

# E- Insights

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### Upcoming Institute Activities

April 16, 2010 Business Insights Series  
Lesley Galway and Ralph Tucker,  
Workplace Health, Safety and Compensation Commission

May-June 2010 Spring PD Sessions

June 18, 2010 AGM

June 17, 2010 Annual Volunteer BBQ

July 7, 2010 Annual Education Foundation Golf Tournament

## ASSURANCE STANDARDS IN TRANSITION

Changes in the accounting profession have never been as significant as they are today. While the most attention has been given to IFRS and, more recently, changing standards for private enterprises, changes to auditing standards have not been given the same attention. However, in a move to converge with international standards, the Auditing and Assurance Board has been quite active in making sweeping changes in this area as well.

### Canadian Auditing Standards

The Canadian Auditing and Assurance Standards Board (AASB) is adopting International Standards on Auditing (ISAs) as Canadian Auditing Standards (CASs) for the audits of financial statements for periods ending on or after December 14, 2010.

In preparing for the transition to CASs, the crucial first step for all auditors is to familiarize themselves with the content of the CASs, and with the new clarity format which the new *CICA Handbook/Assurance* will adopt. A good place to start is with *The CICA's Guide to New CASs in Canada*.

ICANL's Spring Professional Development Program will include a two day seminar focused on the new Canadian Audit Standards and members in public practice are strongly encouraged to attend this session.

### New Quality Control Standard for Firms – Effective December 15, 2009

The new Canadian Quality Control Standard for Firms, also known as CSQC-1, applies to all firms performing assurance engagements. Members are reminded that CSQC-1 was effective **December 15, 2009** and replaces *General Standards for Firms – Quality Control* (GSF-QC).

There are two significant differences in requirements between GSF-QC and CSQC-1:

- The need to complete the engagement quality control review (EQCR) and resolve differences of opinion before the report date; and
- The prohibition of those performing the engagement or the (EQCR) from being involved with the inspection of the completed engagement as part of the monitoring function.

All members should now have their Quality Assurance Manuals (QAM's) updated to reflect these changes, as well as any other changes required as a result of implementing CSQC-1.

The CICA's *Quality Assurance Manual* (QAM) is a comprehensive resource designed to help firms comply with the quality control standard and develop and document their own policy manuals and systems of quality control. QAM update # 3, released in December 2009, addresses several important aspects of the CSQC-1 and specifically provides guidance on:

## STANDARDS IN TRANSITION - HOW TO TALK TO YOUR CLIENTS AND OTHER FINANCIAL STATEMENT USERS

The impact of the upcoming changes to accounting and assurance standards on clients, bankers and other financial statement users can be overwhelming. To facilitate talking to your clients, and other financial statement users the CICA has developed three marketing brochures as part of their Client Development Brochure Series. These brochures focus on International Financial Reporting Standards, New Accounting Standards for Private Enterprises and New Canadian Auditing Standards and can be distributed to clients and other financial statement users to help them assess the issues that affect their business, so that they are better prepared to discuss them with you.

You can download and print copies of the Client Development Brochures for free; or you can purchase personalized copies from CICA, with the name and contact information of your firm printed on the back. For more information and to view these brochures [click here](#).

- The timing of the EQCR
- The monitoring process
- Division of the monitoring process into two parts
- Span of the monitoring cycle
- Documentation of the monitoring

The four sample Q.C. Policy Manuals have also been extensively updated for Section 1.2 – Monitoring Compliance, to clearly address the distinction between ongoing monitoring activities and the cyclical inspection of completed engagements files. In addition, a more comprehensive update of the QAM is scheduled for spring 2010, to address other changes in CSQC-1, in particular those that will come into effect at the same time as the Canadian Auditing Standards (CASs).

For more info or to order a copy of the QAM, click on:

<https://www.knotia.ca/kStore/Catalogue/ProductDetails.cfm?productID=536&language=1&URLCode=gam-cicaweb>.

For further guidance on the CSQC-1, members can access the *Canadian Standards in Transition website*, <http://www.cica.ca/isa/csqc-1/index.aspx>.

Additional information can also be found in the following CICA publications:

**Risk Alert** <http://www.cica.ca/isa/site-utilities/item30452.pdf>; <http://www.cica.ca/isa/site-utilities/item29722.pdf>

**CA Practice Advantage** <http://www.cica.ca/isa/site-utilities/item29029.pdf>

Finally, an archived version of the *CA Practice Advantage Webinar – Getting Ready for the New Canadian Standard on Quality Control* can be accessed at: <http://www.cica.ca/isa/training-and-events/item34224.aspx>.

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## Eligibility for Licensure as a Public Accountant

Members are reminded of changes to the By-laws related to licensure that were ratified by the membership at the annual general meeting in July 2009. By-law 1005(1) requires that “annually all members holding a license under the Public Accountancy Act shall confirm with the Institute that they continue to meet the eligibility requirements to be licensed as a public accountant.” Such confirmation will be requested from members on the annual Office Practice Inspection Information Request form that will be sent to members in April.

