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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO (ICAO) AND THE EMERGENCE OF ETHICAL CODES

Abstract: Starting from the premise that ethical codes fulfil important ideological functions, we document the trajectory of the Institute of Chartered Accountants of Ontario's [ICAO] ethical code since their incorporation in 1883. In the analysis that follows, we argue that shifts occurred in how the written ethical code spoke of, and conceptualized, "professional ethics". We also propose that these shifts can be read as responses to changing circumstances: the ideological effect being to provide "compelling reasons" for the maintenance of professional privilege. The provided analysis contributes to our understanding of the role and functioning of ethical codes and highlights the political importance of memory, especially given the ahistorical nature of current day discussions of professional ethics.

The "decade of greed", in the 1980s, infamous for its junk bonds, greenmailing, savings and loan and defense industry scandals, political bribery, insider trading, audit failures, and fallen anti-heroes—Ivan Boesky, Michael Milken, the Keating Five. . .—set in motion a vibrant ethics industry [Neimark 1994, p. 4.10.3].

The discourse of ethics has been prominent within practitioner and academic accounting circles of late. Savings and loan crises in the United States, the BCCI scandal in the United King-

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dom and financial institution failures in Canada have, as Neimark remarks, encouraged a vibrant ethics industry. The funding of “centres of ethics” and the sponsorship of ethics conferences by public accounting firms, the formation of academic journals dealing with accounting ethics [cf *Research on Accounting Ethics*] and the production of training videos dealing with ethical behaviour [cf American Accounting Association 1989; Arthur Andersen 1989] along with the increased discussion of professional ethics in practitioner journals such as *CA Magazine* and *Journal of Accountancy*, exemplify the expansion of both the sites and forms of discourses of ethics within accounting.

The proliferation of these discourses has increased the visibility of the topic not only within practitioner, academic and student circles but also amongst the public-at-large. The “ideological effect” [Eagleton 1991, pp. 194-195] of these discourses, however, has been to construct a *myopia of the present*—that is, to encourage one of the following two beliefs. The first is the belief that “professional” ethics have evolved and progressed—that ethical codes and, hence, ethical behaviour have improved as a consequence of changes introduced in response to previously identified shortcomings [cf Luscombe, December 1986, p. 3; MacInnis, December 1986, p. 8]. The second is the belief that current institutional actions simply demonstrate that “professional” ethics have always been, and continue to be, a cornerstone of the accounting profession. This second belief is evident in editorial responses of the Canadian CA’s to jurisdictional challenges posed by a rival accounting association, notably the statement that public service [and ethics] has been central to the profession for the last 100 years [cf *CA Magazine*, April 1980, p. 3].

Although these two beliefs regarding ethics differ in key respects, both operate as a form of *historical amnesia* effectively decoupling current discussions regarding ethical behaviour from their historical and social context. As MacIntyre [1987, p. 3] evocatively suggests, the end result is a situation where we possess “fragments of a conceptual scheme, parts which now lack those contexts from which their significance derived”. Or stated differently, the effect of these beliefs is to “erase” [Eagleton 1991, p. 194] the origins, rationales and histories of current day ethical codes. And as Neimark [1994, p. 4.10.3] observes, this act of erasure serves to “reassure us that the system is working”.

The current study examines the emergence of written ethical codes of conduct for the Institute of Chartered Accountants of Ontario [ICAO] in an attempt to recover some of the rationales and histories for this code. Starting from the premise that ethical codes fulfil important ideological functions, we document the trajectory of the ICAO's ethical code since their incorporation in 1883. In the analysis that follows, we concentrate on four historical junctures—loosely centred around the time periods 1883-1908, 1923-1934, 1959-1963, and 1973-1979—arguing that shifts occurred in how the written ethical code spoke of, and conceptualized, “professional ethics”. We also suggest that these shifts can be read as responses to changing circumstances and that the ideological effect of these shifts was to provide “compelling reasons” for the maintenance of existing relations of professional privilege. In making visible these aspects of the ICAO's ethical code, the provided analysis contributes to our understanding of the role and functioning of ethical codes and highlights the political importance of memory, especially given the ahistorical nature of current day discussions of professional ethics.

ETHICS AND PROFESSIONAL STATUS

Why, compared to other occupations, have professionals been able to differentiate themselves in terms of wealth, status and autonomy over their domain of labour [Klegon 1978; Portwood & Fielding 1981; Abbott 1988, p. 7]? One suggestion is that professions are those occupations that have successfully negotiated a “corporatist bargain” with the state [Puxty et al. 1987; Richardson 1989] whereby the state grants the occupational group both a jurisdictional monopoly [Abbott 1988, p. 20] and regulatory authority for this jurisdiction. In return for these quasi-state powers, the profession agrees to “regulate” the behaviour of its members [Schmitter 1979, pp. 11-15; Richardson 1989].

One of the targets for regulation is the skill level of members since a corporatist agreement is, in part, based on the presumption that occupational group members possess knowledge that is cognitively exclusive [Larson 1977] and not easily mastered by lay people [De George 1990]. It is also presumed that this knowledge is socially useful—a form of moral knowledge that is of benefit to the community [Barber 1983; Friedson 1986]. This concern for the public good places the professional

in a quasi-judicial capacity and justifies a profession's claims to professionalism [Matthews 1991].

While education and training requirements regulate the skill level of members and buttress the occupational group's claim that their members possess specialized training and knowledge [Richardson 1987], it is also necessary to not only regulate, but to appear to regulate, the behaviour of individual members. As several authors argue [Klegon 1978; De George 1990, p. 384], claims to professional privilege depend on convincing external audiences besides the state—i.e. competing occupational groups and professions, other professions, clients and the general public—that professionals set higher moral standards for themselves than do non-professionals and are consequently “morally superior” and hence deserving of higher status.

Discourses of ethics, particularly ethical codes, are central to claiming professional privilege. Ethical codes legitimate professional privilege by denoting a concern on the part of the profession for ethical behaviour [Abbott 1983, p. 866]. According to some authors, a professional code of ethics “is testimony to the group's recognition of its moral dimension” [Frankel 1989, p. 110] and is the “most concrete cultural form in which professions acknowledge their societal obligations” [Abbott 1983, p. 856]. Ethical codes not only seek to convince the state that a jurisdictional monopoly is desirable, but also attempt to legitimize this privilege to clients, the general public and other professions [Abbott 1988]. In the words of Abbott [1983, p. 872], professional ethics “helps determine extra- and intraprofessional status by measuring, in effect, the purity of motives—the motives of profession toward society and of professional toward profession”.

