

Notice of Motions

To be presented to the membership for confirmation at the 7th Annual General Meeting being held virtually on Wednesday, June 22, 2022.

The following resolutions, including amendments to the bylaws and to the rules contained in the Code of Professional Conduct, as approved by the Board, will be presented to the membership for confirmation at the 7th Annual General Meeting of the Organization of Chartered Professional Accountants of British Columbia. The meeting will be held virtually via videoconferencing, on Wednesday, June 22, 2022 at 3:00 pm.

NOTICE OF MOTIONS

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RESOLUTION 1 MINUTES OF THE 6TH CPABC ANNUAL GENERAL MEETING OF June 23, 2021

Preamble: As a good governance practice, at every Annual General Meeting, the members are asked to approve the minutes of the previous Annual General Meeting.

RESOLVED that the minutes of the 6th CPABC Annual General Meeting held on June 23, 2021 be approved.

RESOLUTION 2 APPOINTMENT OF AUDITORS 2022 - 2023

Preamble: Each year the Audit Committee evaluates the overall effectiveness of the auditors and makes recommendations to the CPABC Board of Directors for the appointment of auditors for confirmation by the membership.

The following was approved by the board on May 26, 2022: the board recommends to the members of CPABC the appointment of BDO Canada LLP as the external auditor of the Chartered Professional Accountants of British Columbia ("CPABC") and its related entities for the year ending March 31, 2023.

RESOLVED that the appointment of BDO Canada LLP as the external auditor of the Chartered Professional Accountants of British Columbia ("CPABC") and its related entities for the year ending March 31, 2023 be hereby approved.

RESOLUTION 3 STUDENT ENROLLMENT

Preamble: Students enrolled in the CPA PEP program must successfully complete required modules and examinations, and they must meet applicable deadlines to complete program requirements and practical experience requirements, in order to demonstrate their qualifications and competence to be admitted to membership. Additions to the Bylaws are proposed to confirm CPABC's authority to cancel the enrollment of a student who fails to meet these requirements.

Bylaw amendments are also proposed to authorize CPABC to disclose information about students' enrollment status, and their business contact information, in response to inquiries by members of the public, and to reflect recent amendments to the BC *Freedom of Information and Protection of Privacy Act*.

This resolution confirms the addition new Bylaws 405.1 and 405.2 and amendments to Bylaws 1305, 1306 and 1307 to reflect this. The following was approved by the board on April 6, 2022.

PART 4 - STUDENTS

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Failure to Successfully Complete CPA PEP Module or Examination

405.1 (1) Subject to subsection (2), if the Registrar or the post-secondary institution or other educational body referred to in section 31(2) of the Act determines that a student enrolled in the CPA PEP has failed to successfully complete a required module, examination or other mandatory component of the CPA PEP after the student has exhausted all permitted opportunities to attempt to do so, the enrollment of the student is cancelled.

(2) The Registrar or the post-secondary institution or other educational body referred to in section 31(2) of the Act may, on grounds they consider appropriate, grant a student an additional opportunity to attempt a required module, examination or other mandatory component of the CPA PEP.

Deadline to Complete CPA PEP and Practical Experience Requirements

- 405.2 (1) Subject to subsection (3), if a student enrolled in the CPA PEP does not successfully complete all applicable program, examination and evaluation requirements within the time required by the board under section 30(a) of the Act or by the post-secondary institution or other educational body referred to in section 31(2) of the Act, the enrollment of the student is cancelled.
- (2) Subject to subsection (3), if a student enrolled in the CPA PEP does not successfully complete the practical experience requirements required by the board under Bylaw 501(1)(c) within the time required by the board under section 30(a) of the Act or by the post-secondary institution or other educational body referred to in section 31(2) of the Act, the enrollment of the student is cancelled.
- (3) The Registrar may, on grounds they consider appropriate, extend the time for a student to complete any applicable program, examination and evaluation requirements under subsection (1), or the time for a student to complete the practical experience requirements under subsection (2).

