

Draft Regulations

Draft Regulation

Professional Code
(L.R.Q., c. C-26)

Certified general accountants — Code of Ethics

Notice is hereby given, in accordance with the Regulations Act (R.S.Q., c. R-18.1), that the Bureau of the Ordre professionnel des comptables généraux licenciés du Québec made the Code of Ethics of certified general accountants.

The Regulation will be examined by the Office des professions du Québec pursuant to section 95 of the Professional Code. Thereafter, it shall be submitted, with the recommendation of the Office, to the Government, which may approve it with or without amendment, upon the expiry of 45 days following this publication.

According to the Ordre professionnel des comptables généraux licenciés du Québec, this Regulation replaces the Code of Ethics of certified general accountants (R.R.Q., c. C-26, r. 30), in the purpose of providing for certain rules relating to the practice of public accounting and related activities. This Regulation provides certain rules relating to duties and obligation towards the public, and restrictions and obligations respecting advertising for a certified general accountant.

For citizens, this Regulation will contribute toward improving the quality of services profited by certified general accountants. There is no impact on businesses, sobs and others.

Further information may be obtained from Mr. Marcel Godbout Lavoie, directeur général et secrétaire, Ordre des comptables généraux licenciés du Québec, bureau 450, 445, boulevard Saint-Laurent, Montréal (Québec), H2Y 2Y7, Tel.: (514) 861-1823; fax: (514) 861-7661.

Any person having comments to make on the text reproduced below is asked to send them, before the expiry of the 45-day period, to the Chairman of the Office des professions du Québec, complexe de la Place-Jacques-Cartier, 320, rue Saint-Joseph Est, 1^{er} étage, Québec (Québec), G1K 8G5. Those comments will be forwarded by the Office to the Minister responsible for the administration of the legislation respecting the pro-

fessions: they may also be forwarded to the professional order that made the Regulation, that is, the Ordre professionnel des comptables généraux licenciés du Québec, as well as to the persons, departments and agencies concerned.

ROBERT DIAMANT,
*Chairman of the Office
des professions du Québec*

Code of ethics of certified general accountants

Professional Code
(R.S.Q., c. C-26, s. 87)

CHAPTER I GENERAL

1. In this Regulation, unless the context indicates otherwise,

(1) “Order” means the Ordre des comptables généraux licenciés du Québec;

(2) “member” means any person entered on the roll of the Order;

(3) “client” means a person, association, partnership or employer to which or to whom a member provides professional services;

(4) “firm” means the operational unit where a member practises public accounting alone or in a partnership, with or without members as employees;

(5) “industrial and commercial accounting” means the analysis and interpretation work performed as an expert in accounting, the advice and counsel given in that capacity, as well as the examination and establishment of systems and procedures and the preparation of financial statements;

(6) “the practice of public accounting in a firm” means the offering of services to the public consisting of any of the following:

(a) the compilation of financial information, excluding compilation that can done while performing a related activity and intended for use by persons other than his client;

(b) the preparation of financial statements for a fiscal year, with or without a report by the public accountant, unless it is specified that they are prepared for taxation purposes only and do not include a balance sheet;

(c) the review or auditing, where permitted by law, of registers and documents so as to prepare the necessary financial statements or to make a report thereon and the required services for that purpose;

(7) “related activity” means the following activities, if they are offered to the public:

(a) management consulting;

(b) taxation services;

(c) duties as sequestrator and trustee in bankruptcy, and the administration of bankrupt companies and successions;

(d) the processing of financial information intended for the client, whether by hand or by mechanical or electronic means;

(e) the management activity, that is, business administration for the account of third persons;

(f) systematization consulting, that is, computer consulting and the programming of computer systems;

(g) business brokerage, that is, negotiating and advising on the sale, acquisition or merger of businesses;

(h) the administration and settlement of successions;

(i) investment consulting;

(j) financial consulting;

