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## THE PROFESSION'S VIEW

DON'T ERECT INTERNATIONAL BARRIERS BY  
TAKING DOWN DOMESTIC ONES

For those of us in the CA profession, few subjects are more important than public accounting – the business of providing independent assurance to investors, lenders and other third parties that a company's financial statements truly reflect its financial condition. But for the average person on the street, it's fair to say that public accounting, and the corresponding importance of who is doing this work that is so vital for informed lending and investment decisions, is probably not top-of-mind. Even in the business community, where people are much more likely to realize the importance of public accounting in terms of attracting investment to create wealth and jobs, there are probably no second thoughts about whether the situation is well in hand.

After all, don't Chartered Accountants audit more than 99 per cent of the public companies in Canada? And isn't it true that the provinces where the overwhelming majority of securities trading occurs – Ontario and Quebec – have legislated standards for the qualification and conduct of public accounting that match those of the Canadian CA profession and are internationally accepted by our major trading partners?

Now, though, the issue of occupational standards is about to make headlines, as Canada's premiers begin addressing perceived barriers to labour mobility across the country. The First Ministers are working to an aggressive schedule that will see those standards harmonized in early 2009 under a renewed Agreement on Internal Trade (AIT).

Basically, there are two choices: either make the lowest such standards in any one province the minimum acceptable standards in any other province; or ensure that only appropriate standards, which protect the public in any one province, become the benchmark for all others. As Chartered Accountants – who work every day at all levels of Canada's business and capital markets, and adhere to only the highest, internationally recognized standards of qualification and conduct – we say the choice is obvious.

Of course we need to eliminate internal trade barriers. But this can't come at the cost of a "race to the bottom" among provinces that leads to the dilution of standards with proven worth and a track record of success. That approach risks lowering our standards for qualification and conduct needed to enter the field of public accounting to the point that we actually erect international barriers that impede investment and trade.

Public accounting is simply too important for that sort of approach to be allowed to happen. We need to be able to assure investors – at home and abroad – that the financial reporting produced in our country is backed by top professionals with the necessary experience and training, no matter where the work is done.

Canada's reputation as a safe place to invest and do business is not helped when people on Bay Street or Wall Street learn that, in some provinces and territories, financial reports can be signed off by anyone who can get the assignment: no requirements for education, no need for an accounting designation, they need never have done that type of work in the past. And if they make a mistake or act in an unprofessional or even fraudulent manner, they answer to no professional oversight or disciplinary body.

By contrast, a Chartered Accountant in London or a CPA in New York knows that if a company's financial statements are evaluated by a Canadian CA anywhere in the country, the work is as good as the best found anywhere, and is backed by a profession with stringent, nationally consistent standards for education, examination, experience and conduct. But that's still no excuse, in a leading 21st century economy, for the "patchwork quilt" of public accounting legislation that exists outside the CA profession in this country.

If we want to remain competitive, it's time for Canada to join every other major modern economy and legislate, province by province and territory by territory, consistent national standards that say who gets to conduct public accounting, what they have to know and how they must govern themselves professionally. Those standards must be set high enough that they are both internationally recognized and protect the Canadian public.

Thankfully, the Ontario government understands all this. In this publication, Attorney General Chris Bentley states: "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." He notes the Ontario government will ensure we continue to have the internationally respected standards required to keep our province competitive.

Ontario's CAs are ready to welcome competition based on our province's proven model, where any recognized accounting body that can meet these standards will be allowed to license its qualified members.

In that position, we're fully in agreement with Canada's Competition Bureau, which has 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."

Let's put Canada where it belongs – at the front ranks of the international business community in terms of its legislated standards for practising public accounting. □

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People who enter into trading relationships in Ontario rely 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 Honourable Chris Bentley, Attorney General of the Province of Ontario

## THE AIT OPPORTUNITY

ALIGNMENT OF ACCOUNTING QUALIFICATION  
STANDARDS BUILDS ECONOMIC BRIDGES

Canadian CAs have mutual recognition agreements with 13 nations worldwide, which, according to the International Qualifications Appraisal Board, have accounting qualification standards substantially equivalent to the Canadian CA standards of professional education, experience and evaluation. This provides Canadian CAs with valuable international mobility. **PLANNED REFORMS TO THE AGREEMENT ON INTERNAL TRADE CAN DO THE SAME FOR ALL PUBLIC ACCOUNTING PRACTITIONERS.**



Canada's CAs are already compliant with the Agreement on Internal Trade: their qualifications are nationally consistent, enabling mobility for CAs across Canada.

Canadian CAs are also recognized by our major trading partners as "substantially equivalent" to their own. This provides 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.

Public accounting, however, is *not* AIT compliant. In many provinces, there are no legislated standards for public accountants at all. In fact, you don't even need to be a member of an accounting designation.

For Ontario, this means an unregulated "public accountant" from another province could still claim practice rights in Ontario, with no education, experience or accountability to professional discipline. There must be an exception

granted to public accounting under the AIT to protect the public.

An exemption for Ontario, however, will *not* meet the broader AIT objective of ensuring unfettered labour mobility for finance and accounting professionals across Canada. Only Ontario and Quebec have legislated, internationally recognized public accounting qualification standards. For real national *and* international mobility for public accountants to be realized, the remaining provinces should do the same.

This would also align Canada's public accounting requirements with U.S. legislation, consistent with the recent federal Competition Policy Review Panel recommendation\* to harmonize professional standards with the U.S. and enhance trade and investment between the two countries.

The opportunity to pass the necessary legislated standards lies ahead, with provincial requirements to table other AIT compliance legislation in early 2009. □

\* Page 92, Compete to Win: the report of the Competition Policy Review Panel to the federal Minister of Industry, June 26, 2008