PART 13 - GENERAL

...

Administration of *FOIPPA*

1305 ...

- (3) Subject to section 75 of *FOIPPA*, an applicant who requests access to a CPABC record under section 5 of *FOIPPA* must pay the applicable fees set out in section 13 and Schedule 1 of the *Freedom of Information and Protection of Privacy Regulation*, B.C. Reg. 155/2012.

Notification and Disclosure

1306 ...

- (2) Subject to any limitations specified by the board, the Registrar may disclose to a provincial CPA body, a provincial legacy body or an other governing body
- (a) facts, information or records relating to a matter referred to in subsection (1)(a) or (b),

- (b) facts, information or records pertaining to an ongoing or completed investigation under Part 11 or a hearing under section 53 of the Act, or
- (c) other facts, information or records obtained or provided under the Act or these bylaws, or under the former CA Act, the former CGA Act or the former CMA Act or the former bylaws thereunder

for a purpose authorized under section ~~33.1(1)(l)~~ 33(2)(g) of FOIPPA.

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Inquiries about Membership, Enrollment, Licensure or Registration Status

1307 (1) The Registrar may disclose the following information in response to an inquiry by any person about an individual's membership, enrollment or licensure status:

- (a) whether the individual is a current or former member;
- (b) whether the individual is a current or former legacy CGA member, legacy CA member or legacy CMA member;
- (c) if the individual is a current or former member,
 - (i) the individual's class of membership,
 - (ii) the date of the individual's initial admission as a member of CPABC or a legacy body, and
 - (iii) if applicable, the dates of every cancellation, suspension and reinstatement of the individual's membership in CPABC or a legacy body;

(c.1) whether the individual is currently enrolled as a student;

- (d) whether the individual currently or formerly held a public practice licence;
- (e) if the individual currently or formerly held a public practice licence,
 - (i) the category of the individual's practice licence,
 - (ii) the date of the initial issuance of a public practice licence to the member, and

- (iii) if applicable, the dates of every cancellation, suspension, reinstatement, and change in category of the individual's public practice licence;
- (f) if the individual is a current member, any business contact information provided by the member to the Registrar, including
 - (i) the current business or employment address provided by the member under Bylaw 508(1)(b),
 - (ii) any current business mailing address and business e-mail address provided by the member under Bylaw 508(1)(c),
 - (iii) if the individual holds a public practice licence, the current street address provided by the member under Bylaw 707(2) for every authorized practising office or other office in British Columbia at or in association with which the member is engaged in public practice, and
 - (iv) any other "contact information" provided by the member as defined under *FOIPPA*;
- (g) if the individual is currently enrolled as a student, any business contact information provided by the student to the Registrar, including
 - (i) any current business or employment address provided by the student under Bylaw 407(1)(b).
 - (ii) any current business mailing address and business e-mail address provided by the student under Bylaw 407(1)(c), and
 - (iii) any other "contact information" provided by the student as defined under *FOIPPA*.

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RESOLVED that new Bylaws 405.1 and 405.2 and amendments to Bylaws 1305, 1306 and 1307 (additions underlined and deletions shown as ~~strikeouts~~) that were approved by the board on April 6, 2022, are confirmed in accordance with section 28(1) of the *Chartered Professional Accountants Act*, to come into force in accordance with section 28(4) of the *Act*.

RESOLUTION 4 MEMBERSHIP ADMISSIONS REQUIREMENTS

Preamble: The Government identified concerns in respect of some CPABC Bylaw amendments that were introduced in 2020 as to whether they were consistent with Canada's obligations under several international trade agreements. It was determined that the most appropriate approach would be to rescind the amendments that were introduced in 2020. This includes amendments to the Bylaws to eliminate the language that refers to the need for applicants to be "a Canadian citizen, a permanent resident of Canada or otherwise lawfully permitted to work in Canada".

This resolution confirms amendments to Bylaws 400 and 500 to reflect this. The following was approved by the board on February 23, 2022.