If ethical codes serve to maintain legitimacy and privilege, how do they do so? One suggestion is to think of ethical codes as having certain *ideological effects* which offer “compelling reasons” for the prevailing privileged position enjoyed by the profession in question [cf. Eagleton 1991, p. 194, 209; Neimark 1994, p. 4]. Eagleton [1991, p. 198, 202] notes that discourses (i.e. the discourse of professional ethics) contain within them a series of ideological effects which mask, rationalize, naturalize, universalize and legitimate certain interests. For example, the ability of ethical codes to “embody the cultural mores of the time” [Preston et al. 1995, p. 509] and hence, to “echo, enlist and amplify” prevalent societal discourses and other professional

discourses [Lehman & Tinker 1987, p. 509] buttresses claims to professional status. Likewise, the implicit claim of “disinterested service” contained in ethical codes minimizes the possibility of successful jurisdictional challenges by erasing questions of “professional interest” [Abbott 1983, p. 878]. Finally ethical codes, by framing transgressions as individual failings rather than systemic occurrences, effaces professional complicity and serves to reassure external parties that the system is working even in the face of discrediting events [Neu & Wright 1992; Neimark 1994, p. 4ff]. It is through such ideological effects that ethical codes construct and maintain the image of moral superiority and disinterested service.¹

To focus exclusively on the external effects of ethical codes, however, ignores the internal socialization functions of ethical codes. Membership heterogeneity and geographical dispersion necessitate methods of “producing the producer” [Larson 1977, p. 13] within professional associations and encouraging action at a distance [Latour 1987]. While education [Armstrong 1987], firm-specific training, and socialization [Ponemon 1992; McNair 1992] influence the behaviour of members, the sites of education and training are mostly removed from the direct control of the professional association—in Canada, the exceptions being a uniform final professional examination and provincial pre-uniform final qualifying exams. Consequently, ethical codes are one of the primary methods of direct behaviour regulation available to professional associations [Abbott 1983, p. 857]. Ethical codes provide on-going guidance for practising professionals [Brooks 1989, p. 325] by simplifying the moral universe and by providing a framework for evaluating courses of action [Frankel 1989]. In this way, ethical codes function as a form of hegemonic leadership, circumscribing and influencing the behavioural practices of members, while at the same time legitimating privilege to external constituents.

¹ Note, the preceding argument regarding the role of ethical codes in sustaining privilege and subsequent empirical work brackets the role of enforcement in this process. While the “promise” of enforcement seems important in convincing external parties that a profession is self-regulating, the observations of Larson [1977] and others [cf Neu & Wright 1992] regarding the asymmetry of enforcement raises questions regarding the necessity of “actual” enforcement in sustaining professional privilege.

THE CANADIAN CHARTERED ACCOUNTANTS

In Canada, member ethics is the responsibility of the Provincial Institutes which formulate, promulgate and enforce ethical codes of conduct. With minor variations in timing, the rules of all the Provincial Institutes have been similar, perhaps as a consequence of the role played by the federal umbrella organization [formerly called the Dominion Association of Chartered Accountants and now called the Canadian Institute of Chartered Accountants]. Since the Ontario Institute of CA's [ICAO] is the largest provincial institute in terms of membership and was one of the first Provincial Institutes granted a charter [1883], our analysis focuses on the ethical codes of the ICAO.

Method

Copies of the ICAO's bylaws and rules for professional conduct for the period 1883-1993 provided the starting point for our analysis. We used this information to develop the chronology of ethical codes/rules provided in Table 1.

Since our primary research objective is to document and analyse the trajectory of the CA's ethical code as well as to examine its ideological functioning, we adopted an internal periodization approach to this 110 year timespan. Instead of starting from externally defined periods and then looking for corresponding shifts in the textual documents [cf Tinker & Neimark 1987, p. 77], we start from the documents themselves and work outward. Our intent is to look for shifts in emphasis and nuance within the codes and then to consider what influenced these shifts. This method of periodization was possible because the release of "revised" ethical codes occurred at discrete moments in time—as Table 1 indicates, over the past 110 years there have only been 13 significant revisions to the ICAO's ethical code.

The junctures that we focus our analysis on—1883-1908, 1923-1934, 1959-1963, 1973-1979—are bounded by years in which the ICAO released a "revised" code of ethics. Like Preston et al. [1995, p. 511] our intent is to remain open to not only continuities and sedimentation within the codes but also to discontinuities and change. Here, our analysis has been influenced by the suggestion that the meaning of ethics and ethical codes are not stationary [MacIntyre 1987] nor should ethical codes necessarily be read in terms of a narrative of linear progress and evolution [Foucault 1984, p. 54, 76; Preston et al.

TABLE 1
A Chronology of Written Ethical Codes

1883	ICAO incorporated under Act 46 Victoria, Chapter 46, of Ontario. The bylaws do not appear to contain any rules pertaining to member conduct.
1896	A partnership bylaw is introduced prohibiting members practising in partnerships with non-member partners from describing the firm as "chartered accountants".
1908	A general conduct bylaw is introduced indicating that members are expected to comply with certain standards.
1923	A new section entitled "rules for interpretation of by-laws" is appended to the by-laws.
1934	The first Rules of Professional Conduct with 23 rules are promulgated.
1952	Federal and ICAO rules for professional conduct are standardized as the ICAO adopts any federal rules which differed from the provincial rules.
1959	Additional rules on subordination of personal interests and independence among others are promulgated.
1961	"Introductory Notes to Rules of Professional Conduct" are placed in front of the rules.
1963	The first part of the Introductory notes becomes an "Introduction to the Rules" and the remaining part with the opinions become "Rules of Professional Conduct--Explanatory Notes and Opinions" which are appended to the rules.
1970	Rules on independence, advertising and related functions are revised.
1973	A "Foreword" to the rules is introduced, the rules are re-organized with the independence rule removed and the "Council Interpretations" revised.
1979	The rule prohibiting advertising is repealed and replaced with a less onerous one.
1982	Rules on confidentiality and advertising are modified and an endorsement rule repealed in 1959 re-introduced.
1990-1993	Additional rules on maintenance of reputation and objectivity are introduced.

1995]. Our reading of the codes suggested that shifts in emphasis and nuance were long-term in that they did not begin and end at a single moment in time; rather these shifts occurred across several codes. Our approach was to bound these junctures by the first code that appeared to represent a "significant"

shift from previous codes and by the last code that appeared to “significantly” contribute to this process of change. We recognize the paradox that such junctures are:

both an instrument and an object of research; because it divides up the field of which it is the effect; because it enables the historian to individualize different domains but can be established only by comparing these domains [Foucault 1974, p. 9].

Having said this, the subsequent analysis attempts to support our choice of junctures by comparing the different junctures and by juxtaposing our periodization to Murphy’s [1986] periodization of changes in Canadian financial accounting standards.

In examining the influence that changing circumstances have had on the ICAO’s code, we limit ourselves to two categories of events. The first, “inter-professional events”, consists of changes to the institutional field or system of professions in which the ICAO operates. Included in this category would be changes in the way other professional organizations define and operationalize professional ethics: since CPA’s have been acknowledged as a primary referent for Canadian CA’s [Murphy 1986, p. 32], we emphasize the activities of the U.S. CPA profession. This category is similar to Klegon’s [1978, p. 271] notion of the external dynamic and Abbott’s [1988, p. 61] system of professions perspective, encompassing both the material and discursive practices of these referent organizations. The second category, “intra-professional” events, consists of changes to the composition and operation of the ICAO itself and is similar to Klegon’s view of the internal dynamic. This category includes demographic changes within the ICAO and behaviours by individuals or firms that challenge existing power relations or call into question the “ethics” of the ICAO.

