



Certified General
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Comptables généraux
accrédités

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February 23, 2006

Ivor Gottschalk, CA-IFA
Chair, Standards Committee
CICA – IFA Alliance
277 Wellington Street West
Toronto, Ontario
M5V 3H2

RE: Exposure Draft: Standards for Investigative and Forensic Accounting Engagements

Dear Mr. Gottschalk,

The Certified General Accountants Association of Canada has reviewed the above noted exposure draft and on behalf of its members and students, is pleased to offer comments in this matter.

General Comments

While the CA-IFA has the right and the responsibility to set appropriate standards for its own members, it is inappropriate for the CA-IFA alone to state that the standards could well become the basis for evaluating expert testimony in this area. Our comments emphasize that the proposed standards are specific to the provision of guidance and oversight of CA-IFA practitioners or members but should not be considered or construed to represent the sole and superior standards of the profession.

In creating these standards, CA-IFA has effectively doubled the effort of standard-setting activity since the CFE Code of Ethics and the CGA CEPROC has covered substantively identical items. And while the information contained in this exposure draft may well be useful, the same information is discussed and taught in the CFE program.

In addition, all the standards covered in the exposure draft are rational techniques that practitioners should nevertheless apply in approaching an assurance engagement. There is essentially very little offered which is new in terms of guidelines on planning and documentation. The engagements described in the IFA standards fall under the assurance engagement definition of the Handbook. Correspondingly, fraud examiners typically follow the assurance standards afforded by the Handbook. By creating other standards, CA-IFA is, to significant extent, duplicating efforts and over regulating practitioners.

Rather than setting individual standards on their own, CGA-Canada would see well the coordination of standards with the Association of Certified Fraud Examiners and other professional stakeholders that all could benefit from. In short, it is our contention that the best

approach is to establish universally acceptable standards that are mutually agreeable, practical, consistent and homogenous to the practice of investigation and examination.

Specific comments

Section 100, subsection .10-.12, refers to the Definition of IFA Engagements, which includes professional accounting skills (i.e. techniques), investigative skills, and investigative mindset (I.e. attitude).

If the accounting profession as a whole (including the CAs) in Canada is proceeding to adopt international accounting standards, then this should also be stated and its impact explored in this exposure draft. Accounting skills presumes not only procedural skills but also the standards by which such skills can be assessed, including reporting. Any movement by the accounting profession to a new basis of standards should also be addressed in this exposure draft.

In addition, the adoption of new accounting standards would impact the determination of what investigative skills and investigative mindset are appropriate in any fraud investigation engagement and what would constitute the parameters of an IFA engagement. The proposed standards would also have impact on a skills-based definition for IFA engagements for assurance, information technology, business valuation, corporate finance, tax, private investigation, and insolvency and restructuring.

100.11 (b) *the ability to identify, obtain, examine, and assess information relevant to the engagement*

All are qualitative aspects and there seems to be a lack of quantitative measure.

Section 100, sub-sections .18-.23 – Applicability of IFA Standards

These subsections assume that IFA standards are to apply to all fraud examiners undertaking such engagements in Canada, including CFEs engaged by a firm in this professional capacity. This is certainly not the case. ACFE standards including the ACFE Code of Ethics override all other standards when acting in the capacity of a CFE (e.g., as a consultant to an IFA engagement). A national (and better still an International) set of investigative and forensic accounting standards would obviate the need for this exposure draft.

200.02 *Where possible, IFA practitioners should obtain an engagement letter for each engagement and, if no engagement letter is obtained, should document the agreement with their client.*

An IFA practitioner should *always* obtain an engagement letter, not *where possible*. (According to R304 of CEPROC, a member shall state clearly in writing to a client the nature and scope of services to be rendered under the terms of the engagement.)

200.06 (d) *if they withdraw, deliver to the client all information including all papers and property originally provided by the client and any other information reasonably required by the client in respect to the subject matter of the engagement promptly render an account for outstanding fees and disbursements, and reasonably cooperate with the successor IFA practitioner, if any.*

What is meant by “reasonably”? This is considered a vague term and is left open for interpretation. Steps should be outlined in detail.

300.07 *IFA practitioners should properly supervise their assistants.*

Again, “properly” is a vague term and its definition is unclear. The role of supervisor should be outlined in detail.

600.01 (a) *written, oral or visual;*

Reports should always be in writing.

600.09 *If the IFA practitioner is not independent, the following should be disclosed:*

(a) the role of the practitioner;

(b) the relationship of the practitioner to any of the involved parties; and

(c) that the practitioner is not independent.

According to CEPROC R202.1 (a), “A member shall not issue a communication in an assurance engagement or a specified auditing procedures engagement unless the member has identified any threats to independence and evaluated the significance of those threats.”

Standards should provide that practitioners either eliminate or reduce the threats to an acceptable level before accepting the engagement or otherwise decline the engagement.

Closing Remarks

We recognize that the profession of fraud investigation is relatively new and that such a duplication of effort by the CICA in developing standards for its IFA specialty is inefficient and may be confusing to the public and to fraud examiners designated by the ACFE. As such, CGA-Canada supports efforts at establishing a national or international joint effort which promotes inclusion.

Above all, the exposure draft process of the CICA should not be a vehicle for by which to embody these CA-IFA standards in the CICA Handbook. Choosing such an administrative method to approve these CA-IFA standards as part of the Handbook circumvents the authority of the Accounting Standards Board and the Auditing and Assurance Standards Board to consider and approve applicable standards.

CGA-Canada appreciates the opportunity to comment. For any questions, we invite you to contact Rock Lefebvre, Vice President, Research and Standards, at rlefebvre@cga-canada.org or telephone # (613) 789-7771 ext. 228.

Regards,

[Original signed by:]

Anthony Ariganello, FCGA, CPA (Delaware)
President & CEO