

**CERTIFIED MANAGEMENT ACCOUNTANTS SOCIETY  
OF BRITISH COLUMBIA**

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OF  
PROFESSIONAL CONDUCT**

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## RULES OF PROFESSIONAL CONDUCT

(The Certified Management Accountant's responsibilities to employers, to the public and to professional colleagues.)

### FOREWORD

Rules of Professional Conduct, hereinafter called Rules, comprehensive in their scope, practical in application and addressed to high moral standards, serve not only as a guide to the profession itself but as a source of assurance of the profession's concern for the public it serves. It is a mark of a profession that there is a voluntary assumption, by those who comprise it - the professional community - of ethical principles which are aimed, first and foremost, at protection of the public and, second, at achieving orderly and courteous conduct within the profession. It is to these purposes that the Society's Rules are directed.

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

- there is mastery by the practitioners of a particular intellectual skill, acquired by lengthy training and education;
- there is an outlook, in the practice of the calling, which is essentially objective;
- there is acceptance by the practitioners of a responsibility to subordinate personal interests to those of the public good;
- there exists a developed and independent organization, comprising the members of the calling, which sets and maintains standards of qualification, attests to the competence of the individual practitioner and safeguards and develops the skills and standards of the calling;
- there is a specialized code of ethical conduct, laid down and enforced by that organization, designed principally for the protection of the public;
- there is a belief, on the part of those engaged in the calling, in the virtue of interchange of views, and in a duty to contribute to the development of their calling, adding to its knowledge and sharing advances in knowledge and technique with their fellow members.

By these criteria Certified Management Accountants are members of a profession.

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The Rules, as a whole, flow from the special responsibilities embraced by the Certified Management Accountant. The reliance of the public, generally, and the business community, in particular, on sound and fair financial reporting and competent advice on business affairs - and the economic importance of that reporting and advice - impose these special obligations on the profession. They also establish, firmly, its social usefulness.

- \_ The Rules centre about a number of principles - fundamental statements of accepted conduct whose soundness is, for the most part, self-evident.

These principles are:

- A Member shall, at all times, maintain the good reputation of the profession and its ability to serve the public interest.
- A Member shall perform professional services with integrity and care and accept an obligation to sustain professional competence by keeping informed of, and complying with, developments in professional standards.
- A Public Practicing Certified Member who is engaged in an attest function such as an audit or review of financial statements shall remain free of any influence, interest or relationship, in respect of a client's affairs, which would impair professional judgment or objectivity or which, in the view of a reasonable observer, would impair the Public Practicing Certified Member's professional judgment or objectivity.
- A Member has a duty of confidence in respect of the affairs of any client and shall not disclose, without proper cause, any information obtained in the course of serving the client, nor in any way exploit such information to personal advantage.
- The development of a Public Practicing Certified Member's practice shall be founded upon a reputation for professional excellence. The use of methods of advertising which do not uphold professional good taste and which could be characterized as self-promotion and which solicit, rather than inform, is not in keeping with this principle.
- A Member shall act in relation to any other professional accountant with the courtesy and consideration due between professional colleagues and which, in turn, would be expected to be accorded by the other accountant.

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A number of the principles need not be expounded upon - those which concern upholding the honour and good reputation of the profession; the performance of professional services with integrity and care; the duty of confidence; and the duty to act with courtesy and consideration toward professional colleagues.

Some aspects of the principles and of the Rules derived from them do, however, warrant discussion:

- the sustaining of professional competence;
- the duty to avoid conflicts of interest in respect of a client's affairs; and
- the development of a practice upon a reputation for professional excellence.

It is apparent that the more sophisticated and complex society becomes, the greater the demands it makes of its institutions, including its professions. Society's expectations of the accounting profession - particularly in its management and financial reporting roles and its business advisory services - will, therefore, continue to rise. This underscores the need, expressed in the statement of principles for sustaining individual professional competence by keeping abreast of and complying with developments in professional standards in all functions where the Member practices, claims to specialize or is relied upon by being a Member.

It makes imperative, too, the duty that the Certified Management Accountant has to bring, and be seen to bring, the qualities of objectivity and integrity to professional services. It thus becomes a cardinal position of a Certified Member of the profession that the Certified Member's professional judgment will not be subordinated to the will of others, and that the Certified Member will express any conclusions honestly and impartially.

In this respect, clearly, Certified Management Accountants cannot practice their profession and participate in the affairs of their community without being exposed to circumstances that may place pressures upon their objectivity and integrity, and it would be impractical to impose detailed proscriptions intended to cover all conceivable situations.

To do so on a rigid basis would be to inhibit the rendering of useful services even when the likelihood of impairment of the Certified Management Accountant's objectivity was relatively remote.

It may be difficult for a Certified Management Accountant always to appear completely free of any disabling influence, interest or relationship in respect of employer's or client's affairs. Pressures, however, upon the Certified Member's objectivity or integrity are subject to powerful countervailing forces and restraints. These forces include liability in law, responsibility to the profession for personal professional actions and, most importantly, the inbred resistance of a disciplined professional person to any infringement upon basic impartiality and integrity in the rendering of services.

The public must be assured of the Certified Management Accountant's freedom from any conflict of interest. The profession tests the existence of this freedom against the criterion of whether a reasonable person having knowledge of all the facts and taking into consideration normal strength of character and normal behaviour under the particular circumstances, would conclude that a specified relationship between a Certified Management Accountant and a client

posed an unacceptable threat to the Certified Management Accountant's independence of judgment. Only thus can public confidence in the objectivity and integrity of the Certified Management Accountant be sustained, and it is upon this public confidence that the reputation and usefulness of the profession rests.

Turning to the matter of building a practice - strictures against publicly claiming skills or attributes superior to those possessed by professional colleagues with equal qualifications, and against direct solicitation for entrusted engagements are readily understood by a member of a profession. A professional regards these acts, almost instinctively, as the very antithesis of professionalism - a scrambling for clientele inappropriate to an essentially intellectual calling which emphasizes quality of service, the need of unbiased professional judgment, and absolute objectivity.

The profession can validly assert that such strictures as exist provide a result which is in the public interest. It would not be in the public interest that a practitioner could, publicly, claim professional skills exceeding those of similarly qualified practitioners, in a purely subjective fashion and without hindrance or reasonable constraint; nor that quality of service in the important realm of rights and property, in which Certified Management Accountants function, should become secondary to price - for example, a public accounting engagement being tailored to a bid price rather than to the needs of the engagement, as they emerge, in the professional judgment of the Certified Management Accountant; nor that individual Certified Members, by self-promotional advertising seek to differentiate themselves from their peers.