We have limited ourselves to considering intra- and inter-professional events for three reasons. First, as we hint at in the section on “Ethics and Professional Status”, defending professional privilege via the appearance of moral superiority is *relational* in that moral superiority is defined vis-a-vis other accountancy groups and other “high status” professions. For these reasons, we examine how the CA’s ethical code enlists, echoes and harmonizes with other professional codes. Second, since we assume that ethical codes function as a form of hegemonic leadership helping to regulate the behaviour of geographically-

dispersed lay members [Larson 1977; Simmons & Neu 1996], it is important to consider the responsiveness of ethical codes to these internal events. Finally, although we acknowledge that other events [i.e. general societal and programmatic discourses] influenced the trajectory of the CA's ethical codes, we do not examine these other events in any detail. Our decision to adopt a longitudinal approach and to examine the trajectory and ideological functioning of the CA's ethical codes across four junctures spanning 110 years involved a trade-off in both the influences considered and the amount of institutional detail provided for each juncture. For these reasons the provided analysis downplays the influence of general/programmatic discourses instead focussing on the influence that intra- and inter-professional events had on changes to the ethical codes.

An overview

Abbott's [1983] suggestion that ethical codes typically contain rules directed at regulating different aspects of professional behaviour was helpful in providing an initial summary of changes in the ICAO's ethical code. Abbott notes that ethical rules can be grouped into those concerned with [1] public duty, [2] intraprofessional relations, [3] interprofessional relations, and [4] relations with clients. We have reorganized Abbott's categories to highlight rules directed at internal relations [i.e. with members, students and the institute], external relations [i.e. with the public, clients and non-members] and specific behaviours [i.e. advertising, contingent fees etc]. These categories were then used to analyze the ICAO's ethical codes for the four periods previously identified. The content counts reported in Table 2 highlight apparent shifts in *emphasis* and *detail* over the different time periods. They do not, in and of themselves, indicate that the trajectory of ethical codes changed at these moments since an increased content count might simply result from the subdivision of a previous rule into two. However as we attempt to document in the following subsections, a closer reading of the ethical codes themselves along with other material pertaining to the period, supports our proposal that shifts in the ICAO's ethical code occurred at these junctures.

1883 & 1908—Moral Character

The ICAO's original incorporation documents indicate that good moral character was one of the criteria for membership:

TABLE 2
Changes to Selected Ethical Codes

	1908	1934	1961	1973
Number of Ethical Rules	2	23	40	40
INTERNAL RELATIONS (a) with members		-business acceptance (10) -comments on (9) -hiring of staff (12) -joint work (11) -soliciting business (16)	-business acceptance (33) -comments on (32) -hiring of staff (38) -joint work (35) -soliciting business (24) -competitive bidding (34) -consulting notice (22) -dignity (31) -partner relations (37) -referral work (39) (40)	-business acceptance (302) -joint work (303) -solicitation (301) -consulting notice (304) (409.2) -referral work (305)
(b) with students		-student work (5)	-student work (36)	-hidden fee (208.2) -confidential knowledge (210.2)
(c) with institute		-changing statutes (21) -guard profession (22) -notice of (23) -other associations (20)	-changing statutes (10) -notice of (11) -applicability (1) (2) -criminal activity (4)	-notice of (211) -applicability (101) (102)
EXTERNAL RELATIONS (a) with public			-personal interest (3b)	-member conduct (201)
(Continued on next page)				

TABLE 2 (Continued)

	1908	1934	1961	1973
Number of Ethical Rules	2	23	40	40
(b) with client		-confidential knowledge (17,19) -hidden fee (18)	-confidential knowledge (26) (28) -hidden fee (27) -business connections (29) -unlawful activity (30)	-confidential knowledge (209) (210) -hidden fee (208.1) -business connections (207) -unlawful activity (213) -trust rules (212)
(c) with non-members	-partnerships (6)	-commissions (4) -partnerships (1)	-commissions (25A) -partnerships (13) -associations with (14)	-commissions (216) -associations with (402.2) (409.3)
OTHER BEHAVIOURS (a) general	-advertising/procuring business (7)	-advertising (6) (13) -beneficial int (7) -confusing report (8) -contingent fee (14) (15) -firm name (2) -office in province (3)	-advertising (18) (25) -misleading info (5) -contingent fee (23) -firm name (12) -office in province (15) (16) (17) -competence (3c) -dignity (9) -independence (3a) (8) -misconduct/negligence (6) (7)	-advertising (217) -misleading info (205) (206) -contingent fee (215) -firm name (402.1) (406) -office in province (403.2-4) (404) -competence (203)
(b) related services				-attending clients (405) -due care (202) -objectivity (204) -part-time office (403.1) -practice of accounting (401) (407) -tenders (214)
			-consulting work (19) (20) (21)	-consult-practice (408) (409.1) (410)

*numbers in parentheses refer to the specific rule number.

The Institute is hereby empowered to promote and increase by all lawful ways and means, the knowledge, skill and proficiency of its members, in all things relating to the business or *calling of an accountant*, and to that end to establish classes, lectures and examinations, and prescribe such tests of competency, *fitness and moral character* as may be thought expedient to qualify for admission to membership . . . [ICAO Charter of Incorporation, Section 2, p. 7, emphases added].

The incorporation documents also stated that charges of misconduct could be brought to the attention of the Council in writing and that the Council would commence a formal investigation [ICAO Charter of Incorporation, 1883, Section 69, p. 21]. However, the incorporation documents did not define “misconduct” nor its corollary, appropriate professional behaviour.

The introduction of a conduct bylaw in 1908 appears to be a foreshadowing of future ethical codes and a tentative attempt to regulate ethical behaviour by circumscribing this previously undefined domain of general conduct: “no member shall engage in any business, profession or employment, or adopt any form of advertising or procuring business which in the opinion of the Council is objectionable in a member of this Institute” [ICAO By-Laws, 1908, Section 7, p. 12]. However with the exception of the prohibition on advertising [and even this is ambiguous], appropriate behaviour is still not defined in either absolute or specific terms; rather, this ethical standard is general and also relational in that the Council of the Institute is responsible for determining appropriate and inappropriate ethical behaviour.

At this juncture, an ethical code with specific behavioural injunctions appeared unnecessary as the ICAO assumed that ethical behaviour was regulated by the *character* of its members. Since good moral character was assumed to be an attribute of individuals, the emphasis was on the proper choice of members. This construction of ethical behaviour on the part of the ICAO is evident in the following two articles published in the *Monetary Times* [a financial newspaper published in Toronto, Ontario]. The first article—which is a summary of what associational leaders said at the third annual meeting of the Dominion Association of Chartered Accountants held in Toronto—reports how, during the formative years of the Canadian accountancy associations, the leaders of these associations sought to restrict entry to those individuals “who were properly qualified and whose personal characters would command the respect of the

general public.” The article then notes that the various provincial Institutes have kept up the “reputation for the respectability of its members and the high character of its work” and ends by stating:

Not only does the individual but the nation need both to study and to practise economy in view of the sudden growth that is come upon Canada, and the responsibilities she has assumed of late. And in inculcating such economy and such system, accountants of **good character** and tried expertise can render excellent service [Oct. 6, 1905, pp. 430-431, emphasis added].

