



# THE PRACTITIONER'S VIEW

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## NEW RULES ON FEE

### QUOTATIONS, ADVERTISING AND SOLICITATION

The proposed amendments to Rules 214, 217 and 301 governing fee quotations, advertising and solicitation were ratified by the membership at the annual meeting in June. These rules were reviewed on a national basis by the Ethics Standards Harmonization Committee, following a challenge under the Charter of Rights and Freedoms. The proposed revisions were necessary to ensure that the rules continued to meet the needs of the profession in today's practice environment and to comply with the Charter.

The significant revisions are described in general terms below. Members should refer to the Rules of Professional Conduct on the Institute's website at [www.icans.ns.ca](http://www.icans.ns.ca).

#### Fee Quotations

Rule 214 has been amended to delete the provision that prohibits a member from quoting a fee unless requested to do so by the client. However, the member is still required to obtain adequate information about the proposed engagement before quoting a fee.

#### Obtaining or Attracting Clients

Former Rule 301.1 has been repealed as it is now included in the amended provisions of Rule 217.1.

#### Solicitation

Former Rule 301.2, which prohibited solicitation of entrusted engagements, has been repealed. A new Rule 217.2 has been introduced to replace Rule 301.2. The new Rule 217.2 does not prohibit solicitation of entrusted engagements but prohibits any form of solicitation in a manner that is persistent, harassing or coercive. The Council Interpretation to this rule provides guidance on the types of solicitation that are permitted. It also states that any communication with a potential client should cease when the potential client so requests.

#### Endorsements

Former Rule 217.2 has been repealed and a new Rule 217.3 has been introduced. The new rule permits a member to advertise or endorse any product or service of another person or entity provided the member has sufficient knowledge or expertise to make an informed and considered assessment of the product or service and otherwise complies with the provisions of Rule 217.1 governing advertising and promotion. Members are cautioned to exercise care in endorsing an

assurance client's product or services. Again, guidance on the application of this rule is provided in the Council Interpretation.

Members are encouraged to contact Wenda Bennett or Bob Caswill at the Institute for guidance on applying these new rules.

## COMMUNICATING CRITICISM - NEW GUIDANCE

A new Council Interpretation to Rule 201.1 has been approved and is being circulated this month. The new Interpretation recommends that, as a matter of prudence, a CA should contact another professional accountant (CA or not) before criticizing his or her work. This will allow any eventual criticism to take into account all available information and is a matter of professional courtesy and due diligence. Previously, the Interpretation applied only to the work of other CAs, and made such contact compulsory.

## A REVIEW OF PROFESSIONAL LIABILITY INSURANCE

Insurance is a hot topic these days, regardless of whether it is business or personal. A review of new requirements and concerns is therefore timely.

#### The Basics

Changes to Bylaw 68 were approved by the membership at the annual meeting. These changes reflect a higher minimum liability insurance requirement for members licensed by the Public Accountants Board of Nova Scotia (PABNS) who are providing audit or review services; the minimum level of coverage for these members has increased from \$250,000 to \$1,000,000 per member.

While recognizing and agreeing to enforce the new PABNS requirement, Council felt that the existing level of minimum professional insurance for those members who practice public accounting but are not required to be licensed by the PABNS should be maintained. These members would not be providing audit or review services but may be involved in tax, compilation and consulting engagements.

Regardless of the minimum, members are advised to carefully consider appropriate insurance levels in relation to their business risks.

#### Steps to Protect Yourself

An article in the May 2003 issue of the ICABC newsletter, News 'N Views, included the following list of steps members in public practice can take to minimize their professional liability risk when providing tax services:

1. Have an engagement letter for every engagement, including personal income tax engagements. Make sure the client understands the content and meaning of the letter.

