

**INSTITUTE OF CHARTERED ACCOUNTANTS
OF THE NORTHWEST TERRITORIES & NUNAVUT**

RULES OF PROFESSIONAL CONDUCT

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100 GENERAL

101 Members and students and, where applicable, professional corporations, shall comply with the by-laws, regulations and rules of professional conduct of the Institute as they may be from time to time and with any order or resolution of the Council or officers of the Institute under the by-laws.

102.1 (1) Any member or student who has been:

- (a) convicted of an offence of fraud, theft, forgery or income tax evasion, or 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 or upon conviction after pleading guilty to or being found guilty of offence described in (a), (b) or (c) above

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

(2) This rule of professional conduct applies in respect of an event which occurs after the 10th day of June, 1991.

102.2 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 right to practise is restricted by that institute,

the member shall promptly inform this Institute of the fact of the suspension, expulsion, or practice registration.

103 A member or student or any person who applies to become a member or student shall not sign or associate himself or herself with any letter, report, statement or representation relating to his or her application for admission or re-admission to membership, or relating to his or her application for registration or re-registration as a student, which he or she knew, or should have known, was false or misleading.

104 A member or student shall promptly reply in writing to any letter from the Institute in which a written reply is specifically required.

105 A member or student shall co-operate with officers, servants or agents of the Institute who have been appointed to arrange or conduct:

- (a) a practice inspection; or
- (b) an investigation on behalf of the Council or any Committee thereof.

200 STANDARDS OF CONDUCT AFFECTING THE PUBLIC INTEREST

201.1 A member or student shall conduct himself or herself 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 Notwithstanding any other provisions of the bylaws or these rules of professional conduct, in the event a member or student is charged under Rule 201.1 on account of an offence referred to in Rule 102, when a certificate of conviction or certified copy of the original information or indictment as provided for in Bylaw (insert appropriate bylaw) with respect to the offence set out in Rule 102 is filed with discipline or appeal committee, (insert appropriate tribunal) there is a rebuttable presumption the member or student charged failed to maintain the good reputation of the profession and its ability to serve the public interest.

202 A member or student shall perform his or her professional services with integrity and due care.

203 A member shall sustain his or her 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 his or her calling.

204 Independence

204.1 Assurance and Specified Auditing Procedures Engagements

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.

204.2 Identification of Threats and Safeguards

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.

204.3 Documentation

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:

- (a) a description of the nature of the engagement;
- (b) the threat identified;
- (c) the safeguard or safeguards identified and applied to eliminate the threat or reduce it to an acceptable level; and
- (d) 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.

204.4 Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements

In addition to complying with Rules 204.1, 204.2, 204.3, 204.5 and 204.6, a member or firm shall comply with the following specific prohibitions:

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 the immediate family 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 the immediate family of the member or student, holds, as trustee, a direct financial interest or a material indirect financial interest in the client.
- (2) 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.
- (3) A member or firm shall not perform an audit or review engagement for an entity of 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 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.
- (5) A member who is a partner or managerial employee of a firm and who holds, or whose immediate family 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.
- (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 an engagement team for an audit or review client if 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 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) (a) A member or firm shall not perform an audit or review engagement for an entity if a partner or professional employee of the firm owns, or such person's immediate family owns, more than 0.1% of the securities of the entity or controls the entity.
 - (b) A member who is a partner or professional employee of a firm shall not own more than 0.1% of the securities of, or control, an audit or review client of the firm.
- (8) A member or student shall not participate on an engagement team of an audit or review client if the member or student knows that his or her close family owns more than 0.1% of the securities of the client or controls the client.
- (9) A member or firm shall not perform an assurance engagement for an entity that is not an audit or review client if the member or firm holds:
 - (i) a direct financial interest or a material indirect financial interest in the entity; or
 - (ii) a material financial interest in another entity that has a controlling interest in the first entity.

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, 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.

(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 who has a loan from or has a loan guaranteed by:

- (i) an assurance 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

shall not participate on the engagement team for the client.