The second article which is entitled “Institute of Chartered Accountants: This Month it Celebrates its Twenty-fifth Anniversary” similarly constructs ethics as flowing from the character of individual members:

“The chartered accountant may be thus described: a well educated man of reliable character and independent mind . . .” [*Monetary Times*, Feb 8, 1908, p. 1310].² Both these articles support the interpretation that the ICAO and its representatives assumed that good ethical behaviour flowed from one’s character—consequently moral character functioned as a form of self-discipline that made specific behavioral injunctions unnecessary [cf Foucault 1984, p. 361].

If the period culminating in 1908 was concerned with the character of chartered accountants, it was also concerned with professional closure. For example in 1896, a bylaw restricting usage of the designation “chartered accountants” was introduced:

Chartered Accountants practising in partnership with persons who are not Chartered Accountants shall not use after the title of the firm the initials ‘F.C.A,’ nor describe the partnership or firm as ‘Chartered Accountants.’ Any person named in connection with a firm by advertisement or otherwise, shall be deemed a partner for the purpose of this By-law.

Like the U.K accountancy professions at this time [*Monetary*

²The ethical codes themselves and discussions of accountancy in the *Canadian Chartered Accountant* remain gendered until the 1970s [Simmons & Neu 1996].

Times, July 28, 1905, p. 108], the ICAO sought closure around the designation of chartered accountant. Since the Institute had yet to be successful in having this designation restricted by legislation, it attempted to enforce this restriction by limiting the ability of its members to associate with non-members.

The belief in ethics as flowing from one's character was not unique to the CA's at this juncture. Abbott [1983, p. 875] comments on the predominance of character-based controls for American medical and legal professions during this period. Similarly, Preston et al. [1995, p. 515, 518] document how, in the United States, the notion of ethics as a "state of mind" flowing from proper upbringing and correct schooling influenced the initial ethical code promulgated by the American Association of Public Accountants [1905]. As Preston et al. [1995, p. 512] document, this initial code contained only two rules—the first prohibiting "members from allowing non-members to practice in the member's name" and the second "prohibiting referral fees."

Viewed in light of these other professional constructions of ethics, the ICAO's ethical code claimed extraprofessional status by echoing other high status professions in terms of a minimalist set of ethical rules. The ICAO's closest referent group was the American CPA's. The former's 1908 code harmonized with the American 1905 code in terms of the general emphasis on character-based ethics, and through the partial overlap in the content of the ethical rules. Both codes contained prohibitions in the usage of their respective designations. It is important to note here that although the ICAO's code harmonized with the CPA code in terms of a closure provision, the ICAO's introduction of this provision in 1896 preceded the CPA's provision by nine years. Also, as the 1908 code re-affirmed the ICAO's commitment to character-based ethics and demonstrated isomorphism with the American CPA's, other visible American professions were in the process of moving away from character-based ethics, with the doctors [1912], lawyers [1908] and architects [1908] introducing formalized written ethical codes [Abbott 1983, p. 875]. Perhaps the ICAO's introduction of the generalized conduct rule in 1908 was reflective of tensions within professional discourses at this time, regarding the appropriate form of ethical codes [cf Preston et al. 1995, p. 515].

In his chronology of the development of corporate financial reporting in Canada, Murphy [1986, pp. 36-42] refers to the period between 1885 and 1920 as the period of professional

emergence. According to Murphy [p. 36], the ICAO worked hard during this period at securing professional recognition from important legislators and financial constituents. Likewise, Creighton [1984, p. 38] comments that the ICAO [post 1891] became concerned with increasing its professional status as it came to the realization that it and its members had little “social standing”. These observations provide a partial explanation as to why the ICAO might want its ethical code to harmonize with the ethical codes of visible and high status professions. At this juncture, this isomorphism can be read more as an attempt to gain professional privilege than to maintain it.

1923 & 1934—Behavioral Rules

The introduction of “Rules for the Interpretation of the By-Laws” in 1923 represented a shift from the ICAO’s previous emphasis on ethical behaviour as flowing primarily from good moral character.³ With the formal incorporation of the “Rules of Professional Conduct” into the bylaws in 1934, this transition was largely complete.

In contrast to the general conduct rule found in the 1908 bylaws, the 1923 interpretations attempted to specify “objectionable behaviour” in the areas of [1] business or employment, [2] advertising, [3] procuring business, and [4] complaints. The following two subcategories under advertising capture the flavour of these interpretations:

It is deemed objectionable in a member if he [sic] solicits business by advertising other than by announcement in a public advertising medium of his or his firm’s professional card.

It is deemed to be derogatory to the dignity of the profession that Chartered Accountants, in their advertising, should add to their occupation of “Chartered Accountants” that of Auditors, Investigators, Systematizers, Tax Consultants, Company Incorporators, Production Engineers, Cost Accountants, or other functional categories which are common to all Chartered Accountants, or to direct attention to departments for such

³In the *Canadian Chartered Accountant*, moral character was still talked about. Perhaps, among other reasons, rules became necessary to tell members of specific intraprofessional rules [i.e. professional etiquette] which have a rather tenuous relation to “moral character.”

purposes or for other purposes foreign to the functions of a Chartered Accountant.

The 1934 bylaws formally incorporated these previous “interpretations”, however they also re-classified and extended the domain of behaviours being regulated. The categories found in the 1923 interpretations were replaced with: [1] as to business or employment, [2] as to relations with fellow members, [3] as to procuring business, [4] as to relations with clients, and [5] general. These categories acknowledge that it is “relations” with other parties that are being regulated, they also are consistent with the categories that Abbott [1983] suggests are found in many professional codes.

Returning to Table 2 we see that, at this time, rules specifying relations between members and other members/students—through the definition of acceptable or unacceptable behaviours—comprise approximately 25 percent of the code [6 of 23 rules]. Included are rules specifying when it is acceptable to comment on another member’s work and what constitutes proper solicitation of another member’s clients. Consistent with Abbott’s [1983] observations regarding other professional codes, rules outlining acceptable behaviour towards a client’s affairs are a relatively minor portion of the code—in this case limited to inappropriate uses of confidential knowledge [two rules] and the topic of hidden fees. Table 2 also highlights that specific behavioural prohibitions [i.e. advertising, issuance of confusing reports, contingent fees] comprise about 40% of the code. These rules do not identify a particular party that is harmed by such behaviours; rather they note that it is “deemed objectionable in a member”. However, the inclusion of the three rules pertaining to advertising and contingent fees under the heading “As to procuring business” suggests that these rules concern appropriate methods of competition amongst members.

Besides re-classifying behaviours, the 1934 bylaws extended the sphere of behaviours being regulated to include the relationship between members and the Institute. In the 1934 bylaws, the Institute is explicitly acknowledged as representing the profession’s interests. For example, political activities that are contrary to the interests of the profession require the notification of the Institute:

No member shall take part in any effort to secure the enactment, alteration or amendment of any Provincial or Dominion Statute affecting the profession without giving immediate notice there-of to the Council.

Likewise, members require the approval of the Institute to join other associations or to teach at a university:

No member shall become a member of or be associated with any society or association of accountants or auditors unless such society or association has been approved by the Council of the Institute. No member shall be an officer, director, stockholder, representative, agent, teacher or lecturer of any university, college or school nor participate in any other way in the activities or the profits of any university, college or school which conducts its operations, solicits prospective students or advertises its courses by methods which in the opinion of the Council are discreditable to the profession.

