

www.camagazine.com



**IFRS: the first
quarter** P. 28



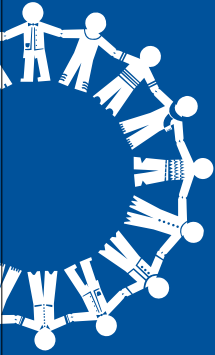
**Sing, sing, sing: CA
by day, jazz crooner
by night** P. 6

**Why we stay in jobs,
why we go** P. 9

GOLDEN opportunities

An outsider and a leader who is willing to take chances P. 22

Aaron Regent,
president and CEO, Barrick Gold Corp.

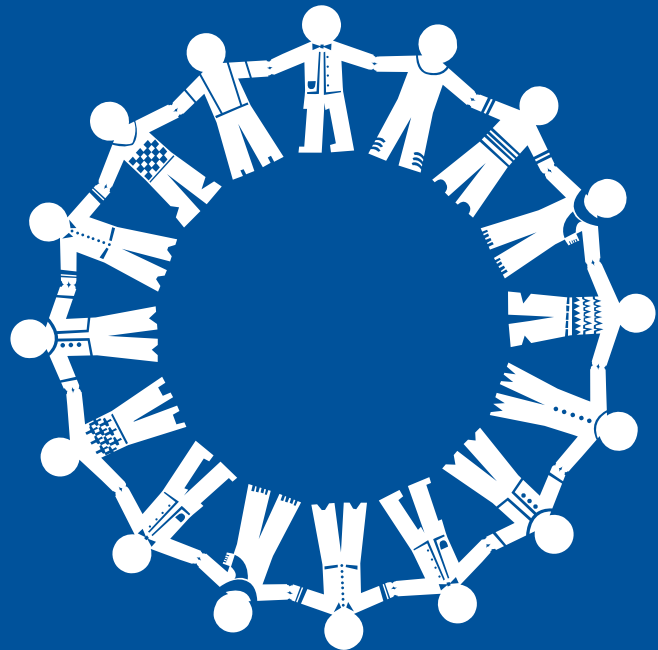


Why invest the time to get to know our clients?
Because we care to fully understand what you're up
against and where you want to go. We gain insight and real
understanding so we can help you achieve your ambitions.

IT ALL STARTS WITH BUILDING A GREAT RELATIONSHIP.

Strong relationships with over 50,000 business clients
across Canada have proven our commitment.

BDO. MORE THAN YOU THINK.



Assurance | Accounting | Tax | Advisory
www.bdo.ca

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.



August 2011 Volume 144, No. 6

Editor Okey Chigbo
Art director Bernadette Gillen
Associate art director Kevin Pudsey
Senior editors Bernadette Kuncevicus
 Tamar Satov
 Yvette Trancoso
Associate editor Marie-Josée Boucher
Assistant French editor Margaret Craig-Bourdin
Editor, Web edition Alan Vintar
Magazine Web producer Harriet Bruser
Editorial assistant Suzanne Mondoux
Director of translation Steve Brearton
Contributors Jim Carroll, FCA
 Michael Burns, MBA, CA John Tabone, MBA
Marcel Côté
Technical editors and advisers:
Assurance Yves Nadeau, CA
Business valuation Stephen Cole, CBV, FCA
Education Christine Wiedman, PhD, FCA
Finance Peter Hatges, CA, CBV, CF
Fraud David Malamed, CA-IFA, CPA, CFF, CFE, CFI
 Peter Farkas, CBV, CIP, FCA
 Jo-Anne Demers, BA, LLB
 Carolyn Cohen, MSW, CA
Insolvency Garnet Anderson, CFA, CA
Legal issues Stephen Rosenhek, MBA, CA, CIRP
People management Ron Salole, vice-president, Standards
Personal financial planning Jay Hutchison, CA
Practice management Yves Godbout, CA-IT, CA-CISA
Studies & standards
Taxation
Technology
Publisher Cairine M. Wilson, MBA
Sales and marketing manager Brian Loney (416) 204-3235
 brian.loney@cica.ca
Advertising sales manager Bruce Feaver (416) 204-3254
 bruce.feaver@cica.ca
Quebec advertising representative Serge Gamache (450) 651-4257
 sergegamache@videotron.ca
Advertising representative Darcey Romeo (416) 204-3257
 darcey.romeo@cica.ca
Advertising coordinator Michael Marks (416) 204-3255
Circulation manager Annette DaRocha (416) 204-3367
CAmagazine Editorial Advisory Board
 Doug McPhie, FCA, Chair Blair Davidson, FCA
 Margaret Albanese, CA Phillip Gaunce, CA
 Nancy Cheng, FCA Michel Magnan, FCA

CAmagazine is published 10 times a year (with combined issues in January/February and June/July) by the Canadian Institute of Chartered Accountants. Opinions expressed are not necessarily endorsed by the CICA. Copyright 2011.

Toronto: 277 Wellington St. West, Ontario M5V 3H2
 Tel. (416) 977-3222, TDX 103, Fax (416) 204-3409.
 Montreal: 680 Sherbrooke St. West, 17th floor, Quebec
 H3A 2S3. Tel. (514) 285-5002, Fax (514) 285-5695.