(b) A member or student who has a loan to or guarantees the borrowing of

- (i) an assurance 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

shall not participate on the engagement team for the client.

Close Business Relationships

(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 or its management 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 the 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 or its management 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 or its management, as the case may be.

(c) A member or student who has a close business relationship with an assurance client or its management 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 and the client or its management, 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 family is a director or officer of the client or an employee of the client in a position to exert direct and significant influence over the subject matter of the engagement, or was in such a position during any period covered by the engagement.
- (15) A member or student shall not participate on the engagement team for an audit client that is a listed entity if the member's or student's close family is in an accounting role or a financial reporting oversight role at the client, or was in such a position during any period covered by the engagement.

Employment with a Listed Entity Audit Client

- (16) A member or firm shall not perform an audit engagement for a listed entity if a person who participated in an audit capacity in an audit of the financial statements of the entity performed by the member or firm has accepted employment in a financial reporting oversight role with respect to the entity until a period of one year has elapsed from the date that the financial statements were filed with the relevant securities regulator or stock exchange.

Recent Service with an Assurance Client

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

Serving as an Officer or Director of an Assurance Client

- (18) A member or firm shall not perform an assurance engagement for an entity if a member of the firm serves as an officer or director for the entity.

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

- (19)(a) A member or firm shall not perform an audit or review engagement for an entity if a member of a network firm serves as an officer or director of the entity other than, in the case of an entity that is not a listed entity, serving as company secretary and 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.
- (b) A member or firm shall not perform an audit engagement for a listed entity, or a related entity, if a member of the firm or a network firm serves as an officer or director of a related entity of the listed entity.

Long Association of Senior Personnel with a Listed Entity Audit Client

- (20)(a) A member shall not continue as the lead engagement partner or the engagement quality control reviewer on an audit engagement of a listed entity for more than five years in total, and shall not thereafter resume or assume either such role until a further five years have elapsed.
- (b) A member, who is an audit partner on an audit engagement of a listed entity, other than an audit partner referred to in Rule 204.4(20)(a), who, during the engagement period, provides more than ten hours of assurance services in connection with the annual financial statements or the interim financial information of the listed entity or who is a subsidiary engagement partner with respect to the entity shall not continue in any such role or roles for more than seven years in total and shall not thereafter perform the role of audit partner of the listed entity until a further two years have elapsed.,

Audit Committee Approval of Services to a Listed Entity Audit Client

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

Performance of Management Functions for an Assurance Client

- (22)(a) A member or firm shall not perform an assurance engagement for an entity if, during the engagement period, a member of the firm makes a management decision or performs a management function for the 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.
- (b) A member or firm shall not perform an audit or review engagement for an entity, if a member of 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 including any of the services listed in paragraph 22(a)(i) to (iv);
- (c) A member or firm shall not perform an audit engagement for a listed 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 network firm, 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).

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 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 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.

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

- (24) A member or firm shall not perform an audit engagement for a listed entity if, 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 to be audited including:
- (i) maintaining or preparing the entity's, or related entity's, accounting records;
 - (ii) preparing the financial statements or preparing financial statements which form the basis of the financial statements on which the audit report is provided; or
 - (iii) 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.

Provision of Valuation Services to a Listed Entity Client

- (25) A member or firm shall not perform an audit engagement for a 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 the 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 rebuttable presumption that the results of the valuation service will be subject to audit procedures.

Provision of Actuarial Services to a Listed Entity Client

- (26) A member or firm shall not perform an audit engagement for a 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 an actuarial service to the client or the 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 rebuttable presumption that the results of the actuarial service will be subject to audit procedures.

Provision of Internal Audit Services to a Listed Entity Client

- (27) A member or firm shall not perform an audit engagement for a 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 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 rebuttable presumption that the results of the internal audit service will be subject to audit procedures.

Provision of IT System Services to a Listed Entity Client

- (28) A member or firm shall not perform an audit engagement for a 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 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 the audit of the financial statements. In determining whether such a conclusion is reasonable, there is rebuttable presumption that the results of the financial information systems design and implementation services will be subject to audit procedures.

