



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

# DECODING THE NEW CPA MANITOBA CODE OF PROFESSIONAL CONDUCT

# Decoding the CPA Code

## Introduction & What we'll cover:

### A few comments up front:

- CPA Act requires the Board to establish a code of ethics
  - Basis of the CPA Code - the profession exists to protect the public
- Basic expectations (Fundamental Principles) same for all three legacy bodies
  - Underlying thinking in the new Code will be familiar to everyone
  - Variations in level of specificity and guidance

# Decoding the CPA Code

## Introduction & What we'll cover:

A few comments up front:

- Focus of these remarks is on the new Code
  - Not on what's changed from legacy rules/codes
- Applies to **ALL** MEMBERS, candidates, students, firms

# Decoding the CPA Code

## Introduction & What we'll cover:

- How the CPA Code was developed
- How the CPA Code is structured
- Preface, Fundamental Principles and Definitions
- S. 100 – Professional Governance
- S. 200 – Public Protection (including independence and conflicts of interest)
- S. 300 – Professional Colleagues
- S. 400 – Public Accounting Practices
- S. 500 – Firms

# Decoding the CPA Code

How the CPA Code was developed

# Decoding the CPA Code

## How the CPA Code was developed

- National group of staff and volunteers (Unified Rules Committee) reviewed existing legacy rules/codes and IESBA Code
- Subject to oversight by national Public Trust Committee
- Consulted with legacy governing Boards/Councils
- Agreed to develop short term (Phase I) version based on “tweaking” existing harmonized rules/code
  - Consider/cover existing legacy material; establish new Code at “higher” level
- Issued consultation draft to provincial bodies (February to May 2015)

# Decoding the CPA Code

## How the CPA Code was developed

- Reviewed feedback (June/July/August) issued final draft in late summer 2015
- CPA Manitoba Transitional Board approved on August 27 (in accordance with and to support proclamation of The CPA Act on Sept. 1)
- Phase I now in effect in Manitoba and most other Canadian jurisdictions
  - Some discretion in enforcement for one year as members adjust
- Phase II work begins almost immediately
  - Review of restructured IESBA Code and other models to develop a more “principles-based” approach

# Decoding the CPA Code

How the CPA Code is structured



# Decoding the CPA Code

## How the CPA Code is structured

- 6 main parts
  - Preface & Fundamental Principles; Definitions
  - S. 100 – Governance
  - S. 200 – Protecting the Public
  - S. 300 – Professional Colleagues
  - S. 400 – Public Accounting Practices
  - S. 500 – Firms

# Decoding the CPA Code

## How the CPA Code is structured

- Sections contain:
  - “Rules”
    - Establish an obligation/requirement
    - Failure to comply with a rule is the basis of a “charge of professional misconduct”
  - “Guidance”
    - Help to understand, interpret and apply the related rule
    - Often describes “expected” behaviour, exercise of professional judgment
    - Can influence a decision to charge or not

# Decoding the CPA Code

Preface & Fundamental Principles;  
Definitions

# Decoding the CPA Code

## Preface & Fundamental Principles

- Preface

- Sets the stage - baseline for ethical conduct as professionals

**“Do the right thing, and do the thing right!”**

(DRT and DTR)

- If you are a member, candidate, student or firm, the CPA Code applies to you!

# Decoding the CPA Code

## Preface & Fundamental Principles

- Fundamental Principles (familiar to all - same as IESBA)
  - **Professional Behaviour** (DRT/DTR)— act to serve the public interest and maintain reputation of profession
  - **Integrity** (DRT) **and Due Care** (DTR)— straightforward, honest, fair dealing; careful thorough, timely
  - **Objectivity** (DRT)— judgment not compromised by bias, conflict of interest, undue influence
  - **Professional Competence** (DTR)— current competence (knowledge /skills), compliance with standards
  - **Confidentiality**(DRT)— do not disclose or “exploit” information obtained from relationships

# Decoding the CPA Code

## Definitions

- Definitions
  - General ones up front, specific ones in sections where they apply
  - Independence has “guidance” for some definitions
  - Need to refer to CPA MB Bylaws too

