

**Certified Management Accountants of Alberta**  
**Code of Ethics**  
**and**  
**Rules and Guidelines of Professional Conduct**

**CMA Alberta**  
***Code of Ethics***  
***and***  
***Rules and Guidelines of Professional Conduct***

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# CMA Alberta

## Code of Ethics

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### **1.0 Introduction and Background**

This document addresses the fundamental, yet most critical aspects of being a professional – the need for registrants to fully understand and observe the tenets of the code of ethics. However, the mere codification of a series of rules will not ensure adherence. There are no rules that will prevent dishonesty or greed. Registrants must want to be ethical. Collective recognition by all registrants of the need for and value of the code of ethics is necessary to maintain the credibility, reputation and ongoing viability of the profession.

It is imperative that registrants understand and abide by the code of ethics and the obligations and duties placed upon them.

#### **1.1 What Constitutes Ethics and Ethical Behaviour?**

Ethics represent the standards of conduct and moral judgment applied to a particular profession. They are vital to that profession's ongoing credibility. Ethics is putting into action one's understanding and acceptance that the best interests of society, the profession, and the employer or client must supersede personal interests or gain. The expectation and confidence that a registrant will adhere to a particular ethical standard ensures the credibility of the profession.

Ethical behaviour is closely aligned with integrity and morality, and means being in accord with the principles or standards of proper conduct as characterized by the accepted manners and customs of a society. Ethical actions and decision-making, in turn, ensure the sanctity of society's sense of order and justice. The registrant's challenge is in balancing the economic interests of the employer or client against the registrant's personal values and principles and the acceptable level of proper conduct in a given situation.

#### **1.2 The Obligations of a Profession**

##### *1.2.1 Technical Standards and Behavioural Requirements*

Professional organizations establish the standards of technical competency and behaviour for their registrants. By communicating and enforcing these standards, professional organizations such as the Society of Management Accountants of Alberta (CMA Alberta) protect the public interest, allowing users to confidently rely on the professionals they engage.

CMA Alberta is a self-governing professional organization continued under provincial legislation known as the *Regulated Accounting Profession Act* (Act). The Act and the associated regulation grant CMA Alberta the sole authority to accredit and ensure the ongoing professionalism of registrants in Alberta. The Act also permits CMA Alberta to establish bylaws that determine how CMA Alberta will govern itself, and to specify the code of ethics (code) and rules and guidelines of professional conduct (rules), outlining the obligations the registrant has to the public and the profession. The code and rules provide key measures against which professionalism is assessed, thereby ensuring that the interests of all stakeholders are satisfied.

### 1.2.2 Duties of a Profession

The duties of a profession are the maintenance of:

- *competence* in the field of expertise,
- *independence* in the offering and execution of service,
- *integrity* in employer/client dealings,
- *confidentiality* with regard to employer/client matters, and
- *discipline* of registrants who do not discharge these duties according to the expected standards.

These duties are vital to the quality of service provided, a condition made more significant because of the fiduciary relationship a registrant has with clients and employers.

### 1.2.3 Fiduciary relationships and responsibilities

"A fiduciary relationship exists when a professional service is extremely important to the client and where there is a significant difference in the level of expertise between the registrant and the client such that the client has to trust or rely on the judgment of the registrant. The maintenance of the trust inherent in the fiduciary relationship is fundamental to the role of the registrant as a professional."<sup>1</sup>

In determining whether a fiduciary relationship does exist, a court will look at all of the factors, but in a professional engagement situation, will focus on the purpose and nature of the service being provided; the extent of the reliance which the client places on the registrant; any lack of sophistication of the client; the vulnerability of the client to the influence of the registrant; and the discretionary authority, if any, granted by the client to the registrant. The court also will consider the extent of the disclosure to the client of the registrant's interest in the matter and whether the registrant is in a position of conflict of the registrant's own creation, or has an opportunity to receive a benefit unknown to the client.

The CICA Rules of Professional Conduct outline extensive circumstances registrants must consider to ensure their independence for accepting and conducting a particular engagement. Although, not reproduced in this document, the principles are applicable to registrants of CMA Alberta.

It is important for registrants to recognize that not all fiduciary relationships give rise to all fiduciary duties. The terms of the engagement should include explicit provision for the disclosure of potential conflicts and/or the use of institutional mechanisms to maintain confidentiality. These are fundamentally important to the nature of the relationship and the duties that a court will find to apply in a particular case.

Some, but not all, fiduciary duties are also professional obligations under these rules. The existence of professional obligations that are similar to fiduciary duties does not necessarily indicate that a fiduciary relationship exists between a registrant and a client.

While the law recognizes that only certain professional engagements give rise to fiduciary duties, registrants must be aware that they are subject to the rules of professional conduct in all engagements.

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<sup>1</sup> Leonard J. Brooks, *Business and Professional Ethics for Accountants*, 2<sup>nd</sup> edition; 2000, South-Western College Publishing, a division of Thomson Learning.

### **1.3 What is a Professional**

A professional is distinguished by certain characteristics including:

- mastery of a particular competency acquired through formal education, training, and practical experience, as well as continuous learning to sustain and advance proficiency in the fulfillment of professional roles and responsibilities;
- acceptance of duties to society as a whole in addition to duties to the employer or client; and
- adherence to the principal duties that are common across all professions – competence, integrity, independence, and accountability.

Registrants' adherence to the code and rules is critical to the success of the profession. As such, it is the responsibility of each registrant to focus on maintaining a reputation worthy of trust and respect.

"The primary role of the professional accountant is to offer important fiduciary services to society, a right granted because s/he undertakes to maintain the trust inherent in the fiduciary relationship. Not only must the professional accountant have expertise, s/he must apply that expertise with courage, honesty, integrity, objectivity, due care, competence, confidentiality, and avoidance of misrepresentation in order to ensure that those relying on the expertise can trust that proper care is taken of their interests."<sup>2</sup>

A CMA is deemed to be competent by CMA Alberta in the territory of management accounting, that part of the management process that develops and uses both financial and non-financial information to add long-term value to enterprises by:

- informing the process of strategic planning,
- guiding and implementing strategic plans, and
- monitoring the results of implemented strategies.

Non-professionals can acquire training and competence. Therefore, while technical competence is all that is required of registrants, they should strive to achieve and sustain a high degree of proficiency in all areas of practice.

### **1.4 The Need for the Code**

A code of ethics specifies the minimum standard for professional behaviour. The rationale for the code is to ensure the fundamental standards of performance and behaviour are articulated, to maintain the dignity and honour of the profession, and, most important, to protect the public interest. Where the code is silent, an even greater sense of responsibility is demanded.

Registrants are responsible to ensure their behaviour is not only legal and acceptable, but reflects the general standards established by members of the profession. Registrants must strive for their observance of the code, both personally and professionally, and individually and collectively.

The code and rules cannot, however, address every circumstance a registrant may face. In deciding on a course of action in a given situation, an array of ethical and moral factors

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<sup>2</sup> Leonard J. Brooks, *Business and Professional Ethics for Accountants*, 2<sup>nd</sup> edition; 2000, South-Western College Publishing, a division of Thomson Learning.

must be taken into account, as well as legislation relating to the profession, and laws of a more general nature.