Provision of Expert Services to a Listed Entity Audit Client

- (29) A member or firm shall not perform an audit engagement for a 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 an expert opinion or other expert service for the entity or a related entity, or for a legal representative thereof, for the purpose of advocating 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 engagement for an 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 legal service to the 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 Listed Entity Audit Client

- (31) A member or firm shall not perform an audit engagement for an 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 legal service to the entity or a related entity.

Human Resources Service for a Listed Entity Audit Client

- (32) A member or firm shall not perform an audit engagement for a 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 any of the following services to the entity or a related entity:
- (i) searching for or seeking out prospective candidates for management, executive or director positions;
 - (ii) engaging in psychological testing, or other formal testing or evaluation programs;
 - (iii) undertaking reference checks of prospective candidates for an executive or director position;
 - (iv) acting as a negotiator or mediator on the entity's behalf with respect to employees or future employees with respect to any condition of employment, including position, status or title, compensation or fringe benefits; or
 - (v) recommending or advising the entity or a related entity to hire a specific candidate for a specific job.

Provision of Corporate Finance and Similar Activities to an Assurance Client

- (33)(a) A member or firm shall not perform an assurance engagement for an entity if, during the engagement period, the firm, or a member of the firm, provides any of the following services to the entity:
- (i) promoting, dealing in or underwriting the entity's securities;
 - (ii) making investment decisions on behalf of the entity or otherwise having discretionary authority over the entity's investments;
 - (iii) executing a transaction to buy or sell the entity's investments; or
 - (iv) having custody of assets of the entity, including taking temporary possession of securities purchased by the entity.
- (b) A firm shall not perform an audit or review engagement for an entity if a network firm, during the period covered by the financial statements subject to audit or review or the engagement period, provides any of the services listed in paragraph 33(a)(i) to (iv) to the entity.
- (c) A firm shall not perform an audit engagement for a listed 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, provides any of the services listed in paragraph 33(a)(i) to (iv) to a related entity of the listed entity.

Pricing

- (34) 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;
 - (ii) that all applicable assurance standards, guidelines and quality control procedures have been followed.

Compensation of Audit Partners of a Listed Entity Audit Client

- (35) A member or firm shall not perform an audit engagement for a listed entity if, during either the period covered by the financial statements subject to audit or the engagement period, an audit partner who is on the engagement team for the listed entity or a related entity earns or receives compensation based on the audit partner procuring any engagement that is not an assurance engagement from the listed entity or a related entity, unless the member firm or the firm has fewer than five audit clients that are listed entities and fewer than ten partners.

Gifts and Hospitality

- (36) 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.

204.5 Members Must Disclose Prohibited Interests and Relationships

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.

204.6 Firms to Ensure Compliance by Partners and Professional Employees

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 Rules 204.1, 204.2, 204.4 and 204.7 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, 204.2, 204.4 or 204.7

204.7 Independence: Insolvency Engagements

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 firms 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.

204.8 Disclosure of Impaired Independence

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.

See Appendix "A" for Definitions Relating to Rules 204.1 to 204.8 and Related Council Interpretations.

205 A member or student shall not

- (a) sign or associate himself or herself with any letter, report, statement, representation or financial statement which he or she knows or should have known, is false or misleading, whether or not the signing or association is subject to a disclaimer of responsibility, nor
- (b) make or associate himself or herself with any oral report, statement or representation which he or she knows, or should have known, is false or misleading.

206 Compliance with Professional Standards

206.1 A member or firm engaged in a public accounting practice 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.

207 A member engaged in the practice of public accounting or the public practice of a function not inconsistent with public accounting shall inform his or her clients or associates in such practice of any business connections, any affiliations, and any interests of which they might reasonably expect to be informed but this does not necessarily include disclosure of professional services the member may be rendering or proposing to render to other clients.

208 A member or student shall not, in connection with any transaction involving a client or an employer, hold, receive, bargain for, become entitled to or acquire any fee, remuneration or benefit without the client's or employer's knowledge and consent.