- Use transmittal letters containing detailed instructions to your client for every document that leaves your office. For an income tax return, for example, a transmittal letter should include at least the following:
  - The date of the letter;
  - Filing instructions, including payment amount and due dates; and installment payment amounts and due dates;
  - Instructions for the payment of salary and/or bonus accruals and remittances on same; and
  - Other items discussed with your client.
- 2. Retain a hard copy of the letter.
- 3. Have a formal system in place that allows you to track the due dates for time-sensitive documents such as T4s, T4(A)s and T5s; Notices of Objection; and elective tax filings. An even better idea for Notice of Objection and elective tax filings would be to prepare them as soon as possible instead of putting them off to a time closer to the filing deadline.

### Discovery Insurance

Bylaw 68(2)(b) requires that members have insurance in place to cover them for at least six years after they retire from public practice (a discovery policy).

For members in public practice, a discovery policy for \$250,000 is available at no cost if the member was insured with AICA Services Inc. for at least three years before retirement, suspension, expulsion, death, or disablement, and they are claims free.

Many members question the necessity of such insurance after they retire, and frequently fail to inform family members of this requirement. But in the event that a member retired from public practice passes away within six years of their retirement date, the member's estate will still be liable for their actions while in practice. This means that if the executor does not maintain the insurance, the assets of both the executor and the estate could be at risk in the event of a successful claim by one of the deceased's prior clients.

### Annual Declaration

As a reminder before heading off for summer vacation, take a minute to complete and return the annual declaration of professional liability insurance coverage, which was sent out in June.

## NEW CICA PUBLICATIONS

Some new summer reading from CICA!

### Integrity in the Spotlight

This book should be read by everyone who is on an audit committee or who wants to be on one. The authors stress that "In the past, auditors and audit committees have put too much reliance on meeting generally accepted accounting principals. Auditors should start competing on the quality of their work instead of relying on meeting GAAP. Today the standards are higher. This how-to-book could be one of the tools needed to help the members of audit committees to raise their game."

### Marketing Professional Services

This publication is a must read for all practitioners who are interested in winning new clients and keeping the ones they

have. It covers topics such as using the right marketing tools and techniques, targeting and retaining clients, writing winning proposals and delivering winning presentations. It also includes guidelines for preparing an effective Request for Proposal as well as sample proposals for audit and consulting engagements.

## STARTING A PRACTICE

If you are contemplating starting a practice, be sure to read "The Art of Shingling", an article included in the June/July 2003 issue of **CAMagazine**. Additional reading for members thinking of going this route may also be found in the **Journal of Accountancy** at [www.aicpa.org/pubs/jofa](http://www.aicpa.org/pubs/jofa):

- May 2000 Start Your Own Firm
- October 2001 The Right Way to Start a Practice

## PUBLIC PRACTICE MADE PERFECT

Whether new to the game or an old hand, practitioners will be interested in the following articles related to public accounting featured in the March 2003 Chartered Accountants Journal, published by the Institute of Chartered Accountants of New Zealand. These articles, which were reprinted with permission in the ICAA April 2003 Public Practice Bulletin, are content summaries of certain articles that were viewed as being relevant to Canadian public accounting.

### BETTER WAYS TO RUN AN ACCOUNTING FIRM - Neil Evetts, CA Strategem

Fours years ago, the firm held three client advisory board meetings. The key issues identified were the following client frustrations:

- a) Not knowing when financial statements were going to be ready
- b) Not knowing how big the bill was going to be
- c) Being charged exorbitant amounts of money for a simple phone call
- d) Unavailability of partners - not being in office or not returning telephone calls

**The main message was that clients wanted more certainty regarding professional services - regarding price, delivery and availability.**

The secondary message was that the firm:

- a) Did a very good job technically
- b) Had members who were friendly and provided excellent advice
- c) Was no different from other accounting firms

By doing an internal assessment and adopting a system paralleling the thinking of process re-engineering (similar to the manufacturing industry, which was used as a model to find opportunities for significant improvements in performance) the following key features were introduced:

- a) A four-week turnaround guarantee on annual engagements and a new workflow management system to meet that guarantee
- b) Fixed-price agreements, including free phone calls
- c) Categorizing clients to identify the most important clients

- d) Giving firm team more responsibility and improving delegation procedures. This freed up partners to grow the business

About one year ago, similar client advisory board sessions revealed the disappearance of the client frustrations identified earlier.

