

**INSTITUTE OF
CHARTERED PROFESSIONAL ACCOUNTANTS
OF SASKATCHEWAN**

STANDARDS OF PROFESSIONAL CONDUCT

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III. STANDARDS OF PROFESSIONAL CONDUCT (200-299)

Bylaws

200.1 Practice of the profession or services provided as a Chartered Professional Accountant shall be performed within the context of the following standards of conduct:

- (a) integrity;
- (b) objectivity;
- (c) competence; and
- (d) confidentiality.

200.2 A registrant or suspended registrants shall, at all times, exercise appropriate moral behaviour and shall comply with the laws of Canada and the province in which they reside or in which they provide professional services.

200.3 A registrant or suspended registrants shall cooperate with the regulatory processes of the Institute.

200.4 The Board adopts the Rules of Professional Conduct as established and amended from time to time, which shall apply to registrants and suspended registrants.

Standards established by Board Rules

A. GENERAL

Maintenance of Reputation of Profession

201.1 A member, student or firm shall act at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.

201.2 There is a rebuttable presumption that a member, student or firm has failed to maintain the good reputation of the profession and its ability to serve the public interest when the member, student or firm is charged under bylaw 201.1 on account of any matter referred to in bylaw 221.1 (a), (d) and (e), and a certified copy of a document which provides proof of guilt in respect of such matters is filed with the Discipline Committee. For purposes of this bylaw, documents which provide proof of guilt include a certificate of conviction, order, decision, settlement agreement which includes an admission of guilt or other similar relevant document.

201.3 There is a rebuttable presumption that a member or firm has failed to maintain the good reputation of the profession and its ability to serve the public interest when the member or firm is charged under bylaw 201.1 on account a matter referred to in bylaw 221.2 where the resolution of the matter includes:

- (a) a finding of guilt by, or a settlement agreement with, another provincial institute, and the member or firm was suspended, expelled, resigned from membership in order to resolve a disciplinary matter, or had restrictions placed on practice rights; or

- (b) a finding of guilt by, or an admission of guilt by a member or firm to, another provincial institute that bylaw 201.1 was breached by the member or firm;

and a certified copy of the order, decision, settlement agreement or other relevant document from the other provincial institute is filed with the Discipline Committee.

Advocacy Services

201.4 Before accepting an engagement to act as an advocate, a member or firm shall ensure that:

- (a) the service is not an assurance or specified auditing procedures engagement;
- (b) the advocacy role is apparent in the circumstances;
- (c) the position of the client is supportable; and
- (d) the position of the client can be argued or supported by the member or firm without the member or firm failing to comply with the independence standards required by rule 204 for other services which the member has engaged to provide.

Integrity and Due Care

202.1 A member, student or firm shall perform professional services with integrity and due care.

Objectivity

202.2 A member or student shall perform professional services with an objective state of mind.

Professional Competence

203.1 A member shall sustain professional competence by keeping informed of, and complying with, developments in professional standards in all functions in which the member practices or is relied upon because of the member's calling.

Independence

Assurance and Specified Auditing Procedures Engagements

204.1 A member or firm who engages or participates in an engagement:

- (a) to issue a written communication under the terms of an assurance engagement; or
- (b) to issue a report on the results of applying specified auditing procedures;

shall be and remain independent such that the member, firm and members of the firm shall be and remain free of any influence, interest or relationship which, in respect of the engagement, impairs the professional judgment or objectivity of the member, firm or a member of the firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member, firm or a member of the firm.

Compliance with Rule 204.1

204.2 A member or firm who is required to be independent pursuant to Rule 204.1 shall, in respect of the particular engagement, comply with the provisions of Rules 204.3 and 204.4.

Identification of Threats and Safeguards

204.3 A member or firm who is required to be independent pursuant to rule 204.1 shall, in respect of the particular engagement, identify threats to independence, evaluate the significance of those threats and, if the threats are other than clearly insignificant, identify and apply safeguards to

reduce the threats to an acceptable level. Where safeguards are not available to reduce the threat or threats to an acceptable level, the member or firm shall eliminate the activity, interest or relationship creating the threat or threats, or refuse to accept or continue the engagement.

Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements

204.4 Financial interests

- (1) (a) A member or student shall not participate on the engagement team for an assurance client if the member or student, or an immediate family member of the member or student, holds a direct financial interest or a material indirect financial interest in the client.
- (b) A member or student shall not participate on the engagement team for an assurance client if the member or student, or an immediate family member of the member or student, holds, as trustee, a direct financial interest or a material direct financial interest in the client.
- (1.1) Notwithstanding Rules 204.4(1)(a) and (b), if the assurance client is a co-operative, credit union or caisse populaire; a social club, such as a golf club or curling club; or a similar organization, the financial interest in the assurance client held, either personally or as a trustee, by a member or student or an immediate or close family member of the member or student shall not preclude the member or student from participating on the engagement team provided that:
 - (a) such a financial interest is restricted to the minimum amount that is a prerequisite of membership;
 - (b) the assets of the organization cannot by virtue of the organization's bylaws be distributed to the individual members of the organization other than as patronage dividends or in circumstances of forced liquidation or expropriation, unless there is a written undertaking with the organization to forfeit entitlement to such distributed assets; and
 - (c) the member, student or immediate or close family member:
 - (i) does not serve on the governing body or as an officer of the organization;
 - (ii) does not have the right or responsibility to exercise significant influence over the financial or accounting policies of the organization or any of its associates;
 - (iii) does not exercise any right derived from membership to vote at meetings of the organization; and
 - (iv) cannot dispose of the financial interest for gain.
- (2) (a) 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.
- (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.

- (2.1) Notwithstanding Rules 204.4(2)(a) and (b), if an assurance client is a co-operative, credit union or caisse populaire; a social club, such as a golf club or curling club; or a similar organization, the financial interest in the entity held by a member or firm, or in the case of an audit or review engagement, a member, firm or a network firm, shall not preclude the member or firm from performing an assurance or audit or review engagement, as the case may be, for the entity, provided that:
- (a) such a financial interest is restricted to the minimum amount that is a prerequisite of membership;
 - (b) the assets of the organization cannot by virtue of the organization's bylaws be distributed to the individual members of the organization other than as patronage dividends or in circumstances of forced liquidation or expropriation, unless there is a written undertaking with the organization to forfeit entitlement to such distributed assets; and
 - (c) the member, firm or network firm, as the case may be:
 - (i) does not serve on the governing body or as an officer of the organization;
 - (ii) does not have the right or responsibility to exercise significant influence over the financial or accounting policies of the organization or any of its associates;
 - (iii) does not exercise any right derived from membership to vote at meetings of the organization; and
 - (iv) cannot dispose of the financial interest for gain.
- (3) A member or firm shall not perform an audit or review engagement for an entity if a pension or other retirement plan of the firm or network firm has a direct financial interest or a material indirect financial interest in the entity.
- (4) A member who is a partner of a firm and who holds, or whose immediate family member holds, a direct financial interest or a material indirect financial interest in an audit or review client shall not practice in the same office as the lead engagement partner for the client, unless, in the case of a financial interest held by an immediate family member, the financial interest is received as a result of employment and
- (a) the immediate family member does not have the right to dispose of the financial interest or, in the case of a share option, the right to exercise the option; or
 - (b) where such rights are obtained, the financial interest is disposed of as soon as is practicable.
- (5) (a) A member who is a partner or managerial employee of a firm and who holds, a direct financial interest or a material indirect financial interest in an audit or review client shall not provide a non-assurance service to the client, unless the non-assurance service is clearly insignificant.

- (b) A member who is a partner or managerial employee of a firm whose immediate family member holds, a direct financial interest or a material indirect financial interest in an audit or review client shall not provide a non-assurance service to the client, unless
 - (i) the non-assurance service is clearly insignificant; or
 - (ii) the financial interest is received as a result of employment and
 - (A) the immediate family member does not have the right to dispose of the financial interest or, in the case of a share option, the right to exercise the option; or
 - (B) where such rights are obtained, the financial interest is disposed of as soon as is practicable.
- (6) (a) A member or firm shall not perform an audit or review engagement for an entity (the first entity) if the firm or a network firm has a financial interest in a second entity, and the member or firm knows that the first entity or a director, officer or controlling owner of the first entity also has a financial interest in the second entity, unless the respective financial interests of the firm or network firm and the first entity, the director, officer or controlling owner of the first entity are immaterial and the first entity cannot exercise significant influence over the second entity.
- (b) A member or student shall not participate on the engagement team for an audit or review client if the member or student or an immediate family member of the member or student has a financial interest in an entity and the member or student knows that the client or a director, officer or controlling owner of the client also has a financial interest in the entity, unless the respective financial interests of the member or student, or immediate family member, and the client, the director, officer or controlling owner of the client are immaterial and the client cannot exercise significant influence over the entity.