(k) insurance consulting;

(l) financial valuation;

(m) financial planning;

(8) “public accountant” means a person, whether or not a member of the Order, who is entitled to practise public accounting;

(9) “provincial association” means an association of certified general accountants legally constituted in any Canadian province or territory other than Québec;

(10) “candidate” means a person admitted as a candidate to the practice of the profession in accordance with

the Regulation respecting the terms and conditions for the issue of a permit of the Ordre des comptables généraux licenciés du Québec;

(11) “related services body” means a body, constituted as a partnership or not, or a legal person that practises a related activity and that includes a member among the owners, partners or shareholders;

(12) “partnership” means a partnership within the meaning of the Civil Code of Québec or a grouping of members formed with a view to practising an activity mentioned in paragraph 5, 6 or 7.

2. Each member shall ensure that this Regulation is complied with by the persons, employees or partners who cooperate with him in the practice of public accounting in a firm, of related activities or of industrial and commercial accounting. In a partnership, each partner is responsible for compliance with this Regulation by the partnership.

3. No member shall allow other persons to perform acts in his name which would contravene this Regulation if they were performed by himself.

4. A member may not practise public accounting in a firm or a related activity under a misleading name or designation, in particular

(1) as to the legal status of his firm or of the related services body, that is, his status as member practising alone, in a partnership or through a legal person;

(2) as to the nature of the activities carried out.

CHAPTER II DUTIES AND OBLIGATIONS TOWARDS THE PUBLIC

5. A member shall, unless he has sound reasons not to, support any measure likely to improve the quality and availability of professional services in his field of practice.

6. A member shall take into account all the foreseeable consequences that his conduct, acts, research or work may have on society.

7. A member shall keep up-to-date with recent developments in his profession in order to ensure high-quality professional services.

8. Every firm of public accountants shall be under the personal charge and management of a member.

9. A member may not claim or imply that he maintains a firm in a given area unless he actually practises public accounting or is represented by another public accountant in that firm.

10. A member may not be an employee, shareholder or director of a legal person engaged in the practice of public accounting in Canada in a firm, unless that legal person is also engaged in the practice of public accounting in another province or in a territory in accordance with the legislation of that province or territory.

11. Before undertaking work dealing with a related activity for a client whose regular public accountant is another member, a member shall first inform that other member unless it is prohibited in writing by his mandate.

12. Any member who carries on one or more related activities through a related services body shall ensure that the organization complies with this Regulation as if it were a firm of public accountants who practise public accounting and any member employed by the related activities body shall be liable for any offence against this Regulation in which he takes part.

13. A member who practises public accounting in a firm shall do so under the sole title of “certified general accountant”.

14. No member shall be linked in any way to a firm of public accounting under a name that does not include the name of a natural person.

15. No member shall be linked in any way to an organization using the title of “certified general accountant” in Québec unless

(1) at least one partner is a member of the Order;

(2) all partners residing in Québec are members of the Order; and

(3) all partners are members of the Certified General Accountants Association of Canada.

CHAPTER III DUTIES AND OBLIGATIONS TOWARDS THE PUBLIC

DIVISION I GENERAL

16. Before accepting to render a professional service, a member shall bear in mind the extent of his proficiency, knowledge and the means at his disposal.

He must not, in particular, undertake work for which he is not sufficiently prepared without obtaining the necessary assistance.

17. A member shall at all times acknowledge his client’s right to consult another member, a member of another professional order or any other competent person.

18. A member must not practise under conditions which could impair the quality of his services.

19. A member shall seek to establish a relationship of mutual trust between himself and his client. He shall, for such purpose,

(1) refrain from practising his profession in an impersonal manner;

(2) conduct his interviews so as to respect the scale of values and the personal convictions of his client, where his client has informed him thereof.

20. A member shall not interfere in the personal affairs of his client in matters that do not fall within the generally recognized competence of the profession.