- 209 A member or student shall not take any action, such as acquiring any interest, property or benefit, in connection with which he or she makes improper use of confidential knowledge of a client's affairs obtained in the course of his or her duties.
- 210.1 A member or student shall not disclose or use any confidential information concerning the affairs of any client, former client, employer or former employer except:
- (a) when properly acting in the course of his or her duties;
 - (b) when such information should properly be disclosed 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 Council or any Committee thereof; or
 - (d) when justified in order to defend himself or herself or his or her associates or employees, 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.
- 210.2 A member engaged to perform a particular service may contract for the services of a person not employed by the member to assist in the performance of that service, provided the member 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.
- 211 A member shall bring to the attention of the Council, or any Committee thereof, any apparent breach of these rules of professional conduct or any instance involving doubt as to the competence, reputation or integrity of a member, student or applicant, provided that this rule shall not apply to:
- (a) a trivial matter, or
 - (b) a member exempted from this rule for the purpose and to the extent specified by Council, or
 - (c) a member who is under a specific legal requirement imposed by or pursuant to statutory authority which would preclude the disclosure of confidential information.
- 212.1 A member or student 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 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 trust bank account or accounts.
- 212.2 A member or student in the course of providing professional services shall handle with due care any property entrusted to him or her.

- 213 A member or student shall not knowingly lend himself or herself or his or her name or services to any unlawful activity.
- 214 A member shall not quote a fee for any professional services unless requested to do so by a client or a prospective client, and no quote shall be made until adequate information has been obtained about the assignment.
- 215.1 A member engaged in the practice of public accounting or a related function shall not offer or agree to perform a professional service for a fee payable only where there is 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 professional conduct require that the member hold himself or herself 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 as a trustee in bankruptcy, a liquidator, a receiver, a receiver-manager or any other aspect of insolvency practice.
- 215.3 Other than in respect of an engagement described in Rule 215.1, a member engaged in the practise of public accounting or a related function may offer or agree 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 a 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 compilation of the engagement.
- 216 Other than in relation to the sale and purchase by a member of an accounting practice, a member engaged in the practice of public accounting or a student while employed by a member 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 who is not a public accountant a commission or other compensation to obtain a client, nor shall the member or student 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.

217.1 A member may advertise, but shall not do so, directly or indirectly, in any manner:

- (a) which the member knows, should know, or is false or misleading, or
- (b) which contravenes professional good taste or fails to uphold normal professional courtesy, or
- (c) which makes unfavorable reflections on the competence or integrity of the profession of any member thereof, or
- (d) which includes a statement the contents of which the member cannot substantiate.

217.2 A member engaged in the practice of public accounting shall not:

- (a) endorse, other than in expressing a considered professional opinion in the course of an engagement, or
- (b) consent to or allow the use of the member's name, or the name of the firm or organization with which the member is associated, in the public promotion of any commercial product or service of others.

218 A member 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

300 RELATIONS WITH FELLOW MEMBERS AND WITH NON-MEMBERS ENGAGED IN PUBLIC ACCOUNTING

- 301 A member shall not directly or through a party acting on behalf of and with the knowledge of the member solicit any professional engagement which has been entrusted to another member engaged in the practice of public accounting or who carries on a business or practice which constitutes a related function.
- 302.1 A member shall not accept an engagement with respect to the practice of public accounting or the public practice of a function not inconsistent with public accounting, where the member is replacing another member or public accountant, without first communicating with such person and inquiring whether there are any circumstances the member should take into account which might influence the member's decision whether or not to accept the engagement.
- 302.2 The incumbent member shall respond promptly to the communication referred to in Rule 302.1
- 302.3 A member responding to a communication pursuant to Rule 302.2 shall inform the possible successor if suspected fraud or other illegal activity by the client was a factor in the member's resignation or if, in the member's view, fraud or other illegal activity by the client may have been a factor in the client's decision to appoint a successor.
- 303.1 A member shall upon written request of the client supply on a timely basis reasonable information to the member's successor about the work done or being assumed.
- 303.2 A member 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 member's possession.
- 304 A member who accepts any engagement with another member shall accept joint and several responsibility for any portion of the work to be performed by either; no member shall proceed in any matter within the terms of such joint engagement without due notice to the other member.
- 305 A member engaged in the practice of public accounting shall, before commencing any engagement for a client of another public accountant who is the duly appointed auditor or accountant, first notify such auditor or accountant of the engagement, unless:
- (a) the client makes an unsolicited request that such notification not be given; and
 - (b) the CICA Handbook does not recommend in respect of the engagement that the member notify or contact the duly appointed auditor or accountant.
- 306.1 A member who accepts an engagement, whether by referral or otherwise, from a client of a member who has a continuing 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.

