

# ASSOCIATION WITH NON-MEMBERS

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**As a CPA practitioner, it is increasingly common to work with non-members when providing public accounting services.<sup>1</sup> Whether you are engaging a non-member or assisting them with an engagement, you must comply with the relevant ethical rules in the CPA Code.**

## Understanding the rules

In the CPA Code, association with a non-member in the practice of public accounting or through a related business or practice<sup>2</sup> is prohibited, unless:

- the association maintains the good reputation of the profession and serves the public interest<sup>3</sup>, and
- the related business or practice establishes and maintains policies and procedures that forbid the use of presentation or communication implying the non-member is a member and ensure the non-member understands and complies with the CPA Code, By-law, Regulations and any other ethical rules of their professional body (if applicable).<sup>4</sup>

You can only provide public accounting services through a firm fully owned by CPAs, that is registered with

CPA Ontario. This means that you cannot carry on the practice of public accounting through an entity owned or co-owned by a non-member.

There are also rules on association with corporations owned by non-members. In general, you cannot associate with a corporation in the practice of public accounting other than a CPA professional corporation.<sup>5</sup> There is one exception allowing you to work for a corporation (not registered as a firm with CPA Ontario) that provides taxation services involving advice, counsel or interpretation: only when such services are a small part of their activities. These conditions are primarily applicable to members working for larger financial institutions, such as banks or investment dealers, and who provide taxation services on an incidental basis.<sup>6</sup>

### **Relevant rules in the [CPA Code of Professional Conduct \(CPA Code\)](#):**

Rule 304, *Joint engagements*

Rule 406, *Responsibility for a non-member*

Rule 408, *Association with non-member in public practice*

Rule 409, *Practice of public accounting in corporate form*

### **[CPA Ontario By-Law \(By-law\)](#):**

1.148, *practice of public accounting*

1.153, *providing accounting services to the public*

### **[CPA Ontario Regulations](#):**

[Regulation 10-1, Firms](#)

### **[CPA Canada Handbook - Assurance \(Assurance Handbook\)](#):**

CAS 620, *Using the work of an auditor's expert*

<sup>1</sup> All references to "public accounting" include the "practice of public accounting" as defined in By-law 1.148 and "providing accounting services to the public" as defined in By-law 1.153.

<sup>2</sup> Related Business or Practice means a business or practice that refers to, or is referred to by, a Practice of Public Accounting or Providing Accounting Services to the Public in its material (including any use of any name, word, design, feature, or characteristic of presentation or communication) which, in a reasonable person's view, would imply that the Practice of Public Accounting or Providing Accounting Services to the Public, or any of its proprietors, has a proprietary interest or management influence in the other business or practice, or has any other ongoing economic association or relationship with the other business or practice. Regulation 10-1, section 1.4.

<sup>3</sup> Rule 408.1(a)

<sup>4</sup> Rule 408.1(b)

<sup>5</sup> Rule 409

<sup>6</sup> Rule 409 (b), Rule 216 guidance paragraph 5. Also refer to the guidance article: [Providing Accounting Services To The Public - Taxation Services](#), on the Professional Advisory Services guidance page.



## Additional rules

When you work with a non-member in the practice of public accounting, you are directly responsible for their compliance (or failure to comply) with the CPA Code, which is deemed to apply as if the non-member were a member.<sup>7</sup> This also applies when a non-member owns an interest in or works for your “related business or practice”. Again, the CPA Code is deemed to apply as if the ‘related business or practice’ were the practice of public accounting, and the non-member were a member.<sup>8</sup>

Always ensure that non-members performing professional services under your authority have adequate training and supervision.<sup>9</sup>

The following considerations, although not an exhaustive list, are critical when you associate with a non-member in the practice of public accounting, or in a related business or practice:

Consideration	Action
Ensure the non-member complies with the fundamental principles of the CPA Code, in addition to specific rules that apply to them.	Advise them that they have a fundamental responsibility to act in the public interest by maintaining professional behaviour, integrity, due care, objectivity, professional competence and confidentiality. <sup>10</sup>
Evaluate the professional competence of the non-member.	Consider their relevant experience, education, professional development, credentials, qualifications, reputation and other professional standards to which they must adhere.  If you have not worked with them before, heighten your professional skepticism.

<sup>7</sup> Rule 406.1

<sup>8</sup> Rule 406.2

<sup>9</sup> Refer to the fundamental principles in the preamble to the [CPA Code](#), Integrity and due care.

<sup>10</sup> Refer to the fundamental principles in the preamble to the [CPA Code](#), Fundamental principles governing conduct.



Consideration	Action
<p>Ensure adequate training and supervision of the non-member.</p>	<ul style="list-style-type: none"> <li>• Supervise, direct and evaluate the adequacy of the non-member’s work.</li> <li>• Provide them with detailed descriptions of the nature of their responsibilities and the objectives and scope of their work, along with the necessary instructions and information to perform their work,</li> <li>• Review their working papers on a timely basis to evaluate its quality and the conclusions reached.</li> <li>• Ask about or provide relevant training to ensure they are qualified for the work being performed.</li> <li>• Remain alert to changes in conditions or results that impact your initial evaluation of them.</li> </ul>
<p>Consider whether you or the non-member is ultimately responsible for the work product or engagement.</p>	<p>If you are responsible for the work product or engagement, you should:</p> <ul style="list-style-type: none"> <li>• maintain a direct relationship with the client,</li> <li>• obtain an engagement letter, and</li> <li>• sign and issue the relevant engagement report (if any).</li> </ul> <p>If the non-member engaged the client, obtain the client’s consent to access all information required to perform your role in the engagement.</p>
<p>Mitigate your exposure to professional liability risk for the non-member’s work.</p>	<p>Consider whether the non-member is covered under your firm’s professional liability insurance policy or whether they have separate, adequate coverage.</p>
<p>Prepare an agreement with the non-member.</p>	<p>Outline the following:</p> <ul style="list-style-type: none"> <li>• terms of the engagement,</li> <li>• roles and responsibilities of each party,</li> <li>• nature or scope of their work,</li> <li>• relevant technical performance standards or other professional or industry requirements, and</li> <li>• effective date or work period covered.</li> </ul> <p>Consider having the agreement reviewed by a lawyer.</p>



If your firm has engaged a non-member who is an expert in a field other than accounting or auditing to assist you in obtaining sufficient, appropriate audit evidence in an audit engagement, you must meet additional requirements in CAS 620<sup>11</sup> in the Assurance Handbook.

Overall, it is your responsibility to ensure that any association with a non-member in the practice of public accounting meets the high standards of the CPA profession.

As no two situations are identical, CPAs are responsible for ensuring that their own situation complies with the [CPA Code of Professional Conduct](#), [By-law](#) and [Regulations](#). Please note that this article is considered to be non-authoritative guidance only.

<sup>11</sup> CAS 620, *Using the work of an auditor's expert*.

Have a question? Our Professional Advisory Services team is here to help, making first point of contact within 24 hours.

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