21. A member must not make omissions or performs acts contrary to generally accepted professional standards or present knowledge in the field of accounting.

DIVISION II INTEGRITY

22. A member shall discharge his professional duties towards his client with integrity.

23. A member must avoid any representation with respect to his level of competence, his studies, his belonging to or relations or affiliation with groups, associations, professional orders or individuals, or the efficiency of his own services and of those generally provided by the members of the profession. If the good of the client so requires, he shall consult another member, a member of another professional order or another competent person, or refer him to one of these persons.

24. A member shall inform his client as soon as possible of the nature and extent of the services required by the latter and obtain his agreement thereto.

25. A member shall set out in a complete and objective manner to his client the nature and significance of the problem as he sees it on the basis of the facts brought to his attention.

26. A member shall refrain from expressing opinions or giving advice that is contradictory or incomplete. To that end, he shall endeavour to have full knowledge of the facts before expressing an opinion or giving advice and he must not, in particular, make a commentary or recommendation respecting a financial statement unless he has all the information necessary to justify such comment or recommendation.

27. A member shall correct any error appearing in a financial statement that he has prepared or assisted in preparing and if, for some reason, such correction cannot be made, he must disclose any significant error.

28. Subject to section 27, in all circumstances, whether it is towards the public or a client and notwithstanding any exclusion of liability, no member shall sign, prepare, produce or even associate his name with letters, reports, declarations, accounts or financial statements if he knows or should know that the documents are erroneous, deceptive or misleading.

29. A member shall inform his client that he cannot guarantee the making of forecasts based on future transactions.

30. A member shall comply with the generally accepted accounting principles, with the accounting standards established in accordance with the regulatory requirements recognized by the profession and with the standards for presenting financial statements, unless he obtains his client's authorization and, if he practises public accounting, he clearly indicates in his public accountant's report that the financial statement does not comply with these principles or standards.

Where an employee prepares financial statements for his employer that do not include a report by the public accountant, the employee shall indicate such departure from the principles or standards on every page of the financial statements.

31. A member shall take reasonable care of the property entrusted to him by a client and he may not lend it or use it for purposes other than those for which it was entrusted to him. Upon request by the client, he shall give the property back to the client or to the person designated by the latter without delay.

32. A member shall refrain from endorsing any cheque or commercial instrument made out to the order of a client unless he has received an authorization to that effect from the latter and on condition that the endorsement is made solely for deposit in the client's account or in a trust account.

33. A member shall not pay himself from the funds he holds for a client, unless the latter agrees thereto in writing.

34. A member shall notify his client of any illegal act likely to benefit that client and of which he became aware in the carrying out of his mandate.

35. A member shall avoid performing any unnecessary or superfluous professional acts in the practice of his profession and must not perform any act that is inappropriate or disproportionate to the needs of his client.

36. A member may not associate himself with a report on a review or audit engagement unless the review or audit was made by him or under his supervision.

DIVISION III AVAILABILITY AND DILIGENCE

37. A member shall display reasonable availability and diligence in the practice of his profession.

38. In addition to opinion and counsel, a member shall provide his client with any explanation necessary to the understanding and evaluation of the services rendered to him.

39. A member shall give an account to his client when so requested by the latter.

40. Unless he sound and reasonable grounds to the contrary, a member may not cease to act on behalf of a client in the course of a mandate.

41. Before ceasing to perform his duties for a client, a member shall forward an advance notice of withdrawal within a reasonable time and must make sure that his withdrawal will prejudice his client.

DIVISION IV LIABILITY

42. A member who practises public accounting in a firm or a related activity may not include in a contract for professional services a clause directly or indirectly excluding in whole or in part his civil or personal liability.

43. A member who practises public accounting in a firm and who prepares or allows that his name be affixed to financial statements falling within the field of public accounting shall attach to those financial statements the report of the public accountant concerned and sign it as certified general accountant.