It is not an exaggeration to suggest that these Rules are basic to a profession, and serve the public interest in the quality of services provided by Certified Management Accountants. The removal of all constraints would lead to downgrading the quality of service and the profession's reputation for competence and integrity. The public interest might not be served by an elimination of all constraints upon practitioners.

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The Rules which follow are based on the principles expressed in this foreword. The principles themselves have emerged out of the collective experience of the profession as it has sought, down the years, to demonstrate its sense of responsibility to the public it serves. By their commitment to honourable conduct, Certified Members of the Society, throughout its history, have given particular meaning and worth to the designation "Certified Management Accountant". They have done so by recognizing that rules of conduct, which are enforceable by sanctions, cannot by their nature state the most that is expected of Certified Members, but simply the least. The Rules thus define a minimum level of acceptable conduct; ethical conduct in its highest sense, however, is a product of personal character - an acknowledgment by the individual that the standard to be observed goes beyond that of simply conforming to the letter of a list of prohibitions.

### Application

- A Member not engaged in the Practice of Public Accounting must observe these Rules except where the wording of any Rule makes it clear that it relates specifically to the Practice of Public Accounting or there is a specific exception made in a particular Rule.
- Where the term "professional services" is used it means, in its application to a Member not engaged in the Practice of Public Accounting, those of the Member's activities where the public or the Member's associates are entitled to rely on the Member's membership in the Society ensuring particular competence.
- A Member is responsible to the Society for compliance with these Rules by others associated with the Member in the public practice of the functions covered by the Rules, who are either under supervision by or share with the Member proprietary interest in the practice, and must not permit others to carry out acts which, if carried out by the Member, would place the Member in violation of the Rules.

### Interpretation

In interpreting the Rules, they are to be read in the light of the Foreword to the Rules and the definitions in and provisions of the Bylaws of the Society.

**100 - GENERAL**

COMPLIANCE WITH BYLAWS, REGULATIONS AND RULES

101 Members and, where applicable, professional corporations shall comply with the Accountants (Management) Act, the Bylaws, Regulations and Rules of the Society as they may be from time to time and with any order or resolution of the Board or Committees appointed by the Board or officers of the Society under the Bylaws, Rules, or the Accountants (Management) Act.

CONVICTION OF CRIMINAL OR SIMILAR OFFENCES

102.1 A Member who has been:

- (a) convicted of a criminal offence of fraud, theft, forgery or income tax evasion;
- (b) found guilty of violating the provisions of any securities legislation;
- (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 their membership in or association with the Society; or
- (d) discharged absolutely or upon conviction after pleading guilty to or being found guilty of an offence described in (a), (b) or (c) above

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

102.2 This Rule applies in respect of an event which occurs after the 26th day of October, 1991.

102.3 Any Member may be liable to suspension or expulsion if the Member, in the opinion of the Board, conducts himself/herself in a manner unbecoming of a Member, including conduct due to mental infirmity arising from disease, age or otherwise.

FALSE OR MISLEADING APPLICATIONS

103 A Member or any person who applies to become a Member shall not sign or associate himself with any letter, report, statement or representation relating to the Member's application for admission or re-admission to membership, or relating to the Member's application for registration or re-registration as a Student, which the Member knew, or should have known, was false or misleading.

REQUIREMENT TO REPLY IN WRITING

104 A Member shall promptly reply in writing to any letter from the Society in which a written reply is specifically required.

REQUIREMENT TO CO-OPERATE

105 A Member shall:

- (a) co-operate with practice review officers, and
- (b) co-operate with the Board and relevant Committees and Panels.

**200 - STANDARDS OF CONDUCT AFFECTING THE PUBLIC INTEREST**

**MAINTAINING GOOD REPUTATION OF PROFESSION**

- 201.1 A Member shall conduct himself/herself at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.
- 201.2 Notwithstanding any other provisions of the Bylaws or these Rules, in the event a Member is charged under Rule 201.1 on account of an offence referred to in Rule 102, when a certificate of conviction or certified copy of the original information or indictment as provided for in Rule 201.3 with respect to the offence set out in Rule 102 is filed with the Professional Conduct Enquiry Committee, there is a rebuttable presumption the Member charged failed to maintain the good reputation of the profession and its ability to serve the public interest.
- 201.3 In respect of any charge under the Rules, a certificate of conviction by any competent court or a certified copy of the original information or indictment with the endorsement of the conviction thereon signed by the official having custody thereof, shall be sufficient evidence of the conviction; and, a certified copy of the original information or indictment with the endorsement of the discharge thereon, signed by the official having custody thereof, shall be sufficient evidence of the discharge.
- 201.4 No person registered as a Technologist or Student shall be engaged on his/her own or in association with others in the Practice of Public Accounting provided that this Rule shall not prohibit a Technologist or Student from engaging in the Practice of Public Accounting as an employee of an approved Practising Office.

**INTEGRITY AND DUE CARE**

- 202 A Member shall perform his/her professional services with integrity and due care.

**SUSTAINING PROFESSIONAL COMPETENCE**

- 203 A Member shall sustain his/her professional competence by keeping himself/herself informed of, and complying with, developments in professional standards in all functions in which the Member practices or is relied upon because of his/her calling.

**INDEPENDENCE**

**ASSURANCE AND SPECIFIED AUDITING PROCEDURES ENGAGEMENTS**

- 204.1 A Member or Firm who engages or participates in an engagement:
- (a) to issue a written communication under the terms of an assurance engagement;  
or
  - (b) to issue a report on the results of applying specified auditing procedures;

shall be and remain independent such that the Member, the Firm and members of the Firm shall be and remain free of any influence, interest or relationship which, in respect

of the engagement, impairs the professional judgment or objectivity of the Member, the Firm or a member of the Firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the Member, the Firm or a member of the Firm.

#### IDENTIFICATION OF THREATS AND SAFEGUARDS

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

#### DOCUMENTATION

204.3 A Member or Firm who, in accordance with Rule 204.2, has identified a threat that is not clearly insignificant, shall document a decision to accept or continue the particular engagement. The documentation shall include the following information:

- (a) a description of the nature of the engagement;
- (b) the threat identified;
- (c) the safeguard or safeguards identified and applied to eliminate the threat or reduce it to an acceptable level; and
- (d) an explanation of how, in the Member's or Firm's professional judgment, the safeguards eliminate the threat or reduce it to an acceptable level.

