



Certified General  
Accountants of Ontario

# **Schedule A to the Association Bylaws: Code of Ethical Principles and Rules of Conduct**

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# Code of Ethical Principles and Rules of Conduct

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 societal 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 is 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.

In 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 members are committed to a high standard of behaviour and strive to achieve it in their work. Because it implies the highest standard of behaviour, it 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 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 laws and professional standards. In situations where violation of some standard (say, of confidentiality) occurs, the burden of proof is on the CGA to show why such an action was justifiable.

Subject to the provincial or territorial legislative requirements, 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.

Furthermore, for members providing professional services to clients, it is in the public interest that members, firms, and members of assurance teams 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 judgment that is free of conflict of interest or bias. These requirements are articulated in the *CGA Independence Standard*, which forms an integral part of the *Code of Ethical Principles and Rules of Conduct*.

CGA-Canada's *Code of Ethical Principles and Rules of Conduct* applies when members perform services outside their own province or territory or even outside Canada. Members should be aware that other jurisdictions may impose more restrictive standards on services performed in those jurisdictions. Members should make every effort to be aware of these differences and comply with the more stringent requirements and guidance unless prohibited by law or regulation.

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.

## **Code of Ethical Principles**

### **Responsibilities to Society**

Members have a fundamental responsibility to safeguard and advance the interests of society. This implies acting with trust-worthiness, 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.

### **Trust and Duties**

Members shall act in the interests 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 strive to be independent of mind and in appearance.

### **Due Care and Professional Judgment**

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

### **Deceptive Information**

Members shall not be associated with any information that the member knows, or ought to know, to be false or misleading, whether by statement or omission.

### **Professional Practice**

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

### **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 that will enhance the image of the profession and the Association.

## **Rules of Conduct**

The Rules of Conduct provide specific statements of the minimum standards of acceptable professional behaviour. They provide clearer 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 relationships 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 trust-worthiness, 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 participate in, or knowingly provide services to, any practice, pronouncement or act that would be of a nature to discredit the profession.

#### **R102 Unlawful Activity**

A member shall not participate in, or provide services to, any activity that the member knows, or which a reasonable and informed third party would believe, to be unlawful.

#### **R103 Discrimination**

A member shall not engage in a discriminatory practice on a prohibited ground of discrimination, as those terms are defined in the *Ontario Human Rights Code*.

## **R104 Breach of Rules**

A member shall, subject to Rule 105 and Rule 201, notify the Association of any breach of the *Code of Ethical Principles and Rules of Conduct* 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 a member.

### **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, unless the matter discloses a likely risk of serious harm or loss to a client or an employer, or the Association, or involves a breach of a statute.

### **R104.2 Professional Standards and Competence Committee**

A member shall, when appointed by the Association to the professional standards and competence committee or one of its sub-committees or engaged by the committee or one of its sub-committees to conduct a practice inspection, be exempt and be prohibited from reporting under these rules any matter of which the member becomes aware in the course of the Association-related duties except when:

- (a) the matter discloses a likely risk of serious harm or loss to a client, an employer, a third party or the Association, or involves a breach of a statute; or
- (b) the professional standards and competence committee or one of its sub-committees files a complaint relating to a breach of these rules or a breach of a statute, based on the results of a practice inspection; or
- (c) the practice inspection was made on request of the discipline committee, the professional standards, competence and capacity committee or one of its sub-committees, the professional conduct tribunal, the competency tribunal or the capacity tribunal; or
- (d) the member or the firm has failed to cooperate with the practice inspector, or to abide by the practice inspection process.

### **R104.3 Disclosure Prohibited By Law**

A member shall be exempt and prohibited from reporting under Rule 104, where the disclosure of such matters is otherwise prohibited by law.

## **R105 Professional Courtesy**

A member shall act, in relation to any member, firm or professional colleague with the courtesy and consideration due between professional colleagues and shall not criticize another professional colleague without first submitting this criticism to that colleague for explanation. Subject to Rule 105.1, where the criticism may result in a complaint against the colleague being lodged with the discipline committee, the member must 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 criticisms. The lodging of a complaint against a professional colleague is considered a criticism under this rule.

### **R105.1 Notice Waived**

Notwithstanding Rule R105, a member may first submit a criticism of another member to the Association, should the matter be considered of such a nature that prior written notice to that member 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, unless these undertakings are detrimental to the public good or to the standards of the profession.