DIVISION V INDEPENDENCE AND IMPARTIALITY

44. A member shall be objective and impartial when persons other than his clients ask him for information.

45. A member shall subordinate his personal interest to that of his client.

46. A member shall safeguard at all times his professional independence and avoid any situation in which he would be in conflict of interest.

A member who is called upon to fulfil a review or audit engagement about financial statements, financial information or any other matter submitted to his expertise shall be free from any influence, interest or relation which, considering his engagement, could impair his professional judgment or objectivity.

A member may not act as auditor for a client with whom the member or his partner, employer, employee, spouse, ascendants or descendants, brothers or sisters or relatives by marriage share a financial interest.

47. A member shall reveal to his client any relationships, ties or interests, in particular those of a business or personal nature, likely to place him in a conflict of interest situation with that client.

48. As soon as he ascertains that he is in a situation of conflict of interest, a member shall notify his client thereof and, as quickly as possible, either remove the cause of the situation or terminate his mandate, unless his client agrees in writing that he continue the mandate.

49. Unless the party concerned agrees thereto, a member shall not receive, in addition to the remuneration to which he is entitled, any benefit, allowance or commission relative to the practice of his profession, nor shall he pay, offer to pay or undertake to pay such benefit, allowance or commission.

50. For a given service, a member shall only accept fees from one source, unless agreed upon otherwise in writing by all the parties concerned. He must accept the payment of these fees only from his client or his representative.

51. A member shall generally act, in a given matter, for only one of the parties in question. If his professional duties require that he acts otherwise, a member shall specify the nature of his responsibilities and shall keep all the interested parties informed that he will cease to act if the situation becomes irreconcilable with his duty of impartiality.

DIVISION VI PROFESSIONAL SECRECY

52. A member shall respect the secrecy of confidential information obtained in the practice of his profession.

53. A member may be released from professional secrecy only upon the authorization of his client or when so ordered by law.

54. When a member asks a client to give him confidential information or when he allows such information to be given to him, he must ensure that the client is fully aware of the purpose of the interview and the various uses which might be made of such information.

55. Subject to section 52, a member shall not disclose the fact that his services have been required by a person if such disclosure could be prejudicial to that person. In the case of a natural person, the member shall also obtain that person's authorization.

56. A member shall avoid indiscreet conversations about a client and the services rendered to him.

57. A member shall not make use of confidential information which could be prejudicial to a client or with a view to obtaining a direct or indirect benefit for himself or for another.

DIVISION VII ACCESSIBILITY AND CORRECTIONS TO RECORDS

58. A member shall allow his client to consult the documents concerning him in any record made in his regard and to obtain at his expense copies of such documents at actual cost.

59. A member shall allow his client to have corrected, in a document concerning him and included in any record made in his regard, inaccurate, incomplete or ambiguous information given the purposes for which it is collected. He shall also allow his client to have deleted any information outdated or unwarranted by the purpose of the record or to make comments in writing and add them to the record.

60. Where a person concerned applies for access or corrections to a record, the member who holds it shall reply to the application as soon as possible, not later than 20 days following the date of the application.

61. A member who refuses to satisfy an application for corrections made by a person concerned shall notify him in writing of his refusal with reasons and inform him of his recourses.

62. A member who satisfies an application for corrections shall issue to the applicant free a charge a copy of any amended or added information or, as the case may be, an attestation that some information has been withdrawn.

That person may require the member to send a copy of such information or attestation to the person from whom he obtained the information or to any other person to whom the information has been provided.

63. A member who holds information referred to in an application for corrections shall, if he denies the application, keep it for the time needed by the person concerned to exhaust the recourses provided by law.

DIVISION VII DETERMINATION AND PAYMENT OF FEES

64. The fees charged by a member shall be fair and reasonable.

The fees are fair and reasonable if they are warranted by the circumstances and in proportion to the services rendered. In determining his fees, a member shall in particular take the following factors into account:

- (1) his experience;
- (2) the time devoted to the performance of the professional service;
- (3) the complexity and importance of the service;
- (4) the responsibility assumed;
- (5) the performance of unusual services or of services requiring exceptional competence or celerity.