Subscription inquiries: Tel. (416) 977-0748 or 1-800-268-3793
 Fax (416) 204-3416

On the Internet: <http://www.camagazine.com>
 E-mail: camagazine@cica.ca
letters.editor@cica.ca
advertising.camagazine@cica.ca

Annual subscription rates: \$28 for members; \$25 for CA students; \$47 for non-members. Single copy, \$4.75. Outside Canada: \$72 for a one-year subscription; \$6.50 for a single copy. GST of 5% applies to all domestic subscriptions. For subscription inquiries, call (416) 977-0748 or 1-800-268-3793 from 9 a.m. to 5 p.m., Monday through Friday; fax: (416) 204-3416. GST registration number R106861578. Publications Mail Agreement No. 40062437. PRINTED IN CANADA: Return undeliverable Canadian addresses to: CAmagazine, Canadian Institute of Chartered Accountants, 277 Wellington Street West, Toronto, Ontario, M5V 3H2. CAmagazine is a member of the Canadian Business Press and Magazines Canada. Submissions: CAmagazine receives from time to time unsolicited manuscripts, including letters to the Editor. All manuscripts, material and other submissions to CAmagazine become the property of CAmagazine and the Canadian Institute of Chartered Accountants, the publisher. In making submissions, contributors agree to grant and assign to the publisher all copyrights, including, but not limited to, reprints and electronic rights, and all of the contributor's rights, title and interest in and to the work. The publisher reserves the right to utilize the work or portions thereof in connection with the magazine and/or in any other manner it deems appropriate. No part of this publication can be reproduced, stored in retrieval systems or transmitted, in any form or by any means, without the prior written consent of CAmagazine.



How the first quarter played out

The first IFRS filings are in, and the findings are that it was a tough task but one that nobody failed to comply with

The transition to IFRS is now a reality on the financial statements of Canadian publicly listed companies. The first-quarter reports have been out for a while; how did this great transition play out given the concerns and fears that were part of the run-up process? We sent freelance writer Robert Colapinto to find out. He spoke to a number of stakeholders to get a rounded view on how companies handled the changeover. The common thread in the reports is the difficulty of the effort. "It became an all-hands-on-deck approach," says one company executive. "We obsessed over regulatory compliance and disclosure controls. We only thought we knew how consuming and invasive the process would become." Yet no company failed to comply or ignored the mandate. Still, some experts figure we will not really know the full import of the transition until year-end when those who have filed hurriedly may be forced to correct their mistakes. Read more in "IFRS: the first quarter," p. 28.

When Canadian mining giant Barrick Gold Corp. gave CA Aaron Regent the helm of the company, it got a leader who would take chances. Within two years, he had eliminated its fixed-price hedge book and offered a US\$7.3-billion cash-only bid to purchase Equinox Minerals Ltd., a copper producer with operations in Zambia and Saudi Arabia, moves that earned a lot of praise and notice from industry observers. "I've hated Barrick for about the last 10 years, but I've recently changed my opinion," one of them said. Regarding what made him change his opinion, "Aaron Regent seems to be an open, decent, smart guy." This "open, decent, smart guy" was a departure from the norm, an outsider, with regard to Barrick CEOs — except for the fact that he is a CA. Writer Paul McLaughlin tells the story of how the history graduate became the leader of the world's largest gold producer in "Once upon a mine," p. 22.

By now, most will have heard about the merger talks between Canada's chartered accountants and certified management accountants. In "Strength in letters," (p. 16) writer Joseph Petrie interviews Kevin Dancy, CICA president and CEO, and Joy Thomas, his counterpart at CMA Canada, for views on what it is all about.

In Outlook, p. 52, Marcel Côté points out that healthcare spending in Canada will reach 19% of GDP by 2031 and warns that this will exceed the spending on food and housing combined without improving the quality of healthcare. He suggests four reforms that not everyone will find congenial.

We also have regulars on fraud, assurance, standards, legal issues and personal financial planning.

Okey Chigbo, Editor



upfront

4 MAILBOX

6 PEOPLE

By day Amanda Iacovetta manages more than \$2 million in employee assistance accounts with an HR consultant, but by night it's a different tune. In fact, it's jazz tunes the Toronto-based CA is into, performing gigs at bars, private parties and corporate events

6 NEWS AND TRENDS

Stand up to workplace bullies, study shows • Audit fees stay steady • What are some pitfalls of negotiating my salary? • Numbers game • Going concern

9 BITS & BITES

Why we stay, why we go • Challenges differ by country • Sweat the small stuff • Bosses are busted • Because you're worth it

