed to be a network. For this purpose, common quality control policies and procedures are those designed, implemented, and monitored across the larger structure.

2.62 Where the larger structure is aimed at cooperation and the entities within the structure share a common business strategy, it is deemed to be a network. Sharing a common business strategy involves an agreement by the entities to achieve common strategic objectives. However, an entity is not deemed to be a network firm merely because it cooperates with another entity solely to respond to a request for a proposal for the provision of a professional service.

2.63 Where the larger structure is aimed at cooperation and the entities within the structure share the use of a common brand name, it is deemed to be a network. A common brand name includes common initials or a common name. A firm is deemed to be using a common brand name if it includes, for example, the common brand name as part of, or along with, its firm name when a partner of the firm signs an assurance report.

2.64 Even though a firm does not belong to a network and does not use a common brand name as part of its firm name, it may give the appearance that it belongs to a network if it makes reference in its stationery or promotional materials to being a member of an association of firms. Therefore, if care is not taken in how a firm describes such memberships, a perception may be created that the firm belongs to a network.

2.65 If a firm sells a component of its practice, the sales agreement sometimes provides that, for a limited period of time, the component may continue to use the name of the firm, or an element of the name, even though it is no longer connected to the firm. In such circumstances, while the two entities may be practicing under a common name, the facts are such that they do not belong to a larger structure aimed at cooperation and are, therefore, not network firms. Those entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties.

2.66 Where the larger structure is aimed at cooperation and the entities within the structure share a significant part of professional resources, it is deemed to be a network. Professional resources include:

a) common systems that enable firms to exchange information such as client data, billing and time records;

b) partners and personnel;

c) technical departments to consult on technical or industry-specific issues, transactions or events for assurance engagements;

d) audit methodology or audit manuals; and

e) training courses and facilities.

2.67 The determination of whether the professional resources shared are significant, and therefore the firms are network firms, shall be made based on the relevant facts and circumstances. Where the shared resources are limited to common audit methodology or audit manuals, with no exchange of personnel or client or market information, it is unlikely that the shared resources would be significant. The same applies to a common training endeavour. Where, however, the shared resources involve the exchange of people or information, such as where personnel are drawn from a shared pool, or a common technical department is created within the larger structure to provide participating firms with technical advice that the firms are required to follow, a reasonable and informed third party is more likely to conclude that the shared resources are significant.

## 3. ENGAGEMENT PERIOD

3.1 The member, the engagement team, and the firm must be independent of the assurance client during the period of the engagement. The engagement period starts when the engagement team begins to perform services and ends when the report is issued, except when the engagement is of a recurring nature. If the engagement is expected to recur, the period of the engagement ends with the notification by either party that the professional relationship has terminated or on the issuance of the final report, whichever is later. In the case of an audit engagement for a reporting issuer, the engagement period ends when the audit client, member, or the firm notifies the relevant Securities Commission that the audit client is no longer an audit client of the member or the firm.

3.2 In the case of an audit or review engagement, the period of the audit or review engagement includes the period covered by the financial statements reported on by the member or the firm. When an entity becomes a client during or after the period covered by the financial statements that the member or firm will report on, the member or firm shall determine whether any threats to independence are created by:

a) financial or business relationships with the client during or after the period covered by the financial statements, but before accepting the engagement; or

b) previous services provided to the client.

Similarly, in the case of an assurance engagement that is not an audit or review engagement, the member or firm shall determine whether any financial or business relationships or previous services create threats to independence.

3.3 If non-assurance services were provided to an audit or review client during or after the period covered by the financial statements but before the commencement of professional services in connection with the audit or review, and the service would not be permitted during the period of the engagement, the firm shall evaluate any threat to independence created by the service. If any threat is not at an acceptable level, the engagement shall only be accepted if safeguards

are applied to eliminate any threats or reduce them to an acceptable level. Examples of such safeguards include:

a) not including personnel who provided the non-assurance service as members of the engagement team;

b) having a professional colleague review the audit or review work and non-assurance work as appropriate; or

c) engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service.

**Reporting Issuers**

3.4 Non-assurance services provided to an audit client that is not a reporting issuer will not impair the member's or firm's independence when the client becomes a reporting issuer provided:

a) the previous non-assurance services were permissible under this Standard for audit clients that were not reporting issuers;

b) the services will be terminated within a reasonable period of time of the client becoming a reporting issuer, if the services are not permissible under this Standard for reporting issuer audit clients; or

c) the member or the firm has implemented appropriate safeguards to eliminate, or reduce to an acceptable level, any threats to independence arising from the previous services.

3.5 For the purposes of complying with the specified prohibitions related to reporting issuers in this Standard, an entity becomes a reporting issuer by virtue of having market capitalization or total assets in excess of $10,000,000. In the case of a period in which an entity makes a public offering, market capitalization is measured at the closing price on the day of the public offering, and "total assets" refers to the total assets presented on the most recent financial statements, prepared in accordance with Canadian generally accepted accounting principles, that are included in the offering document.

3.6 When an entity becomes a reporting issuer by virtue of a public offering, the auditor of the entity is required, from that period forward until the entity ceases to be a reporting issuer, to comply with the specified prohibitions for reporting issuers in this Standard.

# 4. APPLICATION OF FRAMEWORK IN SPECIFIC SITUATIONS – AUDIT OR REVIEW ENGAGEMENTS

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In accordance with CGA-BC *Code of Ethical Principles and Rules of Conduct*, a member is required to comply with the specified prohibitions denoted by italics in this Standard.

### Introduction — Audit and Review Engagements

4.1 The following examples describe the specific circumstances and relationships that may create threats to independence. The examples describe the potential threats and the safeguards that may be appropriate to eliminate the threats or reduce them to an acceptable level in each circumstance. The examples are not all-inclusive. In practice, the firm and member of the engagement team will be required to assess the implications of similar, but different, circumstances and relationships and to determine whether safeguards, including the safeguards in paragraphs 2.33 through 2.41, can be applied to satisfactorily address threats to independence.

### Financial Interests

4.2 Holding a financial interest in an audit or review client may create a self-interest threat. The existence and significance of any threat created depends on:

a) the role of the individual holding the financial interest;

b) whether the financial interest is direct or indirect; and

c) the materiality of the financial interest.

4.3 Financial interests may be held through an intermediary (e.g., a collective investment vehicle, estate or trust). The determination of whether such financial interests are direct or indirect will depend on whether the beneficial owner has control over the investment vehicle or the ability to influence its investment decisions. When control over the investment vehicle or the ability to influence investment decisions exists, that financial interest shall be considered a direct financial interest. Conversely, when the beneficial owner of the financial interest has no control over the investment vehicle or ability to influence its investment decisions, that financial interest shall be considered an indirect financial interest.

4.4 *If a member of the engagement team, member of that individual's immediate family, or a firm has a direct financial interest, or a material indirect financial interest in the audit or review client, the self-interest threat would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, none of the following shall have a direct financial interest or a material indirect financial interest in the client: a member of the engagement team, a member of that individual's immediate family, or the firm.*

4.5 When a member of the engagement team has a close family member who the engagement team member knows has a direct financial interest or a material indirect financial interest in the audit or review client, a self-interest threat is created. In evaluating the significance of the threat, consideration shall be given to the nature of the relationship between the member of the engagement team and the close family member and the materiality of the financial interest to the close family member. Safeguards shall be applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

a) the close family disposing, as soon as practicable, of all of the financial interest or disposing of a sufficient portion of an indirect financial interest so that the remaining interest is no longer material;

b) having a professional colleague review the work of the member of the engagement team; or

c) removing the individual from the engagement team.

4.6 *If a member of the engagement team, member of that individual's family, or a firm has a direct or material indirect financial interest in an entity that has a controlling interest in the audit or review client, and the client is material to the entity, the self-interest would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, neither a member of the engagement team, a member of that individual's immediate family, nor the firm shall have a financial interest.*

4.7 The holding by a firm's retirement benefit plan of a direct or material indirect financial interest in an audit or review client creates a self-interest threat. The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

4.8 *If other partners in the office in which the engagement partner practises in connection with an audit or review engagement, or their immediate family members, hold a direct financial interest or a material indirect financial interest in that client, the self-interest threat would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, neither such partners nor their immediate family members shall hold any such financial interests in that audit or review client.*

4.9 The office in which the engagement partner practises in connection with the audit or review engagement is not necessarily the office to which that partner is assigned. Therefore, when the engagement partner is located in a different office from that of the other members of the engagement team, professional judgement shall be used to determine in which office the partner practises in connection with that engagement.

4.10 *If other partners and managerial personnel who provide non-assurance services to the audit or review client, except those whose involvement is minimal, or their immediate family members, hold a direct financial interest or a material indirect financial interest in the client, the self-interest threat would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, neither such personnel nor their immediate family members shall hold any such financial interest in such audit or review client.*

4.11 Despite 4.8 and 4.10, the holding of a financial interest in an audit or review client by an immediate family member of:

a) a partner located in the office in which the engagement partner practises in connection with the engagement; or

b) a partner or managerial personnel who provides non-audit or non-review services to the client;

is not deemed to compromise independence if the financial interest is received as a result of the immediate family member's employment rights (e.g., through pension or share option plans) and, when necessary, safeguards are applied to eliminate any threat to independence or reduce it to an acceptable level. However, when the immediate family member has or obtains the right to dispose of the financial interest or, in the case of a stock option, the right to exercise the option, the financial interest shall be disposed of or forfeited as soon as practicable.

4.12 *A self-interest threat may be created if the firm, member of the engagement team, or member of that individual's immediate family has a financial interest in an entity and an audit or review client also has a financial interest in that entity. However, independence is not deemed to be compromised if these interests are immaterial and the client cannot exercise significant influence over the entity. If such interest is material to any party and the audit or review client can exercise significant influence over the other entity, no safeguards could reduce the threat to an acceptable level and the firm shall either dispose of the interest or withdraw from*

*or decline the engagement. Any individual with such a material interest shall, before becoming a member of the engagement team, either:*

*a) dispose of the interest; or*

*b) dispose of a sufficient amount of the interest so that the remaining interest is no longer material.*

4.13 The firm shall determine whether a self-interest, familiarity, or intimidation threat is created if a member of the engagement team, or a member of that individual's immediate family, or the firm, has a financial interest in an entity when a director, officer, or controlling owner of the audit client is also known to have a financial interest in that entity. Whether these interests create a self-interest threat will depend on factors such as:

a) the role of the member on the engagement team;

b) whether ownership of the entity is closely or widely held;

c) whether the interest gives the investor the ability to control or significantly influence the entity; and

d) the materiality of the financial interest.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- removing the member with the financial interest from the engagement team; and
- having a professional colleague review the work of the member of the engagement team.

4.14 The holding by a firm, or a member of the engagement team, or a member of that individual's immediate family, of a direct financial interest or a material indirect financial interest in the audit or review client as a trustee creates a self-interest threat. Similarly, a self-interest threat is created when:

a) a partner in the office in which the engagement partner practises in connection with the engagement;

b) other partners and managerial personnel who provide non-assurance services to the client, except those whose involvement is minimal; or

c) their immediate family members

hold a direct financial interest or a material indirect financial interest in the client as trustee.

Holding such an interest is permitted when:

- neither the trustee, nor the immediate family member of the trustee, nor the firm are beneficiaries of the trust;
- the interest in the client held by the trust is not material to the trust;
- the trust is not able to exercise significant influence over the client; and
- the trustee, an immediate family member of the trustee, or the firm cannot significantly influence any investment decision involving a financial interest in the client.

4.15 Members of the engagement team shall determine whether a self-interest threat is created by any known financial interests in the audit or review client held by other individuals including:

a) partners and professional personnel of the firm, other than those referred to above, or their immediate family members; and

b) individuals with a close personal relationship with a member of the engagement team.

Whether these interests create a self-interest threat will depend on factors such as:

- the firm's organizational, operating, and reporting structure; and
- the nature of the relationship between the individual and member of the engagement team.

