

RULE 204.8

Disclosure of Impaired Independence

A member or firm engaged in the practice of public accounting or any related function, who provides a service not subject to the requirements of Rules 204.1 to 204.7, shall disclose any activity, interest or relationship which, in respect of the engagement, would be seen by a reasonable observer to impair the member's or firm's independence such that the professional judgment or objectivity of the member, firm or member of the firm would appear to be impaired, and such disclosure shall be made in the member's or firm's written report or other written communication accompanying financial statements or financial or other information and the disclosure shall indicate the nature of the activity or relationship and the nature and extent of the interest.

COUNCIL INTERPRETATION 204.8

INDEPENDENCE - DISCLOSURE OF IMPAIRMENT OF INDEPENDENCE

Professional services, other than assurance or specified auditing procedures and insolvency engagements

- 204.8/1 Members and firms who provide a professional service which does not require the member or firm to be independent are required by Rule 204.8 to disclose any activity, interest or relationship which, in respect of the professional service, would be seen by a reasonable observer to impair the member's or firm's independence. Members and firms should refer to Rules 204.1 to 204.7 and the related Council Interpretations when determining whether they must be independent and would appear to be independent with respect to particular engagements.
- 204.8/2 Such disclosure is required whether or not any written report or other communication is provided and should indicate the nature of the activity or relationship and the nature and extent of the interest. Any written communication concerning or accompanying financial statements or financial or other information must include such disclosure.
- 204.8/3 Independence is not required for compilation engagements. Where the provider of the compilation service may be seen to be lacking independence, the disclosure requirement of Rule 204.8 applies.
- 204.8/4 For the purposes of Rule 204.8 the preparation of accounting records or journal entries in connection with a compilation engagement is not an activity that requires disclosure in the Notice to Reader unless such preparation involves complex transactions as contemplated by paragraph 143 of the Council Interpretations to Rule 204.1 to 204.6.
- 204.8/5 Tax return services may require disclosure in respect of some of the information filed with the return. If the return is simply the assembling and reporting of information provided by the taxpayer, then the member or firm involved has simply processed that information and disclosure should not be necessary.
- 204.8/6 Members and firms are cautioned that disclosure under Rule 204.8 does not relieve them from their obligation to comply with the rules of professional conduct and in particular Rules 201, 202, 205 and 206.