

A Q&A WITH THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO

PUBLIC ACCOUNTING STANDARDS: WHAT'S THE ISSUE?

Q. What is the public accounting qualification standards issue raised by the CAs for Change campaign?

A. Ontario's Chartered Accountants believe it is important to have nationally consistent, internationally recognized standards of qualification and professional conduct for public accountants. Currently, standards in the various provinces and territories vary between the internationally recognized, legislated standards required in Ontario and Quebec, to lower or in some cases no legislated standards for those wishing to practise public accounting outside the CA profession. Canada's premiers now have an opportunity to harmonize these and other professional standards to a high level that protects the public and strengthens our international competitiveness, through reforms they have announced for the Agreement on Internal Trade, effective in early 2009.

Q. What is public accounting?

A. Public accounting is the business of expressing independent assurance on financial statements and related information of organizations to ensure that the information truly reflects an enterprise's financial condition.

Q. Why is this important to the business community and wider public?

A. Investors, financial institutions and other third parties use the assurance provided by public accountants to help them make informed investment and lending decisions. Many of those decisions involve investments in RSPs, mutual funds or pension funds – areas relevant to nearly all Canadians.

Q. Why is it important to have nationally consistent, internationally recognized standards of qualification and conduct for public accounting?

A. Of the world's leading economies, Canada is one of the only countries with varying qualification and conduct standards for public accounting. It is increasingly unacceptable for Canada not to have nationally consistent and internationally recognized public accounting qualification standards.

Q. Is this related to setting accounting standards, such GAAS and GAAP?

A. No. This is about standards of qualification and conduct for the professionals who practise public accounting. It's about who does the work as opposed to the rules governing how the work is done.

Q. What should such standards require?

A. Standards for conducting public accounting should set the levels for education, examination, practical experience and oversight at the same high levels as those of our major trading partners' leading accounting bodies.

Q. Do CAs have nationally consistent, internationally recognized standards?

A. For many years, CAs have upheld qualification standards that match or exceed those of our major trading partners. This is demonstrated by the mutual recogni-

tion agreements the CA profession has with the top accounting bodies of most leading industrialized countries, such as U.S. CPAs.

Q. What is the situation in Ontario?

A. In Ontario, regulation of this important field is characterized by:

- a governance framework created by the Provincial Legislature in 2004;
- a role for Ontario's Attorney General in approving the necessary professional standards;
- an independent oversight body called the Public Accountants Council comprised of a majority of non-accountants to develop those standards and provide an additional layer of public oversight;
- vigorous competition between those accounting bodies authorized to provide public accounting services.

This system fully protects the public interest while promoting competition, and could serve as a template for other provinces and territories.

Q. Do others share the view that professional standards such as these should be aligned with our major trading partners?

A. Yes. In a landmark study of competitiveness issues facing Canada, the federal Competition Policy Review Panel recently 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. Adopting nationally consistent standards of qualification and conduct for public accountants would achieve this goal. That's because, in the U.S., the Uniform Accountancy Act already ensures consistent public accounting standards across 48 states. If all public accountants in Canada met those standards as CAs do, we would have fully harmonized professional public accounting qualification standards with our largest trading partner.

Q. Are internationally recognized standards for public accounting a barrier to competition?

A. No. In a recent report, Canada's Competition Bureau stated: "To facilitate competition in public accounting services, the regulators in each province and territory should consider establishing minimum necessary competencies that public accountants should have and allowing members of all domestic and foreign accounting designations that meet this standard to offer public accounting services."

Adopting internationally recognized, nationally consistent qualification standards would eliminate labour mobility barriers for public accountants, better protect investors and the public, and enhance Canada's international trade relationships – all while fostering competition for professional accounting services across a level playing field. In contrast, lowering standards within Canada could raise barriers with our international trading partners, which would make our country less competitive. □

casforchange.ca

Throughout Canada, while some provinces have legislated high internationally recognized standards of practice for public accounting, others have low or even no standards required by law whatsoever. In Ontario, by contrast, public accountants who prepare financial statements for individuals, businesses or other organizations must be licensed.

- The Honourable Chris Bentley, Attorney General of the Province of Ontario

ONTARIO PUBLIC ACCOUNTING ACT

HIGH STANDARDS ARE AN ENGINE OF COMPETITIVENESS

To make public accounting licences more accessible while maintaining Ontario's high and internationally recognized regulatory standards, the Public Accounting Act was unanimously approved by the Ontario Legislature in 2004. The act created a provincially appointed Public Accountants Council (PAC) of nine public representatives, four CAs, two CMAs and two CGAs.

Throughout Canada, while some provinces have legislated high internationally recognized standards for entry in the practice of public accounting, others have lower or even no standards required by law whatsoever. In Ontario, by contrast, public accountants who prepare financial statements for individuals, businesses and other organizations, and provide opinions about the reliability of these financial statements, must be licensed. The principle of the Public Accounting Act is that the work of public accountants adds credibility for the reliance of third parties on financial statements.

In accordance with the act, the Ontario Public Accountants Council is responsible for setting regulations for the practise of public accounting, determining the standards that accounting organizations need to meet in order to grant public accounting licences to their members, and prosecuting offences under the act, notably auditing without a licence.

"The auditing profession provides such an important service to individuals, businesses and institutions – in this province as in other communities throughout the world," said Ontario Attorney General Chris Bentley. "We need the highest possible standards for auditors. We want to ensure that the financial information that is prepared is accurate and can be relied upon, not only by those within the institution or organization, but by those outside. People are making extremely important decisions on the basis of that information, and you cannot ensure you have credible, reliable financial information unless you have high standards for those who will be preparing and reviewing it."

The Public Accounting Act created a process that enhances competition in the public accounting field by opening it up for more participants while maintaining Ontario's high standards, said Minister Bentley. "That's good for accountants, and it's also good for the rest of the people in the province."

In an era of expanding global economics and trade, high auditing standards are essential for economic growth. "We're a trading province," said Minister Bentley. "An enormous amount of the wealth in the province of Ontario is generated by first ensuring we can trade with people across the border and throughout the world."

"People who enter into trading relationships with businesses and individuals in the province of Ontario will rely at some point in time on financial information that individuals and businesses prepare. They have to be sure that information is reliable in all circumstances; the information must be prepared, reviewed and audited by professionals with the highest possible internationally recognized qualification standards. The auditing profession – traditionally the Chartered Accountants in the province of Ontario – have long had the highest possible qualification standards," he said.

"I'm pleased that those high standards are being continued and enhanced through the PAC that the Government of Ontario set up."

As momentum builds to increase trade and labour mobility interprovincially, the PAC and other Ontario accounting regulatory bodies are working to ensure that the high standards adopted by this province are maintained. "As we move to an increasingly competitive environment, it's important that we have standards that are portable throughout the country. But when we do that, we want to make sure that the standards that are achieved support Ontario's competitiveness – not only throughout the country, but internationally. We've been receiving a lot of good advice from the Chartered Accountants on what those standards should look like, when it comes to the regulation of auditors." □