306.2 A member who receives an engagement for services by referral from another member shall not provide or offer to provide any additional services to the referring member's client without the consent of the referring member; the interest of the client being of overriding concern, the referring member shall not unreasonably withhold such consent.

400 ORGANIZATION AND CONDUCT OF A PROFESSIONAL PRACTICE

401 A member, or, where permitted, a professional corporation, shall not engage in the practice of public accounting, or in the public practice of any function not inconsistent therewith, under a name or style which is misleading as to the nature of the organization (proprietorship, partnership or, where permitted, corporation) or the nature of the functions performed.

402 A member engaged in the practice of public accounting as a sole proprietor, or, where permitted, a professional corporation, shall practice under the member's own name and, where permitted in special circumstances by the Council, may, with the predecessor's written authorization, practice under the name of a predecessor sole proprietor or on a temporary basis, some other predecessor firm name as well as under the member's own name.

403 (1) Subject to the provisions of Rule 403(2), any public accounting firm name shall be limited to:

(a) the names of professional colleagues who are or were previously partners of the public accounting firm or any predecessor public accounting firm, provided that the number of names used does not exceed the number of partners currently active with the public accounting firm,

(b) the names of persons who have practised as public accountants in Canada or any other country, provided each person named practised with the public accounting firm or any predecessor public accounting firm and the person or his or her legal representative has authorized the use of the name,

(c) part or all of the name, including a non-personal name, of the international partnership of which the public accounting firm is a partner or affiliate, provided that the name has been approved by the Council

and the term "& Co." or appropriate similar wording may be used where the number of partners currently active with the public accounting firm exceeds the number of names used in the public accounting firm name.

(2) Notwithstanding the provisions of Rule 403(1), a firm may use an additional name, including a non-personal name, to meet the international needs of clients, if the additional name is

(a) part or all of the name of the international partnership of which the firm is a partner, or affiliate, or

(b) part or all of the name of a foreign-based partner or affiliate name

provided the registered name of the firm in the Northwest Territories is clearly and prominently associated with the additional name in the signature of any report or any other communication and the Council has given its approval to the use of such additional name.

- 404.1 The practice of public accounting shall be carried on under the descriptive style of either "chartered accountant(s)" or "public accountant(s)"; regardless of the functions actually performed, the use of either descriptive style, in offering services to the public, shall be regarded as carrying on the practice of public accounting for the purposes of these rules of professional conduct.
- 404.2 (a) Each office in the Northwest Territories of any member or firm of members engaged in the practice of public accounting shall be under the personal charge and management of a resident member who shall normally be in attendance in such office during such times the office is open to the public.
- 404.2 (b) A member shall not operate a part-time office except in accordance with such terms and conditions established by Council.
- 404.3 Each office in the Northwest Territories of any firm engaged in the practice of public accounting and composed of one or more members sharing proprietary interest with other public accountants who are not members shall practise under the style of "public accountants" and shall be under the personal charge and management of a member or other public accountant who shall normally be in attendance in such office during such times as the office is open to the public.
- 405 A member shall not associate in any way with any firm practising as chartered accountants in the Northwest Territories unless:
- (a) all partners resident in the Northwest Territories are members,
- (b) at least one partner is a member, and
- (c) all the partners are professional colleagues or professional corporations provided each such corporation is recognized and approved for the practice of public accounting by the provincial/territorial institute in the province/territory concerned.
- 406 A member engaged in the practice of public accounting or a related function who is associated with non-members in such practice shall be responsible to the Institute for any failure of such non-members, in respect of such practice, to abide by the rules of professional conduct of the Institute and in the application of this rule, the other rules are deemed to apply to such non-members as if he or she were a member engaged in the practice of public accounting.
- 407 A member shall not hold out or imply that the member has an office in any place where the member is in fact only represented by another public accountant or firm of public accountants and, conversely, a member who only represents a public accountant or a firm of public accountants, shall not hold out or imply that the member maintains an office for such public accountant or such firm.