PART 4 - STUDENTS

Applications for Enrollment

- 400 (1) Subject to section 31(2) of the Act and any regulations made under Bylaw 401, a person may apply for enrollment as a student by delivering to the Registrar an application in the form required by the Registrar.
- (2) An application for enrollment as a student must be accompanied by
- (a) any applicable enrollment application fee required by the board, and
 - (b) any documents or information specified in the application form or otherwise required under the regulations.
- (3) Subject to subsection (3.1), the Registrar may enrol an applicant as a student who
- (a) satisfies the qualifications and prerequisites for an educational program in accountancy established by CPABC under section 31(1) of the Act, and
 - (b) provides evidence satisfactory
 - (i) to the Registrar, or

- (ii) if the Registrar refers the application to the Membership Committee, to the Membership Committee

that the applicant is of good character, ~~and,~~

- ~~(c) provides evidence satisfactory to the Registrar that the applicant is a Canadian citizen, a permanent resident of Canada, or otherwise lawfully permitted to work or study in Canada.~~

- (3.1) The Registrar may refer any application for enrollment as a student to the Membership Committee for the committee's review and determination of whether the applicant meets the good character requirement under subsection (3)(b), and must do so

- (a) before denying the application on the ground that the applicant does not meet the good character requirement, or

- (b) if otherwise required under the regulations.

- (4) As of September 6, 2016, an individual enrolled in the CPA PREP program is deemed not to be a student of CPABC under the Act until the individual becomes enrolled under this section as a student in the CPA PEP program.

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PART 5 - MEMBERSHIP

Applications for Admission

- 500 (1) A person may apply for membership in CPABC by delivering to the Registrar an application in the form required by the Registrar.
- (2) An application for admission as a member must be accompanied by
 - (a) any applicable membership application fee required by the board, and
 - (b) any documents or information specified in the application form or otherwise required under the regulations.
- (3) ~~Subject to subsection (3.1), the~~ The Membership Committee must admit an applicant to membership in CPABC if

- (a) the applicant provides evidence satisfactory to the committee that the applicant is of good character, and
 - (i) ~~of good character, and~~
 - (ii) ~~a Canadian citizen, a permanent resident of Canada, or otherwise lawfully permitted to work in Canada, and~~
 - (b) the committee is satisfied that the applicant meets all other applicable requirements under section 35 of the Act and this Part.
- ~~(3.1) A applicant under Bylaw 501(2) who was enrolled in an international CPA education program before October 1, 2020 is exempt from the requirement in subsection (3)(a)(ii) if the applicant's application is received by the Registrar on or before any applicable deadline specified in the regulations.~~
- (4) Subject to any limitations specified in the regulations or otherwise directed by the board, the Registrar is authorized to exercise the powers and perform the duties of the Membership Committee under this Part.

RESOLVED that the amendments to Bylaws 400 and 500 (additions underlined and deletions shown as ~~strikeouts~~) that were approved by the board on February 23, 2022, are confirmed in accordance with section 28(1) of the *Chartered Professional Accountants Act*, to come into force in accordance with section 28(4) of the *Act*.

Amendments to Bylaw Regulations

On February 23, 2022, the board also approved the following amendment to the bylaw regulations, to come into effect at the same time as the above bylaw amendments. It is not part of the resolution to be voted on.

PART 5 - MEMBERSHIPS

~~Application Deadline for Applicants from International CPA Education Programs to be Eligible for Exemption from Bylaw 500(3)(a)(ii)~~

~~500/2 — To be eligible under Bylaw 500(3.1) for an exemption from the requirement in Bylaw 500(3)(a)(ii) for applicants to provide satisfactory evidence that they are a Canadian citizen, a permanent resident of Canada, or otherwise lawfully permitted to work in Canada, an applicant's application for admission as a CPA member under Bylaw 501(2) must be received by the Registrar on or before September 30, 2028.~~

RESOLUTION 5 INDEPENDENCE – RULE BREACHES & CONTINGENT FEES

Preamble: Protection of the public is enhanced by ensuring the CPABC Code of Professional Conduct is generally harmonized with the Codes of the other provincial bodies.