(7)-(9) are left blank at this time.

Loans and Guarantees

- (10) (a) A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, has a loan from or has a loan guaranteed by the client, except when the client is a bank or similar financial institution and the loan or guarantee is immaterial to the firm, the network firm, and the client, and the loan or guarantee is made under normal commercial terms and conditions and is in good standing.
- (b) A member or firm shall not perform an assurance engagement for a client that is not a bank or similar financial institution if the firm, or a network firm in the case of an audit or review client, has a loan to the client.
- (c) A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, guarantees a loan of the client.

- (11) (a) A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, has a loan from or has a loan guaranteed by:
 - (i) an officer or director of the assurance client; or
 - (ii) a shareholder of the assurance client who owns more than 10% of the equity securities of the client, unless the shareholder is a bank or similar financial institution and the loan or guarantee is made under normal commercial terms and conditions.
- (b) A member or firm shall not perform an assurance engagement for a client if the firm, or a network firm in the case of an audit or review client, has a loan to or guarantees a loan of:
 - (i) an officer or director of the assurance client; or
 - (ii) a shareholder of the assurance client who owns more than 10% of the equity securities of the client.
- (12) (a) A member or student shall not participate on the engagement team of an assurance client where the member or student has a loan from or has a loan guaranteed by:
 - (i) such a client, except a client that is a bank or similar financial institution where the loan or guarantee is made under normal commercial terms and conditions and the loan is in good standing;
 - (ii) an officer or director of the client; or
 - (iii) a shareholder of the client who owns more than 10% of the equity securities of the client, unless the shareholder is a bank or similar financial institution and the loan or guarantee is made under normal commercial terms and conditions.
- (b) A member or student shall not participate on the engagement team for an assurance client where the member or student has a loan to or guarantees the borrowing of:
 - (i) such a client that is not a bank or similar financial institution;
 - (ii) an officer or director of the client; or
 - (iii) a shareholder of the client who owns more than 10% of the equity securities of the client.

Close Business Relationship

- (13) (a) A member or firm shall not perform an audit or review engagement for an entity if the firm, or a network firm, has a close business relationship with the entity, a related entity or the management of either unless the close business relationship is limited to a financial interest that is immaterial and the relationship is clearly insignificant to the firm or network firm and either entity or its management, as the case may be.
- (b) A member or firm shall not perform an assurance engagement that is not an audit or review engagement if the firm has a close business relationship with the assurance client, a related entity or the management of either unless the close business relationship is limited to a financial interest that is immaterial

and the relationship is clearly insignificant to the firm and the client, the related entity or the management of either, as the case may be.

- (c) A member or student who has, or whose immediate family member has, a close business relationship with an assurance client, a related entity or the management of either shall not participate on the engagement team for the client unless the close business relationship is limited to a financial interest that is immaterial and the relationship is clearly insignificant to the member, student or immediate family member and the client, the related entity or the management of either, as the case may be.

Family and Personal Relationships

- (14) A member or student shall not participate on the engagement team for an assurance client if the member's or student's immediate family member is an officer or director of the client or a related entity or is in a position to exert significant influence over the subject matter of the engagement, or was in such a position during the period covered by the assurance report or the engagement period.
- (15) A member or student shall not participate on the engagement team for an audit client that is a reporting issuer or listed entity if the member's or student's immediate or close family member has an accounting role or a financial reporting oversight role, or had such a position during the period covered by the financial statements subject to audit by the member of firm or the engagement period.

Employment or service with a Reporting Issuer or Listed Entity Audit Client

- (16) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if:
 - (a) a person who participated in an audit capacity in an audit of the financial statements of the entity performed by the member or firm is an officer or director of the entity or is in a financial reporting oversight role unless a period of one year has elapsed from the date that the financial statements were filed with the relevant securities regulator or stock exchange; or
 - (b) a person who was the firm's chief executive officer is an officer or director of the entity or is in a financial reporting oversight role, unless a period of one year has elapsed from the date that the individual was the chief executive officer of the firm.

Recent Service with or for an Assurance Client

- (17) (a) A member or student shall not participate on the engagement team for an assurance client if the member or student served as an officer or director of the client or a related entity or was in a position to exert significant influence over the subject matter of the engagement during the period covered by the assurance report or the engagement period.

Temporary loan of staff to an audit or review client

- (b) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member or firm has loaned a member of the firm or a network firm to the entity or a related entity, unless:

- (i) the loan of any such person or persons is made for only a short period of time;
- (ii) the loan of any such person or persons is not made on a recurring basis;
- (iii) the loan of any such person or persons does not result in the person or persons making a management decision or performing a management function or providing any non-assurance services that would otherwise be prohibited by Rules 204.4(22) to (34); and
- (iv) management of the entity or related entity directs and supervises the work performed by the person or persons.

Serving as an Officer or Director of an Assurance Client

- (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.

Serving as an Officer or Director of an Audit or Review Client

- (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.

Serving as an Officer or Director of a Reporting Issuer or Listed Entity Audit Client

- (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.

Long Association of Senior Personnel with a Reporting Issuer or Listed Entity Audit Client

- (20) (a) A member shall not continue as the lead engagement partner or the engagement quality control reviewer with respect to the audit of the financial statements of a reporting issuer or listed entity for more than seven years in total, and shall not thereafter participate in an audit of the financial statements of the reporting issuer or listed entity until a further five years have elapsed.

In the case of an audit engagement of a reporting issuer that is a mutual fund, the lead engagement partner and the engagement quality control reviewer shall not thereafter participate in an audit of the financial statements of the reporting issuer or another reporting issuer that is in the same mutual fund complex as the reporting issuer until a further five years have elapsed.

- (b) A member, who is a key audit partner with respect to the audit of the financial statements of a reporting issuer or listed entity, other than a lead

engagement partner or engagement quality control reviewer, shall not continue in such role for more than seven years in total and shall not thereafter participate in an of audit of financial statements of the reporting issuer or listed entity until a further two years have elapsed.

In the case of an audit engagement of a reporting issuer that is a mutual fund, such an audit partner shall not thereafter participate in an audit of the financial statements of the reporting issuer or another reporting issuer that is in the same mutual fund complex as the reporting issuer until a further two years have elapsed.

- (c) Notwithstanding paragraph (b), when an audit client becomes a reporting issuer or listed entity, a key audit partner who has served in that capacity for five or more years at the time the client becomes a reporting issuer or listed entity may continue in that capacity for two more years before being replaced as a key audit partner.

Audit Committee Approval of Services to a Reporting Issuer or Listed Entity Audit Client

- (21) A member or firm shall not provide a professional service to an audit client that is a reporting issuer or listed entity, or to a subsidiary thereof, without the prior approval of the reporting issuer's or listed entity's audit committee.

Performance of Management Functions

- (22) (a) A member or firm shall not perform an assurance engagement for an entity if, during the period covered by the assurance report or the engagement period, a member of the firm makes a management decision or performs a management function for the entity or a related entity, including:
- (i) authorizing, approving, executing or consummating a transaction;
 - (ii) having or exercising authority on behalf of the entity;
 - (iii) determining which recommendation of the member or firm will be implemented; or
 - (iv) reporting in a management role to those charged with governance of the entity;

unless the management decision or management function is not related to the subject matter of the assurance engagement that is performed by the member or firm.

- (b) A member or firm shall not perform an audit or review engagement for an entity, if a member of the firm or a network firm, during either the period covered by the financial statements subject to audit or review or the engagement period, makes a management decision or performs a management function for the entity or a related entity, including any of the services listed in paragraph 22(a)(i) to (iv), whether or not the management decision or management function is related to the subject matter of the audit or review engagement that is performed by the member or firm.

Preparation of Journal Entries and Source Documents

(23)

A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, a member of the firm or a network firm:

- (i) prepares or changes a journal entry, determines or changes an account code or a classification for a transaction or prepares or changes another accounting record, for the entity or a related entity, that affects the financial statements subject to audit or review by the member or firm, without obtaining the approval of management of the entity; or
- (ii) prepares a source document or originating data, or makes a change to such a document or data underlying such financial statements.

Preparation of Accounting Records and Financial Statements for a Reporting Issuer or Listed Entity Audit Client

(24)

A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, in other than emergency situations, during either the period covered by the financial statements subject to audit or the engagement period, the member, firm, a network firm or a member of the firm or a network firm provides accounting or bookkeeping services related to the accounting records or financial statements including:

- (a) maintaining or preparing the entity's, or related entity's, accounting records;
- (b) preparing the financial statements or preparing financial statements which form the basis of the financial statements on which the audit report is provided; or
- (c) preparing or originating source data underlying such financial statements,

unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during the audit of such financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the accounting or bookkeeping services will be subject to audit procedures.