The significance of any threat shall be evaluated and safeguards shall be applied when necessary to eliminate the threat and reduce it to an acceptable level. Examples of such safeguards include:

- removing the member of the engagement team with the personal relationship;
- excluding the member of the engagement team from any significant decision-making concerning the engagement; and
- having a professional colleague review the work of the member of the engagement team.

4.16 If a firm or a partner or personnel of the firm, or a member of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an audit or review client, for example, by way of an inheritance, gift, or as result of a merger, and such interest would not be permitted to be held under this section, then:

a) If the interest is received by the firm, the financial interest shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material, or the firm shall withdraw from the engagement;

b) If the interest is received by a member of the engagement team, or a member of that individual's immediate family, the individual who received the financial interest shall immediately dispose of the financial interest, or dispose of a sufficient amount of an indirect financial interest so that the remaining interest is no longer material, or the member shall be removed from the engagement team; or

c) If the interest is received by an individual who is not a member of the engagement team, or by an immediate family member of the individual, the financial interest shall be disposed of as soon as possible, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material. Pending the disposal of the financial interest, a determination shall be made as to whether any safeguards are necessary.

## Loans and Guarantees

4.17 A loan, or a guarantee of a loan, to a member of the engagement team, or a member of that individual's immediate family, or the firm from an audit or review client that is a bank or a similar institution may create a threat to independence.

4.18 *If the loan or guarantee is not made under normal lending procedures, terms, and conditions, a self-interest threat would be created that would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, neither a member of the engagement team, nor a member of that individual's immediate family, nor a firm shall accept such a loan or guarantee.*

4.19 If a loan to a firm from an audit or review client that is a bank or similar institution is made under normal lending procedures, terms, and conditions and it is material to the audit or review client, or firm receiving the loan, it may be possible to apply safeguards to reduce the self-interest threat to an acceptable level. An example of such a safeguard is having the work reviewed by a professional colleague from a network firm that is neither involved with the engagement nor received the loan.

4.20 A loan, or a guarantee of a loan, from an audit or review client that is a bank or a similar institution to a member of the engagement team or a member of that individual's immediate family, does not create a threat to independence if the loan or guarantee is made under normal lending procedures, terms, and conditions. Examples of such loans include home mortgages, bank overdrafts, car loans, and credit card balances.

4.21 *If the firm, or a member of the engagement team, or a member of that individual's immediate family accepts a loan from, or has a borrowing guaranteed by, an audit or review client that is not a bank or similar institution, or an officer or director of the client, or a shareholder of the client that owns more than 10% of the equity, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level unless the loan or guarantee is immaterial to both the firm or the member of the engagement team and the immediate family member, and the client.*

4.22 *Similarly, if the firm, or a member of the engagement team, or a member of that individual's immediate family makes or guarantees a loan to an audit or review client, an officer or director of the client, or a shareholder of the client that owns more than 10% of the equity, the self-interest threat would be so significant that no safeguards could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both the firm or the member of the engagement team and the immediate family member, and the client.*

4.23 If a firm, or a member of the engagement team, or a member of that individual's immediate family has deposits or a brokerage account with an audit or review client that is a bank, broker or similar institution, a threat to independence is not created if the deposit or account is held under normal commercial terms.

**Business Relationships**

4.24 A close business relationship between a firm, a member of the engagement team, or a member of that individual's immediate family, and the audit or review client or its management arises from a commercial relationship or common financial interest and may create self-interest or intimidation threats. Examples of such relationships include:

a) having a financial interest in a joint venture with either the client or a controlling owner, director, officer or other individual who performs senior managerial activities for that client;

b) arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties; and

c) distribution or marketing arrangements under which the firm distributes or markets the client's products or services, or the client distributes or markets the firm's products or services.

*Unless any financial interest is immaterial and the business relationship is insignificant to the firm and the client or its management, the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, unless the financial interest is immaterial and the business relationship is insignificant:*

- *the business relationship shall not be entered into, or shall be reduced to an insignificant level or terminated; or*
- *the firm shall decline or terminate the audit or review engagement.*

In the case of a member of the engagement team, unless any such financial interest is immaterial and the relationship is insignificant to that member, the individual shall be removed from the engagement team.

If the business relationship is between an immediate family member of a member of the engagement team and the audit or review client or its management, the significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

4.25 A business relationship involving the holding of an interest by the firm, or a member of the engagement team, or a member of that individual's immediate family in a closely-held entity when the audit or review client or a director or an officer of the client, or any group thereof, also holds an interest in that entity, does not create threats to independence if:

a) the business relationship is insignificant to the firm, the member of the engagement team and the immediate family member, and the client;

b) the financial interest held is immaterial to the investor or group of investors; and

c) the financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.

4.26 The purchase of goods and services from an audit or review client by the firm, or a member of the engagement team, or a member of that individual's immediate family, does not generally create a threat to independence if the transaction is in the normal course of business and at arm's-length. However, such transactions may be of a nature or magnitude that they create a self-interest threat. The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

a) eliminating or reducing the magnitude of the transaction; or

b) removing the individual from the engagement team.

**Family and Personal Relationships**

4.27 Family and personal relationships between a member of the engagement team and a director, officer or certain employees (depending on their role) of the audit or review client may create self-interest, familiarity, or intimidation threats. The existence and significance of any threats will depend on a number of factors, including the individual's responsibilities on the engagement team, the role of the family member or other individual within the client, and the closeness of the relationship. Consequently, the particular circumstances will need to be evaluated in assessing the significance of these threats.

4.28 *When an immediate family member of a member of the engagement team is:*

*a) a director or an officer of the audit or review client; or*

*b) an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion;*

*or was in such a position during any period covered by the engagement, or the financial statements, the threats to independence can only be reduced to an acceptable level by removing the individual from the engagement team. The closeness of the relationship is such that no other safeguards could reduce that threat to an acceptable level. If this safeguard is not applied, the firm shall withdraw from the engagement.*

4.29 Threats to independence are created when an immediate family member of a member of the engagement team is an employee in a position to exert significant influence over the client's financial position, financial performance, or cash flows. The significance of the threats will depend on factors such as:

a) the position held by the immediate family member; and

b) the role of the individual on the engagement team.

The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- removing the individual from the engagement team; or
- structuring the responsibilities of the engagement team so that the individual does not deal with matters that are within the responsibility of the immediate family member.

4.30 Threats to independence are created when a close family member of a member of the engagement team is:

- a director or an officer of the audit or review client;
- an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

The significance of the threats will depend on factors such as:

a) the nature of the relationship between the member of the engagement team and the close family member;

b) the position held by the close family member; and

c) the role of that individual on the engagement team.

The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- removing the individual from the engagement team; or
- structuring the responsibilities of the engagement team so that the individual does not deal with matters that are within the responsibility of the close family member.

4.31 Threats to independence are created when a member of the audit or review team has a close relationship with a person who is not an immediate or close family member but who is a director, officer, or employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion. Members of the engagement team are responsible for identifying any such persons and for consulting in accordance with firm policies and procedures. The significance of the threats will depend on factors such as:

a) the nature of the relationship between the individual and the member of the engagement team;

b) the position the individual holds with the client; and

c) the role of that individual on the engagement team.

The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:

- removing the individual from the engagement team; or
- structuring the responsibilities of the engagement team so that the individual does not deal with matters that are within the responsibility of the individual with whom they have a close relationship.

4.32 Self-interest, familiarity, or intimidation threats may be created by a personal or family relationship between:

- a partner or personnel of the firm who is not a member of the engagement team; and
- a director, or an officer of the audit or review client, or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

Partners and personnel of the firm who are aware of any such relationships are responsible for consulting in accordance with firm policies and procedures. The existence and significance of any threat will depend on factors such as:

a) the nature of the relationship between the partner or personnel of the firm and the director, officer, or employee of the client;

b) the interaction of the partner or personnel of the firm with the engagement team;

c) the position of the partner or personnel within the firm; and

d) the position the individual holds with the client.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- structuring the partner's or personnel's responsibilities to reduce any potential influence over the engagement; or
- having a professional colleague review the relevant work performed.

**Employment with Audit or Review Clients**

4.33 Familiarity or intimidation threats may be created if a director or an officer of the audit or review client, or an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, has been a member of the engagement team or partner of the firm.

4.34 If a former member of the engagement team or partner of the firm has joined the audit or review client in such a position, and a significant connection remains between the firm and the individual, the threat would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, independence would be deemed to be compromised if a former member of the engagement team or partner joins the client as a director or officer, or as an employee in a position to exert significant influence over the preparation of the client's

accounting records or the financial statements on which the firm will express an opinion, unless:

a) the individual is not entitled to any benefits or payments from the firm, unless made in accordance with fixed pre-determined arrangements, and any amount owed to the individual is not material to the firm; and

b) the individual does not continue to participate or appear to participate in the firm's business or professional activities.

4.35 If a former member of the engagement team or partner of the firm has joined the client in such a position, and no significant connection remains between the firm and the individual, the existence and significance of any familiarity or intimidation threats will depend on factors such as:

a) the position the individual has taken at the client;

b) any involvement the individual will have with the engagement team;

c) the length of time since the individual was a member of the engagement team or partner of the firm; and

d) the former position of the individual within the engagement team or firm, for example, whether the individual was responsible for maintaining regular contact with the client's management or those charged with governance.

The significance of any threats created shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:

- modifying the audit plan;
- assigning individuals to the engagement team who have sufficient experience in relation to the individual who has joined the client; or
- having a professional colleague review the work of the former member of the engagement team.

4.36 If a former partner of the firm has previously joined an entity in such a position and the entity subsequently becomes an audit or review client of the firm, the significance of any threat to independence shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

4.37 A self-interest threat is created when a member of the engagement team participates in the engagement while knowing that the member of the engagement team will, or may, join the audit or review client at some time in the future. Firm policies and procedures shall require members of the engagement team to notify the firm when entering employment negotiations with the client. On receiving such notification, the significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

a) removing the individual from the engagement team; or

b) a review of any significant judgements made by that individual while on the engagement team.

**Audit and Review Clients of Public Interest Entities**

4.38 Familiarity or intimidation threats are created if a key audit partner joins an audit or review client that is a public interest entity as:

a) a director or officer of the entity; or

b) an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

*No safeguards could reduce these threats to an acceptable level unless, subsequent to the partner ceasing to be a key audit partner, the public interest entity had issued, audited, or reviewed financial statements covering a period of not less than twelve months and the partner was not a member of the engagement team with respect to the audit or review of those financial statements.*

4.39 An intimidation threat is created if the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent) joins an audit or review client that is a public interest entity as:

a) an employee in a position to exert significant influence over the preparation of the entity's accounting records or its financial statements; or

b) a director or an officer of the entity.

*No safeguards could reduce these threats to an acceptable level unless twelve months have passed since the individual was the Senior or Managing Partner (Chief Executive or equivalent) of the firm.*

4.40 Independence is not deemed to be compromised if, as a result of a business combination, a former key audit partner or the individual who was the firm's former Senior or Managing Partner is in a position as described in paragraphs 4.40 and 4.41, and:

a) the position was not taken in contemplation of the business combination;

b) any benefits or payments due to the former partner from the firm have been settled in full, unless made in accordance with fixed pre-determined arrangements and any amount owed to the partner is not material to the firm;

c) the partner does not continue to participate or appear to participate in the firm's business or professional activities; and

d) the position held by the former partner with the audit or review client is discussed with those charged with governance.

**Temporary Personnel Assignments**

4.41 The lending of personnel by a firm to an audit or review client may create a self-review threat. Such assistance may be given, but only for a short period of time, and the firm's personnel shall not be involved in:

a) providing non-assurance services that would not be permitted under this section; or

b) assuming management responsibilities.