#### SPECIFIC PROHIBITIONS, ASSURANCE AND SPECIFIED AUDITING PROCEDURES ENGAGEMENTS

204.4 In addition to complying with Rules 204.1, 204.2, 204.3, 204.5 and 204.6 a Member or Firm shall comply with the following specific prohibitions:

##### *Financial interests*

- (1) (a) A Member shall not participate on the engagement team for an assurance client if the Member, or the immediate family of the Member, holds a direct financial interest or a material indirect financial interest in the client.
- (b) A Member shall not participate on the engagement team for an assurance 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.
- (2) A Member or Firm shall not perform an audit or review engagement for an entity if the Member, Firm or a network firm, has a direct financial interest or a material indirect financial interest in the entity.

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- (3) A Member or Firm shall not perform an audit or review engagement for an entity if a pension or other retirement plan of the Firm or network firm has a direct financial interest or a material indirect financial interest in the entity.
- (4) A Member who is a partner of a Firm and who holds, or whose immediate family holds, a direct financial interest or a material indirect financial interest in an audit or review client shall not practise in the same office as the lead engagement partner for the client.
- (5) A Member who is a partner or managerial employee of a Firm and who holds, or whose immediate family holds, a direct financial interest or a material indirect financial interest in an audit or review client shall not provide a non-assurance service to the client, unless the non-assurance service is clearly insignificant.
- (6)
  - (a) A Member or Firm shall not perform an audit or review engagement for an entity (the first entity) if the Firm or a network firm has a financial interest in a second entity, and the Member knows that the first entity or a director, officer or controlling owner of the first entity also has a financial interest in the second entity, unless the respective financial interests of the Firm or network firm and the first entity, the director, officer or controlling owner of the first entity are immaterial and the first entity cannot exercise significant influence over the second entity.
  - (b) A Member shall not participate on an engagement team for an audit or review client if the Member has a financial interest in an entity and the Member knows that the client or a director, officer or controlling owner of the client also has a financial interest in the entity, unless the respective financial interests of the Member and the client, the director, officer or controlling owner of the client are immaterial and the client cannot exercise significant influence over the entity.
- (7)
  - (a) A Member or Firm shall not perform an audit or review engagement for an entity if a partner or professional employee of the Firm owns, or such person's immediate family owns, more than 0.1% of the securities of the entity or controls the entity.
  - (b) A Member who is a partner or professional employee of a Firm shall not own more than 0.1% of the securities of, or control, an audit or review client of the Firm.
- (8) A Member shall not participate on the engagement team of an audit or review client if the Member knows that his or her close family owns more than 0.1% of the securities of the client or controls the client.
- (9) A Member or Firm shall not perform an assurance engagement for an entity that is not an audit or review client if the Member or Firm holds:
  - (i) a direct financial interest or a material indirect financial interest in the entity; or

- (ii) a material financial interest in another entity that has a controlling interest in the first entity.

*Loans and guarantees*

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

shall not participate on the engagement team for the client.

- (b) A Member who has a loan to or guarantees the borrowing of
  - (i) an assurance client that is not bank or similar financial institution;
  - (ii) an officer or director of the client; or
  - (iii) a shareholder of the client who owns more than 10% of the equity securities of the client

shall not participate on the engagement team for the client.

*Close business relationships*

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

*Family and personal relationships*

- (14) A Member shall not participate on the engagement team for an assurance client if the Member's immediate family is a director or officer of the client or an employee of the client in a position to exert direct and significant influence over the subject matter of the engagement, or was in such a position during any period covered by the engagement.
- (15) A Member shall not participate on the engagement team for an audit client that is a reporting issuer if the Member's close family is in an accounting role or a financial reporting oversight role at the client, or was in such a position during any period covered by the engagement.

*Employment with a reporting issuer audit client*

- (16) A Member or Firm shall not perform an audit engagement for a reporting issuer if a person who participated in an audit capacity in an audit of the financial statements of the entity performed by the Member or Firm has accepted employment in a financial reporting oversight role with respect to the entity until a period of one year has elapsed from the date that the financial statements were filed with the relevant securities regulator or stock exchange.

*Recent service with an assurance client*

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

*Serving as an officer or director of an assurance client*

- (18) A Member or Firm shall not perform an assurance engagement for an entity if a member of the Firm serves as an officer or director for the entity.

*Serving as an officer or director of an audit or review client*

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

*Long association of senior personnel with a reporting issuer audit client*

- (20) (a) (i) A Member shall not continue as the lead engagement partner or the engagement quality control reviewer on an audit engagement of a reporting issuer for more than five years in total, and shall not thereafter resume or assume either such role until a further five years have elapsed.
- (ii) In the case of an audit engagement of a reporting issuer that is a mutual fund, the lead engagement partner and the engagement quality control reviewer shall not thereafter 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 further five years have elapsed.

- (b) (i) A Member, who is an audit partner on an audit engagement of a reporting issuer, other than an audit partner referred to in Rule 204.4(20)(a), who, during the engagement period, provides more than ten hours of assurance services in connection with the annual financial statements or the interim financial information of the reporting issuer or who is a subsidiary engagement partner with respect to the entity shall not continue in such role or roles for more than seven years in total and shall not thereafter perform the role of audit partner of the reporting issuer until a further two years have elapsed.
- (ii) In the case of an audit engagement of a reporting issuer that is a mutual fund, the audit partner shall not thereafter perform the role of audit partner of the reporting issuer or another mutual fund that is in the same mutual fund complex as the reporting issuer until a further two years have elapsed.

*Audit committee approval of services to a reporting issuer audit client*

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

*Performance of management functions for an assurance client*

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

Firm or a network firm, makes a management decision or performs a management function for the entity, or a related entity, including any of the services listed in paragraph (22)(a)(i) to (iv).

*Preparation of journal entries and source documents*

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

*Preparation of accounting records and financial statements for a reporting issuer audit client*

- (24) A Member or Firm shall not perform an audit engagement for a reporting issuer if, during either the period covered by the financial statements subject to audit or the engagement period, the Member, the Firm, a network firm or a member of the Firm or a network firm provides accounting or bookkeeping services related to the accounting records or financial statements to be audited including:
- (i) maintaining or preparing the entity's, or related entity's, accounting records;
  - (ii) preparing the financial statements or preparing financial statements which form the basis of the financial statements on which the audit report is provided; or
  - (iii) preparing or originating source data underlying such financial statements, unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during the audit of such financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the accounting or bookkeeping services will be subject to audit procedures.

*Provision of valuation services to a reporting issuer audit client*

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

presumption that the results of the valuation service will be subject to audit procedures.