The accounting profession is unique in that it is the only profession for which separate legislative bodies have been created for each specialty within the profession. Regardless of how unique the skill sets of the various branches may be, it is vital that the codes of ethics and rules of professional conduct of each branch be substantially equivalent. This is especially true in Alberta where all three professional accounting bodies are governed by the same Act.

That Act grants the same rights to each body and implies the same responsibilities. However, without the same accountability, there is imbalance in the levels of responsibility.

CMA Alberta may undertake disciplinary proceedings pursuant to the Act even though the alleged conduct is not expressly or impliedly referred to in the code or rules. Conversely, a technical or accidental breach of the code or rules may not amount to unprofessional conduct in the particular circumstances. Acceptable conduct is judged against the degree of care, diligence and skill which would be exercised in comparable circumstances by a reasonably prudent registrant suitably trained and experienced for the proficient performance of the services. Section 91 of the Act sets out what actions may constitute unprofessional conduct.

### ***1.5 The Requirement to Comply***

Registrants are accountable for their behaviour in respect of the code and rules and must follow both the spirit and the letter of the code and rules. The willingness and determination of the profession to achieve widespread compliance with the code and rules is a more powerful and basic enforcement mechanism than the imposition of sanctions. Therefore, a registrant must be vigilant respecting his or her own behaviour as well as that of colleagues. However, it is improper to use any provision of the code and rules against a fellow registrant without a genuine concern respecting the interests of the public, the profession, or an employer/client.

Candidates are required to exhibit all the characteristics of a professional regardless of the fact that they are not yet designated. Their willingness and ability to do so is indicative of their suitability for the demands of professional accreditation.

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# CMA Alberta

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### 2.0 Interpretation

The code and rules in their entirety, rather than any part in isolation, govern the conduct of a registrant, and a registrant shall comply with the code and rules accordingly. The code and rules together constitute rules of professional conduct under the Act.

Words and expressions used in this code and/or these rules without specific definition are defined as set forth in section 1 or schedule 3 of the Act or part 1 of the bylaws. Derivations of defined words and expressions have corresponding meanings.

In this code and these rules:

- (a) "accountant" means a registrant as defined by the Act.
- (b) "advertise" means any oral or written representation made:
  - (i) by or at the request of a registrant, and to or for the attention of one or more members of the public who are not clients of the registrant; and
  - (ii) in connection with, or in relation to, professional services offered by the registrant.
- (c) "advertisement" means a method used to advertise.
- (d) "candidate" means, for the purpose of the code and rules, a student enrolled in the Strategic Leadership Program or a student previously enrolled in the Strategic Leadership Program who is eligible to continue at a later date.
- (e) "client" means a person on whose behalf the registrant renders professional services and with whom the registrant has a current or ongoing registrant/client relationship. This also may include a person who, the registrant knows or ought to know, believes that a registrant/client relationship exists although one or more of the customary indicators of such a relationship are absent.
- (f) "code" means this code of ethics.
- (g) "competence" means a measurable set of skills, level of knowledge and behavioural practices obtained through formal education and practical experience to achieve a minimum standard, and applied by the registrant in providing professional services.
- (h) "confidential information" means specific information concerning an employer's or client's business, interests and affairs acquired in the course of the registrant/employer or client relationship, which is not generally public knowledge and which may
  - (i) be of a private, secret, sensitive or entrusted nature;
  - (ii) have been acquired by the registrant, or disclosed by the employer or client to the registrant, with the reasonable expectation that it be held in confidence and not be further disclosed; or
  - (iii) be reasonably expected to cause harm to the employer or client, or to be detrimental to the employer's or client's business, interests and affairs if it does not continue to be held in confidence or is further disclosed.

- (i) "conflict of interest" means any situation where a registrant's personal interests or those of a family member, close friend, business associate, corporation, institution, association or partnership in which the registrant holds a significant interest, or a person to whom the registrant owes an obligation could influence the registrant's decisions and impair the registrant's ability to:
- act in the best interest of the employer or client, or
  - represent the employer or client fairly, impartially and without bias.
- (j) "constituent" means any group or individual forming part of, or associated with, the employer. In a corporation, the constituents would include directors, officers, employees, shareholders and registrants, collectively and individually. In government, the term would refer to personnel at various levels of authority (such as supervisors, department heads and ministers of the Crown) as well as to the departments, agencies and branches of the government concerned.
- (k) "employer" means an entity with whom the registrant has an employment relationship, and may also include a person who, to the registrant's knowledge, reasonably believes that an employment relationship exists although one or more of the customary indicators of such a relationship are absent.
- (l) "knowledge" means information in specific content areas. Knowledge can be obtained in a number of ways: through formal education and training, learning from others, and practical experience. There are three levels of knowledge: *basic*, meaning to have a passing familiarity of basic issues, practices, developments, etc., and a general understanding and appreciation of their broad implications; *working*, meaning to have a good knowledge of related concepts, theories, principles, standards, frameworks, procedures, etc.; and *in-depth*, meaning to have a thorough understanding as to why and how things operate.
- (m) "integrity" means the exercise of consistent sound moral judgment and behaviour.
- (n) "objectivity" means acting without bias or prejudice. Detachment and impartiality are important aspects of objectivity.
- (o) "post-designation learning" means formal or informal education, or a combination of both, as prescribed by CMA Alberta, that contributes to continued competency and effectiveness of members of CMA Alberta as financial and strategic management professionals.
- (p) "practical experience" refers to the application of knowledge and skills. There are three aspects of practical experience that are pertinent: the amount of practical experience, the role in which practical experience has been gained, and the context in which practical experience has been gained.
- (q) "profession" means the accounting profession, which includes all professionally accredited accountants collectively and their institutions and governing bodies.
- (r) "professional" means the manner in which a registrant behaves and carries out his/her duties to the employer or client. Being a professional connotes more than simply holding the designation and being employed as such. It means willingly conforming to required standards of behaviour with a desire to avoid the consequences of failing to conform, realizing the potential for harm to the employer or client that may otherwise result.
- (s) "proficiency" refers to the three interrelated dimensions of knowledge, skills and practical experience needed by registrants to meet or exceed the requirements of their professional roles and responsibilities. Proficiency equates with a high level of competence.



- (t) "registrant" means, for the purposes of the code and rules, a certified management accountant or candidate, including any other registrations that person may hold with CMA Alberta.
- (u) "rules" and "rules and guidelines" each mean the rules and guidelines included as part of this code.
- (v) "skill" refers to the ability of registrants to perform a physical or mental task. There are three levels of skill: *basic*, meaning to have the ability to operate effectively in relation to straightforward matters and within well-established practice or procedure parameters; *intermediate*, meaning to have the ability to operate effectively in relation to complex matters and to be able to bring to these matters an element of innovation; and *accomplished*, meaning to have the ability to operate effectively in relation to highly complex matters that can be contentious and/or test conventional modes of thinking or practice.

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### 3.0 **Core Principles**

Each article of the code consists of a statement of principle. Each statement of principle expresses an obligation of the registrant in a general way. The rules are more specific than the statement of principle and frequently include examples to illustrate points. The rules may expand upon a statement of principle, but will not limit the scope of the statement. The rules are mandatory, and state specific duties and obligations of the registrant. The application of a rule in a given case will depend on the particular facts and all circumstances.

The division of the code and rules into articles and the use of headings is for convenience of reference only and shall not affect their application.

