

April 8, 2015

Mr. Ken Siong  
Technical Director  
International Ethics Standards Board for Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, NY 10017 USA

Dear Mr. Siong:

**Re: November 2014 Exposure Draft,  
Proposed Changes to Part C of the Code Addressing Presentation of Information and  
Pressure to Breach the Fundamental Principles**

I am writing on behalf of the Public Trust Committee (PTC) of Chartered Professional Accountants of Canada (CPA Canada) in response to your request to comment on the Exposure Draft entitled *Proposed Changes to Part C of the Code Addressing Presentation of Information and Pressure to Breach the Fundamental Principles* (“the Exposure Draft”). CPA Canada together with its partners Chartered Professional Accountants of Bermuda and various Canadian provincial accounting bodies are currently working towards unification of the Canadian accounting profession under the designation “Chartered Professional Accountant”. The Canadian CPA profession represents a membership of more than 190,000 professional accountants in Canada and Bermuda.

CPA Canada conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the Canadian CPA profession nationally and internationally. The PTC is responsible for overseeing the regulatory structures and processes across provincial jurisdictions in Canada. The PTC’s goal is to achieve consistency between provincial CPA bodies in Canada and to make sure that the processes and standards in Canada meet or exceed the international standards.

We thank you for the opportunity to provide our comments on the Exposure Draft. Generally, we support the proposed changes and are of the view that the additional guidance and examples will be helpful for members in applying the Code and these are considered to be best practices. This may well result in PAIBs raising the ethical standards for everyone in their relevant organizations and not just those tasked with the presentation of information.

Although we recognize and appreciate that this Exposure Draft does not reflect changes contemplated under the consultation paper entitled “Improving the Structure of the Code of Ethics for Professional Accountants,” we wanted to take this opportunity to re-iterate our strong support for the separation of the “requirements” from the “application and explanatory material”. We look forward to seeing this approach reflected in the Code, including in Part C, to promote the enforceability of ethical standards.

Responses to the specific Questions for Respondents in the Exposure Draft are as follows:

## *Specific Comments*

### *Proposed Revised Section 320*

1. *Is the enhanced guidance on applying the “fair and honest” principle in Section 320 helpful?*

The enhanced guidance is helpful. The examples provide context allowing a better understanding of the requirement.

Consider tightening the language in section 320.2 to clarify whether this is intended to apply to all information, or specifically to activities that are within the purview of the practice of the profession. For example, is it intended to apply to a PAIB in charge of human resources who issues non-accounting reports?

It would also be worthwhile for section 320 to address the “approval” of information in addition to the “preparation and presentation of information”.

2. *In particular, do respondents support the guidance in paragraph 320.3 addressing the issue of misuse of discretion in a manner that is intended to mislead? If not, please explain why. Are there any other considerations relating to this issue that should be addressed in Section 320?*

The guidance provided in paragraph 320.3 is good. However, although there is a bullet dealing with structuring financing transactions in order to manipulate the statement of financial position, it would be useful to reference where asset valuations are deliberately manipulated in order to over or under value assets that are reported on the statement of financial position.

One example does cause concern (320.3 – second bullet). It may be difficult to prove that the alternative chosen by the professional accountant (from alternatives that are permitted under an applicable financial reporting framework) was deliberately done to mislead. There is a fine line between furthering the legitimate aims of an accountant’s employer and acting in violation of the fundamental principles.

3. *Paragraph 320.4 provides guidance as to what PAIBs are expected to do ethically in order to prepare or present fairly and honestly information that does not have to comply with a relevant reporting framework. Is this guidance sufficient? If not, what further guidance could Section 320 usefully provide?*

We are supportive of indicating that the PAIB needs to consider the purpose for which the information is to be used, the context in which it is provided and the audience to whom it is addressed. It would be helpful to emphasize although these factors are important, they should not override the requirement to prepare and present information in a fair and honest manner.