In all circumstances, the audit or review client should acknowledge its responsibility for directing and supervising the activities of the loaned personnel.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- conducting an additional review of the work performed by the loaned personnel;
- not giving the loaned personnel audit or review responsibility for any function or activity they performed during the temporary personnel assignment; or
- not including the loaned personnel as a member of the engagement team.

**Recent Service with an Audit or Review Client**

4.42 Self-interest, self-review, or familiarity threats may be created if a member of the audit team has recently served as a director, officer, or employee of the audit or review client. This would be the case when, for example, a member of the engagement team has to evaluate elements of the financial statements for which they had prepared the accounting records while with the client.

4.43 *If, during the period covered by the audit or review report, a member of the engagement team had served as a director or officer of the client, or was an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion, the threat created would be so significant that no safeguard could reduce the threat to an acceptable level. Consequently, such individuals shall not be assigned to the engagement team.*

4.44 Self-interest, self-review, or familiarity threats may be created if, before the period covered by the audit or review report, a member of the engagement team had served as a director or officer of the client or was an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion. For example, such threats would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current engagement. The existence and significance of any threats will depend on factors such as:

a) the position the individual held with the client;

b) the length of time since the individual left the client; and

c) the role of that member on the engagement team.

The significance of any threat shall be evaluated and safeguards applied when necessary to reduce the threat to an acceptable level. An example of such a safeguard is conducting a review of the work performed by the individual as a member of the engagement team.

**Serving as an Officer or Director on the Board of an Audit or Review Client**

4.45 *If a partner or employee of the firm serves as a director or officer of an audit or review client, the self-review and self-interest threats created would be so significant that no safeguards could reduce the threats to an acceptable level. Therefore, if such an individual were to accept such a position while continuing to serve as a partner or an employee of the firm, the firm shall decline or withdraw from the engagement.*

4.46 If a partner or employee of the firm serves as Company Secretary for an audit or review client, self-review and advocacy threats are created that would generally be so significant that no safeguards could reduce the threats to an acceptable level. Despite paragraph 4.47, when this practice is specifically permitted under local law, professional rules or practice, and provided management makes all relevant decisions, the duties and activities shall be limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns. In those circumstances, the significance of any threats shall be evaluated and

safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.

4.47 Performing routine administrative services to support a company secretarial function or providing advice in relation to company secretarial administration matters does not generally create threats to independence, as long as client management makes all relevant decisions.

**Long Association of Senior Personnel (Including Partner Rotation)**

4.48 Familiarity and self-interest threats are created by using the same senior personnel on an audit or review engagement over a long period of time. The significance of the threats will depend on factors such as:

a) how long the individual has been a member of the engagement team;

b) the role of the individual on the engagement team;

c) the structure of the firm;

d) the nature of the engagement;

e) whether the client's management team has changed; and

f) whether the nature or complexity of the client's accounting and reporting issues has changed.

The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:

- rotating the senior personnel off the engagement team;
- having a professional colleague who was not a member of the engagement team review the work of the senior personnel; or
- regular independent internal or external quality control reviews of the engagement.

***Audit or Review Clients that are Reporting Issuers***

4.49 *Using the same key audit or review partner on an audit engagement over a prolonged period may create a familiarity threat. This threat is particularly relevant in the context of the audit for reporting issuers and safeguards shall be applied in such situations to reduce the threats to an acceptable level. The following safeguards shall apply for the audit of reporting issuers:*

*a) in respect of an audit of a reporting issuer, an individual shall not be a key audit partner for more than seven years. After such time, the individual shall not return to the audit team or be a key audit partner for the client for five years. During that period, the individual shall not participate in the audit of the entity, provide quality control for the engagement, consult with the audit team or the client regarding technical or industry-specific issues, transactions or events or otherwise directly influence the outcome of the engagement;*

*b) a member who is other than a key audit partner referred to in 4.51(a) who, during the engagement period provides more than ten hours of assurance services, or who is a subsidiary engagement partner, shall be rotated off after a period of no more than seven years; and*

*c) In the case of 4.51(b), the member shall not participate in the assurance engagement as an engagement partner until a period of five years has elapsed. In the case of an audit engagement that is a mutual fund, the engagement partner shall not thereafter perform the role of engagement partner of the reporting issuer or another mutual fund that is in the same mutual fund complex as the reporting issuer until a five-year-period has elapsed; and*

*d) in the case of an audit engagement of a reporting issuer that is a mutual fund, the key audit partner shall not thereafter resume or assume either such role with the reporting issuer or another mutual fund that is in the same mutual fund complex as the reporting issuer until a five-year-period has elapsed.*

4.50 Despite paragraph 4.51, key audit partners whose continuity is especially important to audit quality may, in rare cases due to external and unforeseen circumstances outside the firm's control, be permitted an additional year on the audit team as long as the threat to independence can be eliminated or reduced to an acceptable level by applying safeguards. For example, a key audit partner may remain on the audit team for up to one additional year in circumstances where, due to unforeseen events, a required rotation was not possible, as might be the case due to serious illness of the intended engagement partner.

4.51 The long association of other partners with an audit or review client that is a public interest entity creates familiarity and self-interest threats. The significance of the threats will depend on factors such as:

a) how long any such partner has been associated with the client;

b) the role, if any, of the individual on the engagement team; and

c) the nature, frequency, and extent of the individual's interactions with the client's management or those charged with governance.

The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:

- rotating the partner off the audit or review team or otherwise ending the partner's association with the client; or
- regular independent internal or external quality control reviews of the engagement.

4.52 When an audit or review client becomes a public interest entity, the length of time the individual has served the client as a key audit or review partner before the client becomes a public interest entity shall be considered in determining when the individual shall be rotated. If the individual has served the client as a key audit or review partner for five years or less at the time the client becomes a public interest entity, the number of years the individual may continue to serve the client in that capacity before rotating off the engagement is seven years less the number of years already served. If the individual has served the client as a key audit or review partner for six or more years when the client becomes a public interest entity, the partner may continue to serve in that capacity for two additional years before rotating off the engagement.

**Provision of Non-assurance Services to an Audit or Review Client**

4.53 Firms have traditionally provided to their audit or review clients a range of non-assurance services that are consistent with their skills and expertise. Providing non-assurance services may, however, create threats to the independence of the firm or members of the engagement team. The threats created are most often self-review, self-interest, and advocacy threats.

4.54 New developments in business, the evolution of financial markets, and changes in information technology make it impossible to draw up an all-inclusive list of non-assurance services that might be provided to an audit or review client. When specific guidance on a particular non-assurance service is not included in this section, the conceptual framework shall be applied when evaluating the particular circumstances.

4.55 Before the firm accepts an engagement to provide a non-assurance service to an audit or review client, a determination shall be made as to whether providing such a service would create a threat to independence. In evaluating the significance of any threat created by a particular non-assurance service, consideration shall be given to any threat that the engagement team has reason to believe is created by providing other related non-assurance services. If a threat is created that cannot be reduced to an acceptable level by the application of safeguards, the non-assurance service shall not be provided.

4.56 A firm may provide non-assurance services that would otherwise be restricted under this section to the following entities of the audit or review client:

a) an entity, which is not an audit or review client, that has direct or indirect control over the client; or

b) an entity, which is not an audit or review client, that is under common control with the client

if it is reasonable to conclude that:

- the services do not create a self-review threat because the results of the services will not be subject to audit or review procedures; and
- any threats that are created by the provision of such services are eliminated or reduced to an acceptable level by the application of safeguards.

4.57 A non-assurance service provided to an audit or review client does not compromise the firm's independence when the client becomes a public interest entity if:

a) the previous non-assurance service complies with the provisions of this section that relate to audit or review clients that are not public interest entities;

b) services that are not permitted under this section for audit or review clients that are public interest entities are terminated before or as soon as practicable after the client becomes a public interest entity; and

c) the firm applies safeguards when necessary to eliminate or reduce to an acceptable level any threats to independence arising from the service.

Management Responsibilities

4.58 Management of an entity performs many activities in managing the entity in the best interests of the stakeholders of the entity. It is not possible to specify every activity that is a management responsibility. However, management responsibilities involve leading and

directing an entity, including making significant decisions regarding the acquisition, deployment, and control of human, financial, physical, and intangible resources.

4.59 Whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgement. Examples of activities that would generally be considered a management responsibility include:

a) setting policies and strategic direction;

b) directing and taking responsibility for the actions of the entity's employees;

c) authorizing transactions;

d) deciding which recommendations of the firm or other third parties to implement;

e) taking responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; and

f) taking responsibility for designing, implementing, and maintaining internal control.

4.60 Activities that are routine and administrative, or involve matters that are insignificant, generally are not deemed to be a management responsibility. For example, executing an insignificant transaction that has been authorized by management or monitoring the dates for filing statutory returns and advising an audit or review client of those dates is not deemed to be a management responsibility. Further, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.

4.61 *If a firm were to assume a management responsibility for an audit or review client, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. For example, deciding which recommendations of the firm to implement will create self-review and self-interest threats. Further, assuming a management responsibility creates a familiarity threat because the firm becomes too closely aligned with the views and interests of management. Therefore, the firm shall not assume a management responsibility for such a client.*

4.62 To avoid the risk of assuming a management responsibility when providing non-assurance services to an audit or review client, the firm shall be satisfied that a member of management is responsible for making the significant judgements and decisions that are the proper responsibility of management, evaluates the results of the service, and accepts responsibility for the actions to be taken arising from the results of the service. This reduces the risk of the firm inadvertently making any significant judgements or decisions on behalf of management. The risk is further reduced when the firm gives the client the opportunity to make judgements and decisions on an objective and transparent analysis and presentation of the issues.

Preparing Accounting Records and Financial Statements

4.63 Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework. These responsibilities include:

a) originating or changing journal entries, or determining the account classifications of transactions; and

b) preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction (for example, purchase orders, payroll time records, and customer orders).

4.64 Providing an audit or review client with accounting and bookkeeping services, such as preparing accounting records or financial statements, creates a self-review threat when the firm subsequently performs the audit or review engagement on the client's financial statements.

4.65 The audit or review process, however, necessitates dialogue between the firm and management of the client, which may involve:

a) the application of accounting standards or policies and financial statement disclosure requirements;

b) the appropriateness of financial and accounting control and the methods used in determining the stated amounts of assets and liabilities; and

c) proposing adjusting journal entries.

These activities are considered to be a normal part of the engagement process and do not, generally, create threats to independence.

4.66 Similarly, the client may request technical assistance from the firm on matters such as resolving account reconciliation problems or analyzing and accumulating information for regulatory reporting. In addition, the client may request technical advice on accounting issues such as the conversion of existing financial statements from one financial reporting framework to another (for example, to comply with group accounting policies to transition to a different financial reporting framework such as International Financial Reporting Standards). Such services do not, generally, create threats to independence provided the firm does not assume a management responsibility for the client.

***Audit or Review Clients that are Not Public Interest Entities***

4.67 The firm may provide services related to the preparation of accounting records and financial statements to an audit or review client that is not a public interest entity where the services are of a routine or mechanical nature, so long as any self-review threat created is reduced to an acceptable level. Examples of such services include:

a) providing payroll services based on client-originated data;

b) recording transactions for which the client has determined or approved the appropriate account classification;

c) posting transactions coded by the client to the general ledger;

d) posting client-approved entries to the trial balance; and

e) preparing financial statements based on information in the trial balance.

In all cases, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- arranging for such services to be performed by an individual who is not a member of the engagement team; or
- if such services are performed by a member of engagement team, using a partner or senior personnel with appropriate expertise who is not a member of the engagement team to review the work performed.

***Audit or Review Clients that are Public Interest Entities***

4.68 *Except in emergency situations, a firm shall not provide to an audit or review client that is a reporting issuer or a public interest entity accounting and bookkeeping services, including payroll services, or prepare financial statements on which the firm will express an opinion or financial information which forms the basis of the financial statements.*

4.69 Despite paragraph 4.71, a firm may provide accounting and bookkeeping services, including payroll services and the preparation of financial statements or other financial information, of a routine or mechanical nature for divisions or related entities of an audit or review client that is a reporting issuer client or a public interest entity if the personnel providing the services are not members of the engagement team and:

a) the divisions or related entities for which the service is provided are collectively immaterial to the financial statements on which the firm will express an opinion; or

b) the services relate to matters that are collectively immaterial to the financial statements of the division or related entity.