#### **ARTICLE I      *COMPETENCE AND PROFICIENCY***

A registrant has a duty to be competent and should strive for a high level of proficiency in the services provided.

A registrant shall perform all services with the degree of care, diligence and skill which would be exercised in comparable circumstances by a reasonably prudent registrant suitably trained and experienced for the competent performance of the services.

A registrant has a duty to serve the employer's or client's best interests, subject to limitations imposed by law or professional ethics.

#### **ARTICLE II      *RELATIONSHIP OF THE REGISTRANT TO THE PROFESSION***

A registrant has a duty to uphold the standards and reputation of the profession and to aid in the advancement of CMA Alberta's goals.

A registrant shall not advise or otherwise assist in committing a crime or fraud.

#### **ARTICLE III      *RELATIONSHIP OF THE REGISTRANT TO OTHER ACCOUNTANTS***

A registrant has a duty to deal with all other accountants honourably and with integrity.

#### **ARTICLE IV      *CONFLICT OF INTEREST***

In each matter, a registrant's judgment and fidelity to the employer's or client's interests must be free from conflict of interest.

#### **ARTICLE V      *CONFIDENTIALITY***

A registrant has a duty to keep private and confidential all confidential information.

**ARTICLE VI THE REGISTRANT IN ACTIVITIES OTHER THAN THE PROFESSION OF ACCOUNTING**

Activities engaged in by a registrant outside the profession must not compromise the registrant's professional responsibilities nor bring the profession into disrepute.

**ARTICLE VII THE REGISTRANT EMPLOYED OUTSIDE PUBLIC ACCOUNTING PRACTICE**

A registrant employed outside public accounting practice has a duty to serve the employer's best interests, subject to limitations imposed by law or professional ethics.

**ARTICLE VIII THE REGISTRANT AND THE MANAGEMENT AND OPERATION OF PUBLIC ACCOUNTING PRACTICE**

Except where a higher standard is imposed by this code and these rules, a registrant, in managing and operating the registrant's public accounting practice, shall adhere to the highest business standards in the community.

The registrant has a duty to ensure that the public receives only accurate and reasonably complete information about the nature and availability of services in public accounting practice.

A registrant's fee shall not exceed a fair and reasonable amount.

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### 4.0 Rules and Guidelines of Professional Conduct

#### **ARTICLE I COMPETENCE AND PROFICIENCY**

- IP-1 A registrant has a duty to be competent and should strive for a high level of proficiency in the services provided.**
- IP-2 A registrant shall perform all services with the degree of care, diligence and skill which would be exercised in comparable circumstances by a reasonably prudent registrant suitably trained and experienced for the competent performance of the services.**
- IP-3 A registrant has a duty to serve the employer's or client's best interests, subject to limitations imposed by law or professional ethics.**

#### **I - RULES**

- IR-1 A registrant expressing an opinion on, or otherwise associated with, financial statements or other financial information, shall follow the related standards and practices of the profession as specified in the bylaws.
- IR-2 A registrant shall maintain continuous competence in all areas in which the registrant practices.
- IR-3 A registrant shall not act or continue to act in any matter in which it is reasonably foreseeable that the registrant will be unable for any reason to provide competent services.
- IR-4 A registrant prevented from acting or continuing to act by Rule 1R-3 shall make reasonable efforts to aid the employer or client in obtaining competent services.
- IR-5 A registrant shall assign to support personnel only those tasks they are competent to perform. A registrant shall ensure that support staff have received proper training and supervision.
- IR-6 A registrant shall refrain from conduct that impairs the registrant's capacity or motivation to provide competent services.

#### **I - GUIDELINES**

##### IG-1 Aspects of Competence

While it is sufficient for a registrant to be just competent and provide merely competent service, this may not serve the employer's or client's best interests. Therefore, to ensure the client's or employer's best interests are served, the registrant should strive to attain a high level of proficiency in those areas in which the registrant provides professional services.

The term "competence" encompasses a broad range of characteristics. Some of these, discussed in more detail below, are:

- (a) professionalism;
- (b) sound professional judgment;
- (c) skill;
- (d) management and organization;
- (e) intellectual and emotional capacity to perform competently;
- (f) maintenance and improvement of knowledge and skills.

A discussion of these characteristics follows.

(a) Professionalism

This characteristic includes attitudes and values such as dedication, good work habits, an understanding of human relationships, a general determination to act in an ethical manner, and a high regard for the interests of society.

An important aspect of professionalism is attention to quality of service. Characteristics of quality service include:

- (i) being conscientious, diligent and efficient in providing services
- (ii) meeting all deadlines unless the registrant can offer a reasonable explanation
- (iii) responding promptly to communications and reporting developments to the employer or client, and
- (iv) maintaining such communication as is reasonably expected by the employer or client.

(b) Sound Professional Judgment

The following are attributes that contribute to professional judgment:

- (i) ability to assess the strengths and weaknesses of a situation and to recommend the proper course of action;
- (ii) ability to recognize one's own limitations and issues beyond one's competence. The registrant must consider whether lack of experience or skill would make it unwise to agree to perform a task or to accept an engagement.
- (iii) ability to balance the obligation to be thorough with the obligation to provide valuable service.

Lack of experience does not always prevent a registrant from acting. Such a registrant can competently handle a matter through research, study and possibly the supervision or aid of colleagues. However, the registrant must not allow the employer's or client's business or interests to suffer while the registrant gains the necessary knowledge.

(c) Skill

This attribute is the ability to translate accounting and related knowledge into action.

(d) Management and Organization

To be competent, a registrant's services must be valuable, timely and efficient.

(e) Intellectual and Emotional Capacity to Perform Competently

Impairment of intellectual and emotional capacity may occur as a result of personal problems, work overload, or excessive involvement in outside activities. A registrant has an ethical obligation to recognize such circumstances and the point at which the registrant's competence is jeopardized, and to seek assistance appropriate to the circumstances. In the case of alcohol or drug abuse, or mental instability or senility it may not be possible for the registrant to recognize the registrant's own impairment. In the event that other registrants suspect such impairment, they are obliged to intervene for the purpose of protecting the public interest and the integrity of the CMA designation.

(f) Maintenance and Improvement of Knowledge and Skills

A registrant has an obligation to maintain professional skills and knowledge and to keep abreast of developments in the registrant's area of practice. A registrant also should seek to improve ongoing proficiency to facilitate the best performance of each engagement. There are many different ways of achieving these goals, including post-designation learning and the review of professional periodicals and journals.

## IG-2 Incompetence vs. Negligence

The ethical rules governing competence do not necessarily correspond to the legal rules governing competence. An isolated incident or error may be negligent and be legally actionable without amounting to incompetence. Conversely (and for example) conduct may prompt CMA Alberta intervention even though it does not result in any loss to an employer or client.

## IG-3 Services Provided for Little or No Remuneration

The standard of competence applies to all registrants. It is inconsequential that services are provided with minimal, little or no remuneration. Provision of service to a friend, volunteer organization, or in any manner or form which contemplates a lower fee for service, does not allow for the standards of competence to be compromised. A registrant cannot compromise professional standards in the perceived best interests of a friend.

## IG-4 Steps in Rendering Competent Service

In some cases, a registrant may have a responsibility to suggest the engagement of experts in areas in which the registrant cannot competently advise the employer or client, such as legal matters.