10 VALUE ADDED

Lender, can you spare a dime — or two? • The future looks smart and mobile

columns

1 FROM THE EDITOR

How the first quarter played out

12 NETWATCH

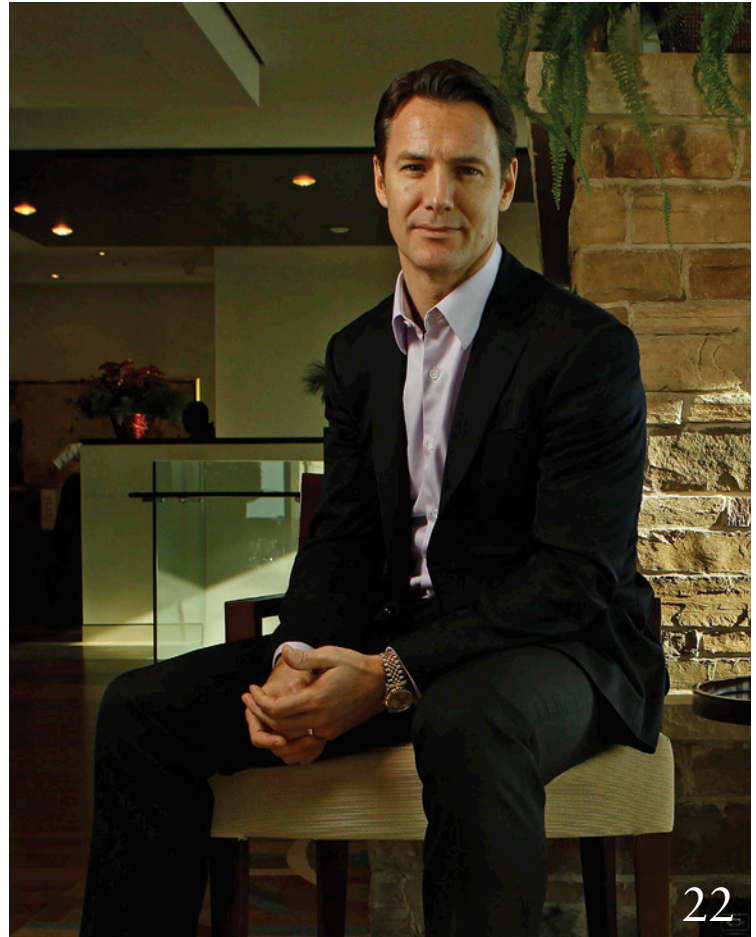
Smartphones are changing everything

14 WORK IN PROCESS

What does an ERP system cost?

52 OUTLOOK

Hitting the wall



features

22 Once upon a mine

Two years into the job and two large risky deals later, it was more than clear that when Barrick appointed outsider Aaron Regent to helm the mining company, it was getting a leader who was willing to take chances

BY PAUL MCLAUGHLIN

28 IFRS: the first quarter

The first IFRS-infused filings are now in, so how did the implementation process go? What went right? What went wrong? What can we expect in the future? How can the problems that arise be fixed? People at PAEs and CA firms as well as financial experts share their experiences

BY ROBERT COLAPINTO

regulars

36 Fraud

Stupid fraud tricks: not all fraudsters are created equal. While some are cunning and clever, many are inept and just plain dumb **By David Malamed**

39 Assurance

Safe virtual environments: a risk-based approach to access and identity management can lessen the impact of potentially detrimental situations **By Philippe Ricart + Pascal Théoret**

42 Standards

It's something to talk about: discussion with your clients is vital and the new Canadian auditing standards are a communicator's dream **By Phil Cowperthwaite**

44 Legal issues

The first of many issues: the recent Imax case will be cited in all subsequent litigation involving the OSA secondary market civil liability regime **By Mindy Paskell-Mede**

46 Personal financial planning

The ABCs of RCAs: RCAs might just be the best way to provide suitable retirement income for employees while offering flexibility for employers **By Trevor Parry**



news

- 16 DISCUSSION
- 18 NEWS FROM THE PROFESSION
- 20 STANDARDS DIGEST

professional directory

- 48 PROFESSIONAL DIRECTORY
- 49 CAREER OPPORTUNITIES
- 50 CLASSIFIED

Breaking news, tax updates, job postings, archives, more articles: you'll find them all at www.CAmagazine.com



Mailbox

IMAGINE NO TAX CREDITS

Marcel Côté seems to have missed the real point of why Americans appear more generous than Canadians (“Imagine a better world,” Outlook, May). We pay far more income tax than our neighbours. This added tax pays for more than just our national healthcare costs; it also pays for the greater support our government gives to many organizations — e.g., charitable, arts and sports. If one could unscramble the facts, I suspect that Canadians would emerge at least as generous as Americans, if not more so.

Rather than increase the tax credit to 39% from 29% as Côté suggests, I would

recommend eliminating it altogether. This tax credit is, in effect, a government subsidy; as such, it violates the principle of the separation of church and state. It also involves a waste of government resources, i.e., our taxes.

According to the Canada Revenue Agency (CRA), there are 85,716 registered charities. The CRA employs 200 auditors who check these funds and are able to audit between 600 and 700 funds each year. By my calculation, that means each charity is audited every 130 years!

We are all aware that there has been the issue of fraudulent receipts given by some charities. We are also aware that terrorist organizations have in the past re-

ceived monies from charities that are supported by the Canadian taxpayer. Can Côté or anyone else believe that we are not currently supporting al-Qaida or other such organizations?

In addition to the 200 auditors mentioned above, the CRA has staff to approve new charities, as well as public relations staff to answer questions. How much money in total does it cost the government (the taxpayers) to approve, monitor and audit these charities?

I will continue to donate to the organizations I believe in, whether I receive a tax credit or not. It is sad to think that tax credits are the basis of much of our charitable giving.

Derek Taylor, CA
Guelph, Ont.

Marcel Côté criticizes Canadians for their poor performance in philanthropic donations. In his view, it is unacceptable that philanthropic donations, relative to GDP, are twice as high in the US as in Canada.

Are Canadians inherently stingier than Americans or is there another explanation? Perhaps the reason has to do with the way the two countries tax their citizens. Taxes are considerably lower in the US, especially for high-income earners, leaving Americans with more financial leeway to donate to charitable organizations.

What’s more, Canada has essentially nationalized the health and education sectors and finances their operation with taxes. In the US, these sectors depend heavily on philanthropy and private-user charges.

It appears our governments directly fund sectors and activities that in the US are typically left to the private sector. In a way, Canadians are forced to make charitable donations through their taxes. Comparing the relative generosity of Canadians and Americans would require taking such factors into account.

I agree with Côté that the tax treatment of charitable donations in Canada is inad-



The CPA's JobConnect™
Bringing the best jobs & the best candidates together

<p>EMPLOYERS Post jobs to an active payroll community</p>	<ul style="list-style-type: none"> • Over 63,000 job searches per month • Over 3,700 job seekers registered • Over 3,500 resumes available
--	---

JOBCONNECT™ Visit the authoritative career resource for the Canadian payroll profession today!
<http://www.payroll.ca/go/?jc7>

THE CANADIAN PAYROLL ASSOCIATION CPA ASSOCIATION CANADIENNE DE LA PAIE ACP



Mailbox

equate. Over the years, a number of tax deductions — not only charitable donations — have become tax credits at the lowest rate on the tax table, discouraging wealthier people from giving to charitable organizations because there is no tax advantage.

