



February 24, 2014

Via website posting: [www.ifac.org](http://www.ifac.org)

International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, New York 10017  
USA

**Attention: Technical Director, Mr. Ken Siong**

Dear Mr. Siong:

**Re: Consultation Paper (CS): Proposed Strategy and Work Plan, 2014-2018**

The Certified General Accountants Association of Canada (CGA-Canada) is pleased to provide comment on the consultation paper issued in December 2013 concerning the proposed strategy and work plan (SWP) for the period 2014 through to 2018 for the International Ethics Standards Board for Accountants (IESBA).

#### **General Comments:**

CGA-Canada is supportive of the objective to serve the public interest by setting high-quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, including auditor independence requirements, through the development of an international code of ethics that is both robust and appropriate.

CGA-Canada is particularly encouraged to see articulated a commitment to take into account the particular perspectives of the small and medium-sized practice constituency in the development of these standards, given the large proportion of professional accountants employed within the SME sector worldwide. To that end, we commend the Board for its enunciated statement of liaison principles with the IFAC SMP Committee.

As a member body, we also wish to communicate our support of greater outreach activities. We believe that this is both critical and fundamental to the stated objective of international convergence of a common Code. There have been multiple changes made to the Code in recent years, and the promotion and education of these new requirements is necessary and timely. The plans for increased outreach activities, combined with the engagement and cooperation of key stakeholders, we believe will further hasten convergence. We further believe that the project to proceed with the Structure of the Code as a formal project on a high priority basis is a critical element to these plans, given the impediment to adoption that the current structure of the Code presents.

#### **Specific Comments:**

**Do you support the four work streams the Board added to its SWP in 2012, i.e., Long Association, Non-Assurance Services, Review of Part C, and Structure of the Code (see Section II)? If not, please explain why.**

CGA-Canada supports the four work streams that the Board added to its SWP in 2012. We wish to provide the following views as they relate to these projects:

When considering long association, we are of the opinion that use of the same senior personnel *may* result in familiarity, or self interest threats to independence, but that involvement may also serve the engagement well and indeed, in some cases, strengthen the financial reporting (i.e. in cases where the client is small or when the client is particularly reliant upon the expertise of the firm, these benefits have a greater positive effect than the negative effects presented by the independence threats). A smaller client should be permitted the option to continue with the existing firm (provided appropriate written client confirmation is secured), and the professional should be permitted to apply appropriate and commensurate safeguards (such as having another senior professional review the file, or an engagement quality control review is performed). Furthermore, we believe that the partner responsible for the quality control review of the audit engagement should be exempt from the rotation requirements.

We note that one of the areas of consideration relates to an increase in the duration of the cooling-off period from the current two years with respect to audits of public interest entities. We caution the Board in these deliberations. In the same way that there is no empirical evidence that suggests seven years is the number of years where the threats to independence are so egregious as to require rotation; likewise, there is no empirical evidence that supports a period of longer than two years to cool-off is in order.

We believe those charged with governance should be permitted involvement in the rotation decision. In cases of smaller, unlisted entities, if it is determined that the familiarity or self-interest threats do not represent undue concern to the organization, the ability to continue the relationship should endure. This would permit organizations that are objectively satisfied with their firm, or that are well served (particularly in specialized industries such as oil and gas) to continue with their current auditors. It would also “protect” SMEs from having to unnecessarily rotate where overall client effectiveness is not enhanced.

We look forward with much anticipation to the review of the non-assurance service provisions in Sections 290 and 291 of the Code. We believe that there is a good deal of misunderstanding with the concept of “routine and mechanical” services relating to the preparation of accounting records and financial statements, and expect that the revisions will serve to clarify the confusion on the application of these requirements.

With respect to the review of both Part C of the Code and the Structure of the Code, it will be particularly important, when undertaking these projects, to ensure that those provisions which apply to professional accountants in business are easily identifiable, separate and apart from those that apply to SMPs. In the case of professional accountants in business employed within SMEs, It has been our understanding that these individuals have limited access and/or resources to invest in the development of an understanding of the Code provisions. Thus, the easier it is to identify these requirements, the greater will be adoption within this sector.

The interest in, response to, and respective concerns noted with regard to the unethical or illegal acts project has been overwhelming. We anticipate, with great interest, the release of the Phase I completion in Q2 2016 in order to determine how the requirements have been revised when compared to the initial exposure draft released in 2012, entitled “Responding to a Suspected Illegal Act”.

**Are the strategic themes identified for the period 2014-2018 appropriate? If not, please explain why.**

The strategic themes of maintaining a high-quality Code of Ethics for application by professional accountants globally; promoting and facilitating the adoption and effective implementation of the Code; evolving the Code for continued relevance in a changing global environment; and increasing engagement and cooperation with key stakeholders are appropriate.

To provide further context to our support of these themes, we believe that the IESBA should continue to focus on development of ethical standards for professional accountants in public practice, particularly independence standards for audits of financial statements, in so far as the focus of these new standards relate to listed entities, particularly in support of audit quality. Additionally, while support in this area remains suitable, it should not be at the expense of addressing issues that are concentrated on professional accountants in business.

**Are the actions identified with respect to each strategic theme, and their relative prioritizations, appropriate? If not, please explain why.**

We concur with the actions identified with respect to each strategic theme, as well as their relative prioritization, except as otherwise commented upon within this response.

**Are there any actions not included in the proposed SWP that you believe the Board should consider for the 2014-2018 period? If so, please explain why, and indicate which actions identified in proposed SWP should be displaced (i.e., deferred or eliminated).**

CGA-Canada has previously communicated its view that the Code should address the expectations and member body responsibilities as they relate to dealing with members or firms in circumstances of receivership or bankruptcy. We appreciate that the current priorities and/or other survey responses may not yet permit the pursuit of this project.

**Closing Comments:**

Should you wish to consult with us further on this matter, we request that the IESBA correspond with the undersigned at [rlefevre@cga-canada.org](mailto:rlefevre@cga-canada.org).

Sincerely,

[Original signed by:]

Rock Lefebvre, MBA, CFE, FCIS, CPA, FCGA  
Vice-President, Research & Standards