The circumstances potentially preventing a registrant from providing competent service in a matter may be of a personal or professional nature. For example, a registrant may have personal feelings or beliefs that would create an impairment of professional judgment. Professionally, a registrant may have unusually heavy commitments that would prevent the proper or timely attention to a matter. Alternatively, a registrant may lack the necessary knowledge, skills or experience to perform competently.

## IG-5 Delegation

Support personnel may be under the direct or indirect supervision of the registrant. If the latter, the registrant may not have the authority to ensure that support staff have the specific training required to complete the assigned tasks. In this instance, the registrant must use what influence the registrant has to ensure the appropriate training is obtained.

## **ARTICLE 11 RELATIONSHIP OF THE REGISTRANT TO THE PROFESSION**

**IIP-1 A registrant has a duty to uphold the standards and reputation of the profession and to aid in the advancement of CMA Alberta's goals.**

**IIP-2 A registrant shall not advise or otherwise assist in committing a crime or fraud.**

### **11 - RULES**

IIR-1 A registrant shall refrain from personal or professional conduct that may bring discredit to the profession.

IIR-2 A registrant shall not directly or indirectly associate or permit the registrant to be associated with any:

- (a) act, business or enterprise which the registrant knows or has reason to believe is illegal or improper; or
- (b) written document or verbal statement which the registrant knows or has reason to believe is materially false or misleading or otherwise tending to materially misrepresent the actual situation,

whether or not the association is under a disclaimer.

IIR-3 A registrant shall not carry out instructions of the employer or client that are contrary to law or professional ethics.

IIR-4 A registrant shall enhance the profession to an extent and in a manner consistent with the registrant's personal capacity and professional abilities.

IIR-5 A registrant who is:

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

shall promptly inform CMA Alberta of the fact of the conviction, finding of guilt or discharge, as the case may be, when the right of appeal has been exhausted or expired.

IIR-6 Any registrant who:

- (a) becomes insolvent, makes an assignment in bankruptcy, is declared a bankrupt by any court of competent jurisdiction or takes the benefit of any statutory provision for insolvent debtors, or
- (b) is declared by any court of competent jurisdiction to be a person of unsound mind,



shall give written notice, outlining the particulars, to the Registrar.

- IIR-7 All correspondence and remarks by a registrant addressed to or concerning another registrant, CMA Alberta, or any other professional organization or institution shall be fair, accurate and courteous.
- IIR-8 Except to the extent limited by the terms of the engagement or employment, a registrant shall not directly or by implication criticize any services provided by another accountant unless the registrant has first:
- (a) informed the other accountant of his or her intentions in that regard and allowed the other accountant an opportunity for explanation; and
  - (b) advised the other accountant of the action, if any, which the registrant proposes to take regarding the subject matter of the criticism.
- IIR-9 A registrant shall promptly report to the Registrar any information concerning an apparent breach of this code or any information raising doubt as to the competence, reputation or integrity of a registrant or applicant for registration, unless such disclosure would result in:
- (a) the breach of a statutory duty,
  - (b) the loss of solicitor-client privilege, or
  - (c) the reporting of a trivial matter.
- IIR-10 A registrant shall make, in a complete and appropriate manner, timely response to any communication from CMA Alberta that contemplates a reply.
- IIR-11 A registrant shall:
- (a) co-operate in a practice review under part 4 of the Act, and
  - (b) co-operate in an investigation or hearing under part 5 of the Act.

## **II - GUIDELINES**

### **IIG-1 General**

Each registrant must accept personal responsibility for the profession's status and advancement. Otherwise, the profession's right to continuing self-governance may be questioned. Registrants have an obligation to uphold the dignity of the profession, and to maintain and enhance the respect accorded to accountants, individually and as a group, through dedication to the legitimate objects of the profession and its organizations.

A registrant has a responsibility to avoid even the appearance of impropriety, and to act in a manner that encourages the confidence, respect and trust of society.

Behaviour considered to bring discredit to the profession would include incidents reflecting adversely on a registrant's personal integrity (such as those involving fraud or dishonesty) as well as conduct that is demeaning to CMA Alberta or to the profession of accounting generally.

The tone and content of remarks by a registrant affecting the profession or one of its registrants always must be proper, notwithstanding strongly held opinions or personal animosities. The intention, however, is not to inhibit honest disagreement or criticism. Nor

is the intention to curtail activities by registrants designed to bring about changes in the profession or professional organizations such as CMA Alberta.

If a communication from CMA Alberta specifies a time for response, the registrant must respect that deadline. Otherwise, timely response will be interpreted to mean response within a reasonable time given all the circumstances. The registrant also must ensure that the reply adequately answers or explains all points raised in CMA Alberta's communication.

Because the profession is self-governing, it is unacceptable for registrants to try to shield the misconduct of a colleague. A registrant must bring instances of incompetence or impropriety to the attention of CMA Alberta, to protect the interests of the public.

A fellow professional or designated accountant is often the best judge of what is incompetence or misconduct and is frequently in the position to learn about a particular instance of such behaviour. In deciding whether to report a given incident or series of incidents, a registrant must first assess the credibility of information received respecting the misconduct. There is no duty to report or inquire into a mere rumour, suspicious circumstances or an incident coming to the registrant's attention through questionable sources.

A registrant, satisfied that an ethical violation has occurred, must consider the seriousness of the violation and its potential consequences for the profession and the public. A registrant is not required to report an isolated occurrence that is trivial or a technical breach only. However, there may be ongoing conduct of a registrant that is at first not serious enough to warrant reporting, but if it continues, becomes elevated to a level to require being reported.

#### IIG-2 Crime or Fraud

Registrants must refuse to participate in any illegality or breach of ethics. That such a stand may create conflict with the employer or client or jeopardize the registrant's position, opportunity for advancement, or engagement is not relevant from an ethical perspective.

## **ARTICLE III RELATIONSHIP OF THE REGISTRANT TO OTHER ACCOUNTANTS**

**IIIP-1 A registrant has a duty to deal with all other accountants honourably and with integrity.**

### **III - RULES**

IIIR-1 A registrant shall not lie to or knowingly mislead another accountant.

IIIR-2 If a registrant engaged in public accounting practice is requested to perform services for the client of another accountant which the registrant knows or has reason to believe is then providing or engaged to provide such services in public accounting practice for the client, the registrant receiving the request shall, unless limited by the terms of the registrant's engagement, so notify the other accountant in writing before agreeing to perform the services.

IIIR-3 When a registrant leaves a public accounting firm to practice elsewhere, the following rules apply:

- (a) The client's interests are paramount and accordingly, the client shall make the decision whether the departing registrant will continue being engaged by the client, without undue influence or harassment.
- (b) In their relationship and dealings with each other and with other accountants, the registrants shall conduct themselves in a manner that is honourable, professional and consistent with the best interests of the profession.

IIIR-4 A registrant shall not accept an engagement with respect to public accounting practice or a function not inconsistent with public accounting practice, where the registrant is replacing another accountant, without first communicating with such person and enquiring whether there are any circumstances the registrant should take into account which might influence the registrant's decision whether to accept the engagement.

IIIR-5 The incumbent registrant shall respond promptly to the communication referred to in rule IIIR-4.

IIIR-6 A registrant responding to a communication pursuant to rule IIIR-5 shall inform the possible successor if suspected fraud or other illegal activity by the client was a factor in the registrant's resignation or if, in the registrant's view, fraud or other illegal activity by the client may have been a factor in the client's decision to appoint a successor.