Instead of contemplating raising the tax credit for charitable donations, why not restore donations to their former tax deduction status? Such an exercise would also be useful for other tax exemptions.

Bernard Poulin, CA
Quebec City

DISAPPOINTED

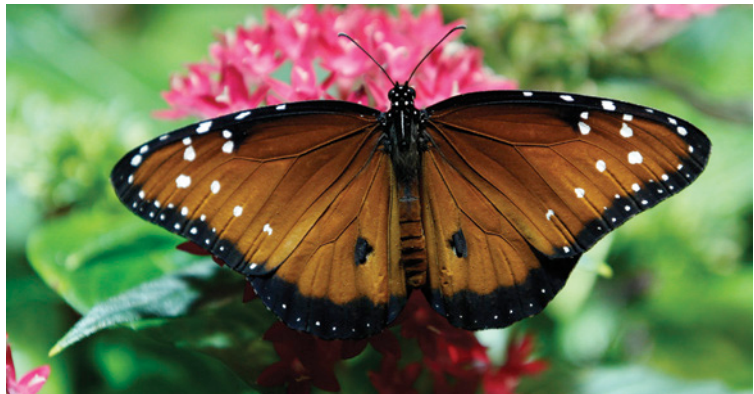
I was a bit disappointed in the details covered in “CEO round table” (April), in that the participants mostly regurgitated issues that have been pending for many years. What was even more disconcerting was the fact that no action or followup plans were tabled.

Just as third parties hire CA professionals to help them identify areas for improvement with implementation and followup plans, maybe our profession needs to engage the services of an independent consulting firm to do the same.

Cynthia Daoudian, CA
Toronto

CLARIFICATION: In “Too good to be true” (Fraud, June/July) misleading information appeared regarding the Canadian Investor Protection Fund. CIPF is not insurance and CIPF coverage only applies in cases where a CIPF member becomes insolvent.

CAmagazine welcomes letters to the Editor. Please write to us at
277 Wellington Street West,
Toronto, Ontario M5V 3H2
e-mail address: letters.editor@cica.ca
Letters may be edited for space and clarity



MANAGING THE IFRS SWITCH AND NEW PRIVATE COMPANY STANDARDS

NEW PUBLICATION

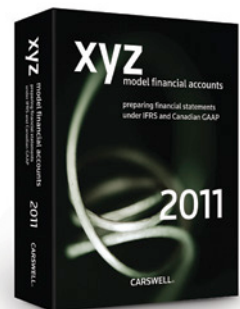
XYZ MODEL FINANCIAL ACCOUNTS – PREPARING FINANCIAL STATEMENTS UNDER IFRS & CANADIAN GAAP
MOORE STEPHENS (AUSTRALIA) AND
DALE MATHESON CARR-HILTON LABONTE LLP (CANADA)

This comprehensive new resource is your desktop guide to preparing financial statements under the new mandatory reporting requirements. Authored by an international team of industry specialists experienced in global best practices, it will help you manage the complexities of the new financial reporting.

You get access to the new reporting requirements for all major entity types that require financial reporting under International Financial Reporting Standards (IFRS) or Canadian Generally Accepted Accounting Principles (GAAP) for private companies.

Topics covered include:

- Financial Reporting in Canada
- IFRS and Canadian GAAP for Private Enterprise – Accounting Standards Comparison Table
- Financial Reporting Disclosure Checklists
- Interim Financial Reporting
- Public Company Financial Reporting
- Private Company Financial Reporting



ORDER # 983499-67482 \$325

Softcover approx. 500 pages March 2011 978-0-7798-3499-0

Shipping and handling are extra. Price subject to change without notice and subject to applicable taxes.

AVAILABLE RISK-FREE FOR 30 DAYS

Order online at www.carswell.com/xyz

Call Toll-Free: 1-800-387-5164 In Toronto: 416-609-3800

CARSWELL®



THOMSON REUTERS

UP FRONT

News, people, briefs, trends + tips

Sing, sing, sing



Toronto CA Amanda Iacovetta gives voice to her passion by moonlighting as a jazz singer at bars, parties and events

Amanda Iacovetta loves to unwind with live music after a grueling day, but don't look for her in the audience at one of Toronto's bars or lounges: she's the one holding the mike. By day, the CA manages more than \$2 million in employee assistance accounts for human resources consulting firm Morneau Shepell. After dark, the 30-year-old sheds her business suit, slips into a dress and moonlights as jazz singer Amanda Covetta.

She started pursuing a singing career in earnest in late 2009, and in her first year played about 30 gigs at bars, private parties and corporate events — but only after learning a thing or two about performing during her early years as an auditor. “In that job you have to be assertive in presenting yourself to be perceived as professional,” she says.

Business pays the bills but music is her passion. Her mom taught her to spell by chanting songs. At 13 she was singing the lead in school musicals; by 17 she was taking voice lessons and belting out the national anthem at the Rogers Centre. She put singing on hold during university and, as years passed, wondered if she'd lost her voice.

She picked up the microphone again at KPMG in 2009, after a colleague who played piano invited her to jam. They played for about a year, picking up bookings at retirement homes, before she decided to pursue singing on her own.