*Provision of actuarial services to a reporting issuer audit client*

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

*Provision of internal audit services to a reporting issuer audit client*

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

*Provision of IT system services to a reporting issuer audit client*

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

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

*Provision of expert services to a reporting issuer audit client*

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

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

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

*Provision of legal services to a reporting issuer audit client*

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

*Human resource services for a reporting issuer audit client*

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

*Provision of corporate finance and similar activities to an assurance client*

- (33) (a) A Member or Firm shall not perform an assurance engagement for an entity if, during the engagement period, the Firm, or a member of the Firm, provides any of the following services to the entity:
- (i) promoting, dealing in or underwriting the entity's securities;
  - (ii) making investment decisions on behalf of the entity or otherwise having discretionary authority over the entity's investments;
  - (iii) executing a transaction to buy or sell the entity's investments; or
  - (iv) having custody of assets of the entity, including taking temporary possession of securities purchased by the entity.
- (b) A Firm shall not perform an audit or review engagement for an entity if a network firm, during either the period covered by the financial statements subject to audit or review or the engagement period, provides any of the services listed in paragraph (33)(a)(i) to (iv) to the entity.
- (c) A Firm shall not perform an audit engagement for a reporting issuer if, during either the period covered by the financial statements subject to audit or review or the engagement period, a member of the Firm or a network firm, provides any of the services listed in paragraph (33)(a)(i) to (iv) to a related entity of the reporting issuer.

*Pricing*

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

*Compensation of audit partners of a reporting issuer audit client*

- (35) A Member or Firm shall not perform an audit engagement for a reporting issuer if, during either the period covered by the financial statements subject to audit or the engagement period, an audit partner who is on the engagement team for the reporting issuer or a related entity earns or receives compensation based on the audit partner procuring any engagement that is not an assurance engagement from the reporting issuer or a related entity, unless the Member or the Firm has fewer than five audit clients that are reporting issuers and fewer than ten partners.

*Gifts and hospitality*

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

MEMBERS MUST DISCLOSE PROHIBITED INTERESTS AND RELATIONSHIPS

- 204.5 A Member who has a relationship or interest, or who has provided a professional service, that is precluded by this Rule shall advise in writing a designated partner of the Firm of the interest, relationship or service.

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.

LICENSED FIRMS TO ENSURE COMPLIANCE BY PARTNERS AND PROFESSIONAL EMPLOYEES

- 204.6 A Firm that performs an assurance engagement shall ensure that members of the Firm do not have a relationship or interest, do not perform a service and remain free of any influence that would preclude the Firm from performing the engagement pursuant to Rules 204.1, 204.2, 204.4 or 204.7.

INDEPENDENCE: INSOLVENCY ENGAGEMENTS

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

DISCLOSURE OF IMPAIRED INDEPENDENCE

- 204.8 A Member or Firm engaged in the practice of public accounting or any related function, who provides a service not subject to the requirements of Rules 204.1 to 204.7, shall disclose any activity, interest or relationship which, in respect of the engagement, would be seen by a reasonable observer to impair the Member's or Firm's independence such that the professional judgment or objectivity of the Member, Firm or member of the Firm would appear to be impaired, and such disclosure shall be made in the Member's or Firm's written report or other written communication accompanying financial statements or financial or other information and the disclosure shall indicate the nature of the influence or relationship and the nature and extent of the interest.

## DEFINITIONS

For the purposes of Rules 204.1 to 204.8 and these definitions:

**“accounting role”** means a position in which a person may or does exercise more than minimal influence over:

- (a) the contents of the financial statements; or
- (b) anyone who prepares the financial statements.

**“assurance client”** means an entity in respect of which a Member or Firm has been engaged to perform an assurance engagement.

**“assurance engagement”** means an assurance engagement as contemplated in “Standards for Assurance Engagements,” Section 5025 of the CICA Handbook – Assurance.

**“audit client”** means an entity in respect of which a Member or Firm has been engaged to perform an audit of the financial statements. In the application of Rule 204.4(1) to (12) “audit client” includes its related entities, and the reference to an assurance client, a client or an entity that is an audit client shall be read as including all related entities of the assurance client, client or entity, as the case may be.

**“audit committee”** means the audit committee of the entity, or if there is no audit committee another governance body which has the duties and responsibilities normally granted to an audit committee.

**“audit engagement”** means an engagement to audit financial statements as contemplated in “Audit of Financial Statements — an Introduction,” Section 5090 of the CICA Handbook – Assurance.

**“audit partner”** means a person who is a partner in a Firm or a person who has equivalent responsibility, other than a specialist or technical partner or equivalent who consults with others on the engagement team regarding technical or industry-specific issues, transactions or events, who is a Member of the audit engagement team having responsibility for decision-making on significant auditing, accounting, and reporting matters that affect the financial statements, or who maintains regular contact with management and the audit committee, and includes the following:

- (a) the lead engagement partner;
- (b) the engagement quality control reviewer;
- (c) another partner who, during the engagement period, provides more than ten hours of assurance services in connection with the annual financial statements or interim financial information of the client; and
- (d) a subsidiary entity engagement partner.

“**clearly insignificant**” means trivial and inconsequential.

“**close family**” means a parent, non-dependent child or sibling.

“**direct financial interest**” means a financial interest:

- (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;
- (c) owned through an investment club or by a private mutual fund in which the individual participates in the investment decisions.

“**engagement quality control reviewer**”, often referred to as reviewing, concurring or second partner, means the audit partner who, prior to issuance of the audit report, evaluates the significant judgments made by the lead engagement partner and other persons on an engagement team, the conclusions reached in formulating the audit report and other significant matters that have come to the partner’s attention.

“**engagement team**” means:

- (a) each member of the Firm participating in the assurance engagement;
  - (b) all other members of the 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. For the purposes of an audit engagement this includes those at all successively senior levels above the lead engagement partner through to the Firm’s chief executive officer;
    - (ii) those who provide consultation regarding technical or industry-specific issues, transactions or events for the assurance engagement; and
    - (iii) those who provide quality control for the assurance engagement;
- and
- (c) in the case of an audit client, all persons in a network firm who can directly influence the outcome of the audit engagement.

“**financial interest**” includes a direct or indirect ownership interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.

“**financial reporting oversight role**” means a position in which a person may or does exercise influence over:

- (a) the contents of the financial statements; or
- (b) anyone who prepares the financial statements.

**“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 dependant.

**“indirect financial interest”** means a financial interest beneficially owned through a collective investment vehicle such as a mutual fund, estate, trust or other intermediary over which the beneficial owner has no control.

**“lead engagement partner”** means the audit partner having primary responsibility for an audit or review engagement.

**“market capitalization”** in respect of a particular fiscal year means the average market price of all outstanding listed securities and publicly traded debt of the entity measured at the end of each of the first, second and third quarters of the prior fiscal year and the year-end of the second prior fiscal year.