In the event of an emergency situation, the member or firm may perform the audit and perform such an accounting or bookkeeping service provided:

- (i) those who provide the service are not members of the engagement team for the audit;
- (ii) the provision of the service in such circumstances is not expected to recur;
- (iii) the provision of the service would not lead to any members of the firm or a network firm making decisions or judgments which are properly the responsibility of management; and
- (iv) the provision of the service receives the prior approval of the audit committee of the reporting issuer or listed entity in accordance with the provisions of Rule 204.4(21).

Provision of Valuation Services to an Audit or Review Client that is not a Reporting Issuer or Listed Entity.

- (25) (a) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, provides a valuation service to the entity or a related entity where the valuation involves a significant degree of subjectivity and relates to amounts that are material to the financial statements subject to audit or review by the member or firm, unless the valuation is performed for tax purposes only and relates to amounts that will affect such financial statements only through accounting entries related to taxation .

Provision of Valuation Services to a Reporting Issuer or Listed Entity Audit Client

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, provides a valuation service to the client or a related entity, unless
- (i) the valuation is performed for tax purposes only and relates to amounts that will affect such financial statements only through accounting entries related to taxation, or
- (ii) it is reasonable to conclude that the results of that service will not be subject to audit procedures during the audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the valuation service will be subject to audit procedures.

Provision of Actuarial Services to a Reporting Issuer or Listed Entity Audit Client

- (26) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides an actuarial service to the client or a related entity, unless it is reasonable to conclude that the results of that service will not be subject to audit procedures during the audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the actuarial service will be subject to audit procedures.

Provision of internal audit services to an audit or review client

- (27) (a) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm or a network firm or a member of the firm or network firm provides an internal audit service to the entity or a related entity unless, with respect to the entity for which the internal audit service is provided:
- (i) the entity designates an appropriate and competent resource within senior management to be responsible for internal audit activities and to acknowledge responsibility for designing, implementing and maintaining internal controls;

- (ii) the entity or its audit committee reviews, assesses and approves the scope, risk and frequency of the internal audit services;
- (iii) the entity's management evaluates the adequacy of the internal audit services and the findings resulting from their performance;
- (iv) the entity's management evaluates and determines which recommendations resulting from the internal audit services to implement and manages the implementation process; and
- (v) the entity's management reports to the audit committee the significant findings and recommendations resulting from the internal audit services.

Provision of Internal Audit Services to a Reporting Issuer or Listed Entity Audit Client

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides an internal audit service to the client or a related entity, that relates to the client's, or the related entity's, internal accounting controls, financial systems or financial statements unless it is reasonable to conclude that the results of that service will not be subject to audit procedures during the audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the internal audit service will be subject to audit procedures.

Provision of Information Technology System Services to an Audit or Review Client

- (28) (a) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm provides a financial information systems design or implementation service to the entity or a related entity where the service involves the design or implementation of all or part of a financial information technology system that either generates information that is significant to the accounting records or financial statements subject to audit or review by the member or firm, or forms a significant part of either entity's internal controls that are relevant to the financial statements that are subject to audit or review by the member or firm, unless, with respect to the entity for which the information technology service is provided:
 - (i) the entity acknowledges its responsibility for establishing and monitoring a system of internal controls;
 - (ii) the entity assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;

- (iii) the entity makes all management decisions with respect to the design and implementation process;
- (iv) the entity evaluates the adequacy and results of the design and implementation of the system; and
- (v) the entity is responsible for operating the hardware or software system and for the data it uses or generates.

Provision of Information Technology System Services to a Reporting Issuer or Listed Entity Audit Client

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm provides financial information systems design or implementation services and the services involve:
 - (i) directly or indirectly operating, or supervising the operation of, the entity's or a related entity's information system, or managing the entity's or a related entity's local area network; or
 - (ii) designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the entity's or a related entity's financial statements or other financial information systems taken as a whole;

unless it is reasonable to conclude that the results of these services will not be subject to audit procedures during an audit of the financial statements. In determining whether such a conclusion is reasonable, there is a rebuttable presumption that the results of the financial information systems design and implementation services will be subject to audit procedures.

Provision of Litigation Support Services to an Audit or Review Client

- (29) (a) A member or firm shall not perform an audit or review engagement for a client if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides a litigation support service for the entity or a related entity, or for a legal representative thereof, for the purpose of advancing the entity's or related entity's, interest in a civil, criminal, regulatory, administrative or legislative proceeding or investigation with respect to an amount or amounts that are material to the financial statements subject to audit or review by the member or firm.

Provision of Litigation Support Services to a Reporting Issuer or Listed Entity Audit Client

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides a litigation support service for the entity or a related entity, or for a legal representative thereof, for the purpose of advancing the entity's or related entity's, interest in a civil, criminal, regulatory, administrative or legislative proceeding or investigation.

Provision of Legal Services to an Audit or Review Client

- (30) A member or firm shall not perform an audit or review engagement for an entity if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm provides a legal service to the entity or a related entity in the resolution of a dispute or litigation in circumstances where the matters in dispute or subject to litigation are material in relation to such financial statements.

Provision of Legal Services to a Reporting Issuer or Listed Entity Audit Client

- (31) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides a legal service to the entity or a related entity.

Human Resource Services for a Reporting Issuer or Listed Entity Audit Client

- (32) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides any of the following services to the entity or a related entity:
- (a) searching for or seeking out prospective candidates for management, executive or director positions;
 - (b) engaging in psychological testing, or other formal testing or evaluation programs;
 - (c) undertaking reference checks of prospective candidates for an executive or director position;
 - (d) acting as a negotiator or mediator with respect to employees or future employees with respect to any condition of employment, including position, status or title, compensation or fringe benefits; or
 - (e) recommending or advising with respect to hiring a specific candidate for a specific job.

Provision of Corporate Finance and Similar Services to an Audit and Review Client

- (33) A member or firm shall not perform an audit or review engagement for an entity if, during the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or network firm, provides any of the following services:
- (a) promoting, dealing in or underwriting the entity's or a related entity's securities;
 - (b) advising the entity or a related entity on other corporate finance matters where:
 - (i) the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements;
 - (ii) the outcome or consequences of the advice has or will have a material effect on the financial statements; and

- (iii) the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework;
- (c) making investment decisions on behalf of the entity or a related entity or otherwise having discretionary authority over the entity's or a related entity's investments;
- (d) executing a transaction to buy or sell the entity's or a related entity's investments; or
- (e) having custody of assets of the entity or a related entity, including taking temporary possession of securities purchased by the entity or a related entity.

Provision of taxation planning or other taxation advisory services to an audit or review client

- (34) (a) A member or firm shall not perform an audit or review engagement for a client if, during either the period covered by the financial statements subject to audit or review or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, provides taxation planning or other taxation advice to the client or a related entity, where
- (i) the effectiveness of the advice depends on a particular accounting treatment or presentation in the financial statements,
 - (ii) the outcome or consequences of the advice has or will have a material effect on the financial statements, and
 - (iii) the engagement team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

Provision of tax calculations for the purpose of preparing accounting entries for a reporting issuer or listed entity

- (b) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity if, in other than emergency situations, during either the period covered by the financial statements subject to audit or the engagement period, the member, the firm, a network firm or a member of the firm or a network firm, prepares tax calculations of current and future tax liabilities or assets for the reporting issuer or listed entity or a related entity for the purpose of preparing accounting entries that are subject to audit by the member or firm.

In the event of an emergency situation, the member or firm may perform the audit and perform such a tax service provided:

- (i) those who provide the service are not members of the audit engagement team;
- (ii) the provision of the service in such circumstances is not expected to recur;

- (iii) the provision of the service would not lead to any members of the firm or a network firm making decisions or judgments which are properly the responsibility of management; and
- (iv) the provision of the service receives the prior approval of the audit committee of the reporting issuer or listed entity in accordance with the provisions of Rule 204.4(21).

Provision of non-assurance services prior to commencement of audit or review services

(35) (a) Where a member, firm, a network firm or a member of the firm or a network firm has provided a non-assurance service referred to in Rules 204.4(22) to (34) to a client prior to the engagement of the member or firm to perform an audit or review engagement for the client but during or after the period covered by the financial statements subject to audit or review by the member or firm, the member or firm shall not perform the audit or review engagement unless the particular non-assurance service was provided before the engagement period and the member or firm:

- (i) discusses independence issues related to the provision of the non-assurance service with the audit committee;
- (ii) requires the client to review and accept responsibility for the results of the non-assurance service; and
- (iii) precludes personnel who provided the non-assurance service from participating in the audit or review engagement,

such that any threat created by the provision of the non-assurance service is reduced to an acceptable level.