She built a website (singamanda.com) and worked from a spreadsheet, dialing three club owners a day. “Just let me sing once,” she'd offer, since she had no demo tape back then. It worked: after a few deep breaths in the washroom, she took the stage at a Toronto restaurant in February 2010. “I love being on stage, inspiring people, sharing my gift and doing something other people don't normally get to do,” she says. “I'm not doing this for the money. I love to sing.”

Trish Snyder

Résumé

- 2005** joins KPMG in Toronto
- 2006** obtains CA designation (Ont.)
- 2009** becomes senior account manager at Morneau Shepell, Toronto
- 2009** launches singamanda.com

Stand up to workplace bullies, study shows

Confrontation is a good plan of action if you're being bullied at work, according to a survey conducted for US recruiter CareerBuilder.

Nearly half (47%) of bullied workers polled said they confronted the bully about his or her actions and, of these, 43% said the bullying stopped. About the same number (44%) said the bullying stayed the same while just 13% reported the bullying worsened.

The study also found that the most common offender is the boss, with 14% of workers saying they felt bullied by their immediate supervisor. About one in 10 (11%) felt bullied by a coworker, 7% were bullied by someone more senior, and 7% said the bully was their customer.

In addition, one-third (34%) of women felt bullied compared to 22% of men.

AUDIT FEES STAY STEADY

Canadian audit fees, by size of company					
Company size (assets)	Audit and related fees 2010	Audit and related fees 2009	Change in average audit fees 2009 - 2010	Audit and related fees as a % of assets	Number of companies
> \$2 B	\$3,685,434	\$3,717,649	-1%	0.04%	126
> \$500 M to < \$2 B	\$904,039	\$881,772	3%	0.09%	139
> \$100 M to < \$500 M	\$383,026	\$326,723	17%	0.17%	254
< \$100 M	\$219,793	\$214,076	3%	0.36%	214
All	\$1,001,842	\$981,978	2%	0.19%	733

Source: CICA

Canadian audit fees have remained relatively stable from 2009 to 2010, according to a CICA analysis of 733 of Canada's largest public companies (all among the *Globe and Mail's* Report on Business 1000). Overall, audit fees were up 2%, though not all companies experienced an increase. In fact, 40% of companies saw audit fees go down from 2009 to 2010. For the remainder of companies, 2% experienced no change in audit fees, 17% experienced an increase of 10% or less, and 41% saw an increase of more than 10%.

Companies with assets greater than \$100 million and less than \$500 million experienced the greatest increase in audit

fees. The average audit fee for the 254 companies in this range was \$383,000 in 2010, up from \$327,000 in 2009, an increase of 17%. In comparison, the average audit fee decreased slightly for companies with more than \$2 billion in assets.

The study also found that audit fees represent a very small percentage of assets — an average of less than one-twentieth of 1% overall. For companies with \$2 billion in assets, audit fees represented 0.04% of assets, and for companies with less than \$100 million in assets, audit fees represented 0.36%.

John Tabone is CICA's manager of member value and research services



ASK AN EXPERT

WHAT ARE SOME OF THE PITFALLS OF NEGOTIATING MY SALARY?

As the job market improves, professionals have more negotiating power. But it's important for job seekers to understand just how much leverage they have. Here are some mistakes professionals make when negotiating salary:

Being afraid to ask. Remember: it never hurts to ask and you have your greatest leverage when you receive the job offer.

Failing to do your homework. Always conduct research to determine your market value by reviewing annual salary guides and talking to colleagues and recruiters for their insights.

Tipping your hand. If you're desperate to leave your current job, keep it to yourself. Stay focused on the position for which you are applying.

Focusing only on salary. Consider benefits in addition to compensation. If higher base pay isn't available, perhaps the employer could offer a signing bonus or early salary review.

Thinking you can't say no. If an offer is less than you think it should be, point it out politely then counter with your desired salary. If the employer can't meet this request, decide if you can accept the lower pay.

Failing to get it in writing. To avoid any misunderstandings, ask the employer to draw up a letter that outlines the specifics of the offer.

Forgetting your manners. Always be professional and courteous. You don't want to burn any bridges.

Max Messmer is chairman and CEO of Robert Half International (www.roberthalf.com) and author of *Job Hunting For Dummies*

#NUMBERS Game

Summertime blues Summertime and the living is easy. Or it used to be. Taking a summer vacation is no longer the rite it once was

1 Rank of “not taking more time off” among post-vacation regrets, according to a 2004 survey. Four in 10 Canadians said their holiday was too short, while 8% regretted having to check in with work.

1 in 3 Number of Canadians between ages 24 and 44 branding themselves as workaholics, according to a 2002 Statistics Canada study.

3 Number of “breakations” favoured by 51% of Canadians in 1999 in lieu of a single holiday. “We are seeing a shift away from the annual summer vacation,” noted Heather Nairn-Rand, director of marketing for Amex Canada.



6 Estimated value of unused vacation time, in billions of dollars, paid to Canadians in 2010.

58 Percentage of Albertan workers not using available vacation time, according to a 2004 survey. Only 28% of Quebecers didn’t use allotted holidays, while the Canadian average was 38%.

90 Percentage of Canadian and other international executives who say they were available for work during holidays, according to a 2006 survey.

1944 Year Ontario became the first province to require paid holidays. The right wasn’t granted in every province and territory until 1970. Steve Brearton

Going Concern



**ARLENE ANDERSON, CA
CO-OWNER & PRESIDENT,
SAM BAT**

COMPANY PROFILE: Based in Ottawa and Gatineau, Que., Sam Bat manufactures baseball bats for all levels of competition.