Emergency Situations

4.70 Accounting and bookkeeping services, which would otherwise not be permitted under this section, may be provided to audit or review clients in emergency or other unusual situations when it is impractical for the client to make other arrangements. This may be the case when:

a) only the firm has the resources and necessary knowledge of the client's systems and procedures to assist the client in the timely preparation of its accounting records and financial statements; and

b) a restriction on the firm's ability to provide the services would result in significant difficulties for the client (for example, as might result from a failure to meet regulatory reporting requirements).

In such situations, a firm may provide such services if:

- those who provide the services are not members of the engagement team; and
- the services are provided for only a short period of time and are not expected to recur.

In addition, the situation shall be discussed with those charged with governance.

Valuation Services

4.71 A valuation comprises the making of assumptions with regard to future developments, the application of appropriate methodologies and techniques, and the combination of both to compute a certain value, or range of values, for an asset, a liability, or for a business as a whole.

4.72 Performing valuation services for an audit or review client may create a self-review threat. The existence and significance of any threat will depend on factors such as:

a) whether the valuation will have a material effect on the financial statements;

b) the extent of the client's involvement in determining and approving the valuation methodology and other significant matters of judgement;

c) the availability of established methodologies and professional guidelines;

d) for valuations involving standard or established methodologies, the degree of subjectivity inherent in the item;

e) the reliability and extent of the underlying data;

f) the degree of dependence on future events of a nature that could create significant volatility inherent in the amounts involved; and

g) the extent and clarity of the disclosures in the financial statements.

The significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- having a professional who was not involved in providing the valuation service review the audit, review, or valuation work performed; or
- making arrangements so that personnel providing such services do not participate in the engagement.

4.73 Certain valuations do not involve a significant degree of subjectivity. This is likely the case where the underlying assumptions are either established by law or regulation, or are widely accepted, and when the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation. In such circumstances, the results of a valuation performed by two or more parties are not likely to be materially different.

4.74 If a firm is requested to perform a valuation to assist an audit or review client with its tax reporting obligations or for tax planning purposes and the results of the valuation will not have a direct effect on the financial statements, the provisions included in paragraph 4.90 apply.

***Audit Clients that are Not Public Interest Entities***

4.75 *In the case of an audit or review client that is not a public interest entity, if the valuation service has a material effect on the financial statements on which the firm will express an opinion and the valuation involves a significant degree of subjectivity, no safeguards could reduce the self-review threat to an acceptable level. Therefore, the firm shall either not provide the valuation service or shall withdraw from the audit engagement.*

***Audit and Review Clients that are Public Interest Entities***

4.76 *A firm shall not provide valuation services to an audit or review client that is a public interest entity if the valuations would have a material effect, separately or in the aggregate, on the financial statements on which the firm will express an opinion.*

Taxation Services

4.77 Taxation services comprise a broad range of services, including:

a) tax return preparation;

b) tax calculations for the purpose of preparing the accounting entries;

c) tax planning and other tax advisory services; and

d) assistance in the resolution of tax disputes.

While taxation services provided by a firm to an audit or review client are addressed separately under each of these broad headings, in practice these activities are often interrelated.

4.78 Performing certain tax services may create self-review and advocacy threats. The existence and significance of any threats will depend on factors such as:

a) the system by which the tax authorities assess and administer the tax in question and the role of the firm in that process;

b) the complexity of the relevant tax regime and the degree of judgement necessary in applying it;

c) the particular characteristics of the engagement; and

d) the level of tax expertise of the audit or review client's employees.

Tax Return Preparation

4.79 Tax return preparation services involve assisting clients with their tax reporting obligations by drafting and completing information, including the amount of tax due (usually on standardized forms) required to be submitted to the applicable tax authorities. Such services also include advising on the tax return treatment of past transactions and responding on behalf of the audit or review client to the tax authorities' requests for additional information and analysis (including providing explanations of and technical support for the approach being taken). Tax return preparation services are generally based on historical information and principally involve analysis and presentation of such historical information under existing tax law, including precedents and established practice. Further, the tax returns are subject to whatever review or approval process the tax authority deems appropriate. Therefore, providing such services do not generally create a threat to independence if management takes responsibility for the returns including any significant judgements made.

*Tax Calculations for the Purpose of Preparing the Accounting Entries*

4.80 Preparing calculations of current and future tax liabilities (or assets) for an audit or review client for the purpose of the preparation of accounting entries that will be subsequently audited or reviewed by the firm creates a self-review threat. The significance of the threat will depend on:

a) the complexity of the relevant tax law and regulation and the degree of judgement necessary in applying them;

b) the level of tax expertise of the client's personnel; and

c) the materiality of the amounts to the financial statements.

Safeguards shall be applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- using professionals who are not members of the engagement team to perform the service;
- if the service is performed by a member of the engagement team, using a partner or senior personnel with appropriate expertise who is not a member of the engagement team to review the tax calculations; or
- obtaining advice on the service from an external tax professional.

***Audit or Review Clients that are Public Interest Entities***

4.81 *Except in emergency situations, in the case of an audit or review client that is a public interest entity, a firm shall not prepare tax calculations of current and future tax liabilities (or assets) for the purpose of preparing accounting entries that are material to the financial statements on which the firm will express an opinion.*

4.82 The preparation of calculations of current and future tax liabilities (or assets) for an audit or review client for the purpose of the preparation of accounting entries, which would otherwise not be permitted under this section, may be provided to clients in emergency or other unusual situations when it is impractical for the client to make other arrangements. This may be the case when:

a) only the firm has the resources and necessary knowledge of the client's business to assist the client in the timely preparation of its calculations of current and future tax liabilities (or assets); and

b) a restriction on the firm's ability to provide the services would result in significant difficulties for the client (for example, as might result from a failure to meet regulatory reporting requirements).

In such situations, a firm may provide such services if:

- those who provide the services are not members of the engagement team; and
- the services are provided for only a short period of time and are not expected to recur.

In addition, the situation shall be discussed with those charged with governance.

*Tax Planning and Other Tax Advisory Services*

4.83 Tax planning or other advisory services comprise a broad range of services such as advising the client how to structure its affairs in a tax efficient manner or advising on the application of a new tax law or regulation.

4.84 A self-review threat may be created where the advice will affect matters to be reflected in the financial statements. The existence and significance of any threat will depend on factors such as:

a) the degree of subjectivity involved in determining the appropriate treatment for the tax advice in the financial statements;

b) the extent to which the outcome of the tax advice will have a material effect on the financial statements;

c) whether the effectiveness of the tax advice depends on the accounting treatment or presentation in the financial statements and there is doubt as to the appropriateness of the accounting treatment or presentation under the relevant financial reporting framework;

d) the level of tax expertise of the client's employees;

e) the extent to which the advice is supported by tax law or regulations, other precedent or established practice; and

f) whether the tax treatment is supported by a private ruling or has otherwise been cleared by the tax authority before the preparation of the financial statements.

For example, providing tax planning and other tax advisory services where the advice is clearly supported by tax authority or other precedent, by established practice, or has a basis in tax law that is likely to prevail does not generally create a threat to independence.

4.85 The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

a) using professionals who are not members of the engagement team to perform the service;

b) having a tax professional, who was not involved in the providing the tax services, advise the engagement team on the service and review the financial statement treatment;

c) obtaining advice on the service from an external tax professional; or

d) obtaining pre-clearance or advice from the tax authorities.

4.86 *Where the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the financial statements and:*

*a) the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and*

*b) the outcome or consequences of the tax advice will have a material effect on the financial statements on which the firm will express an opinion;*

*the self-review threat would be so significant that no safeguards could reduce the threat to an acceptable level, in which case such tax advice shall not be provided. The only other course of action would be to withdraw from the engagement.*

4.87 In providing tax services to an audit or review client, a firm may be requested to perform a valuation to assist the client with its tax reporting obligations or for tax planning purposes. Where the result of the valuation will have a direct effect on the financial statements, the provisions included in paragraphs 4.74 to 4.79 relating to valuation services are applicable. Where the valuation is performed for tax purposes only and the result of the valuation will not have a direct effect on the financial statements (i.e., the financial statements are only affected through accounting entries related to tax), this would not generally create threats to independence if such effect on the financial statements is immaterial or if the valuation is subject to external review by a tax authority or similar regulatory authority. If the valuation is not subject to such an external review and the effect is material to the financial statements, the existence and significance of any threat created will depend upon factors such as:

a) the extent to which the valuation methodology is supported by tax law or regulation, other precedent, or established practice, and the degree of subjectivity inherent in the valuation;

b) the reliability and extent of the underlying data.

The significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- using professionals who are not members of the engagement team to perform the service;
- having a professional review the work or the result of the tax service; or
- obtaining pre-clearance or advice from the tax authorities.

*Assistance in the Resolution of Tax Disputes*

4.88 An advocacy or self-review threat may be created when the firm represents an audit or review client in the resolution of a tax dispute once the tax authorities have notified the client that they have rejected the client's arguments on a particular issue and either the tax authority or the client is referring the matter for determination in a formal proceeding, for example, before a tribunal or court. The existence and significance of any threat will depend on factors such as:

a) whether the firm has provided the advice which is the subject of the tax dispute;

b) the extent to which the outcome of the dispute will have a material effect on the financial statements on which the firm will express an opinion;

c) the extent to which the matter is supported by tax law or regulation, other precedent, or established practice;

d) whether the proceedings are conducted in public; and

e) the role management plays in the resolution of the dispute.

The significance of the threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- using professionals who are not members of the engagement team to perform the service;
- having a tax professional who was not involved in providing the tax services advise the engagement team on the services and review the financial statement treatment; or
- obtaining advice on the service from an external tax professional.

4.89 *Where the taxation services involve acting as an advocate for an audit or review client before a public tribunal or court in the resolution of a tax matter, and the amounts involved are material to the financial statements on which the firm will express an opinion, the advocacy threat would be so significant that no safeguards could eliminate the threat to an acceptable level. Therefore, the firm shall not perform this type of service for an audit or review client.*

4.90 The firm is not, however, precluded from having a continuing advisory role (for example, responding to specific requests for information, providing factual accounts or testimony about the work performed, or assisting the client in analyzing the tax issues) for an audit or review client in relation to the matter that is being heard before a public tribunal or court.

Internal Audit Services

4.91 The scope and objectives of internal audit activities vary widely and depend on the size and structure of the entity and the requirements of management and those charged with governance. Internal audit activities may include one or more of the following:

a) Monitoring of internal control — reviewing controls, monitoring their operation, and recommending improvements thereto;

b) Examination of financial and operating information — reviewing the means used to identify, measure, classify, and report financial and operating information, and specific inquiry into individual items including detailed testing of transactions, balances, and procedures;

c) Review of the economy, efficiency, and effectiveness of operating activities including non-financial activities of an entity; and

d) Review of compliance with laws, regulations, and other external requirements, and with management policies and directives and other internal requirements.

4.92 Internal audit services involve assisting the audit or review client in the performance of its internal audit activities. For the purposes of this section, internal audit services do not include providing recommendations to management, which form a component of improvements for consideration to the internal audit process. In addition, interim audit processes completed by an audit firm are not a substitution for the client's own internal audit activities. The provision of internal audit services to an audit or review client creates a self-review threat to independence if the firm uses the internal audit work in the course of a subsequent external audit. Assisting a client in the performance of a significant part of the client's internal audit activities increases the possibility that firm personnel providing internal audit services will assume a management responsibility.