These proposed changes to Rules 204.4 and 204.6 and to the definition of “contingent fee” in the CPABC Code will better align the CPABC Code with the Codes of the other provincial bodies by implementing amendments to the Independence rules which have already been adopted into the harmonized CPA Code of Professional Conduct and other provincial Codes.

The following was approved by the board on April 6, 2022.

The definition of “contingent fee” in the Definitions section of the Code of Professional Conduct is replaced with the following:

“contingent fee” means a fee that is calculated on a predetermined basis relating to the outcome of a transaction or the result of services provided by a member or firm, but does not include:

- (a) a fee established by a court or other public authority;*
- (b) a fee for a professional service in respect of any aspect of an insolvency practice, including acting as a trustee in bankruptcy, a liquidator, a receiver or a receiver-manager;*
- (c) a fee for the administration of trusts or estates, which by statute or tradition, is based on a percentage of realizations, assets under administration, or both; or*
- (d) a fee that is agreed at the time of billing, commonly referred to as a value billing, and that is based on criteria which include;*
 - (i) the level of training and experience of the persons engaged in the work,*
 - (ii) the time expended by the persons engaged in the work,*
 - (iii) the degree of risk and responsibility which the work entails,*
 - (iv) the priority and importance of the work to the client, and*
 - (v) the value of the work to the client.*

Rule 204.4 is amended by adding the following new subrule (36.1):

Contingent fees

- (36.1) (a) A member or firm shall not provide, directly or indirectly, an assurance service on a contingent fee basis.*
- (b) A member or firm shall not provide an assurance service to a client to whom he provides, directly or indirectly, any non-assurance service on a contingent fee basis when the outcome of the non-assurance service and the amount of the fee is dependent on a contemporaneous or future judgment related to a matter that is material to the subject matter of the assurance engagement.*
- (c) A member or firm shall not perform an audit or review engagement to a client to whom he provides, directly or indirectly, any non-assurance service on a contingent fee basis when:*
- (i) The contingent fee that is charged by the firm to the audit or review client is or is expected to be material to the firm;*
 - (ii) a member of the audit or review engagement team for that client will be entitled to a portion of that contingent fee and that portion is material to that member of the audit or review engagement team; or*
 - (iii) the outcome of the non-assurance service and the amount of the contingent fee is dependent on a contemporaneous or future judgment related to a matter that is material to the financial statements that are subject to audit or review by the member or firm.*

- (d) *A member or firm shall not perform an audit or review engagement if a network firm that participates in a significant part of the audit or review engagement provides a non-assurance service on a contingent fee basis to the audit or review client and that contingent fee is expected to be material to that network firm.*

The following new Rule 204.6 (previously noted as “Reserved for future use”) is added:

204.6 Breach of a provision of Rule 204.3 or 204.4

RULES:

- (a) *When a member or student identifies a breach of any of the provisions of Rule 204.3 or 204.4 with respect to an assurance engagement, the member or student shall immediately communicate the nature of the breach in accordance with the firm’s policies and procedures that address the reporting of such breaches.*
- (b) *The individual who has received notification of the breach shall ensure that:*
- (i) the significance of the breach is evaluated;*
 - (ii) the actions set out in (d) to (h) are taken; and*
 - (iii) the nature of the breach is communicated to a network firm, when appropriate.*
- (c) *Notwithstanding the provisions of Rule 204.2, when a breach of the provisions of Rule 204.3 or 204.4 is identified, the affected assurance engagement may be continued provided that:*
- (i) the activity, interest or relationship that caused the breach is terminated, suspended or eliminated and the consequences of the breach are addressed;*
 - (ii) any legal or regulatory requirements that apply with respect to the breach are met;*
 - (iii) the significance of the breach and its impact on objectivity and the ability to issue an audit opinion, review engagement report, or other assurance report, as applicable, is evaluated and a conclusion is reached that it is possible to take action that is appropriate in the circumstances to satisfactorily address the consequences of the breach such that a reasonable observer would be likely to conclude that objectivity has not been compromised, and*
 - (iv) concurrence with that conclusion is obtained in accordance with the provisions of paragraph (d) below:*
 - (A) in the case of an assurance engagement that is not an audit or review engagement, from the audit committee or those charged with governance, or the party that engaged the firm, as appropriate; or*
 - (B) in the case of an audit or review engagement, from the audit committee or those charged with governance.*