Provision of previous non-assurance services to an entity that has become a reporting issuer or listed entity

(b) Where a member, firm, a network firm or a member of the firm or a network firm has performed a non-assurance service referred to in Rules 204.4 (22) to (34) for an audit or review client that has become a reporting issuer or listed entity and the provisions of Rules 204.4(22) to (34) would have precluded the member or firm from performing an audit engagement for a reporting issuer or listed entity, the member or firm shall not perform an audit engagement for the client unless the member or firm

- (i) discusses independence issues related to the provision of the non-assurance service with the audit committee;
- (ii) requires the client to review and accept responsibility for the results of the non-assurance service; and
- (iii) precludes personnel who provided the non-assurance service from participating in the audit engagement,

such that any threat to independence created by the provision of the non-assurance service is reduced to an acceptable level.

Pricing

- (36) A member or firm shall not provide an assurance service for a fee that the member or firm knows is significantly lower than that charged by the predecessor member or firm, or contained in other proposals for the engagement, unless the member or firm can demonstrate:
- (i) that qualified members of the firm have been assigned to the engagement and will devote the appropriate time to it; and
 - (ii) that all applicable assurance standards, guidelines and quality control procedures have been followed.

Relative size of fees of a reporting issuer or listed entity audit client

- (37) (a) A member or firm shall not perform an audit engagement for a reporting issuer or listed entity when the total revenue, calculated on an accrual basis, for any services provided to the client and its related entities for the two consecutive fiscal years of the firm most recently concluded prior to the date of the financial statements subject to audit by the member or firm, represent more than 15% of the total revenue of the firm, calculated on an accrual basis, in each such fiscal year, unless:
- (i) the member or firm discloses to the audit committee the fact that the total of such revenue represents more than 15% of the total revenue of the firm, calculated on an accrual basis, in each of those fiscal years; and
 - (ii) another professional accountant who is not a member of the firm performs a review, that is substantially equivalent to an engagement quality control review, of the audit engagement, either
 - (A) prior to the audit opinion in respect of the financial statements being issued, or
 - (B) subsequent to the audit opinion in respect of the financial statements being issued but prior to the audit opinion on the client's financial statements for the immediately following fiscal period being issued.

Thereafter, when the total revenue, calculated on an accrual basis, for any services provided to the client and its related entities continue to represent more than 15% of the total revenue of the firm, calculated on an accrual basis, in the firm's most recently concluded prior fiscal year, the member or firm shall not perform the audit unless the requirements of paragraphs (37)(a)(i) and (ii)(A) are met.

(b) A member shall not perform the review required by Rule 204.4(37)(a)(ii) if the member or the member's firm would be prohibited, pursuant to any provision of Rule 204, from performing an audit of the financial statements referred to in Rule 204.4(37)(a).

Evaluation of Compensation of Partners

- (38) A member who is or was a key audit partner shall not be evaluated or compensated based on the member's solicitation or sales of non-assurance services to the particular client or a related entity if such solicitation or sales occurred during the period during which the member is or was a key audit partner.

Gifts and Hospitality

(39)

A member or student who participates on an engagement team for an assurance client and the member's or student's firm shall not accept a gift or hospitality, including a product or service discount, from the client or a related entity, unless the gift or hospitality is clearly insignificant to the member, student or firm, as the case may be.

Client mergers and acquisitions

(40) (a)

A member or firm shall not perform or continue with an audit or review engagement for an entity where, as a result of a merger or acquisition, another entity merges with or becomes a related entity of the audit or review client, and the member or firm has a previous or current activity, interest or relationship with the other entity that would, after the merger or acquisition, be prohibited pursuant to any provision of Rule 204 in relation to the audit or review engagement, unless:

- (i) the member or firm terminates, by the effective date of the merger or acquisition, any such activity, interest or relationship;
- (ii) the member or firm terminates, as soon as reasonably possible and, in all cases, within six months following the effective date of the merger or acquisition, any such activity, interest or relationship and the requirements of Rule 204.4(40)(b) are met; or
- (iii) the member or firm has completed a significant amount of work on the audit or review engagement and expects to be able to complete the engagement within a short period of time, the member or firm discontinues in the role of audit or review service provider on completion of the current engagement and the provisions of Rule 204.4(40)(b) are met.

(b) Notwithstanding the existence of the previous or current activity, interest or relationship described in Rule 204.4(40)(a), the provisions of Rule 204.4(40)(a)(ii) and (iii) permit the member or firm to perform or continue with the audit or review engagement provided that:

- (i) the member or firm evaluates and discusses with the audit committee the significance of the threat created by any such activity, interest or relationship and the reasons why the activity, interest or relationship is not terminated or cannot reasonably be terminated by the effective date of the merger or acquisition, or within six months thereof, as the case may be;
- (ii) the audit committee requests the member or firm to complete the audit or review engagement;
- (iii) any person involved in any such activity or who has any such interest or relationship will not participate in the audit or review engagement or as an engagement quality control reviewer; and
- (iv) the member or firm applies an appropriate measure or measures, as discussed with the audit committee, to address the threat created by any such activity, interest or relationship.

- (c) Where the previous or current activity, interest or relationship described in Rule 204.4(40)(a) creates such a significant threat to independence that compliance with the requirements of paragraphs 204.4(40)(a) and (b) would still not reduce any such threat to an acceptable level, the member or firm shall not perform or continue with the audit or review engagement.

Documentation

- 204.5 (a) A member or firm who, in accordance with rule 204.2, has identified a threat that is not clearly insignificant, shall document a decision to accept or continue the particular engagement. The documentation shall include the following information:
 - (i) a description of the nature of the engagement;
 - (ii) the threat identified;
 - (iii) the safeguard or safeguards identified and applied to eliminate the threat or reduce it to an acceptable level; and
 - (iv) an explanation of how, in the member's or firm's professional judgment, the safeguards eliminate the threat or reduce it to an acceptable level.
- (b) A member or firm who, in an emergency situation, provides an accounting or bookkeeping service to a reporting issuer or listed entity audit client in accordance with the requirements of Rule 204.4(24) shall document both the rationale supporting the determination that the situation constitutes an emergency and that the member or firm has complied with the provisions of subparagraphs (i) through (iv) of the Rule.
- (c) A member or firm who, in an emergency situation, prepares tax calculations of current and future income tax liabilities or assets for a reporting issuer or listed entity audit client in accordance with the requirements of Rule 204.4(34)(b), for the purpose of preparing accounting entries that are subject to audit by the member or firm shall document both the rationale supporting the determination that the situation constitutes an emergency and that the member or firm has complied with the provisions of subparagraphs (i) through (iv) of the Rule.
- (d) A member or firm who, in accordance with the requirements of Rule 204.4(35)(a), performs an audit or review engagement for a client where the member, firm, a network firm or a member of the firm or a network firm has provided a non-assurance service referred to in Rules 204.4(22) to (34) to the client prior to the engagement period but during or after the period covered by the financial statements subject to audit or review by the member or firm, shall document:
 - (i) a description of the previously provided non-assurance service;
 - (ii) the results of the discussion with the audit committee;

- (iii) any further measures applied to address the threat created by the provision of the previous non-assurance service; and
 - (iv) the rationale to support the decision of the member or firm.
- (e) A member or firm who, in accordance with the requirements of Rules 204.4(35)(b), performs an audit engagement for a client that has become a reporting issuer or listed entity where the member, the firm, a network firm or a member of the firm or a network firm provided a non-assurance service to the client prior to it having become a reporting issuer or listed entity and the provisions of Rules 204.4(22) to (34) would have precluded the member or firm from performing an audit engagement for a reporting issuer or listed entity, shall document:
 - (i) a description of the non-assurance service;
 - (ii) the results of the discussion with the audit committee;
 - (iii) any further measures applied to address the threat created by the provision of the non-assurance service; and
 - (iv) the rationale to support the decision of the member or firm.
- (f) A member or firm who, in accordance with the requirements of Rules 204.4(40)(a) and (b), performs or continues with an audit or review engagement where, as a result of a merger or acquisition, another entity merges with or becomes a related entity of the audit or review client, and the member or firm has a previous or current activity, interest or relationship with the other entity that would, after the merger or acquisition, be prohibited pursuant to any provision of Rule 204 in relation to the audit or review engagement, shall document:
 - (i) a description of the activity, interest or relationship that will not be terminated by the effective date of the merger or acquisition and the reasons why it will not be terminated;
 - (ii) the results of the discussion with the audit committee and measures applied to address the threat created by any such activity, interest or relationship; and
 - (iii) the rationale to support the decision of the member or firm.