4.93 *If the firm's personnel assume a management responsibility when providing internal audit services to an audit or review client, the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, a firm shall ensure that its personnel do not assume a management responsibility when providing internal audit services to a client.*

4.94 Examples of internal audit services that involve assuming management responsibilities include:

a) setting internal audit policies or the strategic direction of internal audit activities;

b) directing and taking responsibility for the actions of the entity's internal audit employees;

c) deciding which recommendations resulting from internal audit activities to implement;

d) reporting the results of the internal audit activities to those charged with governance on behalf of management;

e) performing procedures that form part of the internal control, such as reviewing and approving changes to employee data access privileges;

f) taking responsibility for designing, implementing, and maintaining internal control; and

g) performing outsourced internal audit services, comprising all or a substantial portion of the internal audit function, where the firm is responsible for determining the scope of the internal audit work and may have responsibility for one of more of the matters noted in (a)–(f).

4.95 To ensure that, in performing internal audit services, the firm does not assume a management responsibility, the firm shall only provide internal audit services to an audit or review client if all of the following conditions are met:

a) the client designates an appropriate and competent resource, preferably within senior management, to be responsible at all times for internal audit activities and to acknowledge responsibility for designing, implementing, and maintaining internal control;

b) the client's management or those charged with governance reviews, assesses, and approves the scope, risk, and frequency of the internal audit services;

c) the client's management evaluates the adequacy of the internal audit services and the findings resulting from their performance;

d) the client's management evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and

e) the client's management reports to those charged with governance the significant findings and recommendations resulting from the internal audit services.

4.96 When a firm uses the work of an internal audit function, International Standards on Auditing (and domestically the Canadian Auditing Standards) require the performance of procedures to evaluate the adequacy of that work. When a firm accepts an engagement to provide internal audit services to an audit or review client, and the results of those services will be used in conducting the external audit, a self-review threat is created because of the possibility that the engagement team will use the results of the internal audit service without appropriately evaluating those results or exercising the same level of professional skepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm. The significance of the threat will depend on factors such as:

a) the materiality of the related financial statement amounts;

b) the risk of misstatement of the assertions related to those financial statement amounts; and

c) the degree of reliance that will be placed on the internal audit service.

The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. An example of such a safeguard is using professionals who are not members of the engagement team to perform the internal audit service.

***Audit or Review Clients that are Public Interest Entities***

4.97 *In the case of an audit or review client that is a public interest entity, a firm shall not provide internal audit services that relate to the internal accounting controls, financial systems or financial statements.*

4.98 A firm is not, however, precluded from providing to an audit or review client that is a public interest entity a non-recurring internal audit service to evaluate a specific matter that relates to the internal accounting controls, financial systems, or financial statements provided the conditions in paragraph 4.98 are met, the facts and circumstances related to the service are discussed with those charges with governance, the service would otherwise be permitted under the *CGA-BC Independence Standard* provisions, and safeguards are applied when necessary to reduce any threat to an acceptable level.

IT Systems Services

4.99 Services related to information technology (IT) systems include the design or implementation of hardware or software systems. The systems may aggregate source data, form part of the internal control over financial reporting, or generate information that affects the accounting records or financial statements, or the systems may be unrelated to the audit or review client's accounting records, the internal control over financial reporting, or financial statements. Providing systems services may create a self-review threat depending on the nature of the services and the IT systems.

4.100 The following IT systems services are not deemed to create a threat to independence as long as firm personnel do not assume a management responsibility:

a) design or implementation of IT systems that are unrelated to internal control over financial reporting;

b) design or implementation of IT systems that do not generate information forming a significant part of the accounting records or financial statements;

c) implementation of "off-the-shelf" accounting or financial information reporting software that was not developed by the firm if the customization required to meet the client's needs is not significant; and

d) evaluating and making recommendations with respect to a system designed, implemented, or operated by another service provider or the client.

***Audit or Review Clients that are Not Public Interest Entities***

4.101 Providing services to an audit or review client that is not a public interest entity involving the design or implementation of IT systems that:

a) form a significant part of the internal control over financial reporting; or

b) generate information that is significant to the client's accounting records or financial statements on which the firm will express an opinion;

creates a self-review threat.

The self-review threat is likely too significant to permit such services unless appropriate safeguards are put in place ensuring that:

- the client acknowledges its responsibility for establishing and monitoring a system of internal controls;
- the client 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;
- the client makes all management decisions with respect to the design and implementation process;
- the client evaluates the adequacy and results of the design and implementation of the system; and
- the client is responsible for operating the system (hardware or software) and the data it uses or generates.

4.102 Depending on the degree of reliance that will be placed on the particular IT systems as part of the audit or review, determination shall be made as to whether such non-assurance services shall be provided only by personnel who are not members of the engagement team and who have different reporting lines within the firm. The significance of any remaining threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. An example of such a safeguard is having a professional colleague review the audit or review work or non-assurance work.

***Audit or Review Clients that are Public Interest Entities***

4.103 *In the case of an audit or review client that is a public interest entity, a firm shall not provide services involving the design or implementation of IT systems that:*

*a) form a significant part of the internal control over financial reporting; or*

*b) generate information that is significant to the client's accounting records or financial statements on which the firm will express an opinion.*

Litigation Support Services

4.104 Litigation support services may include activities such as acting as an expert witness, calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute, and assistance with document management and retrieval. These services may create a self-review or advocacy threat.

4.105 If the firm provides a litigation support service to an audit or review client and the service involves estimating damages or other amounts that affect the financial statements on which the firm will express an opinion, the valuation service provision included in paragraphs 4.74 to 4.79 shall be followed. In the case of other litigation support services, the significance of any threat created shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

Legal Services

4.106 For the purpose of this section, legal services are defined as any services for which the person providing the services must either be admitted to practice law before the Courts of the jurisdiction in which such services are to be provided or have the required legal training to practice law. Such legal services may include a wide and diversified range of areas including both corporate and commercial services to clients, such as contract support, litigation, mergers, and acquisition legal advice and support and assistance to clients' internal legal departments. Providing legal services to an entity that is an audit or review client may create both self-review and advocacy threats.

4.107 Legal services that support an audit or review client in executing a transaction (e.g., contract support, legal advice, legal due diligence, and restructuring) may create self-review threats. The existence and significance of any threat will depend on factors such as:

a) the nature of the service;

b) whether the service is provided by a member of the engagement team; and

c) the materiality of any matter in relation to client's financial statements.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- using professionals who are not members of the engagement team to perform the service; or
- having a professional who was not involved in providing the legal services provide advice to the engagement team on the service and review any financial statement treatment.

4.108 *Acting in an advocacy role for an audit or review client in resolving a dispute or litigation when the amounts involved are material in relation to the financial statements on which the firm will express an opinion would create advocacy and self-review threats so significant that no safeguards could reduce the threat to an acceptable level. Therefore, the firm shall not perform this type of service for an audit or review client.*

4.109 When a firm is asked to act in an advocacy role for an audit or review client in resolving a dispute or litigation when the amounts involved are not material to the financial statements on which the firm will express an opinion, the firm shall evaluate the significance of any

advocacy and self-review threats created and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

a) using professionals who are not members of the engagement team to perform the service; or

b) having a professional who was not involved in providing the legal services advise the engagement team on the service and review any financial statement treatment.

4.110 *The appointment of a partner or an employee of the firm as General Counsel for legal affairs of an audit or review client would create self-review and advocacy threats that are so significant that no safeguards could reduce the threats to an acceptable level. The position of General Counsel is generally a senior management position with broad responsibility for the legal affairs of a company, and consequently, no member of the firm should accept such an appointment for an audit or review client.*

Recruiting Services

4.111 Providing recruiting services to an audit or review client may create self-interest, familiarity, or intimidation threats. The existence and significance of any threat will depend on factors such as:

a) the nature of the requested assistance; and

b) the role of the person to be recruited.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

*In all cases, the firm shall not undertake management responsibilities, including acting as a negotiator on the client's behalf, and the hiring decision shall be left to the client.*

The firm may generally provide such services as reviewing the professional qualifications of a number of applicants and providing advice on their suitability for the post. In addition, the firm may interview candidates and advise on a candidate's competence for financial accounting, administrative, or control positions.

***Audit or Review Clients that are Public Interest Entities***

4.112 *A firm shall not provide the following recruiting services for an audit or review client that is a public interest entity with respect to a director or officer of the entity or senior management in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion:*

*a) searching for or seeking out candidates for such positions; and*

*b) undertaking reference checks of prospective candidates for such positions.*

Corporate Finance Services

4.113 Providing corporate finance services such as:

a) assisting an audit or review client in developing corporate strategies;

b) identifying possible targets for the audit or review client to acquire;

c) advising on disposal transactions;

d) assisting finance raising transactions; and

e) providing structuring advice

may create advocacy and self-review threats.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- using professionals who are not members of the engagement team to provide the services; or
- having a professional who was not involved in providing the corporate finance service advise the engagement team on the service and review the accounting treatment and any financial statement treatment.

4.114 Providing a corporate finance service, for example, advice on the structuring of a corporate finance transaction or on financing arrangements that will directly affect amounts that will be reported in the financial statements on which the firm will provide an opinion may create a self-review threat. The existence and significance of any threat will depend on factors such as:

a) the degree of subjectivity involved in determining the appropriate treatment for the outcome or consequences of the corporate finance advice in the financial statements;

b) the extent to which the outcome of the corporate finance advice will directly affect amounts recorded in the financial statements and the extent to which the amounts are material to the financial statements; and

c) whether the effectiveness of the corporate finance advice depends on a particular accounting treatment or presentation in the financial statements and there is doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- using professionals who are not members or the engagement team to perform the service; or
- having an professional who was not involved in providing the corporate finance service to the client advise the engagement team on the service and review the financial statement treatment.

4.115 *Where the effectiveness of corporate finance advice depends on a particular accounting treatment or presentation in the financial statements and:*

*a) the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and*

*b) the outcome or consequences or the corporate finance advice will have a material effect on the financial statements on which the firm will express an opinion;*

*the self-review threat would be so significant that no safeguards could reduce the threat to an acceptable level, in which case the corporate finance advice shall not be provided.*

4.116 *Providing corporate finance services involving promoting, dealing in, or underwriting an audit or review client's shares would create an advocacy or self-review threat that is so*

*significant no safeguards could reduce the threat to an acceptable level. Therefore, a firm shall not provide such services to an audit or review client.*

**Fees**

4.117 When the total fees from an audit or review client represent a large proportion of the total fees of the firm expressing the opinion, the dependence on that client and concern about losing the client creates a self-interest threat. The significance of that threat will depend on factors such as:

a) the operating structure of the firm;

b) whether the firm is well established or newly created; and

c) the significance of the client qualitatively and/or quantitatively to the firm.

The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- reducing the dependency on the client;
- external quality control reviews; or
- consulting a third party, such as the member advisor of an Affiliate or a professional colleague, on key audit or review judgements.

4.118 A self-interest threat is also created when the fees generated by an audit or review client represent a large proportion of the revenue from an individual partner's clients or a large proportion of the revenue of an individual office of the firm. The significance of the threat will depend on factors such as:

a) the significance of the client qualitatively and/or quantitatively to the partner or office; and

b) the extent to which the remuneration of the partner, or the partners in the office, is dependent upon the fees generated from the client.

The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- reducing the dependency on the audit or review client;
- having a professional colleague review the work or otherwise advise as necessary; or
- regular independent internal or external quality reviews of the engagement.

***Audit or Review Clients that are Public Interest Entities***

4.119 In the case of an audit or review client that is a public interest entity when, for two consecutive years, the total fees from the client and its related entities (subject to the considerations in paragraph 2.10) represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements of the client, the self-interest threat created would be too significant unless the firm discloses to those charged with governance of the audit or review client the fact that the total of such fees represents more than 15% of the total fees received by the firm and discusses which of the safeguards below will be applied to reduce the threat to an acceptable level:

a) After the opinion on the second year's financial statements has been issued, and before the issuance of the audit opinion on the third year's financial statements, a professional

colleague, who is not a member of the firm expressing the opinion on the financial statements of the client, or a professional regulatory body, performs a review that is equivalent to the engagement quality control review (a post-issuance review); or

b) Prior to the issuance of the opinion on the second year's financial statements, a professional colleague, who is not a member of the firm expressing the opinion on the financial statements of the client, performs an engagement quality control review or a professional regulatory body performs a review that is equivalent to the engagement quality control review (a pre-issuance review).