65. A member shall not demand advance payment for his services, except for a particular reason justified in the circumstances. However, he may request an advance to cover expenses necessary for the performance of the professional services required.

66. A member shall inform his client of the approximate cost of his professional services.

67. A member shall provide his client with a detailed statement of his fees.

68. A member shall provide his client with all the explanations necessary for the understanding of his statement of fees and the terms and conditions of payment.

69. A member may collect interest on outstanding accounts only after having duly notified his client. The interest thus charged shall be at a reasonable rate.

70. Where a member entrusts the collection of his fees to another person, he shall make sure that the latter does so with tact and moderation as far as possible.

CHAPTER IV DUTIES AND OBLIGATIONS TOWARDS THE PROFESSION

DIVISION I DEROGATORY ACTS

71. In addition to those referred to in sections 55.1, 57, 58, 59.1 and 59.2 of the Professional Code (R.S.Q., c. C-26); it is also derogatory to the dignity of the profession for any member of the Order

(1) to allow the use of the title reserved for members of the Order or to participate in such use, in particular and subject to section 15, by joining a partnership which advertises as a partnership of "certified general accountants" if all the partners are not members of the Order;

(2) to communicate with the plaintiff without the written and prior permission of the syndic or his assistant where he is informed by the syndic or his assistant that either of them is conducting an investigation into his conduct or professional competence or when he has received notice of a complaint in accordance with section 132 of the Professional Code;

(3) to fail to inform the Order that he has reason to believe that a member is incompetent, contravenes the statutes and regulations governing the profession or has obtained a permit by fraudulent means;

(4) to fail to inform the Order that he intends on his own account to use legal means in respect of insolvent debtors;

(5) to have committed an offence against any tax or securities legislation in Canada or elsewhere, as recognized by a judgement of a court of competent jurisdiction;

(6) to assign his property or be a bankrupt as declared by a judgment of a court of competent jurisdiction;

(7) to fail to inform the Order without delay that he has assigned his property or has been declared bankrupt by a final judgment of a court of competent jurisdiction;

(8) to fail to inform the Order that a court or disciplinary decision referred to in section 55.1 of the Professional Code is being made or has been made against him.

72. A member shall not adopt any method of soliciting clients which could harm the dignity of the profession. He shall not induce anyone in a pressing or repeated manner to resort to his professional services.

DIVISION II

RELATIONS WITH THE ORDER AND COLLEAGUES

73. A member shall reply as soon as possible to every communication addressed to him by the director general, secretary, syndic, assistant syndic, investigators or other members of the professional inspection committee in the performance of their duties.

74. A member who intends to practise his profession for his own account or for another member, a partnership or a related services body, on a part-time or full-time basis, shall so inform the Order in writing with a mention of the place, other than the place referred to in section 60 of the Professional Code, where he intends to practise.

75. A member shall not, directly or indirectly, solicit a mandate in public accounting or in a related activity from a client of a member who practises public accounting in a firm or a related activity. A member shall likewise not solicit the clientele of a deceased member for 90 days after the death.

76. Before accepting to replace another public accountant in a mandate with respect to any activity in the field of public accounting, a member shall first communicate with such public accountant and inquire whether there are any factors he should take into account in deciding whether or not to accept the mandate. Such public accountant shall reply within a reasonable period of time.

77. A member who accepts a mandate in public accounting or a related activity jointly with another member or a public accountant, shall be solidarily liable for the entire mandate. He may not deal with any question concerning the mandate without due notice to his colleague.

