

## RULE INTERPRETATIONS

### Independence and Continuance

- 201.1/1 The auditor of a company is appointed to represent the shareholders and has a duty to them. The auditor should never lightly resign an appointment before reporting and should not resign at all before reporting if there is reason to suspect that the auditor's resignation is required by reason of any impropriety or concealment, upon which it is the auditor's duty to report. Subject to that general statement, however, there may be exceptional circumstances in a particular case which would justify the auditor's resignation. This will be a matter of individual judgment in each case.
- 201.1/2 The question remains whether there are exceptions when a duly appointed auditor may resign at the request of a board of directors without fulfilling the auditor's statutory duties. The answer depends on the circumstances. Certainly, the auditor of a company should not lightly resign under such circumstances, and should not resign at all, before reporting to the shareholders, if the auditor has any reason to believe that the resignation is required by reason of any impropriety or concealment which it is their duty to report upon.
- 201.1/3 An auditor should not voluntarily cease to act on behalf of a client after commencement of an audit engagement except for good and sufficient reason. Reasons may include:
- (a) loss of trust in the client;
  - (b) the fact that the auditor is placed in a situation of conflict of interest or in circumstances where the auditor's independence could reasonably be questioned;  
or
  - (c) inducement by the client to perform illegal, unjust or fraudulent acts.
- 201.1/4 When an auditor is asked to resign or is contemplating resignation, it would be prudent for the auditor to consider obtaining legal advice.

### Advertising and Promotion

- 217.1/1 It is not appropriate for members and firms to use advertising or promotional communications or media, including electronic media that bring disrepute on the profession.
- 217.1/2 Members and firms should ensure, at all times, that any controllable public reference (in promotional material, websites, stationery, reports, etc.) to themselves or their services or accomplishments, whether written or oral, are clear and factual. The following are examples of false or misleading references:

## RULE INTERPRETATIONS

- (a) any implication that the practising unit is larger than it is, such as by use of plural descriptions or other misleading use of words;
- (b) any implication that a person is a partner of a firm, when the person is not;
- (c) any implication that a person is entitled to practice “as a professional accountant” when the person is not licensed or registered, as appropriate;

217.1/3 Since any member or firm may be able to offer services similar to those offered by others, it is not appropriate for any member or firm to claim superiority with respect to the competence or integrity of any other member or firm.

217.1/4 Firms shall ensure that information contained in their firm name and descriptive style is accurate. The following is prohibited:

- (a) any implication that the firm is larger than it is, such as by use of plural descriptions or other misleading use of words. The use of “and Company” or similar wording is permitted, if it is not misleading with respect to the total number of members providing professional service;
- (b) any implication that a member is a partner or a former partner of a practice, when the member is not;
- (c) any reference to representation or association which is not in conformity with the facts;
- (d) any reference to particular services provided where the practice is not currently able to provide those services;
- (e) any statement that may create false or unjustified expectations as to the results of a particular engagement;

217.2/1 Solicitation is an approach to a client or prospective client for the purpose of offering services. The approach may be made in person, through direct mail (including fax or e-mail) or via a third party such as a telemarketer. Regardless of the method used, the approach must comply with the rules which govern integrity, conflict of interest, payment of commissions and advertising or which otherwise regulate members and firms.

217.2/2 Communication with a prospective client should cease when the prospect so requests either directly to the member or firm or through the Institute. Any continued contact will be regarded as harassment, which is contrary to the rule.

## RULE INTERPRETATIONS

### Communication with Predecessor

- 250.1/1 When a member has been asked by a prospective client to accept an engagement it is recommended that the client be advised that the incumbent should be notified of the proposed change by the client. The member should then enquire of the incumbent whether there are any circumstances that should be taken into account which might influence the member's decision whether or not to accept the appointment. The member should not take up any work on the account until the member has communicated with the incumbent, except that in the client's interest, acceptance of the offered appointment should not be unduly delayed through the failure of the incumbent to reply, if every reasonable effort has been made to communicate with the incumbent.
- 250.1/2 The incumbent must respond promptly to a communication of this nature. If there are no circumstances that the member should be made aware of, a simple response to this effect is all that is necessary. If, on the other hand, the incumbent is aware of circumstances that the member should take into account which might influence the decision whether or not to accept the appointment, the incumbent should first consider the question of confidentiality. In cases other than those to which rule 302.3 applies, if it appears that the circumstances cannot be disclosed because of confidentiality, the response to the member should state that there are, in the opinion of the incumbent, circumstances which should be taken into account, but that they cannot be disclosed without the consent of the client.
- 250.1/3 If there are circumstances as contemplated by rule 302.3, the existence of such circumstances should be communicated. However, the response should state that details cannot be disclosed without the consent of the client. The incumbent should state only what they believe to be true and should take care not to make imputations against a client or individuals connected with it which they can have no reason for believing to be true. To do otherwise may result in the incumbent being found to have acted maliciously and therefore exposed to an action for defamation. While circumstances may be matters of public record, the incumbent must still consider whether confidentiality precludes the disclosure of the details to the successor. Where confidentiality is in doubt, or if responding pursuant to rule 302.3, obtaining legal advice should be considered.

## RULE INTERPRETATIONS

### Co-operation with Successor Accountant

251.1/1 A member or firm should supply reasonable information to the successor about the client. Where the time and inconvenience in giving the information to the successor is not significant there should normally be no charge for this work.

251.1/2 A reasonable request for information related to the client includes an opportunity for the successor to discuss with the predecessor the following:

- (a) the client's accounting policies and consistency of application;
- (b) the work carried out by the predecessor with respect to material balances in the client's financial statements; and
- (c) the financial statement groupings and account balance composition (for example, future income taxes) where the client does not have the information.

Members and firms are also reminded that the CICA Handbook – Assurance includes requirements with respect to obtaining audit evidence related to opening balances. Professional courtesy dictates that the predecessor should co-operate with the successor for the purpose of meeting this requirement through discussion and review of working papers. In addition, the client's interests are likely to be best served when the predecessor co-operates as fully as possible with successors for this purpose. Reasonable opportunity to review and discuss working papers does not preclude the use of appropriate waivers or releases. However, appropriate waivers or releases should not include requirements for confidentiality which would contravene the successor's obligation to report breaches by another member pursuant to Rule 211 or prevent the successor from otherwise properly serving the best interests of the client.

251.1/3 Notwithstanding the fact that the best interest of the client are served by co-operation between accountants in the transfer of client information and the provision of other reasonable information necessary to meet professional requirements, Rule 303 is not intended to require the transfer of certain proprietary information, and accordingly, members and firms are not expected to supply copies of audit or review programs and working papers or tax review documentation. Ordinarily, predecessors are not expected to supply copies of more than the previous year's financial statements and applicable tax returns, unless the member is remunerated for time and expenses to do so.

**[Approved by the Board February 5, 2015]**