When the total fees significantly exceed 15%, the firm shall determine whether the significance of the threat is such that a post-issuance review would not reduce the threat to an acceptable level and, therefore, a pre-issuance review is required. In such circumstances, a pre-issuance review shall be performed.

Thereafter, when the fees continue to exceed 15%, each year the disclosure to and discussion with those charged with governance shall occur and one of the above safeguards shall be applied. If the fees significantly exceed 15%, the firm shall determine whether the significance of the threat is such that a post-issuance review would not reduce the threat to an acceptable level and, therefore, a pre-issuance review is required. In such circumstances, a pre-issuance review shall be performed.

Fees — Overdue

4.120 A self-interest threat may be created if fees due from an audit or review client remain unpaid for a long time, especially if a significant part is not paid before the issue of the report for the following year. Generally, the firm shall require payment of such fees before the report is issued. If the fee remains unpaid after the report has been issued, the existence and significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. An example of such a safeguard is having an additional professional colleague who did not take part in the engagement provide advice or review the work performed. The firm shall also consider whether the overdue fees might be regarded as being equivalent to a loan to the client and whether, because of the significance of the overdue fees, it is appropriate for the firm to be re-appointed.

**Compensation and Evaluation Policies**

4.121 A self-interest threat is created when a member of the engagement team is evaluated on or compensated for selling non-assurance services to an audit or review client. The significance of the threat will depend on:

a) the proportion of the individual's compensation or performance evaluation that is based on the sale of such services;

b) the role of the individual on the engagement team; and

c) whether promotion decisions are influenced by the sale of such services.

The significance of the threat shall be evaluated and, if the threat is not at an acceptable level, the firm shall either revise the compensation plan or evaluation process for that individual or apply safeguards to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- removing such members from the engagement team; or
- having a professional colleague review the work of the member of the engagement team.

4.122 A key audit or review partner shall not be evaluated on, or compensated based on, that partner's success in selling non-assurance services to the partner's clients. This is not intended to prohibit normal profit-sharing arrangements between partners of a firm.

### Gifts and Hospitality

4.123 *Accepting gifts or hospitality from an audit or review client may create self-interest and familiarity threats. If a firm or member of the engagement team accepts gifts or hospitality, unless the value is trivial and inconsequential, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level. Consequently, a firm or member of the engagement team shall not accept such gifts or hospitality.*

### Actual or Threatened Litigation

4.124 When litigation takes place, or appears likely between the firm or a member of the engagement team and the audit or review client, self-interest and intimidation threats are created. The relationship between client management and the members of the engagement team must be characterized by complete candor and full disclosure regarding all aspects of a client's business operations. When the firm and the client's management are placed in adversarial positions by actual or threatened litigation, affecting management's willingness to make complete disclosures, self-interest and intimidation threats are created. The significance of the threats created will depend on such factors as:

a) the materiality of the litigation; and

b) whether the litigation relates to a prior engagement.

The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:

- if the litigation involves a member of the audit or review team, removing that individual from the engagement team; or
- having a professional colleague review the work performed.

If such safeguards do not reduce the threats to an acceptable level, the only appropriate action is to withdraw from, or refuse to accept the engagement.

## 5. RESTRICTED USE REPORTS

### Introduction

5.1 The independence requirements apply to all audit and review engagements. However, in certain circumstances involving engagements where the report includes a restriction on the use and distribution, and provided the conditions described in 5.2 and 5.3 are met, the independence requirements may be modified as provided in paragraphs 5.5 to 5.15. These modifications are only applicable to engagements as described in this section, that is:

a) for engagements that are intended to provide a conclusion in positive or negative form that the financial statements are prepared in all material respects, in accordance with the applicable reporting framework, including, in the case of a fair presentation framework, that the financial statements are fairly presented, in all material respects, in accordance with the applicable reporting framework; and

b) where the opinion report includes a restriction on use and distribution.

The modifications are not permitted in the case of an audit or review of financial statements required by law or regulation.

5.2 The modifications to the requirements of the *CGA-BC Independence Standard* are permitted as long as the intended users of the report:

a) are knowledgeable as to the purpose and limitations of the report; and

b) explicitly agree the application of the modified independence requirements.

Knowledge as to the purpose and limitations of the report may be obtained by the intended users through their participation, either directly or indirectly, through their representative who has the authority to act for the intended users, in establishing the nature and scope of the engagement. Such participation enhances the ability of the firm to communicate with intended users about independence matters, including the circumstances that are relevant to the evaluation of the threats to independence and the applicable safeguards necessary to eliminate the threats or reduce them to an acceptable level, and to obtain their agreement to the modified independence requirements that are to be applied.

5.3 The firm shall communicate (for example, in an engagement letter) with the intended users regarding the independence requirements that are to be applied with respect to the provision of the audit or review engagement. Where the intended users are a class of users (for example, lenders in a syndicated loan arrangement) who are not specifically identifiable by name at the time the engagement terms are established, such users shall subsequently be made aware of the independence requirements agreed to by the representative (for example, by the representative making the firm's engagement letter available to all users).

5.4 If the firm also issues an opinion report that does not include a restriction on use and distribution for the same client, the provisions of this section do not change the requirement to apply the provisions in sections 1 through 4 of the *CGA-BC Independence Standard* to the engagement.

5.5 The modifications to the requirements of the *CGA-BC Independence Standard* that are permitted in the circumstances set out above are described in paragraphs 5.6 to 5.15. Compliance in all other respects with the provisions of the *CGA-BC Independence Standard* is required.

**Public Interest Entities**

5.6 When the conditions set out in paragraphs 5.1 to 5.4 are met, it is not necessary to apply the additional requirements in paragraphs 4.2 to 4.127 that apply to audit or review engagements for public interest entities.

**Related Entities**

5.7 When the conditions set out in paragraphs 5.1 to 5.4 are met, references to audit or review client do not include its related entities. However, when the engagement team knows or has reason to believe that a relationship or circumstance involving a related entity of the client is relevant to the evaluation of the firm's independence of the client, the engagement team shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.

**Networks and Network Firms**

5.8 When the conditions set out in paragraphs 5.1 to 5.4 are met, reference to the firm does not include network firms. However, when the firm knows or has reason to believe that threats

are created by any interests and relationships of a network firm, they shall be included in the evaluation of threats to independence.

**Financial Interests, Loans and Guarantees, Close Business Relationships, and Family and Personal Relationships**

5.9 When the conditions set out in paragraphs 5.1 to 5.4 are met, the relevant provisions set out in paragraphs 4.2 to 4.46 apply only to the members of the engagement team, their immediate family members and close family members.

5.10 In addition, a determination shall be made as to whether threats to independence are created by interests and relationships, as described in paragraphs 4.2 to 4.46, between the audit or review client and the following members of the engagement team:

a) those who provide consultation regarding technical or industry-specific issues, transactions or events; and

b) those who provide quality control for the engagement, including those who perform the engagement quality control review.

An evaluation shall be made of the significance of any threats that the engagement team has reason to believe are created by interests and relationships between the audit or review client and others within the firm who can directly influence the outcome of the engagement, including those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the engagement (including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent)).

5.11 An evaluation shall also be made of the significance of any threats that the engagement team has reason to believe are created by financial interests in the audit or review client held by individuals, as described in paragraphs 4.8 to 4.10 and paragraphs 4.13 to 4.15.

5.12 Where a threat to independence is not at an acceptable level, safeguards shall be applied to eliminate the threat or reduce it to an acceptable level.

5.13 *In applying the provisions set out in paragraphs 4.6 to 4.15 to interests of the firm, if the firm has a material financial interest, whether direct or indirect, in the audit or review client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, the firm shall not have such a financial interest.*

**Employment with an Audit or Review Client**

5.14 An evaluation shall be made of the significance of any threats from any employment relationships as described in paragraphs 4.35 to 4.39. Where a threat exists that is not at an acceptable level, safeguards shall be applied to eliminate the threat or reduce it to an acceptable level. Examples of safeguards that might be appropriate include those set out in paragraph 4.37.

**Provision of Non-Assurance Services**

5.15 If the firm conducts an engagement to issue a restricted use and distribution report for an audit or review client and provides a non-assurance service to the client, the provisions of paragraphs 4.55 to 4.127 shall be complied with, subject to paragraphs 5.5 to 5.8.

# 6. EFFECTIVE DATE — AUDIT OR REVIEW ENGAGEMENTS

6.1 This Standard and the related *CGA-BC Code of Ethical Principles and Rules of Conduct* (CEPROC) are applicable to audit and review engagements, effective December 15, 2010. This date is regardless of the period ending date of the financial statements which are the subject of the report, and the commencement date of the engagement.

**Transitional Provisions**

6.1.1 Provision of non-assurance services

The revised *CGA-BC Independence Standard* will expand some of the restrictions on providing certain non-assurance to audit and review clients. CGA-BC requires that a firm shall not contract for such services after the effective date of December 15, 2010 and any ongoing services that were contracted for before the effective date shall be completed within six months after that date. Therefore, a firm shall not contract for any such services after December 15, 2010 and any ongoing services that were contracted for before this date shall be completed by June 15, 2011.

6.1.2 Audit partner rotation

The revised *CGA-BC Independence Standard* will extend the existing partner rotation requirements to all key audit partners and to all firms, irrespective of size. CGA-BC is of the view that where the revised independence requirements would require additional individuals to rotate, it is appropriate to provide an additional year before this requirement is effective for those individuals. For example, key audit partners who are neither the engagement partner nor the individual responsible for the engagement quality control review would be subject to the rotation requirements on December 15, 2011. Any individuals who had served in such a position for seven or more years on December 15, 2011 would be required to rotate off the engagement team and would not be permitted to be a member of the engagement team or a key audit partner for two years.

6.1.3 Public Interest Entities

The revised *CGA-BC Independence Standard* will extend the independence requirements that apply with respect to the audits of reporting issuers to all other public interest entities as defined (see definition section). CGA-BC is of the view that it is appropriate to provide an additional year after the effective date before these requirements are effective. Therefore, these provisions are effective on December 15, 2011.

# 7. APPLICATION OF FRAMEWORK IN SPECIFIC SITUATIONS – OTHER ASSURANCE

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In accordance with the CGA-BC *Code of Ethical Principles and Rules of Conduct*, a member is required to comply with the specified prohibitions denoted by italics in this Standard.

### Introduction — Other Assurance Engagements

7.1 The following examples describe specific circumstances and relationships that may create threats to independence. The examples describe the potential threats and safeguards that may be appropriate to eliminate the threats or reduce them to an acceptable level in each circumstance. The examples presented are not all-inclusive. In practice, the member, firm, or engagement team will be required to assess the implications of similar, but different, circumstances and relationships and to determine whether safeguards, including the safeguards in paragraphs 2.34 through 2.41, can be applied to satisfactorily address threats to independence.

7.2 The examples illustrate how the framework applies to assurance engagements. The examples should be read in conjunction with the presumption that, which explains that, in the majority of other assurance engagements, there is one responsible party and that responsible party is the assurance client. However, in some assurance engagements there are two or more responsible parties. In such circumstances, consideration should be given to any threats the firm has reason to believe may be created by interests and relationships between a member of the assurance team, the firm, a network firm, and the party responsible for the subject matter. For assurance reports expressly restricted for use by identified users, the examples should be read in the context of paragraphs 5.1 to 5.15.

