



JANUARY 2009. Bernard Madoff has reportedly made off with US\$50 billion of investors' money. Troubling questions surface.

In her 2009-01-04 Toronto Star column, **Ellen Roseman** makes this observation. To protect the public, mutual-fund managers are required to use an independent custodian to hold the assets they are entrusted with by investors. But, in the case of Madoff, his brokerage arm of the business initiated trades for the investment arm of the business, executed the trades, and was the custodian and administrator of the assets. Madoff cleared his own trades with no external custodian.

When adequate checks and balances are not in place, bad things can happen.

Segregation of duties is a major component of internal control. Its importance is stressed in every introductory accounting textbook. To wit, see

- Harrison, Horngren, Lemon, Carroll & Lemon; "Separation of Duties", pp.199 & 204, 2nd Canadian edition
- Hoskin, Fizzell & Cherry; "Separation of duties", p.352, 4th Canadian edition
- Kimmel, Weygandt, Kieso & Trenholm; "Segregation of Duties", p.311, 3rd Canadian edition
- Meigs, Lam & Mallouk; "Subdivision of Duties", p.202, 9th Canadian edition
- Phillips, Libby & Libby; "Segregation of duties", p.234

In first-century Rome, **Juvenal** was the first to ponder the riddle: *Quis Custodiet Ipsos Custodes* (who will guard the guards themselves). To safeguard the guardianship of the accounting profession and to prevent a conflict-of-interest incidence like Madoff's from happening, CanMAPP has long advocated for the segregation of the regulatory and advocacy functions. Professions such as law and medicine are decades ahead in this respect. The accounting profession must practise what it preaches. No profession can afford to lose the confidence of the public.

Be part of CanMAPP and help to grow the profession, as well as your practice.

Upcoming Events

January 21	Pricing of Professional Services	Vaughan ON
January 23 ~ 25	Public Practice PD Weekend - Excel® under the Hood - Compilation Engagement - IFRS - Forensics - A Case Study - PM Executor - A Case Study - Review Engagement - A Pragmatist's Tax Update - Corporate Reorganization	Burnaby BC
January 24	US Taxation of Canadians	Ingersoll ON

Registration is closing. Take advantage of these final events before the 2009 tax season and register now at

 CanMAPP.ca

CanMAPP is a self-help group of accounting practitioners from coast to coast. Everyone is invited to participate in its events or organization.