### **R107.1 Business or Practice Other Than a Professional Practice or a Public Accounting Practice**

A member engaged in a professional practice or in the practice of public accounting may carry on a business or practice through an organization separate from such professional practice or 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, 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 letterhead, name plates, professional cards or announcements of the professional practice or the public accounting practice, nor may reference be made to the professional practice or the public accounting practice in the letterhead, name plates, professional cards or announcements of any such business or practice.

### **R107.2 Constraints on a Business or Practice Carried Out under R107.1**

A member engaged in a business or practice other than a professional practice or a public accounting practice may, in carrying on such a business or practice, conduct these affairs (or the firm's or corporation's affairs) free of the constraints imposed upon members engaged in a professional practice or the practice of public accounting, but not in such a fashion as to be detrimental to the public good or to the standards of the profession.

### **R107.3 Referral for a Commission**

A member practising as described in Rule R107.1 shall not refer a client for services to another member or firm engaged in a professional practice or the practice of public accounting for a commission or other compensation unless it is with the client's permission and full approval in writing.

### **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 or professional practice with which the member is associated.

## **R108 Conduct Unbecoming**

It shall be unethical for a member or student, while acting in a professional capacity or otherwise, to 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 strive to be independent of mind and in appearance.

## **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 or except as described in Rules R201.1 and R201.2.

### **R201.1 Mandatory Disclosure**

A member shall disclose the confidential information:

- a. where disclosure is compelled by a process of law or by statute; or
- b. where such confidential information is required to be disclosed by the board of directors of the Association or any of its committees appointed thereby in the proper exercise of its duties.

### **R201.2 Discretionary Disclosure**

A member is not forbidden from disclosing the confidential information:

- a. where properly acting in the course of the duties incumbent on a member; or
- b. where a member becomes aware of an apparent or suspected criminal activity. Before making such a disclosure, a member should obtain advice from a member of a 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 the member first obtains agreement from that person to carefully and faithfully 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 Independence**

Independence requires:

### **(a) Independence of Mind**

The state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism; and

### **(b) Independence in Appearance**

The avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, would reasonably conclude a member, firm, or a member of the assurance team's, integrity, objectivity or professional skepticism had been compromised.

#### **R202.1 Independence in Assurance or Specified Auditing Procedures Engagements**

In accordance with the CGA Independence Standard, a member shall be free of any interest, influence or relationship in respect of the client's affairs which impairs the member's professional judgment or objectivity, or which, in the view of a reasonable observer, may have that effect.

A member shall comply with the requirements set out in the CGA Independence Standard:

#### **(a) Communication**

A member shall not issue a communication in an assurance engagement or specified auditing procedures engagement unless the member has identified any threats to independence and evaluated the significance of those threats. If the threats are other than insignificant, the member shall either eliminate those threats, apply safeguards to reduce those threats to an acceptable level, or decline to accept or continue the engagement.

(b) Prohibitions

A member shall comply with the prohibitions set out in the CGA Independence Standard. Prohibitions are denoted within the Standard by italics.

Prohibitions are not limited to those specifically identified in the Standard, but must be determined by the member's application of professional judgment in assessing the situation in accordance with the framework contained in the Standard.

(c) Compliance of the Firm

A member shall ensure that staff of the firm remains free of any interest, influence or relationship that would preclude the firm from performing the engagement pursuant to subsections (a) and (b) of this Rule and Rule R202.2.

(d) Documentation

A member shall document all threats to independence and either the decision to continue the engagement with the appropriate safeguards or the decision to decline the engagement.

(e) Requirement to Disclose Prohibited Interest, Influence and Relationships

A member who has an interest, influence or relationship that is precluded by this Rule shall advise the firm in writing of the interest, influence and relationship.

## **R202.2 Independence in Insolvency Engagements**

A member who provides any services in relation to insolvency shall be free of any interest, influence or relationship in respect of the client's affairs which impairs the member's professional judgment or objectivity, or which, in the view of a reasonable observer, may have that effect.

## **R202.3 Independence in Other Professional Services**

(a) Requirement to Disclose Interest, Influence and Relationships

A member who provides any services not subject to R202.1 and R202.2 and the CGA Independence Standard shall disclose in writing to the client or employer any interest, influence or relationship in respect of the client's or employer's affairs which impairs the member's professional judgment or objectivity, or which, in the view of a reasonable observer, may have that effect.

