

The rise of global trade has spurred a worldwide transition towards International Financial Reporting Standards. Makes sense. After all, accountants everywhere need to speak the same technical language. And yet, as the world moves towards having a standardized financial reporting system, Canada still lags behind in having nationally consistent standards for the qualification and conduct of the accountants who do this crucial work. While Ontario and Quebec have legislated standards that are internationally recognized, other provinces and territories lag behind.

CANADA NEEDS TO ENSURE THAT THE PEOPLE DOING PUBLIC ACCOUNTING HAVE THE RIGHT QUALIFICATIONS. LET'S GET ON THE SAME PAGE.



NATIONALLY CONSISTENT STANDARDS

Following July's First Ministers' meeting in Quebec City, Canada's premiers announced an agreement aimed at achieving full labour mobility between provinces by April 1, 2009.

This pact would strengthen provisions of the Agreement on Internal Trade (AIT) for the recognition of credentials and training. As licensing and professional regulatory bodies work to meet the deadline, there is a growing consensus that Canada's competitiveness in a global economy requires harmonization upwards – not downwards, as could happen without the right safeguards. According to Vaughan Radcliffe, associate professor of managerial accounting and control at the University of Western Ontario's Richard Ivey School of Business, this is particularly true in the field of public accounting.

"To serve the public interest, you must maintain the international competitiveness of (Ontario) and Canada. There must be public confidence in financial institutions, financial markets and financial information, and accounting is crucial to that. It's important that Canada and Ontario be seen as places that have taken appropriate steps to ensure there are high levels of professional conduct and expertise."

Ontario's public accounting standards are mandated in legislation (the Public Accounting Act, 2004), which defines the required qualification and conduct standards for public accountants, benchmarked against the highest internationally recognized standards in order to maintain mutual recognition agreements.

Presently, however, not all provinces have internationally recognized, legislated high standards for the qualification and conduct of public accounting outside the CA profession. In fact, in some provinces, not even an accounting designation is required.

"The Public Accounting Act put in place a number of safeguards that allows other entrants (in addition to CAs) to the profession, as long as they maintain appropriate standards," said Prof. Radcliffe. "There is also, crucially, the Public Accountants Council that includes professional and lay members who oversee matters and show that the public interest is served. In Ontario, not just anyone can hang out a shingle and call himself or herself a public accountant."

"There are other provinces where there are no standards at all," said Gerry Mills, FCA, a partner at Collins Barrow KMD LLP and chair of the Institute of Chartered Accountants of Ontario. "Anybody could theoretically issue an audit report or some kind of assurance report. In Ontario, in terms of our competitiveness, we have international recognition of the work that's done due to our consistent high standards: holding people accountable to the legislated standards and the rigour of the qualification, examination and

enforcement processes."

Prof. Radcliffe said, "We're in the midst of a global transition toward International Financial Reporting Standards, or IFRS, and Canada is taking a leading role in this. It is a big change for the accounting profession, but one whose time has come. In a world of complex, international trading relationships, it doesn't make sense for accountants to be speaking different regional languages of accounting. Proper implementation of IFRS requires accounting professionals with appropriate training and expertise, working to high professional standards of independence and objectivity."

"The world has become smaller," said Mr. Mills. "We want Canada to be seen as a global competitor. Various regulatory bodies throughout the world – the U.S. being a prime example – have mutual recognition agreements that measure the kind of standards for qualification and conduct in public accounting that have been legislated here in Ontario. If we don't have high standards in terms of the auditing work right across Canada, it jeopardizes our competitive position in attracting businesses and head offices and the assurance that opinions given on our financial statements can be trusted."

A nationally consistent framework of standards of qualification and conduct for public accounting is very important to Canada's continued competitiveness in world markets, said Prof. Radcliffe. "We are clearly behind in this area, and in many instances there are greater barriers to interprovincial trade than there are in similar areas of international trade. If we look to our neighbours south of the border, for example, they've been quite vigorous in addressing this through the Uniform Accountancy Act."