# Decoding the CPA Code

## Definitions

- Some important ones that might be new to you
  - Registrant (member, candidate, student or firm)
  - Professional services (Bylaw 101 and “reliance”), Employer
  - Public accounting (Bylaw 101)
  - Other regulated services (Bylaw 101)
  - Conflict of Interest, Consent
  - Appropriate financial reporting framework
  - Generally accepted standards of practice of the profession (GASPP)

# Decoding the CPA Code

100 – Professional Governance

How you interact with CPA Manitoba



# Decoding the CPA Code

## 100 – Professional Governance

### How you interact with CPA Manitoba

#### 101 - Complying with The CPA Act, Bylaws, the CPA Code

- If a breach, may need to advise those affected
  - Examples: audit standards may require withdrawal of report; tax filing errors; loss/theft of client information
- Breach may require self-reporting to CPA Manitoba if “diminish reputation/fail to serve public interest”
  - Examples: significant errors on F/S; illegal activities

# Decoding the CPA Code

## 100 – Professional Governance

### How you interact with CPA Manitoba

#### 102 - Matters you must report to CPA Manitoba

- Certain convictions (“financial matter” offences- fraud, theft etc)
- Other criminal convictions that diminish the reputation of the profession
- Repeat criminal offences
- Violation of tax legislation involving dishonesty
- Other CPA body or professional body findings of guilt
- Other regulatory body finding that diminish the reputation of the profession (example - human rights, environmental, workplace, competition)

# Decoding the CPA Code

## 100 – Professional Governance

### How you interact with CPA Manitoba

#### 103 - Misleading CPA Manitoba

- False applications/statements

#### 104 - Requirement to co-operate with CPA Manitoba

- Respond to communications, produce documents etc.

#### 105 - Hindrance, inappropriate influence, intimidation

- Does not prevent proper representation. Example – properly representing a colleague within the disciplinary process is okay, but a Board member seeking “special” treatment for a colleague is not.

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

### 201 - Maintaining reputation of the profession

- “keeping the badge shiny” in everything you do
- a tarnished badge erodes public confidence and ability of the profession as a whole to serve the public

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

### 202.1 - Integrity and due care

- Being straightforward, honest
- Being careful, timely

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

### 201.2 - Objectivity

- Not allowing bias, conflict of interest, undue influence of others to affect judgment
- State of mind – applies to all services

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

### 201.2 - Objectivity

- Interacts with:
  - Advocacy (permitted in many situations, but cannot breach other rules - eg., advocating a tax position with CRA, assisting in a financing transaction)
  - Conflicts of interest (exercise judgement – some situations OK with disclosure/consent – eg performance incentives; less likely to be OK if acting for both sides of a transaction)
  - Independence (additional requirements for assurance services)



# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

## 203 - Professional competence (do the thing right)

- Performing services only in areas of competence
- Maintaining professional knowledge and skills (CPD)
- Training and supervising those who work for you

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

### 204 – Independence

- A measure of objectivity as applied to assurance engagements
- Might be described as “objectivity on steroids” for assurance engagements (audits/ reviews/ other assurance/ specified auditing procedures engagements)
- Not required for compilations (but objectivity still necessary and disclosure of “impaired independence” required)
  - Example – compilation for an entity when your employee is on the Board – you could not do an assurance engagement under 204.4(18) prohibitions, but might be able to do a compilation (objectivity?) – would have to disclose the relationship in the NTR under 204.10.