These bylaws both enlarge the domain of behaviours being regulated and externalize the judgment of ethical behaviour.⁴ Whereas in the 1896-1908 period ethical behaviour was assumed to flow from a proper state of mind and good moral character, behaviour in this domain was now to be prescreened by the Institute to determine if it was ethical or not.

References to good moral character did not vanish during the current period, however the few references were overwhelmed by the specific behavioural injunctions contained in the Rules of Professional Conduct. For example, the membership statement in the 1908 bylaws that any person "certified by two members of the Institute as being of good moral character and habits" is eligible for membership remained in the 1934 bylaws. The 1934 Rules of Professional Conduct also contained the statement that:

It is the duty of every member to guard the profession against the admission to it of any person whose moral character unfits him for admission to.

However, these were the only two references to moral character amongst the 73 general bylaw statements and the 23 Rules of Professional Conduct.

The shift that we observe in the ICAO's code toward formal ethical rules during this juncture was underway in the American professions a decade earlier:

⁴As one reviewer noted, the issue of control of teaching is partly about the Institute's control of professional education/training.

Before 1910 only the major professions—medicine, law, architecture, and a few others—had codes. No more than five trades are listed as having codes by that time. Between 1910 and 1919 another five professions, eight semi-professions, and 15 trades added codes. Another 20 professions and semiprofessions formulated codes in the early 1920s [Abbott 1983, p. 876].

American CPA's were also part of this general pattern, with the American Institute of Accountants introducing Rules of Professional Conduct [1917] containing eight injunctions, up from the two rules contained in the 1905 by-laws of the American Association of Public Accountants [Preston et al. 1995, p. 515].

Viewed in light of the introduction of formal codes by both American CPA's and other visible professions, the ICAO's shift to written rules of professional conduct appears to be an attempt to maintain extra-professional status by copying the ethical codes of other high status professions and the American CPA's. For example, although the 1917 American Rules of Professional Conduct contained only eight rules, we can see parallels in the types of rules contained in the ICAO's Rules of Professional Conduct—particularly the rules on commissions, willful mis-statements, encroachment on other members and relations with the Institute. However, the ICAO's shift to a rule-based definition of ethics was largely complete by 1934 whereas in the U.S. the transition continued until 1941 [Preston et al. 1995, p. 512]. As Preston et al. note, by 1941 the CPA's original eight rules had been expanded to 15 rules, ordered in the sequence in which they were adopted [compared to the ICAO's category-based reorganizations].

Murphy [1986] characterizes the 1920-1960 period as the consolidation of the characteristic features of the Canadian profession whereas Creighton [1984, p. 115] comments that the "1920s were good times for chartered accountants in public practice. Fees grew, clients grew, staff grew." However, both hint at changing circumstances in the early 1930's. Murphy documents the widespread press coverage and concern regarding deficient accounts as evidenced by the coverage and commentary of commercial scandals, including illegitimate stock promotions, the Royal Mail Steam Packet Case in Britain with its undisclosed use of secret reserves to increase profits, and other deficiencies in financial disclosures of Canadian corporations [pp. 42-43]. Creighton, meanwhile, documents the challenge posed by the Association of Accountants and Auditors in

Ontario [formed in 1926] to the ICAO [p. 147] and the generalized feeling that the ICAO's privilege might be undeserved:

In the hard times of the early 1930s, the council of the Institute became conscious of the favoured position which its members enjoyed in terms of the Canadian economic and social scene. The council was shocked to realize that many people outside of the profession, including some highly placed in the Ontario Legislature, thought that the Institute was a closed shop whose members chose to maintain their privileged position by examinations so difficult that the average candidate could not pass [p. 143].

The observations of both Murphy and Creighton suggest that the early 1930s was a time of challenge to the professional privilege enjoyed by the ICAO and its members.

Although publicly-available documents do not link the introduction of the revised 1934 code to these challenges, we suggest that the timing of this revision vis-a-vis these external challenges is noteworthy. The parallels between the response of the SEC in the United States to its crisis of legitimacy and that of the ICAO at this time deserve comment. As Merino and Neimark [1982, p. 49] argue, the 1934 securities acts "did not represent a fundamental change in public policy. Rather they reflected a newly emphasized mode of resolving the continuing contradiction between the public philosophy and the changing face of capitalism in a period of economic [and ideological] crisis." Merino and Neimark state that the ideological intent of the 1934 disclosure regulation was to "maintain the ideological, social, and economic status quo while restoring confidence in the existing system and its institutions" [p. 49]. These conclusions regarding the ideological effects of the 1934 SEC regulations appear equally applicable to the Canadian Federal Companies Act legislation [1934/1935] which was a less stringent version of SEC regulations [Murphy 1980, p. 50; Murphy 1986, p. 44] and to the ICAO's code of ethics which followed close on the heels of the ICAO's own crisis of confidence.

The state of intra-professional affairs also appear salient at this juncture. During the 1883-1908 period, the ICAO was a small, urban-based association of accountants. At its inception in 1879 the ICAO had 37 members; this jumped to 211 members in 1882, trickled downward to 69 members in 1896 and grew to 124 members by 1908 [Creighton 1984, p. 8, 47; ICAO Summary, 1896, 1908]. Of the 124 members in 1908, only 68 were

located outside of Toronto [ICAO Summary, 1908]. By 1934, however, membership had increased to 588 with 218 members located outside of Toronto [ICAO Summary, 1933-34].

The increasing geographical-dispersion of members was accompanied by tensions between central [Toronto] and peripheral practitioners regarding appropriate professional practices. Creighton [1984, p. 137] documents the 1930 case of a non-Toronto practitioner accused of soliciting an audit and how this individual defended himself by stating that "Toronto accountants were trying to steal clients in the smaller centres". Furthermore, this individual questioned the ICAO's asymmetrical discipline by noting that the ICAO had failed to institute disciplinary action against the auditors in any of the "notorious commercial scandals of the 1920s" [p. 137] yet was willing to entertain the current complaint. These shifting demographics along with the tensions between rural practitioners and large Toronto firms—auditing in Toronto was dominated by three big firms [Creighton 1984, p. 115]—suggest a different role for ethical codes compared to the earlier juncture. In the 1883-1908 period, regulation at a distance was less important given the small number of members and since the absolute number of members located outside of Toronto was small. However with the growth and geographical dispersion of the membership, formalized ethical rules allowed the ICAO to exercise hegemonic leadership, through both consensual and coercive means. Equally important, these formalized ethical codes had the ideological effect of homogenizing and erasing the different standards of behaviour expected of large Toronto firms and rural practitioners by signifying the existence of a universal standard of behaviour. These written rules effaced the asymmetrical discipline that accounting [Neu 1991; Neu & Wright 1992] and other professional bodies [Larson 1977] impose on different classes of members.

1959 & 1963—The "public good"

The revised Rules of Professional Conduct issued in 1959 and 1961 were the first set of rules to explicitly mention an accountant's duty to the public, placing this duty *prior* to one's duty to the client:

Members shall in all professional matters subordinate personal interests to those of the public, the client or the Institute and profession, as the nature of the case may require.

