



Certified General
Accountants
Comptables généraux
accrédités

Certified General
Accountants Association
of Canada

Suite 800
1188 W Georgia Street
Vancouver, BC
Canada V6E 4A2

Tel: 604 669-3555
Fax: 604 689-5845
www.cga-canada.org

November 30, 2003

James M. Sylph
IFAC Ethics Committee
535 Fifth Avenue, 14th Floor
New York, New York 10017

Dear Mr. Sylph:

Re: Response to Revised Code of Ethics

CGA-Canada welcomes the opportunity to comment on the Revised Code of Ethics. In keeping with the request in the exposure draft, we have provided our response to the specific questions noted on page 6 of the exposure draft.

a) *Is the structure of the proposed Code understandable and useable?*

In comparison to the IFAC Code released in November 2001, the structure of the IFAC 2003 Exposure Draft is more understandable, with a clearer numbering and indexing scheme. As a result of the reorganization, some redundancy among the three main Parts is introduced, but overall the result is improved clarity. The one confusing item in the structure is that the numbers used on the left of the Table of Contents on page 7 bear no relation to the actual section in the Part.

The revised structure makes the IFAC Code more useable in the sense that finding specific topics and examples is easier, although it does not make the proposed Code any more useable as an enforceable Code of Conduct. Please note our comments to the following question.

We felt the issue with the structure lies in the failure to clearly distinguish the “framework” of the Code from illustrative examples. Please note our response to the following question.

b) *Is the explanation of the framework approach sufficiently clear?*

The explanation as presented in Part A, Paragraphs 1.9 through 1.13 seems to be clear enough at first reading. However, if the remainder of the Code is intended to be a “framework” it is considerably more detailed than one would expect a “framework” to be. A framework is defined as “a fundamental structure, as for a written work”. When reading the explanation of the framework approach in Part A, one expects that the IFAC Code will be a high level conceptual discussion, such as that contained in the remainder of Part A, or in Paragraphs 1.1 and 1.2 in each of Parts B and C. However the many specific examples provided are clearly not part of a “framework” as such. The document makes this distinction in the narrative (see Part B, Paragraph 1.5 for example), but the two components (framework and example of situations) are not clearly differentiated in the document. We feel this approach detracts somewhat from the ideal of a framework.

The intended approach, that of articulating fundamental principles and a conceptual framework is admirable. Both professional accountants and the public benefit from understanding the principles that form the basis of the ethical standards expected of professional accountants. A code of ethics based on clearly stated principles and built on a coherent and consistent conceptual framework is more likely to be credible and accepted by interested parties. However at the member body level principles alone are difficult to enforce and monitor. The illustrative examples in the IFAC Code may provide useful guidance

to individual members in making day to day professional judgments, but in order to be applied in our traditional disciplinary structure, the framework will have to be supplemented by specific rules, stating what professional accountants must or must not do. The IFAC 2003 Exposure Draft provides a sound basis in its framework and its examples for the development of such rules.

c) *Are the fundamental principles sufficiently articulated?*

The fundamental principles and the subsequent description of potential threats to compliance with these principles are well articulated. The November 2001 version included a more detailed discussion of the role of the public interest and how this underlies the existence of the profession. Since serving the public interest is the underlying purpose of articulating and adhering to a Code of Ethics, we feel the more detailed discussion should be retained (paragraph 9 through 13).

In the IFAC 2003 Exposure Draft, the fundamental principle previously titled “Technical Standards” has been modified and included in the “Professional Competence and Due Care” principle. The new treatment is more appropriate and eliminates the previous redundancy.

d) *Does the guidance on specific circumstances contained in Parts B and C cover the appropriate activities and relationships in sufficient depth?*

The guidance provided in these two parts is generally appropriate. Undoubtedly various member bodies will want to add specific rules or guidance to cover unique issues and situations that may have arisen in their respective jurisdictions. As guidance to individual members, however, there are enough examples that thoughtful professional accountants can find principles relevant to most situations in which they may find themselves. These Parts are just guidance, and has been mentioned before, are neither enforceable nor specific.

We find that in both the existing IFAC Code and this Exposure Draft contains a mixture of direction to individual professional accountants and direction to member bodies. This mix can be somewhat confusing. As examples of this situation please refer to Part A 1.17 which is directed to the professional body or association and Part B, 1.15, which provides guidance to individuals. Perhaps these could be separated into guidance for member bodies and guidance for firms and individuals.

e) *Where prohibitions have been identified, is this analysis appropriate?*

There are few prohibitions outside of Section 8, which was and is addressed separately. In the rest of the document, most of the guidance is provided in the form of suggestions (the accountant *may*, or the accountant *might*). Even in those sections which are worded more strongly and include the word *should*, the advice is often qualified, and more often than not, the directive is something the accountant *should consider*. Since each section includes reference back to the fundamental principle that is being illustrated, any prohibitions are clearly grounded in a fundamental principle.

Of particular concern is section 6.5, 6.6 and 6.7, it is difficult to expect the public to understand that a practitioner could be independent if they receive or pay a referral fee or commission. Advising or obtaining consent of the client does not, in our view, make this situation acceptable. In addition, at 6.3 we would support the addition of a prohibition of tax preparation on a contingent fee basis.

f) *Is January 1, 2006 an appropriate implementation date?*

We believe that this is an achievable date.

General comments:

At present, few jurisdictions in Canada have the legislative authority to register, discipline, and sanction firms as well as individuals. Traditionally it has been assumed that individual partners are accountable for actions taken on behalf of the firm by other partners or employees.

While we realize that not all employment areas can be addressed, we would like to point out that a large number of our members hold positions in the non-for-profit sector (government, educational institutions and other non-for-profit organizations). We feel that it might be useful to provide a separate section that would provide guidance to those individuals in that unique sector.

We thank you for the opportunity of providing feedback and hope these comments will be useful in your deliberations.

Sincerely,

[Original signed by:]

Anthony Ariganello, B.Comm, CGA
President and COO

cc: Sylvie Voghel, FCGA – Member, IFAC Board