### **III - GUIDELINES**

IIIG-1 General

Good relations among accountants are important from several perspectives. They facilitate the effective and timely dispatch of business while enhancing working conditions for accountants. When the public observes that dealings among accountants are polite and professional, this fosters respect for accountants on an individual and collective basis. Conversely, rude or offensive behaviour will reflect adversely on the accountant involved and on the profession.

## IIIG-2 Misleading Representations

The interpretation of "misleading" is intended to be broad including, but not limited to, the creation of a misconception on the part of other accountants through oral or written statements, other communications, actions or conduct, failure to act, or silence.

## IIIG-3 Ending an Association between Accountants

While ending an association between accountants is not always amicable, the paramount consideration is the interests of clients. The handling of all related matters should proceed accordingly.

Upon notifying clients and distributing files, the approach taken should be moderate, reasonable and free of efforts by either accountant to unduly influence a client's instructions about the disposition of a current engagement. The best solution is a mutual review of the client list and agreement regarding the fair and appropriate manner of contacting clients and getting written authorizations for the transfer of files moving with the departing accountant. Both accountants should be willing to agree to have certain clients contacted by the other accountant. For clients both accountants wish to contact, a jointly formulated, neutrally worded letter should be sent, clearly leaving the decision about future accounting services to the client. A client should not be subjected to repeated entreaties by a registrant. Should the client actively seek advice, the response of the registrant must be professional and consistent with the client's best interests.

In other dealings between the departing registrant and the public accounting firm, the reputations of those involved and the profession must take precedence over personal animosities. The departing registrant should give reasonable notice to the public accounting firm in advance of notice to clients. The registrant and the public accounting firm must come to some mutually acceptable arrangement respecting the transferring of work-in-progress to the departing registrant. The transfer of a file should not delay the progress of a client matter. When a client chooses to remain with the public accounting firm, it is improper to charge the client for time spent by a remaining registrant of the public accounting firm in becoming familiar with the file.

## IIIG-4 Referrals From Other Accountants

A registrant receiving a referral from another accountant should limit the services provided to the specific assignment received by referral from the existing accountant or the client unless otherwise requested by the client. The registrant receiving the referral also has the duty to take reasonable steps to support the existing accountant's current relationship with the client and should not express any criticism of the professional services of the existing accountant without giving the latter an opportunity to provide all relevant information.

A registrant receiving a referral who is subsequently asked to undertake an assignment which is clearly distinct from that carried out by the existing accountant or from that initially received by referral, should regard this as a separate request to provide services or advice. Before accepting such engagements, the registrant receiving the referral should advise the client of the professional obligation to communicate with the existing accountant and should immediately do so, preferably in writing, advising of the approach made by the client and the general nature of the request.

Circumstances sometimes arise when the client insists that the registrant not inform the existing accountant. The registrant should decide whether the client's reasons are valid.

Unless there are special circumstances, a mere reluctance of the client for communication with the existing accountant would not be a satisfactory reason.

The registrant receiving the referral should:

- (a) comply with the instructions received from the existing accountant or client to the extent that they do not conflict with relevant legal, ethical or other requirements, and
- (b) ensure, insofar as it is practical to do so, that the existing accountant is informed of the general nature of the professional services performed by the registrant.

The registrant making a referral should, in addition to issuing instructions concerning referred business, maintain contact with the receiving accountants and co-operate with them in all reasonable requests for assistance.

## **ARTICLE IV CONFLICT OF INTEREST**

**IVP-1 In each matter, a registrant's judgment and fidelity to the employer's or client's interests must be free from conflict of interest.**

### **IV - RULES**

IVR-1 A registrant shall not, directly or indirectly, undertake, engage in or maintain any relationship, business or activity, or make or maintain any investment adversely affecting or reasonably expected to affect adversely the independence or quality of any services the registrant is engaged or employed to provide.

IVR-2 A registrant shall keep free of any influence, interest or relationship in respect of the registrant's affairs that affects or is reasonably expected to impair the registrant's professional judgment or objectivity, or otherwise adversely affect the independence or quality of any service the registrant is engaged or employed to provide.

IVR-3 Except as provided in rule IVR-2, an employer or client may expressly consent in writing to a business, activity, investment or relationship that would otherwise be in contravention of rule IVR-1.

IVR-4 If circumstances prohibited under rule IVR-1 arise, the registrant shall promptly disclose the same to the employer or client and take the steps necessary to comply with this article.

IVR-5 If an existing relationship, while not preventing a registrant from accepting employment or an engagement pursuant to rule IVR-1, raises a reasonable apprehension of impropriety, the registrant shall disclose the relationship to the employer or client.

IVR-6 A registrant shall not accept any employment or engagement when there is a conflict or potential conflict between the registrant and employer or client unless the employer or client consents to it and it is reasonable to believe that it is in the employer's or client's best interests that the registrant accept.

### **IV - GUIDELINES**

IVG-1 General

A registrant may have a loyalty, financial interest, personal belief or outside activity that conflicts or may conflict with an employer or client interest. If this situation would materially impair the registrant's ability to provide proper and competent services, the registrant shall not provide any services while the situation exists.

If the conflicting interest of the registrant does not create an actual impairment of objectivity, the registrant should nonetheless decline to provide services unless doing so is in the employer's or client's best interests. In making this judgment, the registrant must independently consider all relevant factors. It is not enough to rely on the employer's or client's assessment in this regard.

## **ARTICLE V      CONFIDENTIALITY**

**VP-1      A registrant has a duty to keep private and confidential all confidential information.**

### **V - RULES**

VR-1    A registrant shall not disclose any confidential information regardless of its source.

VR-2    A registrant shall take reasonable measures to preserve and keep confidential property of an employer or client that is under the registrant's direct control.

VR-3    A registrant shall take reasonable measures to ensure the maintenance of confidentiality by all persons engaged or employed by the registrant.

VR-4    A registrant may disclose confidential information of the employer

(a) to those with whom the registrant is expressly directed or authorized by the employer to share the confidential information; or

(b) without express direction or authorization, to those constituents of the employer having implied authority to deal with issues raised by the confidential information.

VR-5    A registrant shall not disclose confidential information notwithstanding conclusion of the matter or termination of the registrant/employer or client relationship.

VR-6    A registrant shall, upon written request of the client, supply on a timely basis reasonable information to the registrant's successor about the work done or being assumed.

VR-7    A registrant who is a predecessor on an engagement shall co-operate with the successor, recognizing the client's interests are paramount, and shall transfer promptly to the client, or on the client's instructions to the successor, all books, documents, and other property belonging to the client which are in the registrant's possession.

VR-8    A registrant who possesses confidential information of an employer or client:

(a) shall not use such confidential information for the registrant's personal benefit nor the benefit of a third party, and

(b) shall not act in a matter in which the confidential information could be used to the material advantage of another employer or client of the registrant, or otherwise to the disadvantage of an employer or client.

VR-9    When, in other provisions of the code or rules and guidelines, an ethical obligation of a registrant is stated to be subject to confidentiality:

(a) confidential information of an employer or client shall not be disclosed to any party without the employer's or client's consent;

(b) a registrant shall seek the employer's or client's consent to disclose the confidential information to the extent necessary to permit the registrant to fulfil the ethical obligation; and

- (c) if the employer or client withholds consent, the registrant shall take the appropriate action, which may be to terminate employment or to withdraw from the engagement.