**“member of a Firm”** or **“member of the Firm”**, as the case may be, means a person, whether or not a Member or a member of a Provincial Institute, who is:

- (a) a sole practitioner;
- (b) a partner, professional employee of the Firm;
- (c) an individual engaged under contract by the Firm to provide services that might otherwise be provided by a partner or professional employee of the Firm;
- (d) an individual who provides to the Firm services which are referred to in Rule 204.1 and includes any corporate or other entity through which the individual contracts to provide such services; or
- (e) a retired partner of the Firm who retains a close association with the Firm.

**“mutual fund”** means a mutual fund that is a reporting issuer.

**“mutual fund complex”** means a mutual fund that has:

- (a) the same fund manager as a client;
- (b) a fund manger that is controlled by the fund manager of a client; or
- (c) a fund manager that is under common control with the fund manager of a client.

**“network firm”** means an entity under common control, ownership or management with a Firm, or any entity that a reasonable observer who has knowledge of the facts would conclude to be

part of a Firm nationally or internationally. A network firm does not include an entity that constitutes a related business or practice, as defined, in Canada.

**“office”** means a distinct sub-group of a Firm, whether organized on geographical or practice lines.

**“partner”** includes a person with a proprietary interest in a Firm.

**“related entity”** means any of the following:

- (a) in the case of a client that is a reporting issuer, an entity:
  - (i) over which the client has control;
  - (ii) that has control over the client; or
  - (iii) that is under common control with the client, including the client's parent company and any subsidiaries;
- (b) in the case of a client that is not a reporting issuer, an entity:
  - (i) over which the client has control;
  - (ii) that has control over the client provided the client is material to such entity; or
  - (iii) that is under common control with the client provided that such entity and the client are both material to the controlling entity;
- (c) in any case, an entity over which a client has significant influence, unless the entity is not material to the client; and
- (d) in any case, an entity that has significant influence over a client, unless the client is not material to the entity.

**“reporting issuer”** for the purposes of Rule 204.4 means a reporting issuer as defined under the relevant securities legislation in a province or territory of Canada or, where there is no such definition in any such jurisdiction, a comparable entity in such jurisdiction, other than an entity that has, in respect of a particular fiscal year, market capitalization and total assets that are each less than \$10,000,000, subject to the following:

- (a) 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 shall be considered to be a reporting issuer thenceforward unless and until the entity ceases to have its shares, units or debt quoted, listed or marketed in connection with a recognized stock exchange or the entity has remained under the market capitalization or total assets threshold for a period of two years;
- (b) in the case of a period in which an entity makes a public offering:

- (i) the term “market capitalization” shall be read as referring to the market price of all outstanding listed securities and publicly traded debt measured using the closing price on the day of the public offering, and
  - (ii) the term “total assets” shall be read as referring to the amount of total assets presented on the most recent financial statements prepared in accordance with generally accepted accounting principles included in the public offering document; and
- (c) in the case of an entity 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 Member or Firm conducts a review engagement. In the application of Rule 204.4(1) to (12) “review client” includes its related entities, and the reference to an assurance client, a client or an entity that is a review client shall be read as including all related entities of the assurance client, client or entity, as the case may be.

“**review engagement**” means an engagement contemplated either in “Auditor Review of Interim Financial Statements,” Section 7050 or “General Review Standards,” Section 8100 of the CICA Handbook – Assurance.

“**specified auditing procedures engagement**” means an engagement 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.

“**subsidiary entity engagement partner**” means the lead engagement partner for an audit engagement related to the annual financial statements or interim financial information of an entity that is a subsidiary or joint venture of an audit client and whose assets or revenues constitute 20% or more of the assets or revenues of the audit client’s respective consolidated assets or revenues.

“**total assets**” in respect of a particular fiscal year means:

- (a) the amount of total assets presented on the third quarter of the prior fiscal year’s financial statements prepared in accordance with generally accepted accounting principles that are filed with a relevant securities regulator or stock exchange; or
- (b) in the case of an entity that is not required to file quarterly financial statements, the amount of total assets presented on the annual financial statements of the second previous fiscal year prepared in accordance with generally accepted accounting principles that are filed with a relevant securities regulator or stock exchange.

## EFFECTIVE DATE AND TRANSITIONAL PROVISIONS

Rules 204.1 to 204.8 shall take effect, no later than:

- (a) for an assurance engagement in respect of a particular reporting period of a client, for the first reporting period commencing after December 31, 2007 and
- (b) for any other assurance engagement and an engagement to issue a report of the results of applying specified auditing procedures where the engagement is commenced after December 31, 2007

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

### 1. *Provision of non-assurance services*

The non-assurance services referred to in Rule 204.4(22) to (33) do not include a service that has not been completed before January 1, 2008 where:

- (i) There exists on December 31, 2007 a binding contract for the Member or Firm to provide the service;
- (ii) The provision of the service is completed before January 1, 2009; and
- (iii) The provision of the service by the Member or Firm would not have contravened the provisions of Rule 204.1 as it read prior to January 1, 2008.

### 2. *Prior approval of audit and non-audit services*

Rule 204.4(21) shall come into effect at the earlier of the following dates:

- (i) when Multilateral Instrument 52-110, which requires pre-approval by the audit committee of all non-audit services to be provided to the reporting issuer or to its subsidiaries, becomes a rule enforced by the relevant securities regulator; and
- (ii) when the audit client has policies and procedures in place that require pre-approval by the audit committee of all non-audit services to be provided to the reporting issuer or to its subsidiaries.

### 3. *Employment relationships*

The reference to employment in Rule 204.4(16) shall not apply to an employment relationship entered into by a person before January 1, 2008.

### 4. *Compensation of audit partners*

Rule 204.4(35) shall not apply to the compensation of an audit partner in respect of the fiscal period of the audit partner's Firm that includes December 31, 2007.

### 5. *Audit partner rotation*

Notwithstanding the requirements of Rule 204.4(20):

## CERTIFIED MANAGEMENT ACCOUNTANTS SOCIETY OF BRITISH COLUMBIA

- (i) A lead engagement partner may continue in that role for a particular client up to and including the second fiscal year of the client commencing after December 31, 2007, notwithstanding that such partner has completed five or more years in that role, or in the role of engagement quality control reviewer, before that second fiscal year;
- (ii) An engagement quality control reviewer may continue in that role for a particular client up to and including the third fiscal year of the client commencing after December 31, 2007, notwithstanding that such partner has completed five or more years in that role, or in the role of lead engagement partner, before that third fiscal year;
- (iii) A partner referred to in Rule 204.4(20)(b) may continue in the particular role for up to seven years after December 31, 2007 notwithstanding that such partner has completed seven or more years in that role before the fiscal year of the particular client commencing after December 31, 2007
- (iv) A Member may commence the role of lead engagement partner for a particular client prior to the end of the client's second fiscal year commencing after December 31, 2007 and may continue in that role for five years, notwithstanding the number of years, if any, that the Member was previously the engagement quality control reviewer for the particular client.