### Financial Interests

7.3 Holding a financial interest in an assurance client may create a self-interest threat. The existence and significance of any threat created depends on:

a) the role of the individual holding the financial interest;

b) whether the financial interest is direct or indirect; and

c) the materiality of the financial interest.

7.4 Financial interests may be held through an intermediary (e.g., a collective investment vehicle, estate or trust). The determination of whether such financial interests are direct or indirect will depend on whether the beneficial owner has control over the investment vehicle or ability to influence its investment decisions. When control over the investment vehicle or the ability to influence investment decisions exists, that financial interest must be considered a direct financial interest. Conversely, when the beneficial owner of the financial interest has no control over the investment vehicle or ability to influence its investment decisions, that financial interest is an indirect financial interest.

7.5 *If a member of the engagement team, member of that individual's immediate family, or a firm has a direct financial interest, or a material indirect financial interest, in the assurance client, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, none of the following shall have a direct financial interest or a material indirect financial interest in the client: a member of the engagement team, a member of that individual's immediate family, or the firm.*

7.6 When a member of the engagement team has a close family member who the engagement team knows has a direct financial interest or a material indirect financial interest in the assurance client, a self-interest threat is created. In evaluating the significance of the threat, consideration shall be given to the nature of the relationship between the member of the engagement team and the close family member and the materiality of the financial interest to the close family member. Safeguards shall be applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- the close family member disposing, as soon as practicable, of all of the financial interest or disposing of a sufficient portion of an indirect financial interest so that the remaining interest is no longer material;
- having a professional colleague review the work of the member of the engagement team; or
- removing that individual from the engagement team.

7.7 *If a member of the engagement team, a member of that individual's immediate family, or a firm has a direct or material indirect financial interest in an entity that has a controlling interest in an assurance client and the client is material to the entity, the self-interest threat created would be so significant that no safeguard could reduce the threat to an acceptable level. Therefore, neither a member of the engagement team, a member of that individual's immediate family, nor the firm shall have such a financial interest.*

7.8 The holding by a firm, or a member of the engagement team, or a member of that individual's immediate family of a direct financial interest or a material indirect financial interest in the assurance client as a trustee creates a self-interest threat. Holding such an interest is only permitted when:

a) neither the trustee, nor an immediate family member of the trustee, nor the firm are beneficiaries of the trust;

b) the interest in the assurance client held by the trust is not material to the trust;

c) the trust is not able to exercise significant influence over the assurance client; and

d) the trustee, an immediate family member of the trustee, or the firm cannot significantly influence any investment decision involving a financial interest in the assurance client.

7.9 Members of the engagement team shall determine whether a self-interest threat is created by any known financial interests in the assurance client held by other individuals including:

- partners, and professional personnel of the firm, other than those referred to above, or their immediate family members; and
- individuals with a close personal relationship with a member of the engagement team.

Whether these interests create a self-interest threat will depend on factors such as:

a) the firm's organizational, operating, and reporting structure; and

b) the nature of the relationship between the individual and the member of the engagement team.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- removing the member of the engagement team with the personal relationship from the engagement team;
- excluding the member of the engagement team from any significant decision-making concerning the assurance engagement; or
- having a professional colleague review the work of member of the engagement team.

7.10 If a firm, a member of the engagement team, or an immediate family of the individual, receives a direct financial interest or a material indirect financial interest in an assurance client, for example, by way of an inheritance, gift or, as a result of a merger, and such interest would not be permitted to be held under this section, then:

a) if the interest is received by the firm, the financial interest shall be disposed of immediately, or a sufficient amount of an indirect financial interest shall be disposed of so that the remaining interest is no longer material, or the firm shall withdraw from the assurance engagement; or

b) if the interest is received by a member of the engagement team, or a member of that individual's immediate family, the individual who received the financial interest shall immediately dispose of the financial interest, or dispose of a sufficient amount of an indirect financial interest so that the remaining interest is no longer material, or the individual shall be removed from the engagement team.

**Loans and Guarantees**

7.11 A loan or guarantee of a loan to a member of the engagement team, or a member of that individual's immediate family, or the firm from an assurance client that is a bank or a similar institution, may create a threat to independence.

7.12 *If the loan or guarantee is not made under normal lending procedures, terms, and conditions, a self-interest threat would be created that would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, neither a member of the engagement team, member of that individual's immediate family, nor a firm shall accept such a loan or guarantee.*

7.13 If a loan to a firm from an assurance client that is a bank or similar institution is made under normal lending procedures, terms, and conditions, and it is material to the assurance client or firm receiving the loan, it may be possible to apply safeguards to reduce the self-interest threat to an acceptable level. An example of such safeguard is having the work reviewed by a professional colleague from a network firm that is neither involved with the assurance engagement nor received the loan.

7.14 A loan or guarantee of a loan from an assurance client that is a bank or a similar institution to a member of the engagement team or member of that individual's immediate family, does not create a threat to independence if the loan or guarantee is made under normal lending procedures, terms, and conditions. Examples of such loans or guarantees include home mortgages, bank overdrafts, car loans, and credit card balances.

7.15 *If the firm or a member of an engagement team or member of that individual's immediate family accepts a loan from, or has a borrowing guaranteed by, to an assurance client that is not a bank or similar institution or an officer or director of the client or a shareholder of the assurance client that owns more than 10% of the equity, or guarantees such borrowings, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level unless the loan or guarantee is immaterial to both the firm or member of the engagement team and the immediate family, and the client.*

7.16 *Similarly, if a firm or member of an engagement team or a member of that individual's immediate family makes or guarantees a loan to an assurance client, an officer or director of the client or a shareholder of the assurance client that owns more than 10% of the equity, the self-interest threat created would be so significant that no safeguards could reduce the threat to an acceptable level, unless the loan or guarantee is immaterial to both the firm or the member of the engagement team, and the immediate family and the client.*

7.17 If, a firm or a member of the engagement team, or a member of that individual's immediate family, has deposits or a brokerage account with an assurance client that is a bank, broker or similar institution, a threat to independence is not created if the deposit or account is held under normal commercial terms.

**Business Relationships**

7.18 A close business relationship between a firm or a member of the engagement team or a member of that individual's immediate family and the assurance client or its management arises from a commercial relationship or common financial interest and may create self-interest or intimidation threats. Examples of such relationships include:

a) having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client;

b) arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties;

c) distribution or marketing arrangements under which the firm distributes or markets the client's products or services, or the client distributes or markets the firm's products or services.

7.19 *Unless any financial interest is immaterial and the business relationship is insignificant to the firm and the client or its management, the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Therefore, unless the financial interest is immaterial and the business relationship is insignificant:*

*a) the business relationship shall not be entered into, or shall be reduced to an insignificant level; or*

*b) the firm shall decline or terminate the assurance engagement.*

In the case of a member of the engagement team, unless any such financial interest is immaterial and the business relationship is insignificant to that member, the individual shall be removed from the engagement team.

If the business relationship is between an immediate family member of a member of the engagement team and the assurance client or its management, the significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

7.20 The purchase of goods and services from an assurance client by the firm, or a member of the engagement team, or a member of that individual's immediate family does not generally create a threat to independence if the transaction is in the normal course of business and at arm's-length. However, such transactions may be of such a nature or magnitude that they create a self-interest threat. The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

a) eliminating or reducing the magnitude of the transaction; or

b) removing the individual from the engagement team.

### Family and Personal Relationships

7.21 Family and personal relationships between a member of the engagement team and a director or officer or certain employees (depending on their role) of the assurance client may create self-interest, familiarity, or intimidation threats. The existence and significance of any threats will depend on a number of factors, including the individual's responsibilities on the engagement team, the role of the family member or other individual within the client, and the closeness of the relationship. Consequently, the particular circumstances will need to be evaluated in assessing the significance of these threats.

7.22 When an immediate family member of a member of the engagement team is:

a) a director or officer of the assurance client; or

b) an employee in a position to exert significant influence over the subject matter information of the assurance engagement;

or was in such a position during any period covered by the engagement or the subject matter information, the threats to independence can only be reduced to an acceptable level by removing the individual from the engagement team. The closeness of the relationship is such that no other safeguards could reduce the threat to an acceptable level. If this safeguard is not applied, the firm shall withdraw from the assurance engagement.

7.23 Threats to independence are created when an immediate family member of a member of the engagement team is an employee in a position to exert significant influence over the subject matter of the engagement. The significance of the threats will depend on factors such as:

a) the position held by the immediate family member; and

b) the role of the professional on the engagement team.

The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- removing the individual from the engagement team;
- structuring the responsibilities of the engagement team so that the individual does not deal with matters that are within the responsibility of the immediate family member.

7.24 Threats to independence are created when a close family member of a member of the engagement team is:

a) a director or officer of the assurance client; or

b) an employee in a position to exert significant influence over the subject matter information of the engagement. The significance of the threats will depend on factors such as:

i) the nature of the relationship between the member of the engagement team and the close family member;

ii) the position held by the close family member; and

iii) the role of the professional on the engagement team.

The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- removing the individual from the engagement team; or
- structuring the responsibilities of the engagement team so that the individual does not deal with matters that are within the responsibility of the close family member.

7.25 Threats to independence are created when a member of the engagement team has a close relationship with a person who is not an immediate or close family member, but who is a director or officer or an employee in a position to exert significant influence over the subject matter information of the assurance engagement. Members of the engagement team are responsible for identifying any such persons and for consulting in accordance with firm policies and procedures. The significance of the threats will depend on factors such as:

a) the nature of the relationship between the individual and the member of the engagement team;

b) the position the individual holds with the client; and

c) the role of the professional on the engagement team.

The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:

- removing the professional from the engagement team; or
- structuring the responsibilities of the engagement team so that the professional does not deal with matters that are within the responsibility of the individual with whom the professional has a close relationship.

7.26 Self-interest, familiarity, or intimidation threats may be created by a personal or family relationship between:

a) a partner or employee of the firm who is not a member of the assurance team; and

b) a director or officer of the assurance client or an employee in a position to exert significant influence over the subject matter information of the assurance engagement. The existence and significance of any threat will depend on factors such as:

i) the nature of the relationship between the partner or employee of the firm and the director or officer or employee of the client;

ii) the interaction of the partner or employee of the firm with the engagement team;

iii) the position of the partner or employee within the firm; and

iv) the role of the individual within the client.

The significance of any threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- structuring the partner's or employee's responsibilities to reduce any potential influence over the assurance engagement; or
- having a professional colleague review the relevant assurance work performed.

### Employment with Other Assurance Clients

7.27 Familiarity or intimidation threats may be created if a director or officer of the assurance client, or an employee who is in a position to exert significant influence over the subject matter information of the assurance engagement, has been a member of the engagement team or partner of the firm.

7.28 If a former member of the engagement team or partner of the firm has joined the assurance client in such a position, the existence and significance of any familiarity or intimidation threats will depend on factors such as:

a) the position the individual has taken at the client;

b) any involvement the individual will have with the engagement team;

c) the length of time since the individual was a member of the engagement team or partner of the firm; and

d) the former position of the individual within the engagement team or firm, for example, whether the individual was responsible for maintaining regular contact with the client's management or those charged with governance.

*In all cases the individual shall not continue to participate in the firm's business or professional activities.*

The significance of threats created shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:

- making arrangements such that the individual is not entitled to any benefits or payments from the firm unless made in accordance with fixed pre-determined arrangements;
- modifying arrangements such that any amount owed to the individual is not material to the firm;
- modifying the plan for the assurance engagement;
- assigning individuals to the engagement team who have sufficient experience in relation to the individual who has joined the client; or
- having a professional colleague review the work of the former member of the engagement team.

7.29 If a former partner of the firm has previously joined an entity in such a position and the entity subsequently becomes an assurance client of the firm, the significance of any threats to independence shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

7.30 A self-interest threat is created when a member of the engagement team participates in the assurance engagement while knowing that the member of the engagement team will, or may, join the client at some time in the future. Firm policies and procedures shall require members of the engagement team to notify the firm when entering employment negotiations with the client. On receiving such notification, the significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- removing the individual from the engagement team; or

- a review of any significant judgements made by that individual while on the engagement team.