Founded by carpenter and co-owner Sam Holman in 1997, his bats were the first maple bats approved by Major League Baseball — traditionally, the wood used in bats was ash. The company gained prominence in the mid-2000s when slugger Barry Bonds used Holman’s product to chase and break the major league record for home runs. Today, Sam Bats are in the hands of more than 120 major leaguers. The company, which employs a dozen people, competes with more than 30 other bat makers, including heavy hitters Louisville Slugger and Rawlings. Unlike most of its competition, however, Sam Bat doesn’t cut endorsement deals with its athletes. Rather, its players, including all-stars Albert Pujols and Alfonso Soriano, are paying customers. Last year it sold 16,000 bats.

HOT FACTOR: While its main target will continue to be Major League Baseball, Sam Bat is making headway in international markets. Recently it cut a deal with Australian Baseball to become the official bat of its league.

COOL PROJECTS: Recognizing that its business model is seasonal, Anderson has initiated some new marketing and product strategies, including the development of “boutique” products such as mini souvenir bats for corporate functions, as well as mallets for woodworking and gardening tool retailer Lee Valley Tools. It’s also expanding its retail operations by initiating deals with 60 dealers in both Canada and the US, as well as increased sales on the web.

IN HER OWN WORDS: “This is not the type of product you can simply crank out. We have a highly trained and dedicated staff committed to our main mission: simply, to produce the best baseball bats in the world.”

John Shoemsmith



Why we stay, why we go

The main reason employees remain in a job is because they like their work, while the top factor behind jumping ship is a lack of career opportunities, finds a global study of nearly 11,000 professionals by consulting firm BlessingWhite.

After enjoyable work, favourable job conditions such as an easy commute or flexible hours is the second most important retention factor in North America and Europe. In other countries, however, career advancement ranks second.

“Business leaders are right to be concerned about retention of top talent,” says BlessingWhite CEO Christopher Rice. “While raises may encourage some workers to stick around, our findings suggest that employees will remain in jobs that challenge them, utilize their expertise and provide meaning.”

The most important factor influencing your...

PLANS TO STAY

My work; I like the work I do	30%
My career; I have significant development or advancement opportunities	17%
My organization’s mission; I believe in what we do	11%
No desire for change; I am comfortable here	10%
My job conditions; I have flexible hours, an easy commute, etc.	10%
My finances; I expect a desirable salary, bonus, or stock options	7%
Other	15%

THOUGHTS OF LEAVING

My career; I don’t have opportunities to grow or advance	26%
My work; I don’t like what I do or it doesn’t make the most of my talents	15%
My finances; I want to earn more money	15%
My desire for change; I want to try something new	12%
My manager; I don’t like working for him or her	10%
Other	18%

Source: Employee Engagement Report 2011, BlessingWhite

Challenges differ by country

Canadian and US accounting professionals have contrasting opinions about the key challenges facing their firms, according to a survey by software company Sage.

The top-ranked challenges for the 947 Canadian respondents are time management and work-life balance, tied at 34%, followed by keeping up with technology at 29%. US accounting professionals, however, report their biggest challenges are getting new clients (35%), tax-law complexity and changes (22%) and the effect of new regulations and standards on small firms (25%).

The survey also indicates crossborder differences in the adoption of social media by accounting professionals. More than half (58%) of Canadian respondents say they aren’t using any social media tools in a professional capacity, compared with 43% of those in the US.

SWEAT THE SMALL STUFF

Handing in sloppy work is the most annoying thing you can do at work, according to a third of CFOs polled in a survey for staffing firm Accountemps. Other coworker behaviours identified as most annoying were gossiping (24%), missing deadlines (18%) and being perpetually late (15%).

BOSSES ARE BUSTED

Job-hunting managers take note: your staff is on to you. In a survey of 793 North American employees by human resources firm Right Management, 27% of workers said they are convinced their boss is looking for a new job while another 21% think it is probable.

BECAUSE YOU’RE WORTH IT

Canadian companies spend an average of \$175 per employee on recognition rewards, according to a Conference Board of Canada survey. Almost half (45%) of recognition spending goes toward long-service awards such as gifts, pins and plaques, the study found.

Lender, can you spare a dime — or two?

Smaller companies are still facing an uphill battle in getting credit post downturn, according to a new executive research report prepared by the Canadian Financial Executives Research Foundation and sponsored by Ernst & Young. Lending conditions have improved, but so far, it's mostly larger companies that have benefited.

The report, *Credit Availability in Canada*, was based on a survey of 176 senior financial executives, combined with insights gathered at an executive research forum. It showed that in 2009 and 2010, small companies still reported trouble accessing working capital and long-term financing. However, more small companies anticipated a better outlook for the credit market, with 77% of respondents in this category saying they expected credit to be available or very available by September 2011. Small public companies (50%) and small private companies (49%) also said credit came at a higher cost.

"These less-than-stellar lending conditions included lower credit offered at higher rates, tighter restrictions

around terms and requests for more detailed business cases," says Brian Allard, transaction advisory services partner at Ernst & Young. "In 2009 and 2010, many small companies felt that they hit rock bottom and that credit markets and lending conditions could only improve. Conditions have now improved significantly, but companies should focus on building meaningful relationships across a broad spectrum of financial sources."

Michael Conway, chief executive and national president of Financial Executives International Canada, also mentioned the need to diversify lending sources. "Whether the credit landscape has changed permanently remains to be seen, but companies will have to think on their feet and look for more innovative ways to access capital," he says.

As for government assistance programs, 31% of respondents said they're not familiar with them at all.

For an expanded article, please visit www.camagazine.com/credit11.