VR-10 The foregoing rules are subject to the following:

- (a) a registrant shall disclose confidential information to CMA Alberta when required to do so by CMA Alberta;
- (b) a registrant shall disclose confidential information when required to do so by law;
- (c) a registrant may use or disclose confidential information of an employer or client when expressly or impliedly authorized by the employer or client;
- (d) a registrant may disclose confidential information when reasonably necessary for the registrant to defend a claim or allegation in a dispute with an employer or client; and
- (e) a registrant may disclose confidential information when necessary to participate fully and appropriately in the academic requirements for admission as a member. No registrant who is party to such confidential information will act in a manner in which the confidential information could be used to the material advantage of the registrant or any employer or client of the registrant.

VR-11 When disclosing confidential information pursuant to rule VR-10, the registrant shall disclose the minimum information required to give effect to rule VR-10 and no more.

## **V - GUIDELINES**

### VG-1 Use of Property

The use of an employer's or client's property that is temporarily in the possession or under the control of a registrant, must be solely for the purposes expressly or impliedly authorized by the employer or client.

A registrant's duty to maintain confidentiality is not limited to non-disclosure, but extends to refusing to make improper use of the information, with or without disclosure.

### VG-2 Access

Access to employer or client files, within the office or otherwise, must be strictly limited to those legitimately entitled to their use.

### VG-3 Client's Property

The client of a registrant engaged in public accounting practice is, regardless of whether any wages, fees or disbursements are then outstanding, entitled to take custody of all property then held by the registrant and received from or at the direction of the client.

In dealing with client property, a registrant must follow procedures that will facilitate its return in suitable condition and with any confidentiality intact.

### VG-4 Fiduciary Responsibility

A registrant's responsibilities with respect to employer or client property are fiduciary in nature – held in trust.



#### VG-5 Implied Authority

A registrant has an implied authority to disclose the affairs of clients to the extent necessary to partners and to employees of the public accounting firm. However, this implied authorization carries with it the obligation to ensure that the use of confidential information by employees is proper in all respects, and that confidentiality is maintained during their period of employment and afterwards.

#### VG-6 Successor Accountants

Once a registrant has the obligation to hold information in confidence, disclosure at any time is improper unless rule VR-7 applies. Therefore, a registrant should not convey confidential information to a successor accountant unless satisfied that the employer or client has authorized such disclosure. The obligation of confidentiality also survives the death of the employer or client.

This article permits the sale of a practice by a registrant to another accountant, and disclosure to another accountant to the extent required by the CICA Handbook.

## **ARTICLE VI THE REGISTRANT IN ACTIVITIES OTHER THAN THE PROFESSION OF ACCOUNTING**

**VIP-1 Activities engaged in by a registrant outside the profession of accounting must not compromise the registrant's professional responsibilities nor bring the profession into disrepute.**

### **VI - RULES**

VIR-1 When engaging in an activity outside the profession of accounting, a registrant shall ensure that any person with whom the registrant deals:

- (a) is aware that the registrant is not acting as such, and
- (b) is aware of the capacity in which the registrant is acting.

VIR-2 A registrant's conduct when engaging in an activity outside the profession of accounting shall not be incompatible with the best interests of the public or the profession.

VIR-3 A registrant in the course of providing professional services shall handle with due care any property entrusted to him.

VIR-4 A registrant who 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 the trust, money held in trust shall be kept in a separate bank account or accounts.

### **VI - GUIDELINES**

VIG-1 General

When a registrant adopts a role other than that of registrant, confusion about whether a registrant/employer or client relationship is established may arise. The registrant must, therefore, be as specific as possible with respect to each of the elements of rule VIR-1. To this end, in virtually all situations, the registrant should give written confirmation that the registrant is not acting in public accounting practice and differentiating the capacity in which the registrant is acting. Although the process of differentiation will be more difficult if the other activity is similar to public accounting practice, it is especially important to so differentiate, in such cases, due to the greater risk of confusion.

## **ARTICLE VII THE REGISTRANT EMPLOYED OUTSIDE PUBLIC ACCOUNTING PRACTICE**

**VIIP-1 A registrant employed outside public accounting practice has a duty to serve the employer's best interests, subject to limitations imposed by law or professional ethics.**

### **VII - RULES**

VIIR-1 A registrant shall consider the employer, and not any constituent of the employer, to be the registrant's employer.

VIIR-2 Confidential information received by a registrant from any source, including a constituent of the employer, is confidential information of the employer.

VIIR-3 If a registrant, while providing professional services for the employer, receives information respecting material misconduct by a constituent of the employer, the registrant shall disclose the information to a proper authority in the employer.

### **VII- GUIDELINES**

VIIG-1 This code and these rules apply to registrants regardless of whether they are engaged in public accounting practice or employed. An employment relationship may, however, generate issues that do not normally arise in public accounting practice. This article is intended to aid in-house registrants in identifying and resolving these concerns.

VIIG-2 Identification of the employer, although clearly a basic issue, may be difficult when the registrant is employed by an organization composed of many different constituents, both individuals and groups, which may overlap. Yet the registrant must identify the employer from the outset since a registrant must act in the best interests of the employer, and information received in respect of the employer's business, interests or affairs may be confidential.

A registrant must view the larger entity as the employer as opposed to the specific individual to whom the registrant reports and receives instructions. The employer has a separate existence that will presumably endure irrespective of changes in ownership, management or personnel. The responsibilities of the registrant to the employer are owed to this entity. The registrant who can clearly identify the employer, and who communicates this identification to others (such as fellow employees) who are confused about the registrant's role, will be better able to deal with ethical issues.

While an in-house registrant may for some practical purposes consider the branch, department or agency in which the registrant works to be the employer, a registrant must maintain a larger view of the entity as a whole as the employer.

VIIG-3 The complex structure of most businesses and governments employing in-house registrants raises a further issue, namely, identification of those within the employer entitled to receive confidential information on the employer's behalf.

A registrant may report to and receive instruction from one or more persons within the management structure of the employer. It is to these individuals that a registrant would disclose information relevant to the employer's business,

interests, and affairs. Without a clear superior, the registrant would share the information with an individual or group having the authority to deal with the issues raised by the confidential information. In a corporation, for example, this source of authority could be a director or officer, a supervisor or manager, or even, in some circumstances, the board of directors or shareholders of the corporation. A registrant would rarely disclose confidential information to a constituent lacking authority to act on professional advice given by the registrant.

- VIIG-4 The registrant must share with the employer information that relates to the employer's business, interests or affairs. Initial identification of the employer and the clarification of the registrant's role is therefore an important aspect of a registrant's relationship with employees and interest groups within the employer.
- VIIG-5 Material misconduct that comes to the attention of an in-house registrant may require special action by the registrant to protect the interests of the employer, and may oblige the registrant to consult progressively higher levels of authority within the employer, or to omit consultation with a particular level, notwithstanding express direction to the contrary by a constituent instructing the registrant, if the misconduct involves that constituent.

