

ADVISORY MEMORANDUM

This memorandum provides background to, and justification for, the revised CGA Independence Standard, version 2.0, approved for release by the CGA-Canada Affiliation Council in October 2009 (and subsequently ratified by provincial and territorial Associations and their memberships).

Background

In large part prompted by then current events, the National Professional Standards Committee (NPC) of CGA-Canada commissioned, in 2003, the development of a CGA Independence Standard. Working collaboratively throughout the balance of 2003 and 2004, the CGA Associations in consultation with external advisors and stakeholders crafted what was to be the national standard of the Association.

Following completion of the internal processes necessary of the Associations to render the provisions of the standard effective, the standard was directed to the Canadian Public Accountability Board (CPAB) for comment with a view to endorsement. Since that time, the CPAB has, through Rule 303, affirmed that *“With respect to auditor independence, the relevant standard for all Canadian participating audit firms of Certified General Accountants and the designated professionals and other partners and employees of such firms shall be the requirements of the CGA Independence Standard...”*

In keeping with Association tradition, the NPC continues to monitor the regulatory environment and deemed revisions necessary. Specifically, the redrafted standard has been modernized to reflect best practice, to align with the International Ethics Standard Board for Accountants (IESBA), and to accommodate recent changes to Sections 290 and 291 of the International Federation of Accountants’ Code of Ethics for Professional Accountants (IFAC Code). As self-regulating bodies, CGA Associations are compelled to sustain domestic currency, national relevance, and international compliance; both by virtue of formal protocol with the IFAC and by way of professional expectation.

Effective Date

The effective date of the revised standard is December 15, 2010, with transitional provisions provided for in Section 6 (page 56) and Section 8 (page 71) respectively for *Audit or Review Engagements* and *Other Assurance Engagements*.

Explanatory Memorandum

The Code of Ethical Principles and Rules of Conduct (CEPROC) Working Group of the NPC has developed an accompanying Explanatory Memorandum available to individuals required to familiarize themselves with Independence Standard provisions. With an emphasis on facilitating comprehension of the transition from version 1.3 to version 2.0 of the standard, it can be obtained from the national, provincial or territorial Associations.

Other Guidance Materials

In order to facilitate the transition a number of guidance materials have been developed, or updated, and are now available for use. A revised Guidance bulletin on the topic of Independence has been prepared, introducing the new provisions, and is provided through the PPCD and PPM On-line products, accessible under the Practitioner Advice tab. Additionally, the Orientation to Public Practice, Practice Administrative Issues, Ethical Issues for Professional Accountants, was revised with a focus on the new requirements (including a summary of prohibitions, and comprehensive table which follows the non-assurance services provisions within the standard that create independence threats when providing assurance services). Members interested in attending a session covering ethics, and the new independence standard are encouraged to check availability of this seminar offering with their provincial and/or territorial Association.