By-law 1005(2) specifies the conditions under which a licensee shall no longer be eligible for licensure as follows: “(a) within the immediate five years, the licensee has not engaged in the practice of public accounting in a substantive way by fulfilling the requirements of By-law 1004(5); (b) the licensee fails to carry professional liability insurance in an amount and form as required by the Board.” For further clarification, members can refer to By-law 1004(5). The By-laws can be accessed on the ICANL website <http://www.icanl.ca/member-services/member-handbook/item27987.pdf>.

Those members currently holding a license but not practicing public accounting are encouraged to review these by-laws. If you have further questions, please contact Kim Mayo, Director of Member Services/Practice Advisor.

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# Changes to Independence Standards to be Considered in Two Phases

*By Gary Hannaford, FCA – Chair of the Independence Task Force*

The profession's Public Trust Committee has formed an Independence Task Force (ITF) to review the independence provisions included in the Rules of Professional Conduct to determine whether or not any changes are needed.

The review was precipitated because of changes that were made to the independence standards included in the Code of Ethics (the Code) of the International Federation of Accountants (IFAC) last year. The changes to the Code were released in July 2009.

The CA profession is a member of IFAC and, as such, monitors IFAC developments to facilitate convergence of national and international standards.

The ITF has considered a detailed comparison of the independence provisions in the revised Code and those contained in the Rules of Professional Conduct. It is of the view that it is appropriate to adopt the Code into the Rules, amended only as appropriate for Canadian specific circumstances. This approach reflects the CA profession's obligation as a member of IFAC and also reflects the approach taken with the adoption of international accounting and auditing standards in Canada.

The ITF has determined that changes should be considered in two phases. In the first phase, the ITF will issue an Exposure Draft for public comment recommending the early adoption of the partner rotation provisions contained in the Code, which would change the Canadian requirements for rotation after five years followed by a five year "time-out" period to seven and two years respectively. The Exposure Draft will be released sometime in late March or early April with a response date still to be determined.

The ITF will consider the views expressed in response to the Exposure Draft with the intention of making recommendations of any changes to the Rules of Professional Conduct to the Provincial Institute/Ordre Councils/Boards later this year to be effective as soon as possible. In most provinces, any changes to the Rules of Professional Conduct need to be approved ultimately by a vote of the membership.

The second phase sees the ITF issuing a Consultation Paper soliciting views on a number of other changes that may be made to the Rules of Professional Conduct. Feedback will be requested on the appropriateness of the proposed Canadian modifications and the implications of moving to the Code requirements.

The ITF will consider the views expressed in response to the Consultation Paper in determining the approach to recommend. The proposed changes to the Rules of Professional Conduct will then be exposed for public comment with a view to having any new requirements approved by the Provincial Institute/Ordre Councils/Boards by the end of 2011 and subsequently voted on by members as appropriate.

It is expected that the Consultation Paper will be released concurrently with the Exposure Draft on partner rotation, with a similar response date.

Please keep an eye out for both the Exposure Draft and the Consultation Paper as your views will be important in determining the final changes that will be made to the existing Rules of Professional Conduct pertaining to independence.

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## What constitutes CPD?

The following excerpt from the regulations to the by-laws provides guidance to members regarding what forms of CPD constitute non-verifiable and verifiable CPD. If you have any questions about your CPD activities, please contact Kim Mayo, Director of Member Services/Practice Advisor.

*(e) “unverifiable learning activities” means independent and informal learning activities that do not result in a product or for which no evidence of the learning exists. Such activities shall be relevant and appropriate to the member’s work and professional responsibilities, contain significant intellectual and practical content and may include:*

- *On-the-job training for new software, systems, procedures or techniques for application in a professional role,*
- *Self-study that does not involve an examination or other objective certification of completion, such as conference reference materials or self-study CDs,*
- *Casual reading of professional journals or magazines that is not part of research for a specific application in a professional role.*

*(f) “verifiable learning activities” means measurable, structured learning activities that result in some product or for which there is some other evidence that the learning activity was undertaken. Such activities shall be relevant and appropriate to the member’s work and professional responsibilities, contain significant intellectual and practical content, and may include:*

- *Participation in courses, conferences and seminars,*
- *Organized employer-based in-house training sessions,*
- *Research or study projects in areas that expand the professional knowledge of the member and that result in presentations, reports or similar documentation,*
- *Research, including reading professional literature or journals for a specific application in a professional role,*
- *Participation and work on technical committees or formal study groups,*
- *Published professional writing or academic writing,*
- *Writing technical articles, papers or books,*
- *Teaching a course or CPD session in an area that is relevant to a professional role,*
- *Participation as a speaker in conferences, briefing session or discussion groups,*
- *Formal study (leading to a degree or diploma),*
- *Professional re-examination or formal testing,*
- *Self-study involving successful completion of an examination or leading to a designation.*

## CONTINUING PROFESSIONAL DEVELOPMENT

### How much CPD do I need?

December 31, 2010 is the end of the first three year cycle for the new CPD requirements introduced in 2008. These new CPD requirements require members to have accumulated 120 hours of CPD in the three year period, 60 hours of which must be verifiable CPD. Members are encouraged to review their CPD hours to date and assess their needs for the balance of 2010.