### FALSE OR MISLEADING DOCUMENTS AND ORAL REPRESENTATIONS

- 205 A Member shall not
- (a) sign or associate himself/herself with any document or instrument which the Member knows, or should know, is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor
  - (b) make or associate himself/herself with any oral report, statement or representation which the Member knows, or should know, is false or misleading.

### COMPLIANCE WITH PROFESSIONAL STANDARDS

- 206 A Public Practicing Certified Member shall perform his/her professional services in accordance with generally accepted standards of practice of the profession, including the Recommendations set out in the CICA Handbook.

### INFORMING CLIENTS AND ASSOCIATES OF POSSIBLE CONFLICTS OF INTEREST

- 207 A Public Practicing Certified Member engaged in the Practice of Public Accounting or in the public practice of a function not inconsistent with public accounting shall inform his/her clients or associates in such practice of any business connections, any affiliations, and any interests of which they might reasonably expect to be informed but this does not necessarily include disclosure of professional services the Public Practicing Certified Member may be rendering or proposing to render to other clients.

#### UNAUTHORIZED BENEFITS

- 208 A Member shall not, in connection with any transaction involving a client or an employer, hold, receive, bargain for, become entitled to or acquire any fee, remuneration or benefit without the client's or employer's knowledge and consent.

#### IMPROPER USE OF CONFIDENTIAL KNOWLEDGE

- 209 A Member shall not take any action, such as acquiring any interest, property or benefit, in connection with which the Member makes improper use of confidential knowledge of a client's affairs obtained in the course of his/her duties.

#### CONFIDENTIALITY OF INFORMATION

- 210.1 A Member shall not disclose or use any confidential information concerning the affairs of any employer, former employer, client or former client except:
- (a) when properly acting in the course of his/her duties;
  - (b) when such information should properly be disclosed for the purposes of Rule 211;
  - (c) when such information is required to be disclosed, by order of lawful authority or, in the proper exercise of their duties by the Board, or any Committee appointed thereby, or any subcommittee of any Committee; or
  - (d) when justified in order to defend himself/herself or his/her associates or employees, as the case may be, against any lawsuit or other legal proceeding or against alleged professional misconduct or in any legal proceeding for recovery of unpaid professional fees and disbursements, but only to the extent necessary for such purpose.
- 210.2 A Certified Member engaged to perform a particular service may contract for the services of a person not employed by the Certified Member to assist in the performance of that service, provided the Certified Member first obtains the written agreement of that person to carefully and faithfully preserve the confidentiality of any information acquired for the purposes of the engagement and not to make use of such information other than as shall be required in the performance of such services.
- 210.3 Rules 210.1 and 210.2 shall not be construed to prohibit disclosure of information to the Professional Conduct Enquiry Committee, the Practice Review Committee, the Board, or any officer or employee of the Society acting on their behalf, in connection with a practice review or an investigation into the professional conduct of a Member or proceedings related thereto.

210.4 A Member shall attend to assist the Board, the Professional Conduct Enquiry Committee, the Practice Review Committee, and the Discipline Tribunal when required and shall produce any books, papers and records in their possession, custody or control which may be required from time to time.

#### DUTY TO REPORT BREACH OF RULES OF PROFESSIONAL CONDUCT

211 A Member shall bring to the attention of the Professional Conduct Enquiry Committee any apparent breach of these Rules or any instances involving doubt as to the competence, reputation or integrity of a Member or applicant, provided that this Rule shall not apply to:

- (a) a trivial matter,
- (b) a Member exempted from this Rule for the purposes and to the extent specified by the Board, or
- (c) a Member who is under a specific legal requirement imposed by or pursuant to statutory authority which would preclude the disclosure of confidential information.

#### HANDLING OF FUNDS AND OTHER PROPERTY IN TRUST

212.1 A Member who receives, handles or holds money or other property as a trustee, receiver or receiver/manager, guardian, administrator/manager or liquidator shall do so in accordance with the terms of the engagement, including the terms of any applicable trust and the general law relating thereto, and the Regulations prescribed by the Board, and shall maintain such records as are necessary to account properly for the money or other property; unless otherwise provided for by the terms of a trust, money held in trust shall be kept in a separate trust bank account or accounts.

212.2 A Member in the course of providing professional services shall handle with due care any property entrusted to him/her.

#### UNLAWFUL ACTIVITY

213 A Member shall not knowingly lend himself/herself, his/her name or his/her services to any unlawful activity.

#### FEE QUOTATIONS

214 A Public Practicing Certified Member shall not quote a fee for any professional services unless requested to do so by a client or a prospective client, and no quote shall be made until adequate information has been obtained about the assignment.

CONTINGENCY FEES AND SERVICES WITHOUT FEES

- 215 A Public Practicing Certified Member shall not offer or agree to render any professional service for a fee contingent on the results of such service, nor shall he represent that he does any professional service without fee except services of a charitable, benevolent or similar nature.

PAYMENT OR RECEIPT OF COMMISSIONS OR OTHER COMPENSATION

- 216 Other than in relation to the sale and purchase of an accounting practice, a Public Practicing Certified Member or any Member while employed by a Public Practicing Certified Member, shall not directly or indirectly pay to any person who is not an employee of the Public Practicing Certified Member or who is not a public accountant, a commission or other compensation to obtain a client, nor shall the Public Practicing Certified Member accept directly or indirectly from any person who is not a public accountant a commission or other compensation for a referral to a client of products or services of others.

GENERAL ADVERTISING AND ENDORSEMENTS

- 217.1 A Public Practicing Certified Member may advertise, but shall not do so directly or indirectly, in any manner:

- (a) which such member knows, or should know, is false or misleading,
- (b) which contravenes professional good taste or fails to uphold normal professional courtesy,
- (c) which makes unfavourable reflections on the competence or integrity of the profession or any Member thereof, or
- (d) which includes a statement the contents of which such member cannot substantiate.

- 217.2 A Public Practicing Certified Member shall not

- (a) endorse, other than in expressing a considered professional opinion in the course of an engagement, or
- (b) consent to or allow the use of such member's name, or the name of the firm or organization with which such member is associated, in the public promotion of

any commercial product or service of others.