(b) Parties to the Same Transaction

Pursuant to Rule R202.3(a) a member shall, when rendering advice to two or more clients who are parties to the same transaction advise 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.

## **R202.4 Compilation Engagements**

A member may issue a compilation engagement report as long as appropriate disclosure of any interest, influence or relationship between the member and the client is made in the compilation engagement report.

## **R203 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. Members shall not take any action, such as acquiring any interest, property or benefit, in connection with which unauthorized use is made of confidential knowledge of an employer's or client's affairs obtained in the course of his or her duties.

## **R204 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; the member shall maintain such records as are necessary to account properly for the money or other property.

### **R204.1 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. Members entrusted with money (or other assets) belonging to others should:

- (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 persons entitled to such accounting; and
- (d) Comply with all relevant laws and regulations relevant to the holding and accounting for such assets.

# **Due Care and Professional Judgment**

Members shall strive to continually upgrade and develop their technical knowledge and skills in the areas in which they practise 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**

Members shall adhere to acknowledged principles and standards of professional practice. In addition, all licensees shall be required to establish, maintain and uphold policies and procedures to ensure that all public accounting services are performed in accordance with generally accepted standards of practice of public accounting. The phrase 'acknowledged principles and standards' expresses a wide meaning; namely, that body of principles and practices that have been generally adopted by the profession and that are applied in the preparation of financial statements and any tax related matter, taken together with the requirements of any governing statutes, subject to (e) below. That is, a member shall adhere to:

- (a) generally accepted accounting principles within financial reporting standards unless departure from these principles is fully disclosed;
- (b) generally accepted auditing standards or general review standards in an assurance engagement;
- (c) accounting and auditing practices that differ from those recommended by the Association, provided that there is substantial authoritative support for the 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, auditing practices, and standards recommended by the Association, including those found in:
  - i. the *CICA Handbook*; wherein references to the Rules of Conduct/Code of Ethics of the provincial institutes/order appear, this should be read as the *CGA Code of Ethical Principles and Rules of Conduct*;
  - ii. the *CGA Independence Standard*; and
  - iii. the *CGA-Canada Public Practice Manual*.

### **R304 Terms of Engagement**

A member shall clearly state in writing to a client the nature and scope of services to be rendered under the terms of his or her engagement.

### **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 of the information required to support such communication and/or recommendation.

## **Deceptive Information**

Members shall not be associated with any financial information that the member knows, or ought to 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 that may have a tendency to be misleading.

### **R402 Association with Financial Information**

A member shall not 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 and/or client. Nevertheless, professional duty is forsaken if the member fails to comply with Rule R402.

### **R403 Known Omission**

A member shall disclose any fact or information known to the member that 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 Bidding**

A member shall not engage in bidding practices for professional services that use unfair methods of competition.

## **R502 Impairment of Incumbent Accountant**

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 that 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 shall not unreasonably withhold such consent.

## **R504 Replacement**

A member preparing compilations and/or assurance engagements shall, before accepting an appointment to replace another professional accountant or firm, inquire from such other person or firm in writing whether there is any professional reason why such an appointment should not be accepted.

## **R505 Takeover**

A member engaged in a professional practice or the practice of public accounting shall respond promptly to takeover letters received from other professional accountants. The member shall supply reasonable information to the successor accountant about the work being assumed. There must be readiness to co-operate with the successor, recognizing that the client's interests are paramount. 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 that are in the member's possession.

## **R506 Fees**

A member or firm engaged in a professional practice or 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:

- (i) Independence, where required, will not be impaired;
- (ii) Qualified members of the firm will be assigned to the engagement and will devote appropriate time to it; and
- (iii) 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(i), (ii), and (iii) are met, a member or firm is permitted to provide pro bono professional services

## **R507 Referral Fees**

- (a) A member or firm engaged in a professional practice or the practice of public accounting may 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 a professional practice or 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 clients any agreements 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 a professional practice or 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 professional practice or the practice of public accounting 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 in Respect of Other Non-Assurance Services**

A member or a firm may charge a contingent fee in respect of another non-assurance service, 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, which, in the view of a reasonable and informed third party, may have that effect in respect of any engagement as described in 508 (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, which:

- (a) is false or deceptive;
- (b) includes the use of harassing conduct;
- (c) creates an unjustified expectation of favourable results;
- (d) contains self-laudatory statements that are not verifiable;
- (e) is demonstrably false or inaccurate;
- (f) is either misleading, confusing, or deceptive, or likely to mislead, confuse or deceive;
- (g) is not in the best interests of the public, inconsistent with a high standard of professionalism or contravenes professional good taste;
- (h) suggests qualitative superiority to other professional accountants;
- (i) suggests or implies that the member is aggressive; or
- (j) disparages or demeans other members, persons, groups, organizations or institutions.

