

## Advisory Services

### ***New CPA Code: Changes from the Perspective of a Member Employed Outside of Public Accounting***

*This is part of a series of guidance prepared to explain the impact of the new CPA Code of Professional Conduct (“CPA Code”) that came into effect for CPA Ontario on February 26, 2016. The CPA Code will be presented to members for ratification at the next Annual General Meeting.*

#### Introduction

CPA Ontario recently approved the new Code of Professional Conduct that was developed for Chartered Professional Accountants across Canada (the “CPA Code”). The CPA Code applies, with the necessary modifications, to every member acting in respect of a matter of personal concern and to the exercise, by a member or firm of any other activity, in particular, a job, a function, an office or the operation of an enterprise. For instance, a member may be employed as a controller during the day (providing a “professional service”), then volunteer on a board of directors as treasurer (another “professional service”) in the evening, and otherwise acts as a law-abiding citizen who is conscious of not bringing disrepute to the profession.

The CPA Code is part of CPA Ontario’s *Member’s Handbook*, found at [cpaontario.ca/Resources/Membershandbook](http://cpaontario.ca/Resources/Membershandbook). The CPA Code replaces the *Rules of Professional Conduct* (“RPC”) and *Council Interpretations* (CIs). To access the CPA Code directly, go to [cpaontario.ca/Resources/CPACode](http://cpaontario.ca/Resources/CPACode).

Members are expected to have read the RPC and CIs and complied with the requirements in the past, and are now responsible reading and understanding how the CPA Code applies to them and complying with these requirements.

#### Significant changes for each major section of the CPA Code

This guidance has been prepared to highlight some significant changes in the new [CPA Code](#) relative to the CPA Ontario’s RPC and CIs that may impact members employed outside of public accounting. This is supplemental to the guidance which highlights some significant changes in the CPA Code, [New CPA Code: A Preview of the Changes](#).

Members are reminded that the term “members and firms” is used throughout the CPA Code instead of “members, firms, students and applicants”. Students and applicants are still subject to the CPA Code, in accordance with Bylaw 6.3. Note that employers who are approved to train CPA students (“pre-approved programs”) in a stream other than the public accounting stream are not considered to be firms for the purpose of the CPA Code, and as such, firms will not be referred to in this guidance.

Although content in the CPA Code has not undergone major revisions, there is a change in emphasis to the provision of professional services, rather than public accounting services. The definition of “professional services” is quite broad, as explained below.

#### Definitions

- The definition for “employer” is new and covers activities, even volunteer ones, where there is some reliance on membership. “Employer” is defined as: *“An individual or organization that (a) enters into an arrangement, whether in relation to a contract or other de facto employment relationship, with a member*

for the provision of professional services by a member, or (b) obtains professional services from a member other than a firm, whether the services are provided with or without remuneration, and “employee”, “employ” and “employment” and any other related words have corresponding meanings.

- The definition of “professional services”, which was previously in the CI for Rule 202 *Integrity and Objectivity*, has been modified to clarify the inclusion of volunteer services. A professional is now defined as: “a service or activity of a member or firm, whether undertaken for remuneration or not, where the public or a professional colleague is entitled to rely on registration with CPA Ontario as giving the member particular competence and requiring due care, integrity and an objective state of mind. For greater certainty, in this context, the public includes, but is not limited to clients, employers and not-for-profit or other organizations.

This definition could capture many activities that members who employed outside of public accounting are involved in, such as members in finance roles in an organization or on a board of directors, or those who are self-employed, such as members who provide consulting services to the public that do not require registration of a firm with CPA Ontario.

- Members should also be familiar with the definitions that are cross-referenced to CPA Ontario’s Bylaws and Regulations. A good place to start would be to make sure that any activities and services being provided are not considered to be public accounting. All references in the CPA Code to “public accounting” cover both definitions in CPA Ontario’s Bylaws: 1) the “practice of public accounting” services, which includes services that require a public accounting licence (Bylaw definition 1.1.26); and 2) “providing accounting services to the public”, which includes assurance services that do not require a licence, as well as expert accounting services, expert tax services, and compilation engagements (Bylaw definition 1.1.31). Members providing any of these services, whether on a *pro bono* basis or not, need to register a firm with CPA Ontario, and should be familiar with all of the Rules.

## Rules and Related Guidance

A number of matters that may have particular significance for members employed outside of public accounting have been extracted from the highlights of changes in requirements that apply to “all members” and to “members providing professional services” outlined in the guidance, [New CPA Code: A Preview of the Changes](#). This list may not be all-inclusive.

- Rule 101 *Compliance with governing legislation, bylaws, the CPA Code*: Rule 101.1 has been modified to clarify: that all members are required to comply with the CPA Code, regardless of the jurisdiction they live in; and also what requirements apply if a member also belongs to another professional body.
- Rule 202 *Integrity and due care and Objectivity*: Discussion of obligations related to fiduciary roles and responsibilities, as well as advocacy services, has been moved to Guidance in this Rule (from the former *Introduction* and Rule 201 respectively).
- Rule 203 *Professional competence*: The reference in the Rule to “practices” was changed to “professional services”.
- Rule 206 *Compliance with professional standards*
- The general definition section includes a new definition for “appropriate financial reporting framework” and a modified definition of “generally accepted standards of practice of the profession”.
  - Rule 206.2 has been amended to clarify expectations regarding competencies of members on audit committees and boards.

- Rule 208 *Confidentiality of information:* Rule 208.3, which previously specifically discussed subcontracting services, is now broader. It now covers a number of requirements for those with a legitimate purpose to access information.
- Rule 209 *Borrowing from clients:* The definition of “client” now clearly refers to professional services.
- Rule 210 *Conflicts of interest:*
- This Rule now broadly covers all professional services, not just public accounting.
  - The new general definition of “consent” provides more stringent requirements for situations where consent can be used as an appropriate safeguard.
- Rule 212 *Handling property of others:* Members who act as receivers, trustees, guardians, etc. should be familiar with this Rule. New Rule 212.1(b) requires that a member who receives a retainer without a written agreement to treat the retainer as funds held in trust. Guidance has been added to address the matters to include in a written retainer agreement.
- Rule 214 *Fee quotations and billings:* There is now a clearly stated requirement to bill professional services on a fair and reasonable basis, and to provide appropriate explanations as necessary to understand the billing.
- Rule 218 *Retention of documentation and working papers:* The Rule is now broader and requires a member to take reasonable steps to maintain information for which the member is responsible in respect of any professional service.
- 300 series Members should be aware that the various Rules in the 300 series *Professional Colleagues* now more broadly refer to professional services, rather than public accounting services.

## Questions

CPA Ontario’s Member/Practice Advisors can provide more specific information on how the CPA Code applies in specific circumstances. The Advisory Service is a free, confidential service that is available to all members regarding ethical matters, technical accounting and assurance matters, and practice management issues. Contact an Advisor at [memberadvisory@cpaontario.ca](mailto:memberadvisory@cpaontario.ca) or [practiceadvisory@cpaontario.ca](mailto:practiceadvisory@cpaontario.ca), or call 416.962.1841 ext. 4456 or 1 800.387.0735 ext. 4456.