The firm is now “doing more work in less time, with fewer people and with less stress. Our clients are happier and we are more profitable.”

The Accountancy Toolbox Limited has been set up to market the firm systems, including its records folders and workflow management system.

**WHAT MAKES A GREAT PRACTICE?** - Greg Hayes, CA, Hayes Knight

There are three focuses of a successful practice:

- a) A clear business strategy
- b) Operating discipline
- c) A point of differentiation

#### **Clear business strategy**

Without an overriding direction, time can be fully consumed in just running the practice. All partners and (hopefully) most of the firm team can articulate the direction and move towards identified goals.

Market conditions and opportunities will necessitate modification and enhancement of the strategy.

#### **Operating discipline**

Unfortunately, this feature is often missing. Emphasis has usually been on the firm's operational focus on client matters with the following results:

- a) High write-off levels
- b) Too much tied up in work in progress
- c) Poor debtor collection levels
- d) Inefficient work practices
- e) Irregular workflow management
- f) Inefficient staff management

#### **A Point of Differentiation**

A very tough area to look at. Great practices have a point of difference. Merely identifying themselves or the level of personal service as the differentiation factor is not adequate.

The main emphasis is to cause clients to come to the firm as well as being retained. It will take time and thinking to identify a point of differentiation, but the process will be worth it. It should be easily identified and understood and should represent value to your client base.

#### **THE 40 / 40 / 20 RULE FOR GETTING NEW CLIENTS -**

Paul Watkins

There are four questions to address with respect to marketing:

- a) Who are my clients?
- b) Why would they use my services?
- c) Where do I find potential new clients?
- d) What do I do to tell them about myself?

#### **Who are my clients?**

Advocates the identification of the top 15 clients on an income-generation basis. From that process, you should be identifying the type of client which are really the type of clients that you want and to which you enjoy providing professional services.

#### **Why would they use my services?**

Advocates determining the source of clients, notably the top 15. Future efforts should then concentrate on that area as history has shown such efforts are successful.

#### **Where do I find potential new clients?**

The 40/40/20 rule is to be followed: Spend 40% of time and marketing budget on existing clients, 40% on other people's clients, and 20% on advertising.

Referrals from current clients has generally been the key ingredient for getting new clients, hence the emphasis of time and money. As well, relationships with law firms, financial planners, business advisers and specialist accounting firms should be cultivated.

There is no control over the results of general advertising, hence the recommendation only to expend 20% in this area.

#### **What do I do to tell them about myself?**

After identifying the clients with whom you really want to work with, why they would respond and where to find them, this is the final question.

The suggested marketing tools are business cards, firm mini-brochure, lunch meetings, being different with actions, and newsletters.

#### **WORK, LIFE, BALANCE AND HAPPINESS -**

Dr. Sven Hansen, The Resilience Institute

Work-life balance suffers owing to unrelenting pressure, fatigue, multiple and competing demands, insecurity & self-doubt, guilt of family neglect, anger at the loss of personal maintenance time, and breathlessness & numbness.

It is the person who controls the work-life balance. The following are keys to resolve the aforementioned factors:

- a) Learn to live in the present  
Regrets and anxieties are caused by regressive thinking. Living in fear of the future leads to anxiety with worry, sleeplessness, performance pressure & irritability. Living in the present removes feelings of depression & anxiety.
- b) Prepare yourself  
Be active and eat smart - do not think that retirement will be the answer!
- c) Build your own clock  
The 24/7 global office must be controlled. Building your own work-life balance clock requires deciding: when work flows easily, when exercise feels good, when eating is right, and when are the best times to be with family.
- d) Be confident with the “delete” button  
Setting limits and saying “no” must be a daily vigil. Choose the times to respond to e-mails, be engaged in family, sport and social activities. Honor what is important by giving it full focus.
- e) Build ritual & rhythm into your day

Elements of stability are important. There should be established rituals for waking up, exercising, family meal times, relaxation and planning time & play.