320.4 may be clarified by adding the words “disclosure around”. The last sentence might read, “For example, preparing or presenting financial information such as pro forma reports, budgets or forecasts would require the professional accountant to include disclosure around relevant estimates...”

Of concern is the PAIB who prepares the information and supplies with it all the “relevant estimates, approximations and assumptions that are necessary to enable those who may rely on such information to form their own judgements” may not be in a position to ensure those who are relying on it are provided with the information and qualifiers. Others may take the PAIB’s work and incorporate it into other reports, and the PAIB may not have any control over how the documents that they have provided will eventually be used.

In addition, examples would be welcomed to assist with context.

4. *Do respondents agree that where a PAIB relies on the work of others, the PAIB should be required to take reasonable steps to be satisfied that such work enables the PAIB to comply with the overarching principle in paragraph 320.2?*

We agree with paragraph 320.5, it is recommended that additional guidance should be provided with examples of what reasonable steps could be taken by a PAIB, similar to what has been done in 320.6.

5. *Do respondents agree with the guidance proposed in paragraphs 320.6 and 320.7 regarding disassociation with misleading information? Are there other actions that could be specified?*

The guidance presented in paragraphs 320.6 and 320.7 is reasonable. However, there should be recognition that some PAIBs may be limited by confidentiality set out in legislation such as employees in the public service.

The guidance does not address the fact that the PAIB should always consider if there is collusion going on when they have discovered information that is misleading and they are discussing their concerns with management. A PAIB should always maintain professional skepticism. This concept is not limited to auditors.

### **General Comments on 320**

During the review of the exposure draft we noted that there was an inconsistency in the writing style format. It is recommended that bullet format be used in areas to increase the readability factor. As an example: it would assist the reader if bullets were used for the example steps in paragraph 320.6.

Paragraph 320.2 in the first sentence, it is recommended to add in the word “approving” following “preparing” to capture the full intent of the section.

It is recommended adding back Management Discussion and Analysis as a specific example in paragraph 320.1.

### ***Proposed Section 370***

1. *Do respondents agree with the overarching requirements in paragraphs 370.1 and 370.2?*

We agree with paragraphs 370.1 and 370.2.

2. *Are the illustrative examples of types of pressure that could result in a breach of the fundamental principles in paragraph 370.4 helpful?*

The examples set out in paragraph 370.4 are helpful. One example did provide some concern in 370.4 – “Pressure from superiors to perform a task without sufficient skills or training or without sufficient time”. This implies that the PAIB recognizes or believes that a different presentation of information would be the result if given more time. One could argue that this could be an everyday occurrence for some and we recommend the use of “unrealistic deadlines”, rather than “sufficient time”, to capture our interpretation of the intent.

3. *Is it sufficiently clear that Section 370 addresses pressure that could result in a breach of fundamental principles, as opposed to the routine pressures that exist in the workplace? In particular, does paragraph 370.5 provide sufficient guidance to assist the PAIB in making that distinction? If not, what other considerations should PAIB take into account?*

Yes, paragraph 370.5 provides sufficient guidance.

4. *Do respondents find the guidance in paragraph 370.6 on responding to pressure that would result in a breach of the fundamental principles helpful? Are there other actions that should be considered?*

In paragraph 370.6, the wording of the preamble and the second bullet taken together cause some concern. The preamble indicates that the PAIB may consider *one* or more of the following actions, but if the PAIB were to only remove themselves from the pressure situation, as stated in the second bullet, we do not believe that the PAIB would sufficiently meet their professional obligations. Removing oneself is reasonable if done in conjunction with other actions on the list, but not simply by itself or as the first step.

5. *Are the references to other sections of Part C of the Code, in paragraph 370.9 helpful?*

The references are helpful.

We thank you for the opportunity to comment on the Exposure Draft and we commend you for your continuing efforts to improve the requirements of the Code.

Yours truly,



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Chair, Exposure Draft Working Group – Public Trust Committee  
CPA Canada