- (d)(i) *When a conclusion is reached that action has been or can be taken that is appropriate in the circumstances to satisfactorily address the consequences of the breach, the matter shall be discussed with the audit committee or those charged with governance, or, in the case of an assurance engagement that is not an audit or review engagement, the party that engaged the firm, and concurrence with that conclusion shall be obtained.*
 - (ii) *In the case of an assurance engagement that is not an audit or review engagement, the timing for such a discussion shall take into account the circumstances of the engagement and the breach.*
 - (iii) *In the case of an audit or review engagement, such a discussion shall take place as soon as possible, unless an alternative timing for reporting less significant breaches has been specified by the audit committee or those charged with governance and the breach is less significant. In addition, the following matters shall be communicated in writing to the audit committee or those charged with governance:*
 - (A) *the nature, duration and significance of the breach;*
 - (B) *how the breach occurred and was identified;*
 - (C) *the action taken or proposed to be taken and the rationale as to how the action will satisfactorily address the consequences of the breach and enable the audit or review engagement to continue;*
 - (D) *a description of the firm's policies and procedures relevant to the breach designed to provide reasonable assurance that independence is maintained and any steps that the firm has taken or proposes to take to reduce or avoid the risk of further breaches occurring; and*
 - (E) *the conclusion that objectivity has not been compromised.*
- (e)(i) *If a conclusion is reached that it is not possible to take action that is appropriate in the circumstances to satisfactorily address the consequences of the breach, the matter shall be discussed, as soon as possible, with the audit committee or those charged with governance, or, in the case of an assurance engagement that is not an audit or review engagement, the party that engaged the firm, and the necessary steps shall be taken to terminate the engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the engagement.*
 - (ii) *If the audit committee or those charged with governance, or party that engaged the firm does not concur with the conclusion that action can be taken to satisfactorily address the consequences of the breach, the necessary steps shall be taken to terminate the engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the engagement.*
- (f) *If the breach occurred prior to the issuance of a previous audit opinion, review engagement report or other assurance report,*
 - (i) *consideration shall be given to the impact of the breach, if any, on any previously issued audit opinions, review engagement reports or other assurance reports;*

- (ii) *the matter shall be discussed with the audit committee or those charged with governance, or, in the case of an assurance engagement that is not and audit or review engagement, the party that engaged the firm; and*
- (iii) *consideration shall be given to whether it is necessary to withdraw such opinions or reports.*

(g) *The following matters shall be documented:*

- (i) *the breach;*
- (ii) *the action taken;*
- (iii) *key decisions made;*
- (iv) *the consideration of the impact of the breach, if any, on previously issued audit opinions, review engagement reports or other assurance reports;*
- (v) *the conclusion, if such a conclusion is reached, that objectivity has not been compromised such that an audit opinion, review engagement report or other assurance report can be issued;*
- (vi) *an analysis supporting that conclusion;*
- (vii) *all the matters discussed with the audit committee or those charged with governance, or the party that engaged the firm; and*
- (viii) *discussions, if any, with CPABC, a relevant regulator or other oversight authority.*

(h) *In the event of a breach of the provisions of Rule 204.3 or 204.4 that results in a conclusion to withdraw any previously issued audit opinion, review engagement report or other assurance report, information concerning any such breach shall be reported to CPABC.*

RESOLVED that the amendments to Rules 204.4 and 204.6 and to the definition of “contingent fee” in the Code of Professional Conduct that were approved by the board on April 6, 2022, are confirmed in accordance with section 28(1) of the *Chartered Professional Accountants Act*, to come into force in accordance with section 28(4) of the *Act*.