This was a shift from previous periods where external responsibilities were equated with serving one's clients [cf *CA Magazine* 1924, p. 40]. However, it was also a shift from earlier periods where certain forms of public service were viewed as being *derogatory to the dignity* of the profession:

It is deemed to be derogatory to the dignity of the profession that Chartered Accountants shall convey in any manner whatsoever the impression that they give any form of service to the public without making any charge therefor, whether such service be incidental to, or foreign to, the functions of a Chartered Accountant [RPC 1923, 6[i]].

Viewed in terms of this previous prohibition against public service, the acknowledgment of a public duty appears to be a reversal from the 1923 and 1934 ethical codes.

While the 1959 revisions explicitly noted the accountant's public duty, the 1961 revisions carried this idea one step further, framing the rules of professional conduct as an integral part of professional practice. This framing was accomplished by adding two pages of "Introductory Notes to Rules of Professional Conduct". These notes contained a "preamble" commenting on the importance of rules of professional conduct to professional practice:

The Ontario Institute's Rules of Professional Conduct, in conjunction with the Chartered Accountants Act 1956 and the By-laws, provide for members and students-in-accounts the basis of the self-discipline required in a professional body.

Besides making these connections, the notes also sought to provide the "Committee on Professional Conduct's" opinion on appropriate ethical behaviour on the part of members:

The Committee is prepared to give its opinion on problems of conduct in order to help members to avoid infringing the Rules. The following notes, written after practical experience with the various problems raised, are intended to give members an idea of the views of the Committee. It is intended that they will be added to from time to time on the basis of further experience. It must be noted that while these notes offer guidance, they are not intended to absolve members from the personal responsibility of exercising judgment and intelligence in considering the ethical aspects of any particu-

lar set of circumstances.

Guidance was provided on [1] advertising for staff, [2] other advertising, [3] association with non-members, [4] independence, and [5] what constitutes sufficient information on which to express an opinion. In the 1963 revisions the preamble was placed at the beginning of the code and the opinions were appended to the rules resulting in the "Rules of Professional Conduct—Explanatory Notes and Opinions".

Clearly, the introductory notes and opinions represent a disjuncture from the 1896-1908 emphasis on ethics as flowing from one's good moral character. However, they also represent a shift from the 1923-1934 rules which contained *general*, as opposed to specific, behavioural injunctions. In contrast to the general prohibitions contained in both earlier rules and in the 1961 rules themselves, the introductory notes prescribed appropriate behaviour down to the most minute detail. Take, for example, the following comments on advertising:

Business Cards on Changes in Partnership or Firm Name, Changes in Address and Commencement of Practice. Rules 18, 24, and 25 apply. Despite the restrictions spelled out in these Rules, there have been instances where, for example, a member's former association with the Department of National Revenue has been referred to in an announcement of admission to partnership or commencement of practice. This is clearly not permissible. . . . The size of the announcement cards is not prescribed in the Rules but as the advertising done by members should be for the purpose of informing, not soliciting, good taste and a sense of responsibility are called for. In newspaper listings ***cards should be kept to a maximum size of 2 newspaper columns wide by 3 inches deep.*** Cards sent through the mail should be of no larger proportions [emphasis added].

As this excerpt suggests, the Committee was quite willing to prescribe detailed guidelines as to what constitutes ethical behaviour while noting that such detailed guidelines did not absolve members from taking "personal responsibility" for their actions.

The shift to more detailed prescriptions was accompanied by an increase in the number of rules. As Table 2 shows, the actual number of rules increased during this period from 23 in 1934 to 40 in 1961. The majority of the 1934 rules are carried forward in similar forms to 1961; it is additional rules regulating

behaviours not contemplated in 1934 that account for the increased number. For example, rules pertaining to relations with other members are expanded to include notices of consulting engagements, referral work and relations with other partners in one's firm. Likewise rules pertaining to general behaviours expanded to include rules regarding independence and misconduct/negligence. These rules, particularly those pertaining to independence, did not have a counterpart in the 1934 code. As Creighton [1984, p. 116] comments when referring to an early draft of the 1923 code, "it appeared that the membership committee was proposing that public accountants should have no beneficial interest in their clients at all". However members felt that this was "going rather too far" and the amendment was dropped.

Finally, like the 1934 code, several references to moral character and dignity remained. For example, the 1961 code included a rule on exhibiting dignity towards other members:

No member will act in relation to any other member in any way that lowers the dignity and honour of the profession as determined from time to time by the Council or which tends in the opinion of the Council to bring the profession into disrepute.

However, these few references again tended to be overwhelmed by the number of detailed behavioural prohibitions.

Shifts in the ICAO's ethical code echoed changes being contemplated by the American CPA's. More importantly, the revisions contemplated and introduced by both associations appear to be responses to external criticisms. Carey [1969, p. 385] observes that, in the United States, the late 1950s was a time of mounting criticism of financial reporting that reached its peak in the early 1960s. Murphy [1986, p. 47] makes a similar observation with respect to Canada when he notes that the early 1960s were characterized by dissatisfaction with corporate reporting practices and the diversity in accounting principles. The suspension by the SEC of the public accounting firms Haskin & Sells in 1956 [Edwards 1960, p. 263] and Touche, Niven, Bailey and Smart in 1957 [Edwards 1960, p. 269] along with criticisms in *Fortune* [1958] of the accounting practices of Peat, Marwick, Mitchel & Co. and Arthur Andersen & Co. [Edwards 1960, p. 272] can be read as visible challenges to the practices of American, and to a lesser extent Canadian, public accounting firms.

In addition to these visible censures of public accounting firms, the SEC insisted that "independent accountants state that the financial statements were in accordance with GAAP" [Previts and Merino 1979, p. 295] This requirement was referred to in *CA Magazine* discussions regarding the desirability of an independence rule:

Actions of the Ontario Securities Commission do not specifically fulfil their requirements as to "independence", but it seems reasonable to assume that the ownership of any material financial interest in a concern by the auditor would be considered to have impaired his independence in the eyes of the Commission. The American Institute of Certified Public Accountants in its rules of professional conduct has stressed the matter of independence but has not taken as rigid a position as that of the Securities and Exchange Commission. . . . It seems likely, therefore, that the profession in Canada is moving towards the position where an accountant cannot act as auditor if he has a substantial direct or indirect financial interest in the organization unless he discloses his interest in his report. This is the same position as that taken by the American Institute, with the one important exception that they would prohibit an expression of Opinion where the business concern is a publicly financed company [*CA Magazine*, February 1960, p. 134].

As this quotation indicates, the Canadian profession was quite aware of the challenges facing public accountancy south of the border and the impact that these challenges would have on the Canadian profession.

At the time of these challenges, the AICPA formed a committee [1956] to examine the ethical questions not covered by the current ethical code [Carey 1969, p. 448]. In 1957, its ethics committee also began to issue formal opinions interpreting the ethical rules [Carey 1969, p. 444] with the opinions covering topics such as newsletters and publications [#1], responsibility of member for acts of third parties on his behalf [#2], self-designations [#5] and fee sharing [#6]. The result of these two initiatives was:

a codification of the rules, including references to formal opinions of the ethics committee, in what was renamed the "Code of Professional Ethics." This new code began with a preamble, after which the rules were

grouped under five main headings: Relations with Clients and Public, Technical Standards, Promotional Practices, Operating Practices, and Relations with Fellow Members. Six years after the work had begun, the new Code was adopted by the membership [Carey 1969, pp. 448-449].