408 A member shall not be associated in any way with any corporation engaged in Canada in the practice of public accounting, except to the extent permitted in clauses (1), (2), and (3) of this rule:

- (1) A member or his or her firm
 - (a) may be the auditor(s) of the corporation;
 - (b) may be the appointed accountant(s) to prepare the financial statements of the corporation;
 - (c) may give tax advice to the corporation with respect to the financial affairs of the corporation;
- (2) A member, other than a practising member, may be associated with a corporation which provides taxation services involving advice and counselling in an expert capacity provided such services are only a small part of the corporation's activities;
- (3) A member may be associated with a professional corporation engaged in the practice of public accounting in a province/territory other than the Northwest Territories if the corporation is recognized and approved for such practice by the provincial/territorial institute in the province/territory concerned and the corporation does not engage in the practice of public accounting in the Northwest Territories.

Without limiting the generality of the foregoing, a member shall be deemed to be associated with a corporation engaged in Canada in the practice of public accounting even though the corporation provides a public accounting service only to another member or to a public accountant.

- 420
- (1) A member engaged in the practice of a related function shall adhere to the rules of professional conduct, and the rules of professional conduct shall apply to such member as if the related function were the practice of public accounting.
 - (2) For the purpose of the rules of professional conduct, a related function shall be any member's business or practice that is cross-referenced to
 - (a) the member's public accounting practice, or
 - (b) another business or practice that is cross-referenced to the member's public accounting practice,whether carried on through an organization separate from the member's public accounting practice or as a separate department or division of such practice.
 - (3) In respect of clause (2), "cross-referenced" means
 - (a) any reference in the advertising or promotional or other material of the member's public accounting practice that is made to any other business or practice of the member; or

- (b) any reference in the advertising or promotional or other material of any other business or practice of the member that is made to
 - (i) the member's public accounting practice; or
 - (ii) any business or practice of the member that is referenced in any advertising or promotional or other material of the member's public accounting practice;
or,
- (c) any use of a name or logo or any possession of features or characteristics, by any business or practice of a member which, in the view of a reasonable observer, would imply that an association or relationship exists between such business or practice and
 - (i) the member's public accounting practice; or
 - (ii) any other business or practice of the member to which there is any reference made in the advertising or promotional or other material of the member's public accounting practice.
- (4) A member may associate with a related function as a proprietor, as a proprietor, as a partner or as a director, officer or shareholder of a corporation and may associate with a non-member for this purpose.
- (5) A related function shall not be designated "chartered accountant(s)" or "public accountant(s)".
- (6) A related function designated as "management consultant(s)" or "trustee(s) in bankruptcy" shall be carried on under a personal name or names or under a corporate derivative of any such personal name or names.

421 Any member engaged in the practice of public accounting who is associated as a proprietor or partner of a related function business, or as a director, officer or shareholder of a corporation carrying on a related function, shall be responsible to the Institute for any failure of the related function business or corporation or any non-member associated with either of them, to abide by the rules of professional conduct as if such related function business, corporation or non-member were a member engaged in the practice of public accounting.

500 OTHER RULES APPLICABLE TO NORTHWEST TERRITORIES MEMBERS

501.1 Any member or student may be liable to suspension or expulsion if he or she:

- (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; or
- (c) in the opinion of a hearing of Council or any Committee thereof conducts himself or herself due to a mental infirmity from disease, age or otherwise, in an unprofessional manner.