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

A member shall not engage in a professional practice or the practice of public accounting or in the practice of any function consistent therewith, under a name or style that 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; however, such preferred or restricted area(s) of practice shall not be referred to as a specialty, unless the requirements of the Association have been met.

### **R509.3 Fees**

- (a) This rule was replaced with R506
- (b) This rule was replaced with R506.1

## **R510 Name of Firm**

All members engaged in the practice of public accounting or the preparation of compilation engagements and pursuant to Rule R510.1 shall practise:

- (a) under the member's name(s); or
- (b) if engaged in the practice of public accounting in partnership, under at least one of the partners' names. Partners' names are of those who are or have been associated with the firm. Where the firm comprises 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; or
- (c) Under a firm name which may be in the form of the initials drawn from the first letter of the partners' last names; or
- (d) Using a firm name other than that permitted above, but 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.

### **R510.1 Style of Practice**

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, Article 7 of the Bylaws, and the appropriate legislation.
- (b) 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 appropriate legislation.
- (c) The addition of "& Co." or other similar term is permitted only where the member employs staff, or where the number of partners exceeds that named in the firm name, or where the member is practising with one or more professional colleagues who are not partners or employees.
- (d) 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 510.2.

### **R510.2 Use of Descriptive Style "Certified General Accountant(s)" in the Name of Firm**

Members engaged in the practice of public accounting or the preparation of compilation engagements 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 professional corporation of members.

- (b) Notwithstanding R510.2(a), if a member is engaged in the practice of public accounting or the preparation of compilation engagements with a professional colleague who is a non-member, the firm shall not use the descriptive style "Certified General Accountants(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.

### **R510.3 Application**

A firm engaged in the practice of public accounting or the preparation of compilation engagements as of September 30, 1996, 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 the firm is engaged in the practice of public accounting or the preparation of compilation engagements under that name.

### **R510.4 Legal Change of Member's Name**

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

## **R511 Responsibility and Control**

- (a) A member engaged in a professional practice or the practice of public accounting personally shall undertake or delegate to a certificated member of the Association or a professional colleague, the management of each 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 of such office(s).
- (b) A member or licensee engaged in a professional practice or the practice of public accounting who is associated with non-members, or non-licensees, as applicable, in such practice, shall be responsible to the Association for any failure of such associates to abide by the Code of Ethical Principles and Rules of Conduct.

## **R512 Association of Member with Non-Members and Licensee with Non-Licensees in Practice**

A member shall not associate in a professional practice with a professional colleague who is a non-member and a licensee shall not associate in a public accounting practice with a professional colleague who is a non-licensee unless:

- (a) such business or practice maintains the good reputation of the profession and its ability to serve the public interest and adheres to the *Code of Ethical Principles and Rules of Conduct*,
- (b) such business or practice establishes and maintains policies, procedures and arrangements suitable for ensuring:
  - (i) that every such non-member or non-licensee professional colleague is knowledgeable of and complies with:
    - 1) the CGA Ontario Act, regulation, 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 or non-licensee professional colleague is a member; and
  - (ii) that no style or presentation or communication is used which implies that the non-member is a member or the non-licensee professional colleague is a licensee.
- (c) such business or practice fully recognizes that the member who is associated with a non-member or licensee associated with a non-licensee, shall be responsible to the Association for any failure of the non-member, or non-licensee as applicable, to abide by the Code of Ethical Principles and Rules of Conduct

**R513 Marketing of Goods and Services**

A member engaged in a professional practice or the practice of public accounting shall not market goods and services at a profit, other than professional services, through the member's professional practice or public accounting firm.

**R514 Registration**

A member shall, if engaged in the practice of public accounting or the preparation of compilation engagements or tax returns part-time or full-time, register in accordance with the requirements prescribed by the Association. This rule also shall apply to members who:

- (a) own, operate or control a professional corporation engaged in the practice of public accounting or the preparation of compilation engagements or tax returns; and
- (b) prepare tax returns and/or financial statements through non-arm's length firms, that are not CGA, CA or CMA firms registered with, and regulated by, their respective associations.

