

Practice Advisory

Association with Non-Members in Public Practice

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Practitioners are continually faced with the challenge of finding ways to increase productivity while providing the best quality service to clients, often with limited resources. In today's busy work environment it is more common to find that members are collaborating with other practitioners (including non-members) with whom they may not have a formal working relationship. Some examples of this association include situations where:

- the member is engaged by a non-member to perform public accounting services or to provide a final sign off on financial statements; or
- the member engages a non-member to assist in performing a public accounting engagement; or

In evaluating these situations, it may be helpful to review the terms “practice of public accounting” and “providing accounting services to the public” as defined in CPA Ontario’s Bylaws 1.1.21 and 1.1.25 and s. 2 of the Public Accounting Act, 2004.

1.1.21 “practice of public accounting” means the provision of the services described in s. 2 of the Public Accounting Act, 2004, excluding any exceptions to services listed in s. 3 of that Act;

1.1.25 “providing accounting services to the public” includes:

- (i) the performance of any engagement addressed by standards in the CPA Canada Handbook-Assurance for which a licence is not required under the Public Accounting Act, 2004 to perform the engagement;*
- (ii) accounting insofar as it involves analysis, advice and interpretation in an expert capacity, but excluding record keeping;*
- (iii) taxation, insofar as it involves advice and counselling in an expert capacity, but excluding mechanical processing of returns;*
- (iv) compilation services, if it can reasonably be expected that all or any portion of the compilation or associated materials prepared by the Member providing the service will be relied upon or used by a third party, whether or not a licence is required under the Public Accounting Act, 2004; and*
- (v) such other services and activities as may be included by the Council by resolution from time to time; and all references in the CPA Code to “public accounting” shall be read as though they were also references to “providing accounting services to the public”.*

Public Accounting Act, 2004

2. (1) *For the purposes of this Act and subject to any limitations that are prescribed, the practice of public accounting means providing, on a basis that is independent of the person for whom the services are being provided, either of the following services:*

1. *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.*

2. *Subject to subsection (3), 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. 2004, c. 8, s. 2 (1).*

2. (2) *Assurance engagements described in paragraph 1 of subsection (1) may or may not include the rendering of an opinion*

or other statement by the person who is providing the services. 2004, c. 8, s. 2 (2).

2. (3) *If the compilations or associated materials prepared by the person in providing compilation services that otherwise fall within paragraph 2 of subsection (1) contain a notice in the 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 for the purposes of this Act. 2004, c. 8, s. 2 (3).*

If working with other practitioners whose work you are not familiar with, your professional skepticism should be heightened and reasonable care must be taken to ensure that reliance on the other practitioner is justified. Guidance can be found in CAS 600 that may be useful in assessing the practice of the other practitioner. In addition, members must ensure compliance with the CPA Code Rule 304 “Joint Engagements”, 406 “Responsibility for a non-member”, and 408 “Association with non-members in public practice”. Members must also bear in mind the prohibition set out in Rule 409 on associating in any way with a corporation engaged in the practice of public accounting. The prohibition extends to any professional corporation that is not a CPA professional corporation. A CPA professional corporation is one in which all of the shareholders are members of CPA Ontario. The following items should be considered when entering into a relationship with a non-member to provide public accounting services:

- As a minimum, you should consider the professional capabilities of the other practitioner involved with the engagement, including their qualifications, reputation, technical competence, experience and integrity.
- Based on your knowledge of the practitioner, a thorough plan should be prepared that documents and supports the extent of your review of the other practitioner’s working paper files.
- You must be satisfied that you have access to all information required regarding the engagement including the appropriate authority from management.

- If the role entails that you are the one signing off on the financial statements, then you need to have a direct relationship with the client and have the client provide you with the necessary engagement letter.
- A contract should be signed between you and the non-member outlining the terms of the engagement and the roles and responsibilities of each of the parties. Consider having a lawyer review this contract.
- When performing services for a non-member, association rules may place you in a position where you take on responsibility for their work, irrespective of your intended role.
- Consider whether the non-member has the adequate liability insurance.
- If doubts exist, then reliance should not be placed on another practitioner's work.

Let's also take a moment to address franchising situations in regard to providing public accounting services. A member may see a business opportunity arising from being able to provide certain professional services as a franchisee. However, such arrangements are not permitted under Rule 409. As noted, the rule states a member shall not associate in any way with any corporation engaged in the practice of public accounting. The word "associate" has a broad meaning, and does not just mean or refer to a partnership or employment relationship. A franchisee clearly has an association with the franchisor. Accordingly, a CPA cannot practise public accounting through a franchise, regardless of whether that is done in the CPA's personal capacity or through a professional corporation. The franchise is owned by the franchisor and the franchisor is likely to exercise a degree of control over the franchisee and to place restrictions on the manner of practice that would be contrary to the CPA Code.

Remember at the end of the day, it is your sole responsibility to ensure that you continue to be associated only with work that represents the standards of your practice.