RETENTION OF DOCUMENTATION AND WORKING PAPERS

- 218 A Member shall retain, for a reasonable time period, such working papers, records or other documentation which reasonably evidence the nature and extent of the work done in respect of any professional engagement.

**300 RELATIONS WITH FELLOW MEMBERS AND WITH NON-MEMBERS ENGAGED IN PUBLIC ACCOUNTING**

BRINGING DISREPUTE ON THE PROFESSION

- 301 A Public Practicing Certified Member shall not adopt any method of obtaining or attracting clients which tends to bring disrepute on the profession.

SOLICITATION

- 302 A Public Practicing Certified Member shall not directly or through a party acting on behalf of and with the knowledge of such member solicit any professional engagement which has been entrusted to another professional accountant engaged in the Practice of Public Accounting or who carries on a business or practice which constitutes a related function.

COMMUNICATION WITH PREDECESSOR OR SUCCESSOR

- 303.1 A Public Practicing Certified Member shall not accept an engagement with respect to the Practice of Public Accounting or the public practice of a function not inconsistent with public accounting, where the Member is replacing another Public Practicing Certified Member or another accountant recognized by statutory authority in British Columbia, without first communicating with such person and enquiring whether there are any circumstances the Public Practicing Certified Member should take into account which might influence the Public Practicing Certified Member's decision whether or not to accept the engagement.
- 303.2 The incumbent Public Practicing Certified Member shall respond promptly to the communication referred to in Rule 303.1.

CO-OPERATION WITH SUCCESSOR

- 304.1 A Public Practicing Certified Member shall, upon written request of the client, supply, on a timely basis, reasonable information to the Public Practicing Certified Member's successor about the work done or being assumed.
- 304.2 A Public Practicing Certified Member who is a predecessor on an engagement shall cooperate with the successor, recognizing the client's interests are paramount, and shall transfer promptly to the client or, on the client's instructions, to the successor, all books, documents, and other property belonging to the client which are in the Certified Member's possession.

JOINT ENGAGEMENTS

- 305 A Public Practicing Certified Member who accepts any engagement jointly with another Public Practicing Certified Member shall accept joint and several responsibility for any portion of the work to be performed by either; no Public Practicing Certified Member shall proceed in any matter within the terms of such joint engagement without due notice to the other Public Practicing Certified Member.

COMMUNICATION OF SPECIAL ENGAGEMENTS TO INCUMBENT

- 306 A Public Practicing Certified Member shall, before commencing any engagement for a client of another Public Practicing Certified Member who is the duly appointed auditor or accountant, first notify such auditor or accountant of the engagement, unless the client makes an unsolicited request that such notification not be given. In the event such request is made, written evidence thereof shall be obtained by the Public Practicing Certified Member before he/she commences the engagement.

RESPONSIBILITIES ON SPECIAL ENGAGEMENTS OR REFERRALS

- 307.1 A Public Practicing Certified Member who accepts an engagement, whether by referral or otherwise, from a client of a Public Practicing Certified Member who has a continuing relationship with that client shall not take any action which would tend to impair the position of the other Public Practicing Certified Member in the ongoing work with the client.
- 307.2 A Public Practicing Certified Member who receives an engagement for services by referral from another Public Practicing Certified Member shall not provide or offer to provide any additional services to the referring Public Practicing Certified Member's client without the consent of the referring Public Practicing Certified Member; the interest of the client being of overriding concern, the referring Public Practicing Certified Member shall not unreasonably withhold such consent.

## 400 ORGANIZATION AND CONDUCT OF A PROFESSIONAL PRACTICE

### MISLEADING PRACTICE NAMES PROHIBITED

- 401 A Public Practicing Certified Member, or, where permitted, a professional corporation, shall not engage in the Practice of Public Accounting, or in the public practice of any function not inconsistent 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.

### PRACTICE AS SOLE PROPRIETOR

- 402 A Public Practicing Certified Member engaged in the Practice of Public Accounting as a sole proprietor, or, where permitted, a professional corporation, shall practice under the Public Practicing Certified Member's own name and, where permitted in special circumstances by the Board, may, with the predecessor's written authorization, practice under the name of a predecessor sole proprietor or, on a temporary basis, some other predecessor firm name as well as under the Public Practicing Certified Member's own name.

### FIRM NAMES

- 403 (1) "A member or, where permitted, an incorporated professional, shall engage in the practice of public accounting, or in the public practice of any function not inconsistent therewith, only under a name or style which:
- a) is not misleading;
  - b) is not self-laudatory;
  - b) does not contravene professional good taste, and
  - d) has been approved in a manner specified by the Public Practice"
- (2) A sole practitioner or a firm which was licenced to be in public practice as at October 27, 1991, and whose name at that date included the phrase "& Co." or other similar wording as permitted by Rule 403(1) as it read prior to that date, may continue to use such name for as long as that sole practitioner or firm carries on the Practice of Public Accounting under that name.

### PRACTICE OF PUBLIC ACCOUNTING

- 404.1 The Practice of Public Accounting shall be carried on under the descriptive style of "Certified Management Accountant(s)". Regardless of the functions actually performed, the use of this descriptive style, in offering services to the public, shall be regarded as carrying on the Practice of Public Accounting for the purposes of these Rules.
- 404.2 (a) Each office in British Columbia of any Public Practicing Certified Member or firm of Public Practicing Certified Members engaged in the Practice of Public

## CERTIFIED MANAGEMENT ACCOUNTANTS SOCIETY OF BRITISH COLUMBIA

Accounting shall be under the personal charge and management of a Public Practicing Certified Member.

- (b) A Public Practicing Certified Member shall not operate a Public Part Time Office except in accordance with such terms and conditions established by the Board.

404.3 Each office in British Columbia of any firm engaged in the Practice of Public Accounting and composed of one or more Public Practicing Certified Members sharing proprietary interest with other public accountants who are not Certified Members shall practice under the style of "public accountants" and shall be under the personal charge and management of a Public Practicing Certified Member or other public accountant.

### ASSOCIATION WITH FIRMS

- 405 A Public Practicing Certified Member shall not associate in any way with any firm practicing as Certified Management Accountants in British Columbia unless:
- (a) all partners resident in British Columbia are Public Practicing Certified Members;
  - (b) at least one partner is a Public Practicing Certified Member; and
  - (c) all the partners are professional colleagues or professional corporations provided each such corporation is recognized and approved for the Practice of Public Accounting by the provincial society in the province concerned.