**R515 Practice Inspection Requirements**

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

**R516 Professional Liability Insurance**

A member engaged in the practice of public accounting or the preparation of compilation engagements or tax returns part-time or full-time shall maintain professional liability insurance as specified, and provide evidence as required, by the Association.

**R517 Service by an Employee**

A member shall not permit an employee to perform professional services that the member is not permitted to render, unless the employee has been granted a licence or certificate to perform such professional services.

**R518 Relations with Clients or Employers**

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.

**R519 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 organizations. 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;
- (c) Recognize their responsibility to further the legitimate aims of their employing organization.

**R520 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.

**R521 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 that will enhance the image of the profession and the Association.

**R601 Compliance**

A member shall comply with the Bylaws and the *Code of Ethical Principles and Rules of Conduct* of the Association as amended from time to time, and with any order or resolution of the board of directors or its committees under the Bylaws.

**R602 Disciplinary Action**

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

**R602.1 Jurisdiction of Disciplinary Action**

A member shall be subject to disciplinary action only through the Association. In circumstances where the Association has no jurisdiction, the member shall be subject to disciplinary action by CGA Canada's board of directors.

**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 Admission, Readmission or Reinstatement to Membership**

- (a) A member shall report to the Association a fact known to that member sufficient to affect the admittance of any person whose admission, readmission, or reinstatement 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 that the applicant knew or should have known, was false or misleading.

## **R605 Responsibility for Firm**

A member engaged in a professional practice or the practice of public accounting who is associated with a firm or corporation carrying on an accounting or tax preparation business or practice whether as principal, partner, director, officer or shareholder; and 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, including any non-member or non-licensee to abide by the *Code of Ethical Principles and Rules of Conduct* of the Association.

### **R605.1 Requirement to Establish, Maintain and Uphold Policies and Procedures**

A member who is a principal, partner, director or shareholder of a firm engaged in the practice of public accounting shall be required to establish, maintain and uphold policies and procedures to ensure that all public accounting services are performed in accordance with generally accepted standards of practice of public accounting, as established by the Association, including the standards set out in the *CICA Handbook – Accounting* and the *CICA Handbook – Assurance* and the CGA Canada *Public Practice Manual*.

## **R606 Detrimental Actions**

- (a) A member shall not participate in any action that is detrimental to the Association or the profession.
- (b) A member shall, subject to Rules R105 and R201 report to the Association any situation of which the member has sufficient personal knowledge and that the member thinks may be detrimental to the Association or the profession.

## **R607 Evidence of Professional Misconduct**

A member who has been found guilty or granted an absolute or conditional discharge of any criminal or similar offence, which may cast doubt as to that member's honesty, integrity or professional competence, or has been expelled/suspended from membership in another regulatory body, shall promptly inform the Association of the conviction, expulsion/suspension, finding of guilt or discharge, as the case may be, when the right of appeal has been exhausted or expired. In such cases, the member may be charged with professional misconduct by the discipline committee. A certificate of conviction by any competent court shall be sufficient evidence of the conviction and the perpetration of the offence.

### **R607.1 Criminal and Similar Offences**

Criminal or similar offences include, but are not limited to, the following offences:

- (a) fraud, theft, forgery or income tax evasion;
- (b) violation of the provisions of any securities legislation; or
- (c) any criminal or similar offence for conduct in, or related to, the member's professional capacity or for conduct in circumstances where there was reliance on their membership in, or association with, the Association.

## **R608 Bankruptcy**

A member or professional corporation shall disclose to the Registrar forthwith upon:

- a) becoming a bankrupt;
- b) making a proposal to creditors;
- c) becoming the subject of a formal proceeding as an insolvent debtor; or
- d) having a business of which the member is an owner placed under a receiving order, pursuant to the *Bankruptcy and Insolvency Act* or the *Companies Creditors Arrangement Act*, as applicable.

## **R609 Public Statements**

A member shall not make public statements or comments that 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 reply promptly 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, comply with the request of the board or its committees in the exercise of their duties in matters of the CGA Ontario Act, the Bylaws or the *Code of Ethical Principles and Rules of Conduct*, and when required, produce any documents in the member's possession, custody or control, subject to Rules R104.2, R104.3 and R201.

#### **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 that 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 Certified General Accountants of Ontario, its name or its designation in any way except on their curriculum vitae or other employment related correspondence, and then only by referring to themselves as a "student currently registered in the 'XX level' of the CGA program of professional studies."