## **ARTICLE VIII THE REGISTRANT AND THE MANAGEMENT AND OPERATION OF PUBLIC ACCOUNTING PRACTICE**

- VIIIP-1 Except where a higher standard is imposed by this code and these rules, a registrant, in managing and operating the registrant's public accounting practice, shall adhere to the highest business standards in the community.**
- VIIIP-2 A registrant has a duty to ensure that the public receives only accurate and reasonably complete information about the nature and availability of the registrant's services in public accounting practice.**
- VIIIP-3 A registrant's fee shall not exceed a fair and reasonable amount.**

### **VIII - RULES**

- VIIIR-1 Each registrant required to register as a public accounting firm or professional service provider shall operate under the direct personal responsibility and supervision of at least one member who shall be normally available at the office to service the public.
- VIIIR-2 A registrant shall not directly or indirectly represent the registrant as carrying on public accounting practice at a particular location unless the registrant physically attends at that location as often as is necessary to provide or supervise the provision of services in public accounting practice at that location.
- VIIIR-3 A registrant conducting public accounting practice who is required to register as a public accounting firm under section 46 or 50 of the Act, must practice under the descriptive style of "certified management accountant(s)".
- VIIIR-4 A registrant conducting public accounting practice and opting to use the descriptive style of "certified management accountant(s)" must register as a public accounting firm.
- VIIIR-5 A registrant conducting public accounting practice who is required to register as a professional services provider must practice using a name that is not misleading, self-laudatory, or in contravention of professional good taste.
- VIIIR-6 Notwithstanding rules VIIIR-3 and VIIIR-4, each public accounting practice in Alberta composed of one or more registrants sharing proprietary interest with persons who are not CMAs shall not practice under the descriptive style of "certified management accountant(s)" and shall be under the personal charge and management of a registrant who normally shall be accessible to meet the needs of clients during such times as the office is open to the public.
- VIIIR-7 A registrant engaged in public accounting practice shall, in the case of an assurance engagement, a specified auditing procedures engagement or a compilation engagement, provide the client with an engagement letter setting out, in summary fashion, the nature of the engagement. For all other engagements, the registrant may provide the client with such an engagement letter.

- VIIIR-8 A registrant engaged in public accounting practice shall retain, for a reasonable period under the circumstances, sufficient documentation and working papers to confirm the nature and extent of the work done in performing the services.
- VIIIR-9 If a registrant ceases public accounting practice, the registrant shall provide CMA Alberta with such information and do such acts and things as the practice review committee may reasonably require to ensure an orderly resolution of the transition of all active files pertaining to the public accounting practice.
- VIIIR-10 A registrant shall not, through advertising, promotion, the use of a public accounting practice name, letterhead, or any other activity, make a representation to the public that is false, inaccurate or misleading in any respect, or harmful to the profession or the public.
- VIIIR-11 A registrant shall not state in an advertisement that the registrant is a specialist unless certified as such by CMA Alberta or by a body recognized by CMA Alberta for purposes of certification.
- VIIIR-12 A registrant shall keep a copy or recording of every advertisement published or distributed on the registrant's behalf for a minimum of one year after the date of its last publication or distribution,
- VIIIR-13 A registrant shall provide to the client, preferably in writing, before or within a reasonable time after commencing an engagement, as much information about fees and disbursements as is reasonable and practical in the circumstances, including the basis for determining fees.
- VIIIR-14 The factors determining the fee that is fair and reasonable in a given case include, but are not limited to, the following:
- (a) the nature of the engagement, including its difficulty and urgency; its importance to the client; its monetary value; and the need for special skills or services;
  - (b) the time and effort expended;
  - (c) the results obtained;
  - (d) the customary charges of other registrants of equal standing in the locality for similar engagements;
  - (e) the experience and ability of the registrant;
  - (f) any estimate given by the registrant;
  - (g) the client's prior consent to the fee; and
  - (h) such other special circumstances as may apply.
- VIIIR-15 Notwithstanding rule VIIIR-14, a registrant shall not charge or attempt to collect a fee that exceeds any fee advertised by the registrant for services of the same type.
- VIIIR-16 A registrant shall not give anything of value to a person for recommending the registrant's services unless:
- (a) the compensation represents direct and reasonable advertisement costs; or

- (b) the compensation is given to an employee of the registrant or other person hired by the registrant to obtain general marketing and public relations services, provided that the compensation does not directly relate to a specific client matter.
- VIIIR-17 Other than in relation to the payment of a sales commission on the purchase of an existing accounting practice, a registrant shall not directly or indirectly pay or attempt to pay commissions or other remuneration or to apportion or agree to an apportionment of fees to attract or maintain engagements to provide services in public accounting practice.
- VIIIR-18 A registrant in public accounting practice shall not, directly or indirectly, receive or attempt to receive commissions or other remuneration or apportion or agree to an apportionment of fees for the referral of clients.
- VIIIR-19 A registrant employed or engaged to provide services in public accounting practice shall not directly or indirectly obtain or attempt to obtain any benefit, fee or other remuneration for performance of services, beyond the fee or remuneration payable by the employer or client, unless the employer or client has expressly consented in writing thereto.
- VIIIR-20 A registrant engaged in public accounting practice 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 registrant's professional judgment or objectivity or which, in the view of a reasonable observer, would impair the registrant's professional judgment or objectivity, or
  - (b) a compilation engagement.
- VIIIR-21 Rule VIIIR-20 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.

## **VIII - GUIDELINES**

### **VIIIG-1 Advertisements**

A registrant must restrict public communications to information that the public would find useful in identifying accounting problems or choosing an accountant. Advertisements also must be clear and demonstrably accurate. An advertisement that states or implies qualitative superiority to another accountant is unacceptable because it is not objectively verifiable according to a widely held standard. For example, a claim that a public accounting practice is "the best" in a particular area is clearly incapable of factual substantiation. On the other hand, a true statement without comparisons about the qualities of a public accounting practice may be acceptable, as may a quantitative statement

(for example, "the largest public accounting practice in Alberta") capable of verification by statistics.

A representation to the public must be technically accurate and must not intend or be likely to deceive or mislead. For example, a communication inducing unrealistic expectations about the possible result would be unacceptable.

Other contraventions would be a misrepresentation of fact (such as when a person is not a certified management accountant or is qualified to practice only in another province) or the omission of a material fact.

A registrant also may offend this guideline by misrepresenting the form of business organization employed in the registrant's public accounting practice. In choosing a registrant, the client should have an accurate impression of the support systems and resources that will be available to the registrant. Registrants sharing premises must therefore be cognizant of this.

A registrant's means of interacting with the public must be compatible with the best interests of the profession and society generally. Examples of activities not meeting this standard are:

- (a) direct solicitation or other behaviour that deliberately takes advantage of a person's vulnerability;
- (b) techniques that amount to coercion, duress or harassment;
- (c) interference with an existing file between a client and another accountant for the purpose of obtaining the client's business (unless transfer of the file is initiated by the client); and
- (d) making known the apparent willingness of a registrant to use strategies that directly or impliedly involve illegalities or circumvention of proper and ethical accounting procedures.

The publication of client names or other information about clients is improper unless the registrant obtains their prior consent.

#### VIIIG-2 Public Accounting Practice Names and the Representation Thereof

A registrant's interaction with the public must be such that it will not deceive or mislead the public. This principle extends to the use of public accounting practice names, letterhead, logos, etc., whether in print or electronic form, which must not misrepresent the status of the registrant or the identity or position of the persons associated with a public accounting practice. For example, the use by a sole practitioner of the phrase "and Company" or "and Associates" in the name of the public accounting firm is misleading.