### CERTIFIED MEMBER RESPONSIBLE FOR NON-MEMBERS

- 406 A Public Practicing Certified Member engaged in the Practice of Public Accounting or a related function who is associated with non-Members in such practice shall be responsible to the Society for any failure of such non-Members, in respect of such practice, to abide by the Rules.

### REPRESENTATIVE OFFICES

- 407 A Public Practicing Certified Member shall not hold out or imply that he/she has an office in any place where he/she is in fact only represented by another public accountant or a firm of public accountants and, conversely, a Public Practicing Certified Member who only represents a public accountant or a firm of public accountants, shall not hold out or imply that the Member maintains an office for such public accountant or such firm.

PRACTICE OF PUBLIC ACCOUNTING IN CORPORATE FIRM

408.1 A Public Practicing Certified Member shall not be associated in any way with any corporation engaged in Canada in the Practice of Public Accounting, except to the extent permitted in Rule 409 and as follows:

- (1) A Public Practicing Certified Member or his/her firm
  - (a) may be the auditor(s) of the corporation;
  - (b) may be the appointed accountant(s) to prepare the financial statements of the corporation;
  - (c) may give tax advice to the corporation with respect to the financial affairs of the corporation;
- (2) A Certified Member, other than a Public Practicing Certified member, may be associated with a corporation which provides taxation services involving advice and counselling in an expert capacity provided such services are only a small part of the corporation's activities;
- (3) A Public Practicing Certified Member may be associated with a professional corporation engaged in the Practice of Public Accounting in a province other than British Columbia if the corporation is recognized and approved for such practice by the provincial society in the province concerned and the corporation does not engage in the Practice of Public Accounting in British Columbia;
- (4) A Certified Member may be associated with a corporation engaged in the Practice of Public Accounting if the Member or some other Certified Member is the holder of a valid and subsisting permit issued pursuant to Rule 408.2 in respect of the corporation.

Without limiting the generality of the foregoing, a Public Practicing Certified Member shall be deemed to be associated with a corporation engaged in Canada in the Practice of Public Accounting even though the corporation provides a public accounting service only to another Public Practicing Certified Member or to a public accountant.

408.2 Upon application of a Public Practicing Certified Member in the form determined by the Board and upon the payment by the Public Practicing Certified Member of the fees determined by the Board, the Board or a Committee appointed by the Board, as the case may be, may issue a permit to the Public Practicing Certified Member permitting the Member to be associated with a corporation incorporated under the laws of British Columbia and engaged in the Practice of Public Accounting if the corporation has been incorporated by the Public Practicing Certified Member under a name and having a memorandum and articles that have been approved by the Board or the Committee appointed by the Board, as the case may be.

- 408.3 The Board or the Committee appointed by the Board, as the case may be, may issue a permit to a Public Practicing Certified Member pursuant to Rule 408.2 subject to such terms and conditions as it may impose including, without limitation, terms and conditions as to:
- (1) the duration and renewal of the permit;
  - (2) a requirement that the corporation carry professional liability insurance;
  - (3) restrictions on the ownership and the transfer or other disposition of the shares of the corporation;
  - (4) restrictions on the persons who may be directors or officers of the corporation;
  - (5) restrictions on the kinds of businesses and activities which may be carried on by the corporation and restrictions on the manner in which they may be carried on;
  - (6) restrictions on the alteration of the memorandum and articles of the corporation; and
  - (7) such other terms and conditions as the Board may deem conducive to the public interest or the interests of the profession.
- 408.4 A Public Practicing Certified Member to whom a permit has been issued pursuant to Rule 408.2 shall comply and shall cause the corporation to comply with the terms and conditions of the permit. The Board may revoke any permit issued pursuant to Rule 408.2 if the holder of the permit fails to comply or fails to cause the corporation to comply with the terms and conditions of the permit.
- 408.5 A Public Practicing Certified Member to whom a permit has been issued pursuant to Rule 408.2 shall be personally responsible for any failure of the corporation in respect of which the permit was issued, to abide by the Bylaws and Rules of the Society as if such corporation were a Public Practicing Certified Member engaged in the Practice of Public Accounting and as if the failure of the corporation were the failure of the Public Practicing Certified Member.

#### RELATED FUNCTIONS

- 409
- (1) A Public Practicing Certified Member engaged in the practice of a related function shall adhere to the Rules and the Rules shall apply to such Public Practicing Certified Member as if the related function were the Practice of Public Accounting.
  - (2) For the purpose of the Rules, a related function shall be any Public Practicing Certified Member's business or practice that is cross-referenced to
    - (a) the Public Practicing Certified Member's public accounting practice, or

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- (b) another business or practice that is cross-referenced to the Public Practicing Certified Member's public accounting practice, whether carried on through an organization separate from the Public Practicing Certified Member's public accounting practice or as a separate department or division of such practice.
- (3) In respect of clause (2), "cross-referenced" means
  - (a) any reference in the advertising or promotional or other material of the Public Practicing Certified Member's public accounting practice that is made to any other business or practice of the Public Practicing Certified Member; or
  - (b) any reference in the advertising or promotional or other material of any other business or practice of the Public Practicing Certified Member that is made to
    - (i) the Public Practicing Certified Member's public accounting practice; or
    - (ii) any business or practice of the Public Practicing Certified Member that is referenced in any advertising or promotional or other material of the Public Practicing Certified Member's public accounting practice; or
  - (c) any use of the name or logo or any possession of features or characteristics, by any business or practice of the Public Practicing Certified Member which, in the view of a reasonable observer, would imply that an association or relationship exists between such business or practice and
    - (i) the Public Practicing Certified Member's public accounting practice; or
    - (ii) any other business or practice of the Public Practicing Certified Member to which there is any reference made in the advertising or promotional or other material of the Public Practicing Certified Member's public accounting practice.
- (4) A Public Practicing Certified Member may associate with a related function as a proprietor, as a partner or as a director, officer or shareholder of a corporation and may associate with a non-Member for this purpose.
- (5) A related function shall not be designated "Certified Management Accountant(s)" or "public accountant(s)".
- (6) A related function designated as "management consultant(s)" or "trustee(s) in bankruptcy" shall be carried on under a personal name or names or under a corporate derivative of any such personal name or names.

PUBLIC PRACTICING CERTIFIED MEMBER RESPONSIBLE TO SOCIETY

- 410 A Public Practicing Certified Member to whom Rule 409 applies, shall be responsible to the Society for the actions of the separate organization or the department or division of a public accounting practice carrying on "related function(s)" or any non-Member employed by or associated with that organization or that public accounting practice when those actions fail to comply with the Rules of the Society as if the organization or non-Member were a Public Practicing Certified Member.