501.2 A member or student must immediately advise the Institute:

- (a) if he or she has been found guilty of violating the provisions of the Bankruptcy and Insolvency Act and has not successfully appealed such convictions within the period allowed therefor; or
- (b) if any Writ of Execution is filed against him or her based on a final judgment, which has remained unsatisfied for a period of 15 days from the date of personal service on him or her of a filed copy of the Writ of Execution; or
- (c) if he or she is insolvent; or
- (d) if he or she has made a Proposal pursuant to the Bankruptcy and Insolvency Act; or
- (e) if he or she has been served with a Petition pursuant to the Bankruptcy and Insolvency Act;

and in such notice the member shall provide a full written explanation which outlines the circumstances of the matter and shall provide the Institute with copies of all material filed in connection with or relating to such proceedings.

Appendix “A”

Definitions Relating to Rules 204.1 to 204.8 and Related Council Interpretations

For the purposes of Rules 204.1 to 204.8 and the related Council Interpretations:

“**accounting role**” means a position in which a person may or does exercise more than minimal influence over:

- (a) the contents of the financial statements; or
- (b) anyone who prepares the financial statements.

“**affiliate**” means an entity that has control over a client, or over which the client has control,, or which is under common control with a client, including the client’s parent company and any subsidiaries.

“**assurance client**” means an entity in respect of which a member or firm has been engaged to perform an assurance engagement.

“**assurance engagement**” means an assurance engagement as contemplated in “Standards for Assurance Engagement,” Section 5025 of the *CICA Handbook – Assurance*.

“**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 affiliates, and the reference to an assurance client, a client or an entity that is an audit client shall be read as including all affiliates of the assurance client, client or entity as the case may be.

“**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.

“**audit engagement**” means an engagement to audit financial statements as contemplated in “Audit of Financial Statements – an Introduction,” Section 5090 of the *CICA Handbook – Assurance*.

“**audit partner**” means a person who is a partner in a firm or a person who has equivalent responsibility, 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, who is a member of the audit engagement team having responsibility for decision-making on significant auditing, accounting and reporting matters that affect the financial statements, or who maintains regular contact with management and the audit committee, and includes the following:

- (a) the lead engagement partner;
- (b) the engagement quality control reviewer;
- (c) another partner who, during the engagement period, provides more than ten hours of assurance services in connection with the annual financial statements or interim financial information of the client; and
- (d) a subsidiary entity engagement partner.

“clearly insignificant” means trivial and inconsequential.

“close family” means a parent, non-dependent child or sibling.

“direct financial interest” means a financial interest:

- (a) owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others);
- (b) beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control;
- (c) owned through an investment club or by a private mutual fund in which the individual participates in the investment decisions.

“engagement quality control reviewer”, often referred to as reviewing, concurring or second partner, means the audit partner who, prior to issuance of the audit report, evaluates the significant judgments made by the lead engagement partner and other persons on an engagement team, the conclusions reached in formulating the audit report and other significant matters that have come to the partner’s attention.

“engagement team” means:

- (a) each member of the firm participating in the assurance engagement;
- (b) all other members of the firm who can directly influence the outcome of the assurance engagement, including:
 - (i) those who recommend the compensation of, or who provide direct supervisory, management and 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;
 - (ii) those who provide consultation regarding technical or industry-specific issues, transactions or events for the assurance engagement; and
 - (iii) those who provide quality control for the assurance engagement.
- (c) in the case of an audit client, all persons in a network firm who can directly influence the outcome of the audit engagement.

“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.

“financial reporting oversight role” means a position in which a person may or does exercise influence over:

- (a) the contents of the financial statements; or
- (b) anyone who prepares the financial statements.

“firm” means a sole practitioner, partnership 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 Council.

“immediate family” means a spouse (or equivalent) or dependent.

“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.

“lead engagement partner” means the audit partner having primary responsibility for an audit or review engagement.