Members Must Disclose Prohibited Interests and Relationships

204.6 A member or student who has a relationship or interest, or who has provided a professional service, that is precluded by this rule shall advise in writing a designated partner of the firm of the interest, relationship or service.

A member or student who has been assigned to an engagement team for an assurance client shall advise, in writing, a designated partner of the firm of any interest, relationship or activity that would preclude the person from being on the engagement team.

Firms to Ensure Compliance

204.7 A member who is a partner or proprietor of a firm, or a member whose professional corporation is a partner or proprietor of a firm, shall ensure that the firm complies with Rule 204.1, 204.3, 204.4 and 204.8 and that members of the firm do not have a relationship or interest, do not perform a service and remain free of any influence that would preclude the firm from performing the engagement pursuant to Rules 204.1, 204.3, 204.4 and 204.8.

Independence: Insolvency Engagements

204.8 A member or firm who engages or participates in an engagement to act in any aspect of insolvency practice, including as a trustee in bankruptcy, a liquidator, a receiver or a receiver-manager, shall be and remain independent such that the member, firm and members of the firm shall be and shall remain free of any influence, interest or relationship which, in respect of the engagement, impairs the professional judgment or objectivity of the member, firm or member of the firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member, firm or member of the firm.

Disclosure of Impaired Independence

204.9 A member or firm engaged in the practice of public accounting or any related function, who provides a service not subject to the requirements of rules 204.1 to 204.7, shall disclose any activity, interest or relationship which, in respect of the engagement, would be seen by a reasonable observer to impair the member's or firm's independence such that the professional judgment or objectivity of the member, firm or member of the firm would appear to be impaired, and such disclosure shall be made in the member's or firm's written report or other written communication accompanying financial statements or financial or other information and the disclosure shall indicate the nature of the influence or relationship and the nature and extent of the interest.

Definitions

204.9 For the purposes of rules 204.1 to 204.9 and the related Board Interpretations:

- (a) "accounting role" means a role in which a person is in a position to or does exercise more than minimal influence over:
 - (i) the contents of the client's accounting records related to the financial statements subject to audit or review by the member or firm; or
 - (ii) anyone who prepares such financial statements.
- (b) "assurance client" means an entity in respect of which a member or firm has been engaged to perform an assurance engagement. In the application of Rule 204.4(1) to (12) "assurance client" includes its related entities, and the reference to an assurance client, a client or an entity that is an assurance client shall be read as including all related entities of the assurance client, client or entity as the case may be.
- (c) "assurance engagement" means an assurance engagement as contemplated in the *CICA Handbook – Assurance*. For the purpose of Rule 204.4, "assurance engagement" also includes a specified auditing procedures engagement as contemplated by the *CICA Handbook – Assurance*.
- (d) "audit client" means an entity in respect of which a member or firm has been engaged to perform an audit of the financial statements. In the application of rule 204.4(1) to (12) "audit client" includes its related entities, and the reference to an assurance client, a client or an entity that is an audit client shall be read as including all related entities of the assurance client, client or entity as the case may be.

- (e) “audit committee” means the audit committee of the entity, or if there is no audit committee another governance body which has the duties and responsibilities normally granted to an audit committee or those charged with governance of the entity.
- (f) “audit engagement” means an engagement to audit financial statements as contemplated in the CICA Handbook – Assurance.
- (g) “audit partner” means a person who is a partner in a firm or a person who has equivalent responsibility, who is a member of the engagement team, other than a specialist or technical partner or equivalent who consults with others on the engagement team regarding technical or industry-specific issues, transactions or events.
- (h) “clearly insignificant” means trivial and inconsequential.
- (i) “close family member” means a parent, child or sibling who is not an immediate family member.
- (j) “direct financial interest” means a financial interest:
 - (i) owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others);
 - (ii) beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control or ability to influence investment decisions; or
 - (iii) owned through an investment club or by a private mutual fund in which the individual participates in the investment decisions.
- (k) “engagement period” means the period that starts at the earlier of the date when the member or firm signs the engagement letter or commences procedures in respect of the engagement and ends when the assurance report is issued, except when the engagement is of a recurring nature, in which case the engagement period ends with:
 - (i) notification by either the client or the firm that the professional relationship has terminated or the issuance of the final assurance report, whichever is later; or
 - (ii) in the case of an audit engagement for a reporting issuer or listed entity, notification by either the client or the firm to the relevant Securities Commission that the audit client is no longer an audit client of the firm.
- (l) “engagement quality control reviewer”, often referred to as reviewing, concurring or second partner, means the audit partner or other person in the firm who, prior to issuance of the audit report, provides an objective evaluation of the significant judgments made and conclusions reached by the members of the engagement team in formulating the report on the engagement.
- (m) “engagement team” means:
 - (i) each member of the firm performing the assurance engagement;
 - (ii) all other members of the firm who can directly influence the outcome of the assurance engagement, including:

- (a) those who recommend the compensation of, or who provide direct supervisory, management or other oversight of, the assurance engagement partner in connection with the performance of the assurance engagement. For the purposes of an audit engagement this includes those at all successively senior levels above the lead engagement partner through to the firm's chief executive officer;
 - (b) those who provide consultation regarding technical or industry-specific issues, transactions or events for the assurance engagement; and
 - (c) those who provide quality control for the assurance engagement; and
- (iii) in the case of an audit client, all persons in a network firm who can directly influence the outcome of the audit engagement.
- (n) "financial interest" includes a direct or indirect ownership interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.
- (o) "financial reporting oversight role" means a role in which a person is in a position to or does exercise influence over:
- (i) the contents of the financial statements subject to audit or review by the member of firm; or
 - (ii) anyone who prepares the financial statements.
- (p) "firm" means a sole practitioner, partnership, professional corporation or association of members who carries or carry on the practice of public accounting, or carries or carry on related activities as defined by the Board. A related business or practice is considered to be part of the firm.
- (q) "fund manager" means, with respect to a mutual fund, an entity that is responsible for investing the mutual fund's assets, managing its portfolio trading and providing it with administrative and other services, pursuant to a management contract.
- (r) "immediate family member" means a spouse (or equivalent) or dependant.
- (s) "indirect financial interest" means a financial interest beneficially owned through a collective investment vehicle such as a mutual fund, estate, trust or other intermediary over which the beneficial owner has no control or ability to influence investment decisions.
- (t) "key audit partner" means:
- (i) an audit partner who is the lead engagement partner;
 - (ii) the engagement quality control reviewer; or
 - (iii) any other audit partner on the engagement team who makes important decisions or judgments on significant matters with respect to the audit or review engagement.

- (u) “lead engagement partner” means the partner or other person who is responsible for the engagement and its performance, for the report that is issued on behalf of the firm and who, where required, has the appropriate authority from a professional, legal or regulatory body.
- (v) “legal service” means any service that may only be provided by a person licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided. If a jurisdiction outside of Canada requires a service to be provided by a person licensed, admitted, or otherwise qualified to practice law in that jurisdiction and the same service could be provided in the relevant jurisdiction in Canada by a person not licensed, admitted, or otherwise qualified to practice law, the provision of the service in the jurisdiction outside Canada shall not be considered a legal service.
- (w) “listed entity” means an entity whose shares, debt or other securities are quoted on, listed on or marketed through a recognized stock exchange or other equivalent body, whether within or outside of Canada, other than an entity that has, in respect of a particular fiscal year, market capitalization and total assets that are each less than \$10,000,000. An entity that becomes a listed entity by virtue of the market capitalization or total assets becoming \$10,000,000 or more in respect of a particular fiscal year shall be considered to be a listed entity thenceforward unless and until the entity ceases to have its shares or debt quoted, listed or marketed in connection with a recognized stock exchange or the entity has remained under the market capitalization or total assets threshold for a period of two years.