Although the ICAO's introduction of a public duty rule in 1959 and its inclusion of a preamble and opinions slightly preceded the AICPA's revised code in 1962, it appears that, in revising its ethical code and in adopting "opinions", the ICAO borrowed heavily from work of the AICPA's 1956 study committee and mimicked the AICPA's decision to have its ethics committee provide "opinions". Even more so than in previous junctures, it seems that the ICAO's reaction to external challenges relied on isomorphism between its ethical code and the code of the AICPA.

Like the 1923-1934 period, the promulgation of a "new" ethical code followed closely on the heels of mounting press coverage of the deficiencies of accounting. Once again the revisions can be read as attempts to reassure external publics that the system is working by shifting the focus of attention away from the negative to the "positive" changes contained in the revised codes. In contrast to the previous juncture, however, this time the ICAO enlisted the notion of a public duty to deflect the attention of its detractors: "the name public accountant of itself emphasizes the fact that the profession has a primary service to the public" [*CA Magazine*, February 1960, p. 134]. This deployment of the claim to be serving the public interest is not surprising in that, according to Abbott [1983, p. 863], references to a public duty are integral to claims of professionalism.

If external crises encouraged the revision of the ICAO's code and the move towards specific behavioural prohibitions, so did internal tensions. Creighton [1984, pp. 226-228] documents how, in the late 1950's, several American firms sought to open offices in Ontario. In particular, Arthur Andersen came to the attention of the professional conduct committee as a result of its advertisement for staff "which mentioned an upper figure for salaries" [p. 227] and its announcement card which the committee thought was "most improper" [p. 228]. Additionally, with the growth in membership [from 829 members/students in 1934 to 3,624 in 1954], "it was no longer possible to assume that all members understood or accepted the rules" [Creighton 1984, p. 255].

With these examples of member indifference to ethical rules, the profession became concerned with the most appropriate method of regulating the behaviour of its members. This concern is evident in *CA Magazine* — for example, the discussion of how best to encourage ethical behaviour: by formalized written rules, or by using the English model of publishing case decisions though the ethical rules were unwritten [February 1962, p. 117]. In Creighton's interpretation, these internal issues encouraged the ICAO to add the "notes" to the front of the rules and to change its disciplinary procedures. While Creighton doesn't use these words, we suggest that changes to the ethical rules and to the disciplinary procedures be read as attempts by the ICAO to exercise both a hegemony of consent and coercion [cf Lehman & Tinker 1987, p. 511].

1973 & 1979—Abstraction and Detail

Scarcely a decade after the last revision, the ICAO again reorganized and rewrote its Rules of Professional Conduct. Gone was the detailed "Introductory Notes to Rules of Professional Conduct" complete with the professional conduct committee's interpretations of appropriate behaviour. Instead a four page foreword to the rules was added. This foreword **theorized** the rationale for rules of professional conduct and **deduced** the core ethical principles. It defined the key attributes of a profession as "mastery of particular intellectual skills", "the practice of a calling that is objective", "a responsibility to subordinate personal interests to those of the public good", and added "there is a specialized code of ethical conduct . . . designed principally for the protection of the public". The foreword asserted that "by these criteria chartered accountancy is a profession", then deduced the core ethical principles by which the profession should be governed:

- A member or student shall conduct himself at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.
- A member or student shall perform his professional services with integrity and due care and accept an obligation to sustain his professional competence. . .
- A member who is engaged to express an opinion on financial statements shall hold himself free of any influence, interest or relationship, in respect of his

client's affairs, which impairs his professional judgment or objectivity. . .

- A member or student has a duty of confidence in respect of the affairs of the client. . .
- The development of a member's practice shall be founded upon a reputation for professional excellence, and the use of methods commonly characterized as self-promotion or solicitation is not in keeping with this principle.
- A member shall act in relation to any other member with the courtesy and consideration due between professional colleagues. . . .

Interestingly, the ordering of these core principles emphasized one's public duty [and the good reputation of the profession] first followed by one's client duty, touching on interprofessional relations last.

The introduction of this foreword framed the interpretation of the rules differently than did the notes that preceded the 1961 code. The 1973 foreword adopted a "commonsensical" approach implying that any reasonable member/reader would appreciate the appropriateness of these rules. This approach was clearly ideological in that it effectively erased [Eagleton 1991, p. 194] previous twists and turns in the code implying that the concerns of the current code remained unchanged from previous codes. For example, the foreword concludes by reiterating the profession's historical commitment to public duty and honourable conduct:

The rules of professional conduct which follow are based on the principles expressed in this foreword. The principles themselves have emerged out of the collective experience of the profession as it has sought, down the years, to demonstrate its sense of responsibility to the public it serves. By their commitment to honourable conduct, members of the Institute, throughout its history, have given particular meaning and worth to the designation "chartered accountant"

As the previous analysis suggests, a concern with the public interest was a recent one [1959-1961] whereas the concern for moral character and the other Victorian virtues such as honourable conduct were mostly abandoned after 1908.

Although the framing of the rules interrupted previous codes, continuities were also present. For example, the category

ries in the 1973 code were revised into [1] general, [2] standards of conduct affecting the public interest, [3] relations with fellow members and non-members engaged in public accounting, and [4] organization and conduct of a professional practice. These categories represented a change from those found in the 1961 code; however, the category referring to the public interest clearly represents an extension/continuation of the nascent emphasis previously placed on one's public duty. As Table 2 indicates, the number of specific rules referring to the public interest did not increase over the previous period. Rather, consistent with Abbott's [1983, p. 863] observation that such rules are usually few in number but symbolically important, the 1973 code calls attention to one's public duty by grouping previous rules dealing with general behaviours under this category heading.

The ICAO's concern with providing detailed guidance on how to interpret the rules did not vanish in the 1973 code. The Institute replaced the "Explanatory Notes and Opinions" with a section called "Council Interpretations" at the end of the rules. These interpretations paralleled the rules themselves providing interpretation on a rule-by-rule basis for the majority of the rules. The level of detail was comparable to that found in the 1961 code; however the language was much more legalistic. For example, the interpretation dealing with the rule on client confidentiality states:

Members and students should be aware of a judgment of the Supreme Court of Ontario [Cronkwright v Cronkwright [1970] 3 O.R. 784]. Mr. Justice Wright, in the course of the action, recognized a duty on professional persons or other persons in a position of confidence and testifying at trial to ask the court for a ruling before divulging information obtained by them in their confidential capacity.

This style of writing differed from the commonsensical approach adopted in the foreword to the rules.

In terms of the rules themselves, this period saw the reversal of two of the more visible rules. For example, whereas the notes to the 1961 code and two of the rules themselves dealt explicitly with independence, the 1973 code did not refer to independence. Instead the 1973 rules substituted the notions of "professional judgment" and "objectivity" for independence:

A member who is engaged to express an opinion on financial statements shall hold himself free of any influ-

ence, interest or relationship, in respect of his client's affairs, which impairs his professional judgment or objectivity or which, in the view of a reasonable observer, has that effect.