“listed entity” means an entity whose shares, debt or other securities are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body, 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 thence forward 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 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.

“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.

“member of a firm” or **“member of the firm”**, as the case may be, means a person, whether or not a member of the Territorial Institute, who is:

- (a) a sole practitioner;
- (b) a partner, professional employee or student of the firm;
- (c) 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;
- (d) 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
- (e) a retired partner of the firm who retains a close association with the firm.

“network firm” means an entity under common control, ownership or management with a firm, or any entity that a reasonable observer who has knowledge of the facts would conclude to be part of a firm nationally or internationally. A network firm does not include an entity that constitutes a related business or practice, as defined, in Canada.

“office” means a distinct sub-group of a firm, whether organized on geographical or practice lines.

“related entity” includes:

- (a) an affiliate, as defined;
- (b) an entity over which a client has significant influence, unless the entity is not material to the client; and
- (c) an entity that has significant influence over a client, unless the client is not material to the entity.

“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 affiliates, and the reference to an assurance client, a client or an entity that is a review client shall be read as including all affiliates of the assurance client, client or entity, as the case may be.

“review engagement” means an engagement contemplated either in “Auditor Review of Interim Financial Statements,” Section 7050 or “General Review Standards,” Section 8100 of the *CICA Handbook – Assurance*.

“specified auditing procedures engagement” means an engagement contemplated in “reports on the Results of Applying Specified Auditing Procedures to Financial Information Other Than Financial Statements,” Section 9100 of the *CICA Handbook – Assurance*.

“subsidiary entity engagement partner” means the lead engagement partner for an audit engagement related to the annual financial statements or interim financial information of an entity that is a subsidiary or joint venture of an audit client and whose assets and revenues constitute 20% or more of the assets or revenues of the audit client’s respective consolidated assets or revenues.

“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.

Effective Date and Transitional Provisions

Rules 204.1 to 204.8 shall take effect, no later than:

- (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.

1. Provision of Non-Assurance Services

The non-assurance services referred to in 204.4(22) to (33) do not include a service that has not

been completed before January 1, 2004 where:

- (i) there exists on December 31, 2003 a binding contract for the member or firm to provide the service;
- (ii) the provision of the service is completed before January 1, 2005; and
- (iii) 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 January 1, 2004.

2. *Prior Approval of Audit and Non-Audit Services*

Rule 204.4(21) shall not apply to a professional service that has not been completed before January 1, 2004 where:

- (i) there exists on December 31, 2003 a binding contract for the member or firm to provide such service; and
- (ii) the provision of the service is completed before December 31, 2005.

3. *Employment Relationships*

The reference to employment in Rule 204.4(16) shall not apply to an employment relationship entered into by a person before January 1, 2004.

4. *Compensation of Audit Partners*

Rule 204.4(35) shall not apply to the compensation of an audit partner in respect of the fiscal period of the audit partner's firm that includes December 31, 2003.

5. *Audit Partner Rotation*

Notwithstanding the requirements of Rule 204.4(20):

- (i) a lead engagement partner may continue in that role for a particular client up to and including the second fiscal year of the client commencing after December 31, 2003, notwithstanding that such partner has completed five or more years in that role, or in the role of engagement quality control reviewer, before that second fiscal year.
- (i) an engagement quality control reviewer may continue in that role for a particular client up to and including the third fiscal year of the client commencing after December 31, 2003, notwithstanding that such partner has completed five or more years in that role, or in the role of lead engagement partner, before that third fiscal year;
- (ii) a partner referred to in Rule 204.4(20)(b) may continue in that particular role for up to seven years after December 31, 2003 notwithstanding that such partner has completed seven or more years in that role before the fiscal year of the particular client commencing after December 31, 2003;
- (iii) a member may commence the role of lead engagement partner for a particular client prior to the end of the client's second fiscal year commencing after December 31, 2003, and may continue in that role for five years, notwithstanding the number of years, if any, that the member was previously the engagement quality control reviewer for the particular client.