- f) Discover & master your hedgehog  
Reference is made to a book "From Good to Great", where the hedgehog test is introduced. It involves answering three questions:
- i) What am I absolutely passionate about?
  - ii) What is my economic engine?
  - iii) What am I brilliant at doing?

People who build a hedgehog rise well above the work-life drama. Work is play and play is work.

### EARN A LIVING WHILE HAVING A LIFE - Peter Sewell

Business is only a vehicle to enable one to do the things that make one happy.

**Developing a life plan is important. Only say "go for it" when an activity fits into the priorities and timeframe. Say "no" when the activity is not in sync with your vision and values.**

**It is the lack of focus, not time, that is the contributing factor to career dissatisfaction.**

Priorities and focus must be set with respect to personal, family, social and business activities. The culture must be such that people focus on what they want and not what they do not want.

The most happy and more successful firms are those where the partners share their dreams with each other (and their respective team members), all team members understand how their contributions can make a difference to their firm and clients, and know with a passion that the path they are on is the right one. Above all, they possess perhaps the most important key to happiness in life—peace of mind.

### PRIVACY AND SMALL BUSINESS

(This article has been reprinted from News 'N Views, ICABC May 2003)

CICA has produced another booklet in its "20 Questions" series and this latest one deals with privacy and small business. This is very timely as privacy is not an issue that is the exclusive domain of government and big corporations. As Canadians become more aware of the risk of identity theft, they expect all the business they deal with, including their accountants, to protect their personal information. Download the booklet at the CICA's website at [www.cica.ca/privacy](http://www.cica.ca/privacy). There may be an opportunity for members to provide additional services to clients who collect and use personal information as part of their business.

### ACCOUNTING STANDARDS

#### Financial Instruments Under Differential Reporting

(This article has been reprinted from News 'N Views, ICABC May 2003)

Although Differential Reporting provides some optional specific "relief" under Section 3860 Financial Instruments, it is important to remember that the remainder of the section

applies to all entities. Thus, entities are still required to disclose interest rate risk and credit risk – Sections 3860.57 and 3860.67 respectively – in the Financial Instruments note of their financial statements.

The current Differential Reporting options under Financial Instruments relate to (1) presentation of certain shares issued in specified tax planning arrangements, and (2) limitations on the disclosure of fair value of financial instruments to those circumstances where fair value information is readily available.

## COMPUTER INFORMATION SYSTEMS GUIDELINES (CIS)

Extensive CICA Handbook guidelines were issued in March 2003 regarding the audit of computer information systems. The former EDP Auditing Guidelines section has been withdrawn and reclassified to the Assurance and Related Services Guidelines (AuG) section.

New	AuG	Guidelines	Former EDP Auditing Guideline
#	Title		(Now Withdrawn)
32	Electronic Commerce – Effect on the Audit of Financial Statements		N/A
33	Auditing in an EDP Environment		EDP-1
34	Computer-Assisted Audit Techniques		EDP-2
35	Risk Assessments and Internal Control – CIS Characteristics and Considerations		EDP-3
36	IT Environments – Stand Alone Personal Computers		EDP-4
37	IT Environments – Online Computer Systems		EDP-5
38	IT Environments – Database Systems		EDP-6

### SUGGESTIONS FOR THE NEXT ISSUE?

Contact **Wenda Bennett, CA** at the Institute [wbennett@icans.ns.ca](mailto:wbennett@icans.ns.ca) or (902) 425-3291.

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