

PRACTICE ADVISORY

The Case of the Whistleblowing CPA

(Originally published in Summer 2013 CheckMark – updated November 2018)

The Dear Advisor series of articles helps members become better informed about the provisions of the *Chartered Professional Accountants of Ontario Act, 2017* and the By-law and Regulations under that Act, as well as other ethical requirements under the CPA Code of Professional Conduct.

Dear Advisor:

I started a new job last year, with a great salary and perks. It seemed too good to be true. It was. I should have realized that the turnover for my job was unusually high – I’m the fourth controller in two years. The president of the company is pressuring me to turn a blind eye to his personal expenses being recorded as expenses in financial statements and tax returns. The amounts are material. I don’t want to lose my job or my designation. What should I do?

– *Pressured in Peterborough*

Dear Pressured:

Your professional designation opens many doors for you, but it also means in situations like the one you have described, you likely need to make some tough decisions – such as whether to quit your job – if you want to keep your designation.

One of the principles underlying a profession is that the needs of the public come before yours. Rule 201 “*Maintenance of the good reputation of the profession*” requires that members “*shall act at all times with courtesy and respect and in a manner which will maintain the good reputation of the profession and serve the public interest.*” The onus to protect the public and reputation of the profession imposes certain obligations on members. Some of these are outlined below. Before taking any actions, it would be prudent for you to seek independent legal advice to understand the legal consequences of these actions, as well as the consequences that any actions of others could have on you.

- Determine whether there is a higher level of management or a board of directors or internal legal counsel with whom you can discuss this matter. Your options may be limited if the president is the owner of the company, in which case you should consider resigning.
- Do not associate yourself with any false or misleading documents or oral representations – for example, the financial statements, the tax returns, and other related communications, such as management representation letters. Rule 205 “*False or misleading documents and oral representations*” states that “*a member or firm shall not (a) sign or associate with any letter, report, statement, representation or financial statement which the member or firm 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 with any oral report, statement or representation which the member or firm knows, or should know, is false or*



misleading. Similarly, Rule 213 “*Unlawful activity*” states that “*a member or firm shall not associate with any activity that the member or firm knows, or should know, to be unlawful.*” The only way to limit your association may be to resign.

- If you are uncertain as to your obligations to other stakeholders, such as external auditors or accountants, shareholders or other related parties, seek legal advice. There may be other stakeholders involved, whom you would like to make aware of the situation; however, Rule 208 “*Confidentiality of information*”, as well as legal considerations, may preclude you from sharing this information.
- If there are other members involved in these irregularities, you may have a duty to report these members in accordance with Rule 211 “*Duty to report breach of rules of professional conduct*”. You should review this Rule and the related Guidance to determine whether circumstances require reporting this matter to the CPA Ontario.

– *Advisor*

Members should refer to CPA Ontario *Member’s Handbook*, which can be found on CPA Ontario’s website under *Stewardship of the Profession, Governance*. The Handbook includes the Bylaw, Regulations and the CPA Code.

As no two situations are identical, CPA Ontario members are responsible for ensuring that their own situation complies with the CPA Code of Professional Conduct, By-law and Regulations.

For further guidance, members are encouraged to contact a Practice or Member Advisor:
Phone: 416-962-1841, ext. 4456 or toll free at 1-800-387- 0735, ext. 4456.
Email: practiceadvisory@cpaontario.ca or memberadvisory@cpaontario.ca.