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

## 204 – Independence

- Structure – threats and safeguards “conceptual framework” with specific prohibitions
- Reasonable observer concept
  - Hypothetical individual with knowledge of facts applying judgment objectively with integrity and due care
  - Concept could be described as what turns objectivity into independence – objectivity in mind and appearance
- Application of “reasonable observer” in some situations results in “prohibitions” (Rule 204.4 provisions)
  - Specific situations that the profession has determined no safeguards exist

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

Rule 204 - Applying the Conceptual Framework



# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

### 204 – Independence

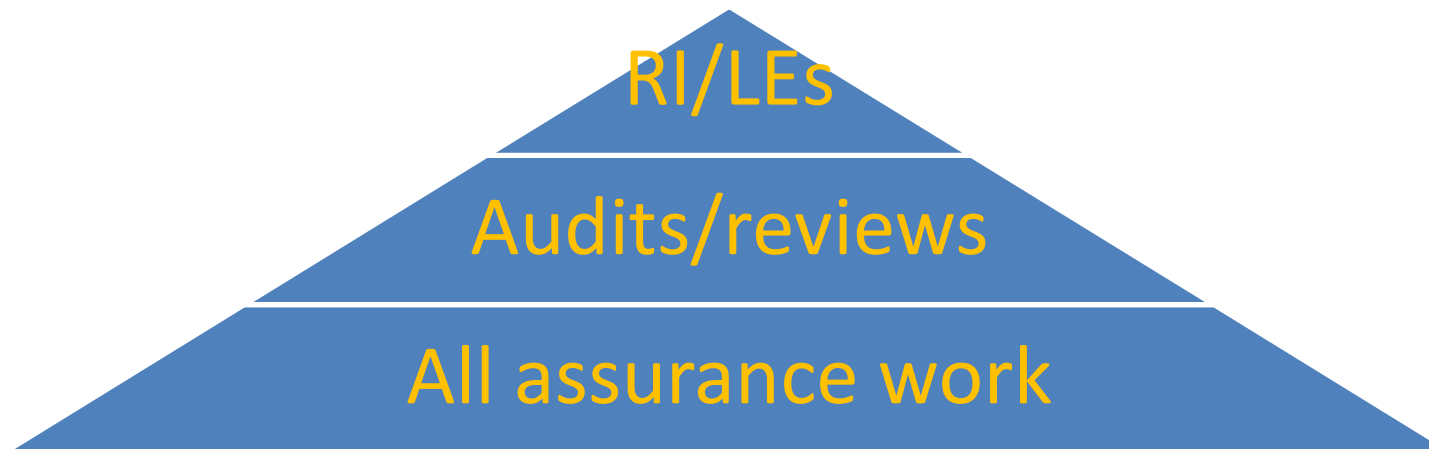
- Baseline requirements apply to “Assurance” – audits, reviews, “other” assurance and specified auditing procedures engagements (NOT compilations)
  - Always apply conceptual framework but “assurance base” can also be a prohibition
- Additional requirements for audits/reviews layered over base
- Additional requirements for “reporting issuers/listed entities” (RI/LE) layered over base and audit/review
  - In Canada RI/LEs, subject to \$10 million threshold

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

Structure of Rule 204 by type of engagement



# Decoding the CPA Code

## 200 – Public Protection

### How you interact with the broader public as a professional

Example of “layering” in Rule 204.4

*(2)(a) member or firm shall not perform an **assurance** engagement for an entity if the **member or firm** holds a direct financial interest or material indirect financial interest in the entity.*

*(2)(b) A member or firm shall not perform an **audit or review** engagement for an entity if the **member, firm or a network firm**, has a direct financial interest or a material indirect financial interest in the entity.*

*(Note: no separate layer for RI/LEs so (b) applies to RI/LEs, too)*

# Decoding the CPA Code

## 200 – Public Protection

### How you interact with the broader public as a professional

Example of “layering” in Rule 204.4

(18)(a) A member or firm shall not perform an **assurance** engagement for an entity if a **member or an employee of the firm** serves as an officer or director of the entity or a related entity, **except for** serving as company secretary when the practice is specifically permitted under local law, professional rules or practice, and the duties and functions undertaken are limited to those of a routine and formal administrative nature.

(18)(b) A member or firm shall not perform an **audit or review engagement for an entity that is not a reporting issuer or listed entity** if a **member or an employee of the firm or of a network firm** serves as an officer or director of the entity or a related entity **except for** serving as company secretary when the practice is specifically permitted under local law, professional rules or practice, and the duties and functions undertaken are limited to those of a routine and formal administrative nature.