The future looks smart and mobile

Now that much of the world seems set on a course toward recovery, what are the key changes that will have an impact on the business environment in the years to come? Ernst & Young has come out with a report that aims to answer that question. *Tracking Global Trends* looks at six broad, long-term developments that are shaping our world:

Emerging markets increase their global power: estimates show 70% of world growth over the next few years will come from emerging markets, with China and India accounting for 40% of that growth.

Clean tech becomes a competitive advantage: the transformation to a low-carbon economy could be the next industrial revolution and global companies must develop strategic plans to adjust.

Global banking seeks recovery through transformation: the global financial system is still in flux. However, regulation will probably drive up the cost of business for many large financial institutions. Emerging-market financial institutions will continue to gain in stature.

Governments enhance ties with the private sector: we might see more public/private synergy, where governments

contract with private suppliers to provide specified services under highly regulated conditions.

Rapid technology innovation creates a smart, mobile world: the digital revolution has already fundamentally changed the way we work and play, but consumers and businesses are still pushing for more. We should see explosive growth in data and analytics as well as new competition in almost every field.

Demographic shifts transform the global workforce: even though the overall population is growing, the availability of skilled workers is actually shrinking.

The report also identifies three underlying drivers that have helped establish and perpetuate these trends:

- *demographic shifts:* population growth, increased urbanization, a widening divide between countries with youthful and quickly aging populations and a rapidly growing middle class;
- *reshaped global power structure:* the rise of relationships between the public and private sectors; and
- *disruptive innovation:* developments in technology, which continue to have massive, wide-reaching effects.

For an expanded article, please visit www.camagazine.com/trackingglobaltrends2011.

Easier is Better

**Are you tired of not being
able to leave the office until
the cheques are signed?**

Telpay for Business provides remote email authorization capability allowing you to approve payments and pay all your suppliers while you are away from the office or on vacation.

No longer do you need to track down your supplier's bank account information. Telpay looks after everything for less than the cost of a stamp.

Save Time. Save Money.
Always Timely. Always Secure.



To Find Out More Visit Us at telpay.ca
Or Call Us Toll Free at: 1.800.665.0302

The Better Way to Pay.





Netwatch

BY JIM CARROLL

YOUR GUIDE TO BUSINESS & ACCOUNTING ON THE INTERNET

Smartphones are changing everything

You might have been to a conference recently that involved polling technology. You're handed a little clicker that has four buttons, and on the screen at the front of the room you see a multiple-choice question. Everyone sends in a response and the results appear instantly on screen.

This instant polling technology is quite fun. Too bad this particular technology, which has been around just a few years, is already obsolete. That's because of the impact of mobile technology, which is set to cause many other day-to-day activities to become out of date.

I often do live polling of my audience while onstage, but there's no complicated set-up for me. I simply design a multiple-choice poll using the Poll Everywhere website. Then I ask those in attendance to take out their smartphones, iPhones and BlackBerrys and respond by sending a text message. (They can also vote by visiting a website on their smartphone, or even tweet their response.)

Of course, the number of votes that come in varies. I was onstage in front of 800 bankers in Texas and the average age must have been 60-plus. Out of that group, three managed to figure out how to send a text. Maybe they didn't know how to send a text to someone outside their contact list. This was fascinating, because there are already new types of banks, such as South Africa-based Wizzit, in which all transactions occur via text message.

Contrast the ability of the bankers to participate in a live text-message poll to my experience when I was invited to talk to 250 students for my son's Grade 12 class. When I ran the first text-message poll, I had about 247 responses within 60 seconds. For members of this generation, texting is like oxygen; their mobile smartphone is their view into the world. They'll look at something like text-message-based banking and think it is a great idea.

This speaks to a huge trend: significant business model change as a result of the impact of mobile or smartphone technology. The pace of innovation in the banking sec-

tor will shift from what was once a nice, leisurely state of affairs to the hyperspeed, frenetic pace of innovation that emanates from Silicon Valley and smartphone makers. Even the credit cards in our pockets are likely to disappear because near-field communications technology will allow us to instantly pay for a purchase by simply authorizing the transaction on our smartphones. Some magic will happen that will cause the authorization to be sent to the store, gas station or other payment acceptance system.

And the trend isn't limited to financial services — it's happening in virtually every industry. For example, British insurance company Insure The Box will set your car up with a special type of GPS device. It will measure

The impact of mobile technology is set to cause many day-to-day activities to become out of date

your acceleration, the G-force of your turns, whether you are stopping fully at traffic lights and whether you are keeping to the speed limit. If you do, you'll get a rebate on the insurance you paid. Call it performance-based insurance. Several major North American insurance carriers plan to roll out similar technology within the year.

What happens in the world of banking, insurance and other industries when Apple and other smartphone developers determine their destiny?


Jim Carroll, FCA, is a well-known speaker, author and columnist. Reach him at jcarroll@jimcarroll.com or log on to his website at www.jimcarroll.com

NEW MODELS FROM MOBILE TECH

Poll Everywhere www.polleverywhere.com

Wizzit www.wizzit.co.za

Insure The Box www.insurethebox.com



How would you
like to cut your
annual premiums
to Workers'
Compensation
by half?

TeksMed

877 850 1021
teksmed.com

Contact Andrew Shipley
VP Sales and Marketing

Toronto

| Ottawa

| Calgary

| Vancouver





Work in process

BY MICHAEL BURNS

USING TECHNOLOGY TO IMPROVE THE WAY YOU DO BUSINESS

What does an ERP system cost?

Buying an ERP system is a lot like buying a house. The process brings all kinds of unexpected costs. When I moved into my first home, we couldn't get the bed up the stairs, so we had to remove part of the ceiling, which ruined the fresh paint. Then the plumbing failed and most of the pipes had to be replaced. If only we had known.