### Where can I get CPD?

ICANL will be offering professional development courses in May and June and October to December in a wide variety of topic areas. Please keep watching your emails from the Institute for our Spring and Fall/Winter CPD catalogues.

The CICA has many CPD opportunities to suit a variety of learning styles. Members can visit the CICA Xtensions website at <http://www.softconference.com/cica2/> to access additional CPD opportunities.

ICANL has also continued its affiliation with the Gardiner Centre at Memorial University. A wide variety of professional development courses are available that are relevant to our members. To review the CPD opportunities at the Gardiner Centre, please visit their website at <http://www.busi.mun.ca/gardinercentre>. Members should register directly through ICANL to receive special member pricing.

If you have suggestions for CPD topics that you would like to see added to ICANL’s CPD program, please contact Kim Mayo, Director of Member Services/Practice Advisor at [kmayo@icanl.ca](mailto:kmayo@icanl.ca).

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## Always Read the Fine Print in Your Insurance Policy

Have you ever signed a contract only to find out months later that you didn't get everything that you thought you were getting? This can be the case when you are purchasing professional liability insurance (PLI) for your accounting practice.

In order to protect the public, your Institute requires that all public accounting firms carry professional liability insurance with the following minimum PLI limits:

- \$1 million where one member practices public accounting;
- \$1.5 million where two or three members practice public accounting;
- \$2 million where four or more members practice public accounting.

PLI is required to pay out awards to an injured party in the event that the member or firm has been found to be at fault.

It is important that members and firms carefully review all of the provisions on the insurance contract to be certain that it provides you with the coverage you require. Some of the inconsistencies that we have noticed include the following examples:

1. if the limit of the liability includes defense costs it could mean that a good portion, if not all, of the insurance could be used to pay the defense costs of the claim rather than being used to pay out an award to the injured party. This is not consistent with the minimum PLI requirements and would leave you exposed for any shortfall.
2. an insurance provider may decide to exclude certain high risks clients such as public companies from coverage by your insurance policy. Please ensure that there are no such exclusions in your policy.
3. some insurance providers restrict coverage for services performed prior to the inception of a policy. While this may seem reasonable on the surface, policies for professional liability insurance are written on a claims-made basis. This means that a lawsuit made today could be for services provided as far back as six years ago and if your policy does not provide coverage for your prior acts; there will be no coverage for the claim even though you had a policy in force at the time the services were rendered. Therefore; your policy must provide full prior acts coverage.
4. since policies are written on a claims-made basis, the Institute requires that insurance be carried for a minimum of six years after a member dies, or ceases to practice. If you are a partner in a firm; the firm usually continues to carry insurance for retired partners and former partnership throughout this six-year period. However, if a sole practitioner retires, he/she must continue to carry professional liability insurance for the six-year discovery period. Please ensure that your policy provides coverage for this entire period.
5. many insurance providers indicate that they provide worldwide coverage; however, upon more careful review of your policy you may find that coverage is only available if the suit is brought within North America and Bermuda. Generally, if the Canadian CA is doing work outside Canada, which is happening more frequently as CAs work in the global marketplace, any ensuing lawsuit would be brought within the country where the services were performed.

It is your responsibility to ensure that your policy provides the coverage required for you to meet the Institute's mandatory insurance by-laws that have been put in place to protect the public.

Always read the fine print in your insurance contract. That way you will not be surprised if you ever face the unfortunate situation of having to make a claim under your policy.

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## Memo for accountants and bookkeepers

From the Workplace Health, Safety and Compensation Commission

**Money-saving payment plans are available for small and medium-size employers by pre-authorized debit**

Your clients can pay their 2010 assessments through a deferred payment plan. Employers who paid less than \$54,000 in assessments in 2009 can pay their 2010 assessments **INTEREST FREE** over seven months, from April 1 to October 1, 2010, through pre-authorized debit on the first day of each month.

Employers who paid \$54,000 or more in assessments in 2009 can pay their 2010 assessments via an interest bearing deferred payment plan over nine months, from April 1 to December 31, 2010, through either pre-authorized debit or post-dated cheques, with the following frequency options:

- Quarterly** - the first of each quarter;
- Monthly** - the first of each month;
- Semi-monthly** - the first and fifteenth day of each month;
- Bi-weekly** - every two weeks on the same day, or
- Weekly** - the same day each week

Interest will be charged monthly on outstanding balances.

**For further information, please call: 1-800-563-9000, Ext 1125.**

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