While the use of the names of persons no longer practicing with the public accounting firm is ethically permissible according to the foregoing, the registrant also must consider any applicable legal requirements (such as those relating to consent) before proceeding.

The names of extra-provincial accountants not registered to practice audit or review engagements in Alberta may be listed on a public accounting firm's letterhead or web page masthead if this fact, and the jurisdiction in which such accountants are registered, are also indicated. Similarly, a public accounting firm's letterhead or web page masthead may list persons employed by the public accounting firm who are not registrants (such as office managers). Again, however, the position or status of these persons must be clearly stated.



### VIIIG-3 Specialists

A claim that a registrant is a specialist implies that the registrant has met some objective standard or criteria of expertise, established or recognized by CMA Alberta. Without CMA Alberta's recognition, the nature of which may change from time to time, an assertion of specialization is improper.

On the other hand, a registrant may advertise areas of practice if the representations made are demonstrably true, are not misleading and are not otherwise prohibited. For example, a registrant may list preferred areas of practice without comment if the registrant actually practices and is competent in those areas. Similarly, a registrant may state the registrant's practice is restricted to a certain area of accounting if this is, in fact, the case. The object of advertising practice areas is to provide information that facilitates an enlightened choice of accountant. A misrepresentation about the experience or skill of a registrant would improperly influence that decision.

### VIIIG-4 Fees

Information about fees is meaningful to the public and is desirable to allay the apprehension experienced by many people about professional fees. However, fee information must be as clear and accurate as possible. For example, an advertisement quoting a fee for a "corporate tax return" is ambiguous since the public may construe this to include the accounting fees for the preparation of the working papers and required financial statements. A minimum or sliding fee (for example "\$100 and up") is not meaningful to prospective clients because it fails to state a maximum fee and the public is not informed of the factors that will increase the fee beyond the minimum.

Once established, a fee schedule must be followed in all applicable cases. Unless there is a specified expiry date in the fee schedule itself, or a later fee schedule expressly supersedes a fee schedule, or a later advertisement in the same publication(s) rescinds an advertised fee schedule, a registrant advertising a fee schedule will be bound by the fee schedule for a reasonable period.

### VIIIG-5 Referrals by Individuals

If a person without accounting training stands to incur personal benefit from making the judgment that a person requires accounting assistance and then refers that person to a particular registrant, the best interests of the client may not be well served. However, this article does not prohibit a nominal gift of appreciation after the fact to someone who has referred a matter to a registrant, if there was no express or implicit agreement beforehand that this result would follow. "Nominal" in this context means of insufficient value or significance to have been a factor in that person's decision as to which registrant to recommend.

This article permits performance-related bonus and incentive schemes involving employees, and acknowledges the use of in-house marketing personnel as well as external public relations firms. The compensation paid to such persons must not directly relate to a particular client matter, although the volume of work or number of referrals generated by the efforts of those involved may affect it.

### VIIIG-6 Fees Generally

Fees are often a sensitive issue in the registrant/client relationship. A client, accustomed to knowing the cost of goods and services in advance, will appreciate a registrant's ability to

predict fees for professional services with reasonable certainty, and this may have a direct impact the level of trust in the relationship. A registrant, must provide a sufficient and clear explanation of fees in appreciation of the client's position, and must willingly and fully address a potentially controversial subject.

Fees cause frequent registrant/client misunderstandings which can bring discredit to the profession. In seeking to mitigate the likelihood of these situations, registrants must take the initiative in providing the best fee information possible at an early stage of each engagement.

#### VIIIG-7 Factors in Determining Fees

A fee must be justifiable given the services provided. In determining reasonableness, a registrant should consider all the circumstances of a particular case. Rule VIIIR-14 lists some of the factors that are usually, but not always, relevant to the setting of a fee.

Although a client's financial circumstances may incline a registrant to reduce a fee, the wealth of a client has no relevance to the determination of the amount that is fair and reasonable.

- (a) The nature of the engagement: Accounting services that involve complex or novel issues and, therefore, require unusual skill or exercise of judgment are normally more expensive than routine matters, reflecting the special skills and experience required. Similarly, if a registrant must undertake intensive involvement on short notice, or if the client places unusual demands on support staff or equipment, this will ordinarily justify a higher fee. However, the fee must bear a reasonable relationship to the value or importance of the matter from the client's perspective. If the registrant is of the view that the projected fee will be clearly disproportionate, the client must be informed as early as possible. If the client is unwilling to pay the full fee as estimated by the registrant, the registrant is obliged to terminate the engagement or to charge less than an amount that fairly compensates the registrant.
- (b) The time and effort spent: When time spent is the most important factor, or the only factor, considered by a registrant, the result may be a disservice to either the client or the registrant. Unfairness to the client may result because the registrant was inefficient, or because the nature of the engagement did not justify the time invested. Conversely, if the registrant was extremely efficient, achieved a remarkable result or worked under unusual pressures to accommodate the client, a fee based solely on time may undervalue the registrant's services. It is preferable to consider a range of factors in establishing a fee unless the client has specifically agreed to pay a fee based on time spent.
- (c) The results obtained: In determining the amount of a fair and reasonable fee, the registrant must consider the value of a registrant's services from the client's perspective.
- (d) The experience and ability of the registrant: In some cases, the amount of a fair and reasonable fee for certain services may be greater for a registrant having particular skills and experience. However, a higher fee may be more justifiable if full information in this regard is provided to the client in advance.
- (e) Any estimate given by the registrant: A registrant has an obligation to provide an estimate whenever requested. If an estimate becomes unrealistic as the engagement progresses, the client must be advised. The most recent estimate provided will be a significant factor in determining the fee that is fair and reasonable for the registrant to charge.

- (f) The client's prior consent to the fee: While an agreement with a knowledgeable and experienced client will have some weight in determining whether a fee is fair and reasonable, an agreement that takes advantage of a client will have little or no weight. Upon consideration of all relevant factors, including the client's agreement, a fee that exceeds the value of the services provided is unjustifiable.

#### VIIIIG-8 Communication

Communication between registrant and client is a key element of client satisfaction. A good starting point is a frank and open discussion about fees at the outset of a relationship, or within a reasonable time, which is later confirmed in writing.

A registrant must explain to each client the basis for establishing the fee. Examples are a fixed-fee basis or a time-spent basis, in which case disclosure of the registrant's hourly rate should be made. The client's agreement to a fixed fee in advance does not affect the registrant's obligation to ensure that the fee is fair and reasonable.

Whenever possible, a registrant should provide an estimate of total costs or at least a range within which such costs are likely to fall. The provision of an estimate entails the making of certain clearly outlined assumptions.

When the registrant cannot provide a meaningful estimate, the client may wish to authorize the incurring of costs up to a certain amount, at which point the registrant will contact the client for further instructions.

After initial fee consultations with the client, and in keeping with a registrant's general obligation to maintain communication, the client must be advised of any developments affecting the current assessment. The client is entitled to an explanation of the time spent by the registrant in completing the work agreed upon. This may include a written breakdown of the hours spent on various aspects of the engagement.

A registrant must confirm with the client in writing the substance of any subsequent material fee discussions resulting in a material change in the amount of the fee that was initially discussed and agreed to.