(19) A member or firm shall not perform an **audit engagement for a reporting issuer or listed entity** if a **member or an employee of the firm or of a network firm** serves as an officer or a director of the reporting issuer or listed entity or a related entity.



# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

Specific topics covered by Independence:

- Financial interests
- Loans and guarantees
- Close business relationships
- Family and personal relationships
- Employment and other service relationships
- Serving as an officer or director
- Long association of senior personnel

# Decoding the CPA Code

## 200 – Public Protection

### How you interact with the broader public as a professional

Specific topics covered by Independence:

- Non-assurance services
  - Management functions
  - Accounting functions (“rebuttable presumption” for RI/LEs)
  - Valuation services (“rebuttable presumption” for RI/LEs)
  - Actuarial services (“rebuttable presumption” for RI/LEs)
  - Internal audit services (“rebuttable presumption” for RI/LEs)
  - Information technology system services (“rebuttable presumption” for RI/LEs)

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

Specific topics covered by Independence:

- Non-assurance services
  - Litigation support services
  - Legal services
  - Human resource services
  - Corporate finance services
  - Tax services
  - Previously provided non-assurance services

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

Specific topics covered by Independence:

- Fees (size, overdue, contingent)
- Evaluation or compensation
- Gifts and hospitality
- Client mergers and acquisitions

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

Specific topics covered by Independence:

- 204.5 Documentation
- 204.6 *(Placeholder for current ITF project on breaches of Rule 204)*
- 204.7 Must disclose prohibited interests and relationships
- 204.8 Firms to ensure compliance

# Decoding the CPA Code

## 200 – Public Protection

### How you interact with the broader public as a professional

Specific topics covered by Independence:

- 204.9 Independence: Insolvency engagements
- 204.10 Disclosure of impaired independence
  - Compilation exception (unless complex, “bookkeeping” need not be disclosed)
- 204.20 Audits under elections legislation
  - Also governed by legislation

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

- 205 False or misleading documents or oral representations
- 206 Compliance with professional standards (broad application)  
(appropriate FR framework, GASPP)
- 207 Unauthorized benefits (broad application)
- 208 Confidentiality of information (broad application)
- 209 Borrowing from clients (broad application)

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

- 210 Conflicts of interest (broad application)
- Identifying conflicts of interest
  - Commonly accepted practice
  - Consent
  - Management of conflicts of interest
  - Conflicts of interest encountered by professional service area
    - Guidance includes examples that apply both in public practice and outside
  - Process for dealing with conflicts of interest
  - Documentation



# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

- 211 Duty to report breach of the CPA Code
- 212 Handling trust funds and property of others (make sure you are permitted by law; “fiduciary” implications)
- 213 Unlawful activity
- 214 Fee quotations and billings (provide reasonable information)

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

### 215 Contingent fees

- Interacts with:
  - Independence (not permitted for assurance)
  - Objectivity (not permitted for compilations/tax return preparation)
- No contingent fees for tax return preparation is new for some
- Some amended language coming from current ITF project

# Decoding the CPA Code

## 200 – Public Protection

How you interact with the broader public as a professional

- 216      Payment or receipt of commissions
  - Not OK if in public practice (unless another PA) and
  - otherwise, must disclose (new for some)
  
- 217      Advertising, Solicitation and Endorsements
  - “entrusted engagement” has not existed for some time
  
- 218      Retention of documentation and working papers  
(broad application)

# Decoding the CPA Code

## 300 – Professional Colleagues

How you interact with other professionals

# Decoding the CPA Code

## 300 – Professional Colleagues

### How you interact with other professionals

- Interaction with professional colleagues is all about:
  - Meeting ethics standards (behaving professionally & putting client interests first - DRT)
  - Meeting technical standards (having all necessary information to act with integrity, due care and competence - DTR)
- Applies fairly broadly to professional services

# Decoding the CPA Code

## 300 – Professional Colleagues

### How you interact with other professionals

- 302      Communication with predecessor (advise if resign, successor follows up)
- 303      Provision of client information
  - Knowledge of the client, better serves client interest
  