In the case of a period in which an entity makes a public offering:

- (a) the term “market capitalization” shall be read as referring to the market price of all outstanding listed securities and publicly traded debt measured using the closing price on the day of the public offering; and
 - (b) the term “total assets” shall be read as referring to the amount of total assets presented on the most recent financial statements prepared in accordance with generally accepted accounting principles included in the public offering document.
- (x) “market capitalization” in respect of a particular fiscal year means the average market price of all outstanding listed securities and publicly traded debt of the entity measured at the end of each of the first, second and third quarters of the prior fiscal year and the year-end of the second prior fiscal year.
 - (y) “member of a firm” or “member of the firm”, as the case may be, means a person, whether or not a member of a provincial Institute or Ordre, who is:
 - (i) a sole practitioner;
 - (ii) a partner, professional employee or student of the firm;
 - (iii) an individual engaged under contract by the firm to provide services that might otherwise be provided by a partner or professional employee of the firm, but does not include an external expert possessing skills, knowledge and experience in a field other than accounting or auditing whose work in

that field is used to assist the member or firm in obtaining sufficient appropriate evidence;

- (iv) an individual who provides to the firm services which are referred to in rule 204.1 and includes any corporate or other entity through which the individual contracts to provide such services; or
- (v) a retired partner of the firm who retains a close association with the firm.
- (z) “mutual fund” means a mutual fund that is a reporting issuer under the applicable Canadian provincial or territorial securities legislation.
- (aa) “mutual fund complex” means:
 - (i) a mutual fund that has the same fund manager as a client;
 - (ii) a mutual fund that has a fund manager that is controlled by the fund manager of a client; or
 - (iii) a mutual fund that has a fund manager that is under common control with the fund manager of a client.
- (bb) “network firm” means an entity that is, or that a reasonable observer would conclude to be, part of a larger structure of co-operating entities that shares:
 - (i) common quality control policies and procedures that are designed, implemented and monitored across the larger structure;
 - (ii) common business strategy that involves agreement to achieve common strategic objectives;
 - (iii) the use of a common brand name, including the use of common initials and the use of the common brand name as part of, or along with, a firm name when a partner of the firm signs an audit or review engagement report; or
 - (iv) professional resources, such as:
 - (A) common systems that enable the exchange of information such as client data, billing or time records;
 - (B) partners and staff;
 - (C) technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements;
 - (D) audit methodology or audit manuals; or
 - (E) training courses and facilities,where such professional resources are significant.
- (cc) “office” means a distinct sub-group of a firm, whether organized on geographical or practice lines.
- (dd) “related entity” means any one of the following:
 - (i) in the case of an engagement to audit the financial statements of a client that is a reporting issuer or listed entity,

- (A) an entity over which the client has control;
 - (B) an entity that has control over the client, provided that the client is material to such entity;
 - (C) an entity that has significant influence over the client, provided that the client is material to such entity;
 - (D) an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or
 - (E) an entity over which a client has significant influence, provided that the entity is material to the client;
- (ii) in the case of an engagement to audit or review the financial statement of a client that is not a reporting issuer or listed entity:
- (A) an entity over which the client has control;
 - (B) any of the following entities where the engagement team knows or has reason to believe that the existence of an activity, interest or relationship involving the member or firm and that other entity is relevant to the evaluation of the independence of the member or firm with respect to the audit or review of the financial statements of the client:
 - (I) an entity that has control over the client, provided that the client is material to such entity;
 - (II) an entity that has significant influence over the client, provided that the client is material to such entity;
 - (III) an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or
 - (IV) an entity over which a client has significant influence, provided that the entity is material to the client; and
- (iii) in the case of an assurance engagement that is not an engagement to audit or review the financial statements of a client, any of the following entities where the engagement team knows or has reason to believe that the existence of an activity, interest or relationship involving the member or firm and that other entity is relevant to the evaluation of the independence of the member or firm with respect to the assurance engagement:
- (A) an entity over which the client has control;
 - (B) an entity that has control over the client, provided that the client is material to such entity;

- (C) an entity that has significant influence over the client, provided that the client is material to such entity;
 - (D) an entity which is under common control with the client, provided that such entity and the client are both material to the controlling entity; or
 - (E) an entity over which a client has significant influence, provided that the entity is material to the client.
- (ee) “reporting issuer” means an entity that is defined as a reporting issuer under the applicable Canadian provincial or territorial securities legislation other than an entity that has, in respect of a particular fiscal year, market capitalization and total assets that are each less than \$10,000,000. An entity that becomes a listed entity reporting issuer by virtue of the market capitalization or total assets becoming \$10,000,000 or more in respect of a particular fiscal year shall be considered to be a listed entity reporting issuer thenceforward unless and until the entity ceases to have its shares, units or debt quoted, listed or marketed in connection with a recognized stock exchange or the entity has remained under the market capitalization or total assets threshold for a period of two years.

In the case of a period in which an entity makes a public offering:

- (i) the term “market capitalization” shall be read as referring to the market price of all outstanding listed securities and publicly traded debt measured using the closing price on the day of the public offering; and
- (ii) the term “total assets” shall be read as referring to the amount of total assets presented on the most recent financial statements prepared in accordance with generally accepted accounting principles included in the public offering document.

In the case of a reporting issuer that does not have listed securities or publicly traded debt, the definition of reporting issuer shall be read without reference to market capitalization.

- (ff) “review client” means an entity in respect of which a member or firm conducts a review engagement. In the application of rule 204.4(1) to (12) “review client” includes its related entities, and the reference to an assurance client, a client or an entity that is a review client shall be read as including all related entities of the assurance client, client or entity, as the case may be.
- (gg) “review engagement” means an engagement to review financial statements as contemplated in the CICA Handbook – Assurance.
- (hh) “specified auditing procedures engagement” means an engagement to perform specified auditing procedures contemplated in the CICA Handbook – Assurance.
- (ii) “total assets” in respect of a particular fiscal year means the amount of total assets presented on the third quarter of the prior fiscal year’s financial statements prepared in accordance with generally accepted accounting principles that are filed with a relevant securities regulator or stock exchange. In the case of an entity that is not required to file quarterly financial statements, total assets in respect of a particular fiscal year means the amount of total assets presented on the annual

financial statements of the second previous fiscal year prepared in accordance with generally accepted accounting principles that are filed with a relevant securities regulator or stock exchange.

204.10 Effective date and transitional provisions

A. Effective Date

Rules 204.1 to 204.9 shall take effect:

- (a) for an assurance engagement in respect of a particular reporting period of a client, for the first reporting period commencing after December 31, 2003; and
- (b) for any other assurance engagement and an engagement to issue a report of the results of applying specified auditing procedures where the engagement is commenced after December 31, 2003,

subject to the following transitional provisions, as may be applicable.

B. Provision of litigation support services

The litigation services referred to in 204.4(29)(a) do not include a service that has not been completed before July 1, 2014 where:

- (i) there exists on June 30, 2014 a binding contract for the member or firm to provide the service; and
- (ii) the provision of the service by the member or firm would not have contravened the provisions of Rule 204.1 as it read prior to July 1, 2014.

C. Key audit partner rotation

Notwithstanding the requirements of 204.4(20), where the application of the definition of “key audit partner” which takes effect pursuant to the effective date established by A. above has the effect of requiring the rotation of a person who would not have been subject to rotation based on the definition of “audit partner” in effect immediately prior to that effective date, that person may continue to participate in the audit of the financial statements of the particular client up to and including the audit engagement for the second fiscal year of the client commencing after December 15, 2014.

False or Misleading Documents and Oral Representations

205. A member, student or firm shall not
- (a) sign or associate with any letter, report, statement, representation or financial statement which the member, student or firm know, 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, student or firm know, or should know, is false or misleading.

Compliance with Professional Standards

206.1 A member or firm engaged in the practice of public accounting shall perform professional services in accordance with generally accepted standards of practice of the profession.

206.2 A member who has responsibility for the preparation or approval of the general purpose financial statements of an entity shall ensure those financial statements are presented fairly in

accordance with generally accepted accounting principles or such other accounting principles as may be required in the circumstances.

206.3 A member who, as a member of an entity's audit committee or board of directors, is required to participate in the review or approval of the entity's general purpose financial statements by such committee or board, shall carry out that responsibility with the care and diligence of a competent Chartered Accountant, enhanced by the skills and knowledge derived from the member's own career.

Unauthorized Benefits

207.1 A member or student shall not, in connection with any transaction involving a client or an employer and a firm shall not, in connection with any transaction involving a client, hold, receive, bargain for, become entitled to or acquire, directly or indirectly, any fee, remuneration or benefit for personal advantage or for the advantage of a third party without the knowledge and consent the client or employer, as the case may be.

Confidentiality of Information

208.1 A member, student or firm shall not disclose any confidential information concerning the affairs of any client, former client, employer or former employer except:

- (a) when properly acting in the course of carrying out professional duties;
- (b) when such information should properly be disclosed for purposes of rule 211 or rule 302;
- (c) when such information is required to be disclosed by order of lawful authority or, in the proper exercise of their duties, by the Board, the Professional Conduct Committee, Discipline Committee and the Fees Review Committee;
- (d) when justified in order to defend, the member, student or firm or any associates or employees of the member, student or firm, as the case may be against any lawsuit or other legal proceeding or against alleged professional misconduct or in any legal proceeding for recovery of unpaid professional fees and disbursements, but only to the extent necessary for such purpose; or
- (e) when the client, former client, employer or former employer, as the case may be, has consented to such disclosure.