Amendments to Code of Conduct Guidance

On April 6, 2022, the board also approved the adoption of the following Code of Professional Conduct guidance regarding Rule 204.6, and the additional revisions noted below to other guidance provisions, to come into effect at the same time as the adoption of the above Rule amendments. It is not part of the resolution to be voted on.

GUIDANCE - Rule 204.6

1 Rule 204.6 addresses a situation when a member or student identifies,

- (a) the existence of an activity, interest or relationship that, had it been identified prior to the commencement of the assurance engagement, would have either prohibited the provision of the engagement or would have created a threat to independence which would have required the evaluation of its significance and the application of safeguards to reduce it to an acceptable level, or
- (b) that the safeguards implemented to address a threat that was previously identified have not been effective in reducing the threat to independence to an acceptable level.

Such circumstances constitute a breach of Rule 204 and may occur despite the firm having policies and procedures designed to provide reasonable assurance that independence is maintained. A consequence of such a breach may be that termination of the assurance engagement is necessary.

- 2** When a member or student identifies that such a breach has occurred, Rule 204.6 requires that:
- the breach be reported immediately in accordance with the firm's policies and procedures that address the reporting of such breaches;
 - the activity, interest or relationship that caused the breach be terminated, suspended or eliminated; and
 - the consequences of the breach be addressed.

The firm is required by *The CPA Canada Handbook – Assurance (CSQC1)* to establish policies and procedures designed to provide it with reasonable assurance that it is notified of breaches of independence requirements and to enable it to take appropriate actions to resolve such situations. CSQC 1 also requires that such notification be provided to specified individuals within the firm.

- 3** When a breach is identified the individual who has received notification of the breach is required to ensure that an evaluation is made of the significance of that breach, its impact on objectivity and whether an audit opinion, review engagement report, or other assurance report may still be issued or a previously issued report needs to be withdrawn. Such an evaluation requires the exercise of professional judgment, taking into account whether a reasonable observer would be likely to conclude that objectivity would be compromised. The significance of the breach will depend on factors such as:
- the nature and duration of the breach;
 - the number and nature of any previous breaches with respect to the assurance engagement;
 - whether a member of the engagement team had knowledge of the activity, interest or relationship that caused the breach;
 - whether the individual who caused the breach is a member of the engagement team or another individual for whom there are independence requirements;
 - if the breach relates to a member of the engagement team, the role of that individual;
 - if the breach was caused by the provision of a professional service, the impact of that professional service, if any, on the subject matter of the engagement; and

- the extent of the threat or threats created by the breach.
- 4 Depending upon the significance of the breach, it may be necessary to terminate the assurance engagement or withdraw a previously issued assurance report, or it may be possible to take action that is appropriate in the circumstances to satisfactorily address the consequences of the breach.
- 5 Examples of actions that may be appropriate include:
- removing the relevant individual from the engagement team;
 - conducting an additional review of the affected assurance engagement work or re-performing that work to the extent necessary, in either case using different personnel;
 - recommending that the client engage another firm to review or re-perform the affected assurance engagement work to the extent necessary; and
 - when the breach relates to a non-assurance service that affects the subject matter of the assurance engagement, engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable it to take responsibility for the service.

The guidance regarding Rules 204.1 to 204.3 is amended by replacing paragraph 27 with the following:

Guidance – Rule 204.1 to 204.3

- 27 The ongoing evaluation and disposition of threats to independence should be supported by evidence obtained both before accepting an engagement and while it is being performed. The obligation to make such evaluation and take action arises when a member of a firm or network firm knows, or should reasonably be expected to know, of circumstances or relationships that might impair independence.