- 304      Joint engagements
  - Establishes professional responsibility - cannot evade liability
  
- 305      Communication of special engagements to incumbent
- 306      Responsibilities owed to an incumbent
  - Other services may have an impact - for example, tax planning or fraud investigation

# Decoding the CPA Code

## 400 – Public Accounting Practices

How you act when providing public accounting services

# Decoding the CPA Code

## 400 – Public Accounting Practices

### How you act when providing public accounting services

- Much of this material also governed by Bylaws and The CPA Act, included in Code to help promote harmony
- Purpose is to help the public know that they are dealing with a registered practice, subject to additional governance such as professional liability insurance, practice inspection



# Decoding the CPA Code

## 400 – Public Accounting Practices

### How you act when providing public accounting services

- Some variation in provinces due to differing legislation and definitions of public accounting (Bylaw 101 in Manitoba)
  - PA is audits, review, compilations
  - ORS is forensic accounting; advice/counsel in preparation of a tax return
  - More ORS may be added in future
  - Both require registration with CPA MB, PLI and possible practice review

# Decoding the CPA Code

## 400 – Public Accounting Practices

How you act when providing public accounting services

401 Practice names

402 Use of descriptive style

- Governs use of “Chartered Professional Accountant(s)” by
  - Public accounting firms (audit/review/compilation)
  - Other regulated services firms (forensic/tax – others may be coming)
  - What’s the difference?

# Decoding the CPA Code

## 400 – Public Accounting Practices

How you act when providing public accounting services

### 402 Use of descriptive style (cont'd)

- For some, changes to non-member ownership naming privileges
  - If owners include non-members, can use “Chartered Professional Accountant(s)” as long as member(s) have control
  - Exception for ORS corporations

# Decoding the CPA Code

## 400 – Public Accounting Practices

### How you act when providing public accounting services

#### 403 Association with firms

- Firms may practise in Manitoba only as permitted by CPA Manitoba

#### 404 Access to members practising public accounting

- The public relies on having access to qualified and responsive professionals

#### 405 Office by representation

- The public needs to know who is responsible for providing services

# Decoding the CPA Code

## 400 – Public Accounting Practices

How you act when providing public accounting services

406      Responsibility for a non-registrant

408      Association with non-registrant in public practice

- When a member associates with non-members, the member is still responsible for the work

# Decoding the CPA Code

## 400 – Public Accounting Practices

How you act when providing public accounting services

### 409 Practice of public accounting in corporate form

- Also governed by The CPA Act and Bylaws:
  - Ownership and naming restrictions
  - Activities restricted to “public accounting”
  - PCs can “layer” in Manitoba
  - No family trusts, although spouses and children can hold non-voting shares
  - Different in other provinces

# Decoding the CPA Code

500 – Firms

How firms act to follow the CPA Code

# Decoding the CPA Code

## 500 – Firms

### How firms act to follow the CPA Code

- Firms (as well as members, candidates, students) are subject to discipline under The CPA Act
- When necessary, action can be taken at a firm level to deal with pervasive issues
  - Usually relevant if an overall lack of monitoring of firm policies (or maybe a lack of policies entirely!)



# Decoding the CPA Code

## 500 – Firms

### How firms act to follow the CPA Code

- 501 Policies and procedures for compliance with professional standards
  - Requires firms to develop and enforce policies requiring compliance with GASPP
- 502 Policies and procedures for conduct of a practice
  - Requires firms to develop and enforce policies to ensure their personnel/contractors comply with the CPA Code
- 503 Association with firms
  - Requires firms to comply with Rule 403 when associating with another firm

# Decoding the CPA Code

## Resources

CPA Manitoba website: [www.cpamb.ca](http://www.cpamb.ca)

CPA Manitoba Code of Professional Conduct  
CPA Manitoba Bylaws

IESBA website: [www.ethicsboard.org/iesba-code](http://www.ethicsboard.org/iesba-code)

International Ethics Standards Board for Accountants -  
Handbook of the Code of Ethics for Professional Accountants