208.2 A member, student or firm shall not use confidential information of any client, former client, employer or former employer, as the case may be, obtained in the course of professional work for such client or employer

- (a) for the advantage of the member, student or firm,
- (b) for the advantage of a third party, or
- (c) to the disadvantage of such client or employer

without the knowledge and consent of the client, former client, employer or former employer.

208.3 A member or firm engaged to perform a particular service may contract for the services of a person not employed by the member or firm to assist in the performance of that service, provided the member or firm first obtains the written agreement of that person to carefully and faithfully preserve the confidentiality of any information acquired for the purposes of the engagement and not to make use of such information other than as shall be required in the performance of such services.

Borrowing from Clients

209.1 A member, student or firm shall not, directly or indirectly, borrow from or obtain a loan guarantee from a client unless either

- (a) the loan or guarantee has been made under normal commercial terms and conditions, and
 - (i) the client is a bank or similar financial institution whose business includes lending money to the public; or
 - (ii) the client is a person or entity, a significant portion of whose business is the private lending of money; or
- (b)
 - (i) in the case of a member or student, the client is a family member or an entity over which a family member exercises significant influence; or
 - (ii) in the case of a firm, the client is a family member of a partner or shareholder of the firm or an entity over which a family member of a partner or shareholder of the firm exercises significant influence.

209.2 Rule 209.1 does not apply to:

- (a) the financing of a bona fide business venture between a member, student or firm and a client that is not an assurance client;
- (b) amounts received from a client as a retainer or as a deposit on account of future services to be provided by the member, student or firm; or
- (c) a loan received from a member or student's employer.

209.3 For purposes of rule 209.1, a client includes a person or entity who has, within the previous two years, engaged the member or firm to provide a service and who relies on membership in the Institute as giving the member or firm particular competence to provide that service.

Conflict of Interest

210.1 A member or firm engaged in the practice of public accounting or in a related business or practice shall, before accepting any professional engagement, determine whether there is any restriction, influence, interest or relationship which, in respect of the proposed engagement, would cause a reasonable observer to conclude that there will be a conflict as contemplated by rule 210.2.

210.2 Subject to the provisions of rule 210.3, a member, student or firm shall not accept, commence or continue any engagement to provide professional services to any client in circumstances where a reasonable observer would conclude that the member, or student or firm:

- (a) is in a position or has placed any person in a position where any of their interests conflicts with the interest of a client; or

- (b) is in a position where the duty owed to one client creates a professional or legal conflict with the duty owed by the member, student or firm to another client.

210.3 Where the acceptance of a proposed engagement would result in a conflict under rule 210.2 or where a previously unidentified conflict under rule 210.2 arises or is discovered in the course of an existing engagement or engagements, the member or firm must decline the proposed engagement, or withdraw from all existing engagements that are affected, unless:

- (a)
 - (i) the member or firm is able to rely upon conflict management techniques that are generally accepted and the use of such techniques will not breach the terms of an engagement with or duty to another client;
 - (ii) the member or firm informs all affected clients of the existence of the conflict and the techniques that will be used to manage it; and
 - (iii) the member or firm obtains the consent of all affected clients to accept or continue the engagement or engagements; or
- (b) the affected clients have knowledge of the conflict and their consent for the member to accept or continue the engagement is implied by their conduct, in keeping with common commercial practice.

210.4 For purposes of rule 210, a client includes any person or entity for whom the member, student or firm, or any other person engaged in the practice of public accounting or a related business or practice in association with the member, student or firm, provides or is engaged to provide a professional service.

Duty to Report Breach of Standards of Professional Conduct

211.1 A member or firm shall promptly report to the Professional Conduct Committee any information concerning an apparent breach of these rules of professional conduct, or any information raising doubt as to the competence, reputation or integrity of a member, student, applicant or firm, unless such disclosure would result in

- (a) the breach of a statutory duty not to disclose, or
- (b) the reporting of information by a member or firm exempted from this rule for the purpose and to the extent specified by Board, or
- (c) the loss of solicitor-client privilege, or
- (d) the reporting of a matter that has already been reported, or
- (e) the reporting of a trivial matter.

211.1.1 As set out in rule 211.1(b), Board may exempt a member from the duty to report to the professional conduct committee information obtained in the course of their employment at the Institute or in the course of their volunteer work at the Institute, and hereby exempts:

- (a) The Saskatchewan based representative on the inter-provincial Professional Liability Insurance Committee (PLIC) with respect to information acquired in the course of, or as a result of, the member's duties as a member of that committee.
- (b) The member who is a Director of AICA Services Inc., with respect to information acquired in the course of, or as a result of, the member's duties as a Director of AICA.

- (c) Any member on staff with the Institute.

211.2 A member or firm required to report under rule 211.1 and who is engaged, or is in consultation with a view to being engaged, with respect to a civil or criminal investigation need not report to the professional conduct committee any information obtained in the course of such engagement or consultation concerning an apparent breach of these rules of professional conduct or any information raising doubt as to the competence, reputation or integrity of a member, student, applicant or firm until such time as

- (a) the client has consented to the release of the information, or
- (b) the member or firm becomes aware that the information is known to third parties other than legal advisors, or
- (c) it becomes apparent to the member or firm that the information will not become known to third parties other than legal advisors.

Handling of Trust Funds and Other Property

212.1 A member or student who or a firm that, receives, handles or holds money or other property as a trustee, receiver or receiver/manager, guardian, administrator/manager or liquidator shall do so in accordance with the terms of the engagement, including the terms of any applicable trust, and the law relating thereto and shall maintain such records as are necessary to account properly for the money or other property; unless otherwise provided for by the terms of a trust, money held in trust shall be kept in a separate trust bank account or accounts.

Handling Property of Others

212.2 A member, student or firm in the course of providing professional services shall handle with due care any entrusted property.

Unlawful Activity

213.1 A member, student or firm shall not knowingly associate with to any unlawful activity.

Fee Quotations

214.1 A member or firm shall not quote a fee for any professional engagement unless adequate information has been obtained about the engagement.

Contingency Fees

215.1 A member or firm engaged in the practice of public accounting or in a related business or practice shall not offer or engage to perform a professional service for a fee payable only where there is a specified determination or result of the service, or for a fee the amount of which is to be fixed, whether as a percentage or otherwise, by reference to the determination or result of the service, where the service is:

- (a) one in respect of which professional standards or rules of conduct require that the member be and remain free of any influence, interest or relationship which, in respect of the engagement, impairs the member's professional judgment or objectivity or which, in the view of a reasonable observer, would impair the member's professional judgment or objectivity; or

- (b) a compilation engagement.

215.2 Rule 215.1 does not apply to a professional service for a fee fixed by a court or other public authority or to a professional service in respect of any aspect of insolvency practice, including acting as a trustee in bankruptcy, a liquidator, a receiver, or a receiver-manager.

215.3 Other than in respect of an engagement described in rule 215.1, a member or firm engaged in the practice of public accounting or in a related business or practice may offer or engage to perform a professional service for a fee payable only where there is a specified determination or result of the service, or for a fee the amount of which is to be fixed, whether as a percentage or otherwise, by reference to the determination or result of the service, provided:

- (a) the fee arrangement does not constitute an influence, interest or relationship which impairs or, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member or a partner of the member in respect of an engagement described in rule 215.1(a); or
- (b) the fee arrangement is not one which influences, or in the view of a reasonable observer would influence, the result of a compilation engagement performed by the member or a partner of the member for the same client; and
- (c) the client has agreed in writing to the basis for determining the fee before the completion of the engagement.

Payment or Receipt of Commissions

216.1 Other than in relation to the sale and purchase by a member or firm of an accounting practice, a member or firm engaged in the practice of public accounting or a student while employed by a member or firm engaged in the practice of public accounting shall not directly or indirectly pay to any person who is not an employee of the member or firm or who is not a public accountant a commission or other compensation to obtain a client, nor shall the member, student or firm accept directly or indirectly from any person who is not a public accountant a commission or other compensation for a referral to a client of products or services of others.

Advertising and Promotion

217.1 A member or firm may advertise or seek publicity for the member's or firm's services, achievements or products and may seek to obtain new engagements and clients by various means, but shall not do so, directly or indirectly, in any manner:

- (a) which the member or firm knows, or should know, is false or misleading or which includes a statement the contents of which the member or firm cannot substantiate;
- (b) which makes unfavourable reflections on the competence or integrity of the profession or any member or firm; or
- (c) which otherwise brings disrepute on the profession.

Endorsements

217.2 A member or firm may advertise or endorse any product or service of another person or entity that the member or firm uses or otherwise has an association with, provided the member or

firm has sufficient knowledge or expertise to make an informed and considered assessment of the product or service. However, in doing so,

- (a) the member or firm must act with integrity and due care;
- (b) the member or firm must be satisfied that the endorsement
 - (i) is not false or misleading or does not include a statement the contents of which the member or firm cannot substantiate;
 - (ii) does not make unfavourable reflections on the competence or integrity of the profession or any member or firm, and
 - (iii) does not otherwise bring disrepute on the profession, and
- (c) when associating the CA designation with an endorsement, the member or firm must conduct sufficient appropriate procedures to support the assertions made about the product or service.

