

Advisory Services

New CPA Code: Changes from the Perspective of a Retiree

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”). This guidance highlights some significant changes that may impact retirees regarding the new [CPA Code](#) relative to the CPA Ontario *Rules of Professional Conduct* (“RPC”) and *Council Interpretations* (“CIs”). This is supplemental to the guidance that highlights significant changes for all members; refer to [New CPA Code: A Preview of the Changes](#). Members are expected to have in the past read the RPC and CIs and are now also responsible for reading and understanding how the CPA Code applies to them.

The CPA Code is part of CPA Ontario’s *Member’s Handbook*, found at 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.

Significant changes for each major section of the CPA Code

A professional designation can last a lifetime. Members cannot “retire” from professional obligations; they can only resign from membership or have their membership revoked. As such, there is limited reference to the concept of retirement in the bylaws and regulations of CPA Ontario and the CPA Code. “Retirement” only comes up in the context of: annual membership dues (Regulation 4-2); mandatory continuing professional development requirements (Regulation 4-5); and Rule 204 *Independence* (in respect of retired partners). **Limited reference does not mean limited application.** Any or all of the sections of the CPA Code may still be relevant for retirees, depending on whether a member is fully retired, or providing some professional services, even on a limited, volunteer basis, or providing limited public accounting services.

Some aspects of the CPA Code that have with particular significance for retirees are highlighted below, particularly where it is not self-evident that retirees have requirements to comply that particular Rule. This list may not be all-inclusive. Explanations of changes in requirements in these areas are provided in more detail in the [New CPA Code: A Preview of the Changes](#).

Note that this guidance refers to members and not to firms, because generally retirees are not with firms.

Definitions

- The definition for “employer” is new and covers activities, even volunteer ones, where there is some reliance on membership. The definition is provided below, with underline added to emphasize how the definition captures volunteer activities.

“Employer” means 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*, means: “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. Underline has been added to highlight the modifications made to the explanation of this term to clarify the inclusion of volunteer services.
- A number of definitions are now cross-referenced to CPA Ontario’s Bylaws and Regulations. Retirees are reminded to look at these definitions, particularly at the definitions related to “public accounting”. Note that this term includes both the “practice of public accounting” (which covers engagements where a public accounting licence is required) and “providing accounting services to the public”, which covers various types of assurance engagements where a public accounting licence is not required, as well as engagements to provide expert accounting advice or tax advice, and compilation engagements. 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 guidance

A retiree who is still providing some public accounting services should be familiar with all of the Rules, including those in the 500 series for firms. Members providing professional services are subject to some or all of the Rules in the 300 Series *Professional Colleagues* (depending on the nature of the services), in addition to the 100 Series *Professional Governance* and many of the 200 Series *Public Protection*. A “fully retired” member still needs to comply with Rules in the 100 Series, as well as most of the 200 Series.

All members

Rule 206 *Compliance with professional standards*: Clarification was added to Rule 206.1 regarding competencies expected of members on audit committees and boards.

Rule 212 *Handling property of others*: “Property” includes trust funds, and this Rule applies to members acting in various capacities, such as a trustee, or as a receiver or receiver/manager, guardian, administrator/manager or liquidator. Clarification was added to the Rule in terms of treating retainers as trust funds where there is no written agreement. Guidance was provided regarding matters to include in a written retainer agreement.

Retirees providing professional services

Rule 207 *Unauthorized benefits*: The new term “employer” captures the provision of professional services to a not-for-profit organization on a voluntary basis.

Rule 210 *Conflicts of interest*: This Rule is now broader; it captures the provision of professional services.

Rule 302 *Communication with predecessor*: Members retiring from public practice or the provision of professional services will likely fall into the “predecessor” role (unless others have taken on this role) and will be contacted by possible successors. The Rule has been modified to require a possible successor who has been informed by the predecessor that they were unable to continue

with, or resigned from a public accounting engagement, to obtain the necessary information to make an informed decision whether to accept the client.

Rule 303 *Provision of client information*: Members retiring from public practice or the provision of professional services may be holding onto client information for various reasons, which may or may not be appropriate. This Rule has been broadened to address various situations where access to client information is needed, not just when there is a transition to a new service provider.

Retirees currently or formerly involved in providing public accounting services

Rule 204 *Independence* considers a retired partner to be a member of the firm under certain circumstances. This is not a new requirement, but if you are newly retired, you may not be aware of the impact you may have on the ability of your former firm to accept or continue with an assurance engagement.

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 or practiceadvisory@cpaontario.ca, or call 416.962.1841 ext. 4456 or 1 800.387.0735 ext. 4456.