Prof. Radcliffe's point was recently mirrored in a report by the federal Competition Policy Review Panel, which recommended that Canada harmonize its product and professional standards with the United States, unless doing so could be shown to be against the public interest.

"In Canada, what is needed is a recognition of the importance of accounting that serves the public interest through having appropriately high professional standards and discipline," said Prof. Radcliffe. "Then if we do have a common basis, we'll be enhancing confidence for investment in financial markets, and good things come from that." □

ABOUT ONTARIO'S FINANCIAL SERVICES SECTOR

Ontario's financial services sector is a vital part of the provincial economy. Financial services providers, including CA firms large and small, contribute almost eight per cent of Ontario's GDP and employ 220,000 people, many in well-paying, high-value jobs in the Greater Toronto Area and in communities across the province.

The impacts of an increasingly globalized economy are making the

international competitiveness of Ontario's financial services sector critical not only to the province, but also to Canada.

Ontario's CAs have long recognized the importance of professional mobility and the value that internationally trained CAs contribute to the province's competitiveness. Just like other industries, Canada's financial services sector needs to keep pace in a world where cities and countries vie for head offices, invest-

ment and top business professionals.

Today, many financial services can be provided from anywhere that has achieved a critical mass of talent. Firms based in Canada can, and do, provide services in other jurisdictions, but the reverse is also true.

Within Canada, however, the story is different. Some financial services, like public accounting, are regulated in certain provinces but not in others. This has resulted in a

"patchwork quilt" of qualification standards for this critical discipline – and problems for professional mobility.

Ontario CAs say it's time for nationally consistent qualification standards for public accountants that are equal to those in use in Ontario and Quebec and by our major trading partners.

This issue is more timely than ever, with Canada's premiers working to eliminate internal trade barriers. □

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WHAT'S THE ISSUE?

Ontario's Chartered Accountants believe that nationally consistent, internationally recognized qualification standards for public accountants are important. Canada's premiers now have an opportunity to harmonize professional standards to a level that protects the public and strengthens our international competitiveness, through reforms announced for the Agreement on Internal Trade, effective in early 2009.

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A HIGHER STANDARD

Attorney General Chris Bentley cautions that while portable qualification standards are important, "we need the highest standards for auditors. People are making extremely important decisions on the basis of (financial) information, and you cannot ensure you have credible, reliable financial information unless you have high standards for those who are preparing and reviewing it."

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LESSONS LEARNED

Twenty years ago, public accountants in the U.S. began pressing for uniform qualification practices across the states. Today, to the benefit of the U.S. economy, 48 states have substantially adopted the principles of the Uniform Accountancy Act. Now, with pending AIT reforms, Canada can do the same.

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IFRS

Jurisdictions around the world, including Canada, are moving to a single set of high-quality, international financial reporting standards (IFRS). While it no longer makes sense to have standards unique to the Canadian marketplace, is Canada ready for IFRS? Some experts say the transition is not as difficult as it seems.

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THE PROFESSION'S VIEW

The work of Canada's premiers to harmonize occupational standards leaves two choices: lower standards to a minimum acceptable level, or ensure that only the most rigorous standards become the benchmark for all others. The choice is obvious, writes Brian Hunt, President and CEO, the Institute of Chartered Accountants of Ontario.

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GLOBAL RECOGNITION

Canada shares mutual recognition agreements for public accounting qualifications with 13 nations around the world, including our major G7 trading partners. The result is unfettered labour mobility for CAs across North America and among the world's leading industrialized nations. No other Canadian accounting designation has earned this recognition.

WITHoUT cOnsIsTENCy, it'S tOUGh TO LOOk pROfeSSioNal.

This is why we need uniformly high qualification standards for public accountants across Canada. Ontario CAs are calling for changes to the policies that are limiting the competitiveness of your business. Learn more in this special section and at casforchange.ca