Retention of documentation and working papers

218. A member or firm shall retain for a reasonable period of time such working papers, records or other documentation which reasonably evidence the nature and extent of the work done in respect of any professional engagement.

219 - 220 are left blank at this time.

B. COMPLIANCE, REPORTING AND COOPERATION

Conviction of Criminal or Similar Offenses

221.1 A member, student or firm who has been:

- (a) convicted of an offence of fraud, theft, forgery or tax evasion, or is convicted of an offence of conspiring or attempting to commit such offenses; or
- (b) found guilty of violating the provisions of any securities legislation; or
- (c) convicted of any criminal or similar offence for conduct in or relating to their professional capacity, or for conduct in circumstances where there was reliance on their membership in or association with the Institute; or,
- (d) discharged absolutely after pleading guilty to or being found guilty of an offence described in (a), (b) or (c) above;

shall notify the Institute of the fact of the conviction, finding of guilt or discharge, as the case may be, within fifteen (15) days after the right of appeal has been exhausted or has expired.

221.2 When, through the disciplinary process of another provincial institute:

- (a) a member is suspended or expelled from membership in that Institute; or
- (b) a member's or firm's professional practice is restricted; or
- (c) a firm's practice of public accounting is restricted;

the member or firm shall notify the Institute in writing of the fact of the suspension, expulsion or practice restriction within fifteen (15) days after the right of appeal to the other provincial institute has been exhausted or has expired.

221.3 is left blank at this time.

221.4 A member, student or firm who fails to comply with bylaws 221.1 or 221.2 shall pay a late fee as prescribed by Board.

221.5 The Institute shall report the matter described in bylaws 221.1 and 221.2 to the Professional Conduct Committee.

In respect of any charge under the rules of professional conduct, a certificate of conviction by any competent court or a certified copy of the original information or indictment with the endorsement of the conviction thereon signed by the official having custody thereof, shall be sufficient evidence of the conviction; and, a certified copy of the original information or indictment with the endorsement of the discharge thereon, signed by the official having custody thereof, shall be sufficient evidence of the discharge.

Notwithstanding any other provisions of the bylaws or the rules of professional conduct, in the event a member or firm is charged under rule 201.1 as a result of being suspended or expelled or having a restriction placed on the member or firm's right to practice through the disciplinary process of another provincial Institute, a copy of the relevant decision and order, purporting to be certified by the provincial Institute, shall be sufficient evidence of the facts and determinations certified therein.

222 - 223 are left blank at this time.

Hindrance, Inappropriate Influence and Intimidation

224.1 A member, student or firm shall not, directly or indirectly hinder any regulatory process of the Institute or otherwise attempt to exert inappropriate influence or pressure on the outcome of a regulatory matter of the Institute.

224.2 A member, student or firm shall not harass, threaten or intimidate a complainant, witness, or any other person related to a regulatory matter of the Institute nor shall a member, student or firm harass, threaten or intimidate officers, staff, volunteers or agents of the Institute acting on behalf of the Institute.

225 - 249 are left blank at this time.

C. RELATIONS WITH FELLOW MEMBERS AND NON-MEMBERS ENGAGED IN PUBLIC ACCOUNTING

Communication with Predecessor

250.1 A member or firm shall not accept an engagement with respect to the practice of public accounting or the public practice of a function not inconsistent there with, where the member or firm is replacing another member, firm or other accountant recognized by statutory authority in Saskatchewan without first communicating with such person or firm and enquiring whether there are any circumstances that should be taken into account which might influence the decision whether or not to accept the engagement.

250.2 The incumbent member or firm shall respond promptly to the communication referred to in rule 250.1.

250.3 A member or firm responding to a communication pursuant to rule 250.2 shall inform the possible successor if suspected fraud or other illegal activity by the client was a factor in the member's or firm's resignation or if, in the member's or firm's view, fraud or other illegal activity by the client may have been a factor in the client's decision to appoint a successor.

Co-operation with Successor Accountant

251.1 A member or firm, shall upon written request of the client, and on a timely basis, supply reasonable and necessary client information to the member's or firm's successor. Such co-operation is required with any successor accountant, including a non-member.

251.2 A predecessor member or firm on an engagement shall co-operate with the successor on the engagement. The predecessor shall transfer promptly to the client or, on the client's instructions, to the successor, all property of the client which is in the predecessor's possession. Such property shall be transferred in the medium in which it is maintained by the predecessor, or such other medium that is mutually agreeable, that will facilitate a timely and efficient transfer which best serves the client's interest. Ordinarily, when electronic copies of the property of the client are readily available, the client's interest will be best served when such information is provided as electronic data, rather than in printed form, provided that supplying the information in such a form will not violate licensing, copyright or similar legal agreements or proprietary rights.

Joint Engagements

252.1 A member or firm accepting an engagement jointly with another member or firm shall accept joint and several responsibility for any portion of the work to be performed by either; no member or firm shall proceed in any matter within the terms of such joint engagement without due notice to the other member or firm.

Communication of Special Engagements to Incumbent

253.1 A member or firm engaged in the practice of public accounting shall, before commencing any engagement for a client for which another member or firm is the duly appointed auditor or accountant, first notify such auditor or accountant of the engagement, unless the client makes an unsolicited request, evidenced in writing, that such notification not be given.

253.2 Rule 253.1 applies only where the services to be provided under the terms of the engagement are included in the practice of public accounting.

Responsibilities on Accepting Engagements

254.1 A member or firm accepting an engagement, whether by referral or otherwise, from a client of a member or firm having a continuing professional relationship with that client shall not take any action which would tend to impair the position of the other member in the ongoing work with the client.

Responsibilities on Referred Engagements

254.2 A member or firm receiving an engagement for services by referral from another member or firm shall not provide or offer to provide any additional services to the referred client without the consent of the referring member or firm; the interest of the client being of overriding concern, the referring member or firm shall not unreasonably withhold such consent.

255 – 259 are left blank at this time.

D. STANDARDS OF PROFESSIONAL CONDUCT APPLICABLE ONLY TO FIRMS

Firm's Maintenance of Policies and Procedures for Compliance with Professional Standards

260.1 A firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that its services are performed in accordance with generally accepted standards of practice of:

- (a) the profession, including the Recommendations and Requirements, as appropriate, set out in the CICA Handbook, and
- (b) the particular business or practice, provided that such standards are not lower than or inconsistent with the generally accepted standards of practice of the profession in which case the generally accepted standards of the profession must be followed.

Firm's Maintenance of Policies and Procedures

261.1 A firm shall establish, maintain and uphold appropriate policies and procedures designed to ensure that, in the conduct of the practice, the members and students of the Institute who are associated with the firm and any other employees of the firm or other persons with whom the firm contracts to carry out its professional services comply with the rules of professional conduct, and in particular:

- (a) conduct themselves in a manner which will maintain the good reputation of the profession and its ability to serve the public interest;
- (b) perform their professional services with integrity and due care;
- (c) comply with the independence requirements of the Institute;
- (d) comply with the conflict of interest requirements of the Institute;
- (e) sustain their professional competence and keep informed of and comply with developments in professional standards in all functions in which they practice or are relied on because of their calling;
- (f) ensure only authorized individuals have access to and can authorize the release of financial and confidential information relating to clients;
- (g) do not sign or associate themselves with any letters, reports, statements, representation or financial statements which they know or should know is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor make or associate themselves with any oral report, statement or representation which they know or should know is false or misleading;

- (h) ensure that partners or others who are not professional colleagues, such as head office personnel,
 - (i) cannot supersede decisions of members relating to the performance of client engagements within the definition of the practice of public accounting, and
 - (ii) are familiar with and comply with The Chartered Accountants Act, 1986, (Saskatchewan), regulations, bylaws and rules of professional conduct of the Institute; and
- (i) ensure that members of the firm who are members of other professional associations comply with those associations' bylaws and code of ethics.

Association with Firms

262.1 A firm engaged in the practice of public accounting shall not associate professionally with any other firm practising as chartered accountants in Saskatchewan unless:

- (a) all partners or voting shareholders of the other firm who reside in Saskatchewan are members,
- (b) at least one partner or voting shareholder of the other firm is a member, and
- (c) all the partners or voting shareholders of the other firm are professional colleagues or professional corporations or incorporated professionals provided each such corporation or incorporated professional is recognized and approved for the practice of public accounting by the provincial Institute in the province concerned.