## **Definitions**

1. 'Associate' (of a firm)

A member who is neither a partner, an employee nor a duly registered student; and includes a professional colleague.

2. 'Association'

The Certified General Accountants Association of Ontario, incorporated by Act of the Legislative Assembly of Ontario on the twenty-third day of February, nineteen hundred and eighty-three;

3. 'Board'

The board of directors of the Association.

4. 'Client'

The person or entity engaging a member as an independent contractor for the performance of professional services.

5. 'Communication'

Includes, but is not limited to, one of three reports prepared for the client:

- (a) **Auditors' Report:**  
The report that 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) **Compilation Engagement Report:**  
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.

6. 'Contingent fee'

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.

7. 'Designated Body'

An authorized designated body that is authorized pursuant to the *Public Accounting Act, 2004* to license and govern the activities of its members as public accountants.

8. '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.

9. '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.

10. 'Financial Statements or Information'

'Statements, reports and footnotes related thereto that purport to show an entity's financial position, or results of operations, or changes in financial position. The term includes balance sheets, income statements, cash flow statements, and statements of retained earnings. The term does not include incidental financial data included in management advisory or similar reports to support recommendations to a client.

11. 'Firm'

An entity registered as a firm in accordance with the Bylaws, as follows:

- (a) a partnership, including a limited liability partnership, formed by members of the association;
- (b) a professional corporation that holds a valid certificate of authorization; or
- (c) any other entity specified by the Bylaws.

12. 'Licensee'

A member holding a valid licence to practise as a public accountant.

13. 'Member'

A person who has been accepted into membership and so registered as provided in the Bylaws, is in good standing, and includes:

- (a) An individual who is suspended;
- (b) A duly registered student in the CGA program of professional studies, except where a rule is not applicable to him or her; and
- (c) A professional corporation, for the purposes of section 25(1) of the Certified General Accountants Act, 2010.

14. 'Member Advisor'

A person or persons appointed by the Association for the specific purpose of providing professional assistance to members, including members engaged in or entering a professional practice or the practice of public accounting.

15. 'Member in Business'

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.

16. 'Multiple Member Professional Corporation'

A professional corporation comprised of more than one member of the Association.

17. 'Non-Arm's Length Firm'

A firm:

- (a) That is owned or controlled directly or indirectly by a parent, non-dependent child or sibling;
- (b) That is owned or controlled directly or indirectly by a spouse (or equivalent) or dependent;
- (c) In which the CGA has a direct financial interest, as defined in CGA Ontario's Independence Standard.

18. 'Profession'

The profession of accountancy.

19. 'Professional Colleague'

An accountant recognized by statutory authority.

20. 'Professional Practice'

A proprietorship, partnership, limited liability partnership, corporation or professional corporation that provides professional services.

21. 'Professional Services'

Any accounting, assurance, taxation services, management advisory or consulting services as may from time-to-time be recognized by the Association that is performed or offered to be performed by a member for a client, whether or not the member asserts membership in the Association.

22. 'Public Accountant'

Unless otherwise specified by legislation, any person engaged in the practice of public accounting.

23. 'Public Accounting'

- (a) Providing, on a basis that is independent of the person for whom the services are being provided, any of the following services:
  - (i) Assurance engagements, including an audit or a review engagement, conducted with respect to the correctness, fairness, completeness or reasonableness of a financial statement or any part of a financial statement or any statement attached to a financial statement, if it can reasonably be expected that the services will be relied upon or used by a third party. An assurance engagement may or may not include the rendering of an opinion or other statement by the person who is providing the services.
  - (ii) Compilation services, if it can reasonably be expected that all or any portion of the compilations or associated materials prepared by the person providing the services will be relied upon or used by a third party.
- (b) If the compilation or associated materials prepared by the persons providing compilation services that otherwise fall within paragraph 19(a)(ii) above contain a notice in a prescribed form that provides that any assurance given by the person is limited to the accuracy of the computations required in order to complete the compilation, the provision of the compilation services does not constitute public accounting as provided by the *Public Accounting Act, 2004*
- (c) A member who is 'employed' in the practice of public accounting is not considered to be 'engaged' in the practice of public accounting.

24. 'Staff'

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.

25. 'Student'

A person whose application to undertake the program of professional studies has been accepted by the Association and who has paid the appropriate fees and has not withdrawn, or been suspended or expelled.