The guidance regarding Rule 204.4(1) to (6) is amended by deleting paragraphs 11 and 12:

Guidance - Rule 204.4(1) to (6)

11 Deleted.

12 Deleted.

The guidance regarding Rule 204.4(14) and (15) is amended by deleting paragraphs 7 and 8:

Guidance - Rule 204.4(14) and (15)

7 Deleted.

8 Deleted.

The guidance regarding Rule 204.4(36) and (37) is replaced with the following:

GUIDANCE – Rule 204.4(36), (36.1) and (37)

Fees — Pricing

- 1 Rule 204.4(36) provides that a member or firm may not provide an assurance service at a fee level 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 that the engagement will be performed properly by qualified staff and in accordance with all applicable professional standards.

Contingent fees

- 2 Rule 204.4(36.1) sets out the circumstances under which a contingent fee may not be charged for the provision of a non-assurance service to an assurance client.
- 3 However, a threat to independence may also be created by a contingent fee arrangement with an assurance client in situations when such a fee is not prohibited by Rule 204.4(36.1). The significance of any threat created will depend on such factors as:
 - the range of possible fee amounts;
 - whether an appropriate authority determines the outcome of the matter upon which the contingent fee will be determined;
 - the nature of the service; and
 - the effect of the event or transaction on the subject matter of the assurance engagement.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- having another professional accountant review the relevant assurance work or otherwise advise as necessary; and
 - using professionals who are not members of the engagement team to provide the service.
- 4 Corporate finance services are often provided on a contingent fee basis. When, in accordance with Rule 204.4(33), a member or firm is permitted to provide a corporate finance service to an assurance client and the corporate finance service is provided on a contingent fee basis, a threat to independence may be created. The significance of any threat created will depend on such factors as:
 - the level of sophistication of the parties to the transaction and whether those parties are carrying out additional due diligence regarding the transaction;
 - whether amounts or disclosures in the financial statements of the client have a material impact on the fee;
 - whether the outcome of the corporate finance service depends upon a judgment relative to a material matter related to the subject matter of the assurance engagement, such as a material balance in the financial statements of the client; and

- the materiality of the amount of the contingent fee to the member or firm.

The evaluation of the materiality of the amount of the contingent fee to a member requires that consideration be given to whether there is any member involved in providing the corporate finance service who is expected to receive compensation that is material to that member as a consequence of the firm receiving the contingent fee and who is also a member of the assurance engagement team.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- having another professional accountant review the relevant assurance work or otherwise advise as necessary; and
- using professionals who are not members of the engagement team to provide the service.

- 5** Value billing, which is specifically set out as an exception to the definition of a contingent fee, should not be used to justify what is in substance an otherwise inappropriate contingent fee arrangement.

Fees — Overdue

- 6** A self-interest threat may exist if fees due from an assurance client for professional services remain unpaid for a long time, especially if a significant portion is not paid before the issue of the assurance report for the following year. Generally the payment of such fees should be required before that report is issued. The following safeguards may be applicable:
- discussing the level of outstanding fees with the audit committee; and
 - involving another member of the firm who is not part of the engagement team, or a professional accountant who is not a member of the firm, to provide advice or review the work performed.

Members are cautioned that the overdue fees might create the same threats to independence as a loan to the client. Therefore, members should consider whether, because of the significance of such threats, it is appropriate for the firm to continue to provide assurance services to that client.

Fees — Relative size

- 7** When the total fees generated from an assurance client represent a significant proportion of a member's or firm's total fees, the financial dependence on that client, or group of clients of which it is a part, including the possible concern about losing the client, may create a self-interest threat. The significance of the threat will depend upon factors such as:
- the structure of the firm; and
 - whether the member or firm is well established in practice.