**Recent Service with an Assurance Client**

7.31 Self-interest, self-review, or familiarity threats may be created if a member of the assurance team has recently served as a director, officer or employee of the assurance client. This would be the case when, for example, a member of the engagement team has to evaluate elements of the subject matter information the member of the engagement team had prepared while with the client.

7.32 *If, during the period covered by the assurance report, a member of the engagement team had served as director or officer of the assurance client, or was an employee in a position to exert significant influence over the subject matter information of the assurance engagement, the threat created would be so significant that no safeguards could reduce the threat to an acceptable level. Consequently, such individuals shall not be assigned to the engagement team.*

7.33 Self-interest, self-review, or familiarity threats may be created, if, before the period covered by the assurance report, a member of the engagement team had served as a director or officer of the assurance client or was an employee in a position to exert significant influence over the subject matter information of the assurance engagement. For example, such threats would be created if a decision made, or work performed, by the individual in the prior period, while employed by the client is to be evaluated in the current period as part of the current assurance engagement. The existence and significance of any threats will depend on factors such as:

a) the position the individual held with the client;

b) the length of time since the individual left the client; and

c) the role of that member on the engagement team.

The significance of any threat shall be evaluated and safeguards applied when necessary to reduce the threat to it to an acceptable level. An example of such a safeguard is conducting a review of the work performed by the individual as part of the engagement team.

**Serving as a Director or Officer or Director of an Other Assurance client**

7.34 *If a partner or employee of the firm serves as a director or officer of an assurance client, the self-review and self-interest threats created would be so significant that no safeguards could reduce those threats to an acceptable level. Therefore, if such an individual were to accept such a position while continuing to serve as a partner or an employee of the firm, the firm shall decline or withdraw from the assurance engagement.*

7.35 The duties as Company Secretary may range from administrative duties, such as personnel management and the maintenance of company records and registers, to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Generally, this position is seen to imply a close association with the entity.

7.36 If a partner or employee of the firm serves as Company Secretary for an assurance client, self-review and advocacy threats are created that would generally be so significant that no safeguards could reduce the threats to an acceptable level. Despite paragraph 7.36, when this practice is specifically permitted under local law, professional rules or practice, and provided management makes all relevant decisions, the duties and activities shall be limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory

returns. In those circumstances, the significance of any threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level.

7.37 Performing routine administrative services to support a company secretarial function, or providing advice in relation to company secretarial administration matters, does not generally create threats to independence as long as client management makes all relevant decisions.

**Long Association of Senior Personnel (Including Partner Rotation)**

7.38 Familiarity and self-interest threats are created by using the same senior personnel on an assurance engagement over a long period of time. The significance of the threats will depend on factors such as:

a) how long the individual has been a member of the engagement team;

b) the role of the individual on the engagement team;

c) the structure of the firm;

d) the nature of the assurance engagement;

e) whether the client's management team has changed; and

f) whether the nature or complexity of the subject matter information has changed.

The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:

- rotating the senior personnel off the engagement team;
- having a professional colleague who was not a member of the engagement team review the work of the senior personnel; or
- regular independent internal or external quality control reviews of the engagement.

**Provision of Non-assurance Services to an Other Assurance Client**

7.39 Firms have traditionally provided to their assurance clients a range of non-assurance services that are consistent with their skills and expertise. Providing non-assurance services may, however, create threats to the independence of the firm or members of the engagement team. The threats created are most often self-review, self-interest, and advocacy threats.

7.40 When specific guidance on a particular non-assurance service is not included in this section, the conceptual framework shall be applied when evaluating the particular circumstances.

7.41 Before the firm accepts an engagement to provide a non-assurance service to an assurance client, a determination shall be made as to whether providing such a service would create a threat to independence. In evaluating the significance of any threat created by a particular non-assurance service, consideration shall be given to any threat that the engagement team has reason to believe is created by the providing other non-assurance services. If a threat is created that cannot be reduced to an acceptable level by the application of safeguards, the non-assurance service shall not be provided.

### Management Responsibilities

7.42 Management of an entity performs many activities in managing the entity in the best interests of the stakeholders of the entity. It is not possible to specify every activity that is a management responsibility. However, management responsibilities involve leading and directing an entity, including making significant decisions regarding the acquisition, deployment, and control of human, financial, physical, and intangible resources.

7.43 Whether an activity is a management responsibility depends on the circumstances and requires the exercise of judgement. Examples of activities that would generally be considered a management responsibility include:

a) setting policies and strategic direction;

b) directing and taking responsibility for the actions of the entity's employees;

c) authorizing transactions;

d) deciding which recommendations of the firm or other third parties to implement; and

e) taking responsibility for designing, implementing, and maintaining internal control.

7.44 Activities that are routine and administrative, or involve matters that are insignificant, generally are not deemed to be a management responsibility. For example, executing an insignificant transaction that has been authorized by management or monitoring the dates for filing statutory returns and advising an assurance client of those dates is not deemed to be a management responsibility. Further, providing advice and recommendations to assist management in discharging its responsibilities is not assuming a management responsibility.

7.45 Assuming a management responsibility for an assurance client may create threats to independence. If a firm were to assume a management responsibility as part of the assurance service, the threats created would be so significant that no safeguards could reduce the threats to an acceptable level.

*Accordingly, in providing assurance services to an assurance client, a firm shall not assume a management responsibility as part of the assurance service.*

If the firm assumes a management responsibility as part of any other services provided to the assurance client, it shall ensure that the responsibility is not related to the subject matter and subject matter information of an assurance engagement provided by the firm.

7.46 To avoid the risk of performing management functions related to the subject matter or subject matter information of the assurance engagement, the firm should be satisfied that a member of management with a sufficient level of understanding of the service, and an ability to evaluate the results, has been designated to make all significant judgements and decisions connected with the services and to accept responsibility for the actions to be taken arising from the results of the service received. This reduces the risk of inadvertent significant judgements or decisions by the firm. This risk is further reduced when the firm gives the client the opportunity to make judgements and decisions based on an objective and transparent analysis and presentation of the issues.

## Other Considerations

7.47 Threats to independence might be created when a firm provides a non-assurance service related to the subject matter information of an assurance engagement. In such cases, consideration should be given to the significance of the firm's involvement with the subject matter information of the engagement, whether any self-review threats are created, and whether any threat to independence that is not clearly insignificant can be reduced to an acceptable level by the application of safeguards.

7.48 A self-review threat may be created if the firm is involved in the preparation of subject matter information that is subsequently the subject matter information of an assurance engagement. For example, a self-review threat would be created if the firm developed and prepared prospective financial information and subsequently provided assurance on this information. Consequently, the firm must evaluate the significance of any self-review threat created by the provision of such services. If the self-review threat created is not clearly insignificant, safeguards shall be considered and applied when necessary to eliminate the threat or reduce it to an acceptable level.

7.49 When a firm performs a valuation that forms part of the subject matter information of an assurance engagement the firm shall consider any self-review threat. If the threat is not clearly insignificant, safeguards shall be considered and applied when necessary to eliminate the threat or reduce it to an acceptable level.

**Breach of a Provision**

7.50 If a breach of a provision of this section is identified, the firm shall take steps as soon as possible to terminate, suspend or eliminate the interest or relationship that caused the breach, and shall evaluate the significance of that breach and its impact on the firm's objectivity and ability to issue an assurance report. The firm shall determine whether action can be taken that satisfactorily addresses the consequences of the breach. In making this determination, the firm shall consider whether, even if such action can be taken, a reasonable and informed third party, weighing the significance of the breach, would be likely to conclude that the firm's objectivity would be compromised such that the firm is unable to issue an assurance report.

7.51 If the firm determines that action cannot be taken to satisfactorily address the consequences of the breach, the firm shall, after discussion with the party that engaged the firm or those charged with governance, as appropriate, take the steps necessary to terminate the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the assurance engagement.

7.52 If the firm determines that action can be taken to satisfactorily address the consequences of the breach, the firm shall discuss the breach and the action it proposes to take with the party that engaged the firm or those charged with governance, as soon as possible. If they agree that action can be taken to satisfactorily address the consequences of the breach, and such action is taken, the firm may continue with the assurance engagement.

7.53 If the party that engaged the firm or those charged with governance, as appropriate, do not agree that the action satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to terminate the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the assurance engagement.

7.54 The firm shall document the actions taken and the matters discussed with the party that engaged the firm or those charged with governance.

### Fees

7.55 When the total fees generated by an assurance client represent a large proportion of the total fees of the firm, the dependence on that client or client group and concern about the possibility of losing the client may create a self-interest threat. The significance of that threat will depend on factors such as:

a) the operating structure of the firm; and

b) whether the firm is well established or newly created.

The significance of the self-interest threat must be evaluated and, if that threat is not clearly insignificant, safeguards shall be considered and applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- taking steps to reduce dependency on the client;
- external quality control reviews; and
- consulting a third party, such as the member advisor of an Affiliate or a professional colleague, on key assurance judgements.

7.56 A self-interest threat may also be created when the fees generated by the assurance client represent a large proportion of the revenue from an individual partner's clients. The significance of the threat must be evaluated and, if the threat is not clearly insignificant, safeguards shall be considered and applied when necessary to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include having a professional colleague who was not a member of the engagement team review the work done or otherwise advise as necessary.

7.57 A self-interest threat may be created if fees due from an assurance client remain unpaid for a long time, especially if a significant part is not paid before the issue of the assurance report, if any, for the following period. Generally, the firm should require payment of such fees before any such report is issued. A safeguard that should be considered and applied as necessary to eliminate the threat or reduce it to an acceptable level is having a professional colleague who did not take part in the engagement provide advice or review the work performed. The firm should also consider whether the overdue fees might be regarded as being equivalent to a loan to the client and whether, because of the significance of the overdue fees, it is appropriate for the firm to be re-appointed.

### Gifts and Hospitality

7.58 *Accepting gifts or hospitality from an assurance client may create self-interest and familiarity threats. When a firm or member of the engagement team accepts gifts or hospitality, unless the value is clearly insignificant, no safeguards could reduce such threats to an acceptable level. Consequently, a firm or member of an engagement team shall not accept such gifts or hospitality.*

### Actual or Threatened Litigation

7.59 When litigation takes place, or appears likely to occur between the firm or member of the engagement team, a self-interest or intimidation threat may be created. The relationship between client management and members of the engagement team must be characterized by complete candor and full disclosure regarding all aspects of a client's business operations. The firm and the client's management may be placed in adversarial positions by litigation,

affecting management's willingness to make complete disclosures. As a result, the member or firm may face a self-interest threat. The significance of the threat created will depend on such factors as:

a) the materiality of the litigation; and

b) whether the litigation relates to a prior assurance engagement.

The significance of the self-interest threat must be evaluated, and, if the threat is other than clearly insignificant, safeguards shall be considered and applied to eliminate the threat or reduce it to an acceptable level. Examples of such safeguards include:

- if the litigation involves a member of the engagement team, removing that individual from the engagement team; or
- having a professional colleague in the firm who was not a member of the engagement team review the work done or otherwise advise as necessary.

If such safeguards do not reduce the threat to an acceptable level, the only appropriate action is to withdraw from, or refuse to accept, the assurance engagement.

# 8. EFFECTIVE DATE – OTHER ASSURANCE ENGAGEMENTS

8.1 This Standard and the related *Code of Ethical Principles and Rules of Conduct* (CEPROC) are applicable to other assurance engagements effective December 15, 2010. This date is regardless of the period ending date of the other assurance engagement report and the commencement of the engagement.

8.2 The provisions apply to any other assurance engagement and engagements to issue a report of the results of applying specified auditing procedures where the engagement is commenced after December 31, 2010.

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

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AS AT SEPTEMBER 20, 2014

CGA
Certified General Accountants
Association of British Columbia

# 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.