78. A member shall not abuse the good faith of another member or be guilty of a breach of trust or disloyal practices towards him. In particular,

(1) a member shall not claim credit for work attributable to a colleague; the foregoing does not preclude a member to rely on the opinion of the other auditors, without naming them, in the audit of consolidated financial statements;

(2) a member who accepts to do a special assignment for a client and another public accountant, whether his services were retained on the recommendation of the latter or by any other member, shall not carry out any procedure without good reason which would tend to weaken the public accountant's relationship with his client;

(3) a member whose services are retained upon the recommendation of a public account shall not extend or propose to extend the scope of his mandate without the consent of the referring accountant; on the other hand, the referring accountant shall not withhold such consent unduly;

(4) a member, unless limited or restricted in writing in special circumstances by the terms of his mandate, shall first submit any proposed criticism of the work of another member to the member concerned so that any such criticism is made with full knowledge of the facts and in a spirit of professional courtesy and prudence.

DIVISION III

CONTRIBUTION TO THE ADVANCEMENT OF THE PROFESSION

79. A member shall, as far as he is able, contribute to the development of his profession through the exchange of his knowledge with the other members, candidates and registered students.

Registered students are persons who do not meet the conditions for being recognized candidates but who have, in the last 24 months, taken courses with a view to completing the program of study giving access to the permit of certified general accountant.

80. A member shall in particular favour any participation in courses and continuing training seminars.

CHAPTER V RESTRICTIONS AND OBLIGATION RESPECTING ADVERTISING

81. All partners in a firm shall be solidarily liable for compliance with the rules respecting advertising, unless an advertisement clearly indicates the name of the member responsible for it.

82. A member shall not engage in, or allow the use of, by any means whatsoever, advertising that is false, deceiving, likely to mislead or harmful to the dignity of the profession.

83. A member may not claim to possess specific qualities or skills in his advertising, unless he can substantiate such claim.

84. A member may not claim the title of specialist unless he holds a specialty certificate issued by the Bureau of the Order.

85. A member may not use advertising practices liable to denigrate or discredit another member or another firm.

86. A member who advertises a lump-sum fee shall

- (1) establish fixed prices;
- (2) specify the nature and extent of the services included in the fee;
- (3) indicate whether or not charges or other disbursements are included in the fee;
- (4) indicate whether additional services could be required in return for extra money.

Those specifications and indications shall be such as to properly inform persons so that they can make a wise choice with respect to the offered professional services and to the asked fee.

Any lump-sum fee shall remain in force for at least 90 days after it is last broadcast or published.

87. A member shall not use advertising to make believe that results will be achieved for certain.

88. A member, in his advertising, may not use or allow the use of an expression of support or gratitude he has received.

89. A member shall keep a complete copy of any advertisement in its original form for 1 year following the date it was last broadcast or published. That copy shall be given to the syndic upon request.

CHAPTER VI NAME OF A PARTNERSHIP AND GRAPHIC SYMBOL

90. The name of a partnership of certified general accountants shall include the names of persons listed in section 15 only. However, it may retain the name of a retired or deceased member.

91. Where a certified general accountant leaves a partnership to practise alone or to join another partnership of public accountants, his name shall be deleted from the partnership's name.

92. The name of a partnership of certified general accountants may end by the expression "and partner(s)" where the partnership includes at least another partner whose name is not included in the partnership's name.

93. The Order is represented by a graphic symbol complying with the original held by the secretary of the Order.

94. Where a member or a firm of public accountants reproduces the graphic symbol of the Order for advertising and stationery purposes, he or it shall ensure that such symbol complies with the original held by the secretary of the Order.

95. A member who publishes an article, an opinion or a comment or who participates in their writing and who uses the graphic symbol of the Order shall include the following warning: "This text does not originate from the Ordre des comptables généraux licenciés du Québec and it commits the liability of its author only."

CHAPTER VII FINAL

96. This Regulation replaces the Code of ethics of certified general accountants (R.R.Q., 1981, c. C-26, r. 30).

97. This Regulation comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.