The significance of the threat should be evaluated and, if it is other than clearly insignificant, safeguards should be applied to reduce it to an acceptable level. Such safeguards might include:

- taking steps to reduce the dependency on the client;
- discussing the extent and nature of fees with the audit committee;
- having firm policies and procedures to monitor and implement quality control of assurance engagements;
- involving another member of the firm who is not on the engagement team to review the work done or advise as necessary;
- arranging for external quality control reviews; or
- consulting a third party, such as a professional regulatory body or a professional colleague who is not a member of the firm.

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

8 Rule 204.4(37)(a) provides that, unless specified measures are taken, a member or firm may not perform an audit engagement for a client that is a reporting issuer or listed entity, when, for the two consecutive fiscal years of the firm most recently concluded prior to the date of the financial statements subject to audit by the member or firm, the total revenue, calculated on an accrual basis, for services provided to that client and its related entities represent more than 15% of the total revenue of the firm, calculated on an accrual basis, in each such fiscal year. The measures required to be taken by the Rule are:

- disclosing, to the audit committee, that the revenue exceeds the 15% threshold; and
- completion, by another professional accountant who is not a member of the firm, of either a “pre-issuance” or “post-issuance” review of the audit engagement.

The Rule requires that either such review be substantially equivalent to an engagement quality control review. In the case of a “pre-issuance” review, the review is to be completed prior to the audit opinion in respect of the financial statements being issued. A “post-issuance” review may be completed after the audit opinion in respect of the financial statements has been issued but prior to the audit opinion on the client’s financial statements for the immediately following fiscal period being issued.

The Rule also requires the performance of a “pre-issuance” review if the total revenue, calculated on an accrual basis, for any services provided to the client continues to represent more than 15% of the total revenue of the firm, calculated on an accrual basis, in the firm’s most recently concluded fiscal year.

RESOLUTION 6 PROVISION OF CLIENT INFORMATION

Preamble: The public is better protected if client information is provided to a successor accountant or returned to the client upon request in a timely manner, even if the client owes outstanding fees to the practitioner. These proposed amendments to Rule 303 will remove the existing exception that allows a public practitioner to withhold client information if the client has outstanding fees owed to the practitioner.

The following was approved by the board on November 25, 2021.

303 Provision of client information

RULES:

303.1 (a) *A registrant shall, upon written request of the client and on a timely basis, supply reasonable and necessary client information to the registrant's successor, ~~except where a registrant reasonably withholds such information pending the resolution of any outstanding accounts.~~ Such co-operation is required with any successor accountant ("successor"), including a non-member.*

(b) *A registrant ("predecessor") shall co-operate with the successor on an engagement.*

303.2 *A registrant shall transfer promptly to the client or, on the client's instructions, to another party, all property of the client which is in the registrant's possession or control, ~~except where the predecessor reasonably exercises the right to place a lien on some or all records pending the resolution of any outstanding accounts.~~ Such property shall be transferred in the medium in which it is maintained by the registrant, or such other medium that is mutually agreeable, that will facilitate a timely and efficient transfer which best serves the client's interests. Ordinarily, when electronic copies of the property of the client are readily available, the client's interests will be best served when such information is provided as electronic data, rather than in printed form, provided that supplying the information in such a form will not violate licensing, copyright or similar legal agreements or proprietary rights.*

RESOLVED that the amendments to Rule 303 (deletions shown as ~~strikeouts~~) that were approved by the board on November 25, 2021, are confirmed in accordance with section 28(1) of the *Chartered Professional Accountants Act*, to come into force in accordance with section 28(4) of the *Act*.

Amendments to Code of Conduct Guidance

On November 25, 2021, the board also approved the adoption of the following revision to paragraph 5 of the Code of Professional Conduct guidance regarding Rule 302, to come into effect at the same time as the above Rule amendment. It is not part of the resolution to be voted on.

- 5** The successor should also enquire of the predecessor whether there is any ongoing business of which the successor should be aware, in order to ensure that the client's interests are protected. On the part of the predecessor, there must be readiness to co-operate with the successor, ~~although client documents may be withheld where there are fees owing to the predecessor by the former client.~~