Likewise, the 1979 code removed the prohibition against advertising, instead stating that a member shall not advertise in a manner that is false or misleading, nor in a manner that contravenes professional good taste or refers to the member as a specialist.

The repeal of the advertising rule followed changes in other jurisdictions, beginning with the English Institute of Chartered Accountants, which relaxed its rules on advertising and publicity in 1975. The new rule permitted the district society to advertise to the public and "[w]hile individual firms are still not permitted to advertise, the code now gives them greater latitude in describing services in certain publications . . ." [*CA Magazine*, October 1975, p. 16]. Next the Monopolies Commission in Scotland recommended that advertising restrictions should be removed [*CA Magazine*, November 1976, p. 20]. In 1978, CPAs in the U.S. were allowed to advertise as long as the message was not "false, misleading or deceptive" [*CA Magazine*, June 1978, p. 11]. The ICAO's new advertising rule was very similar to this U.S. rule.

Compared to the 1961 code, the changes appear to represent a simultaneous movement towards a "symbolic" emphasis on public duty and a retreat from specific rules [particularly the independence rule] that might encourage public-oriented behaviours. This move to abstract yet detailed rules mimicked the American Bar Association's 1968 proposal to revise its Canon of Ethics which, in turn, encouraged the AICPA to begin work in 1969 on revising its rules [Carey 1969, p. 449]:

[The Canon of Ethics] included statements of relatively few general principles of ethics, supplemented by "ethical considerations" in abbreviated essay form, indicating the reasoning underlying the Canons and appropriate behaviour in circumstances not covered by specific prohibitions.

The forward to the ICAO's 1973 rules and the section on "Council Interpretations" parallels the American Bar Association's general canons and ethical considerations.

In this period, as in the two previous periods, professional crises appear to have influenced the timing of the revisions. In the late 1960's, the Canadian profession was confronted with the financial institution failure of the Atlantic Acceptance Corpora-

tion and the resulting federally-appointed Royal Commission investigation into the failure. Royal Commissions are a relatively infrequent government response and indicate the political seriousness of the events precipitating the commission [Hughes 1969]. This Commission called into question the reliance of Atlantic Acceptance's auditors on the work of others [p.1589] and recommended that the auditors be required to state that the financial statements "present fairly" the results of operations [p. 1652]. These findings echoed previous public concerns over the auditor's role in the failure:

One of the auditors of Atlantic's subsidiaries had an interest in companies borrowing from the subsidiaries. Thus there was a conflict of interest. This has happened in other cases. There are examples of independent auditors who have borrowed money from the firm audited; or who own stock in the firm audited. [This, surely must worry the policy-making Institute of Chartered Accountants] [McArthur, Nov. 24, 1965, quoted in Creighton 1984, p. 260].

In Creighton's view [1984, p. 261], the ICAO responded to these concerns by setting out to reform its rules of professional conduct. Like the previous two junctures, the 1973 "revisions" appear to be a symbolic gesture on the part of the ICAO to demonstrate the profession's commitment to self-regulation and to restore the lustre to professional claims of moral superiority, claims that were tarnished by the negative publicity surrounding Atlantic Acceptance. Interestingly, it wasn't until the 1970's that the American CPA's experienced its next "years of trial" with two congressional investigations and "mounting bad press" [Preston et al. 1995, p. 523]. According to Preston et al., these legitimization challenges encouraged the American profession to stress issues of independence, adherence to technical standards and quality in both its written ethical code [1988] and its discussions of ethical practice. Whereas these challenges spawned an entire discourse surrounding definitions and interpretations of "independence" in the United States, the ICAO moved in a different direction erasing all references to independence from its written ethical code, substituting the self-referential notion of professional judgment and the less onerous standard of "objectivity".⁵

⁵ Our reading suggests that Canadian discourses of "objectivity" differ from American discourses of "independence" and that the notion of objectivity is less onerous than the notion of independence. However, for an alternative view, see Gaa [1994, pp. 115-119].

CONCLUSION

The preceding analysis documents the changing forms taken by the ICAO's ethical code over its first 110 years. The written ethical code emphasized "professional ethics" in various ways. Professional ethics were characterized as grounded in one's moral character, as a set of general behavioural rules, as concerning one's public duty, and as the outcome of being a profession. Thus contrary to popular belief, the preceding analysis suggests that written ethical codes should not be read in terms of linear progress culminating in the current code. Rather, the emergence and trajectory of the ICAO's ethical code contained many shifts and interruptions en route.

If the ICAO's ethical code should not be read in terms of linear progress, what about the claim that professional ethics have always been, and continue to be, a cornerstone of the Canadian accounting profession? Our analysis suggests that the ideological effect of ethical codes has been to provide compelling reasons for claims to professional status and privilege; however, we are less certain of the impact of ethical codes on the material practices of public accountants.

The preceding conclusion is based on two observations. First, since 1908 changes to the ICAO's ethical code have been preceded by similar changes to the codes of visible [and high status] American professions including American CPA's. Second, since 1934 major revisions to the ICAO's ethical codes have been preceded by either external crises that challenge professional privilege or internal challenges that call into question the functioning of the ethical code. This pattern of revisions to the ICAO's ethical code is consistent with the suggestions by Neimark [1994], Preston et al. [1995] and others [Neu 1991] that ethical codes serve to defend professional privilege.

In terms of specific ideological effects, the analysis highlights four aspects of the functioning of the ICAO's ethical code. First, it illustrates the ways in which ethical codes universalize the public accountant, thereby masking tensions and stratification within the profession itself. Second, it also makes visible how the mimicry of the ethical codes of high status and visible referent professions has the effect of supporting claims to professional status. Third, the analysis highlights how ethical codes erase contradictions between the "business of accounting" and professional claims to provide independent/objective service in the public interest. In the sleight-of-hand tradition, ethical codes

serve to distract attention from not only the financial scandals but also the underlying "business of accounting" that encourages practitioners to push the bounds of acceptable behaviour. As Neimark [1993, p. 4.10.3] aptly comments, discourses of ethics simultaneously reassure us that the system is working and distract us from the core question of the ethics of business. Finally, the analysis makes visible the effacement of history and the ways in which revisions to the ethical code attempt to distract our attention from both current and previous financial scandals. This effacement of history is especially evident in the revisions to the 1973 code, and its attempt to derive the importance of ethics from the ICAO's status as a profession, in that these revisions provide the rhetorical space for the view that ethics is the cornerstone of public accounting. It is this grounding within the theoretical discourse of professionalism that pushes professional ethics to the fore and makes it appear as if the ICAO has always thought of professionalism and ethics in this manner. The ideological effect of these changes is to erase not only the history and emphases of previous codes but also the challenges that encouraged these revisions.

In answer to the question of whether ethics has always been a cornerstone of the profession, we conclude that, yes, ethical standards have existed since the ICAO's inception but the initial code and the subsequent revisions to it appear to be responses to professional crises confronting the ICAO at different junctures in time. While this conclusion does not preclude the possibility that ethical codes ultimately influence the material practices of public accountants by encouraging "morally superior" behaviour, it does call attention to the effacement of history implicit in statements regarding professional ethics and thus the political importance of memory.

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