When it comes to ERP, companies spend plenty of time haggling over the purchase price but don't nail down the other costs — maintenance and support, implementing the system, upgrades and the people involved internally in implementing the new system.

In 2006, we ran an article based on a customer survey of ERP systems (see www.camagazine.com/roundup2). It included the cost analysis in "2006 ERP costs."

To see whether the chart still holds true, let's look at approximately how much a new midmarket ERP system will cost over three years for a company that is investing today. The going rate for licence fees averages about \$3,000 per user. If the company has 50 concurrent users, the software licence cost will be \$150,000. Maintenance costs range from 15% to 22%. Let's take 18% or \$81,000 over three years. As a rule of thumb, implementation

fees will be about the same as licence fees or somewhat higher depending on the complexity of the system and whether the organization will be able to use it without much tweaking. For our example, let's assume a 1.2:1 ratio, or \$180,000. Infrastructure costs are generally the lowest costs to consider in an ERP investment, partly because hardware and network prices continue to fall and partly because most organizations try to keep their computer equipment up to date to avoid downtime. For our example, we'll say \$40,000 is required for a few servers and an upgrade to some of the PCs. An ERP implementa-

With ERP, companies haggle over the purchase price but don't nail down all the other costs

tion will also require key people in the organization to set aside their usual day jobs to focus on the implementation. We will have one dedicated project manager and five subject matter experts who will be working 25% on the implementation for a year. Their average annual salary is \$80,000, including overhead. The internal costs are then about \$180,000.

Recapping, we have "2011 ERP costs." The relative percentages are fairly consistent with the midmarket costs from 2006. Licence fees might have fallen a bit because of

competition. We would expect infrastructure costs to have fallen as well. The biggest variance is with internal costs. Our theory is that many organizations don't calculate the costs of the employees used in the implementation unless those employees are back-filled by temporary employees.

Our analysis did not include software as a service (SaaS) systems, which have a different costing model. With SaaS, you pay a monthly fee for each user on the system rather than buying a licence. SaaS vendors provide hosting services — your data resides on their servers and their IT staff look after it. So you save money on equip-

2006 ERP costs

System	High-end % of costs	Midmarket % of costs	Small business % of costs
Licence fees	24	27	57
Maintenance fees	14	16	20
External consulting fees	17	16	4
Customization	8	13	4
Upgrade infrastructure costs	13	13	5
Internal costs	24	15	10
Total	100	100	100

2011 ERP costs		
Type of cost	Amount	%
Licence fees	\$150,000	24%
Maintenance fees	\$81,000	13%
External consulting fees and customization	\$180,000	29%
Infrastructure upgrade costs	\$40,000	6%
Internal costs	\$180,000	29%
Total	\$631,000	100%

One objective in implementing ERP systems is to avoid cost overruns, which unfortunately occur all too frequently. It's a good idea to ask the vendors to define the scope based on detailed requirements and to specify a fixed price for implementation. It might be necessary to pay the vendor for this fixed price before purchasing the software licence. However, paying beforehand puts you in a much better position to negotiate costs for tasks that would normally be done as part of the implementation. You will also know that once your system is in place, you should be able to settle in with no thoughts of moving from it.

ment and technical resources. SaaS is also considered a type of cloud computing, which is what all the major software vendors are talking about these days (see next month's feature on cloud computing). You can expect to see many more vendors offering SaaS costing models in the future.

Michael Burns, MBA, CA •IT, is president of 180 Systems (www.180systems.com), which provides independent consulting services, including business process review, system selection and business case development. Contact 416-485-2200; mburns@180systems.com

Keeping Canada Paid

Canada's 1.5 million employers count on payroll professionals to annually pay \$810 billion in wages and taxable benefits, \$250 billion in federal and provincial statutory remittances, and \$90 billion in health and retirement benefits while complying with more than 191 federal and provincial regulatory requirements.

National Payroll Week – September 12-16, 2011

THE CANADIAN PAYROLL ASSOCIATION (CPA) and L'ASSOCIATION CANADIENNE DE LA PAIE (ACP) logo with website www.npw-snp.ca

Platinum Sponsors: ADP, CERIDIAN

Gold Sponsors: AVANTI SOFTWARE, NATIONAL BANK FINANCIAL GROUP, DLGL, PAYweb.ca

Silver Sponsors: Accountemps (A Robert Half Company), Desjardins (Payroll and Human Resources Services), Robert Half (Finance & Accounting)

Bronze Sponsors: Commission des normes du travail Québec

Strength in letters

CA, CMA, CGA ... is a single CPA the better route? **by Joseph Petrie**

News of the current consultations toward a merger between Canada's chartered accountants and certified management accountants carried a whiff of déjà vu. The profession has been down this road without success many times before, most recently in 2004.

What's different this time around? Is the case for consolidation getting stronger? And if it is, can the two sides agree on terms that their members will accept?

The national leaders of the two accounting bodies think so. In fact, for Joy Thomas, CMA Canada president and CEO, the string of failures since the 1920s makes the argument for unity even stronger: "Even though there have been so many attempts and none of them successful, decade after decade, our organizations and their leaders have felt compelled to keep trying."

Factors that have persisted down the generations include the inefficiencies and administrative costs of having three distinct accounting designations. Even though the CAs, CMAs and certified general accountants operate with the same accounting and assurance standards, each body sets its own professional standards, complies with different provincial laws and runs its own education and training programs. With three designations in 10 provinces, the profession governs itself with 30 CEOs and management structures and 40 oversight boards.

The resulting costs and decision-making complexities are unique to Canada's accountants. Other professions in Canada, and most accounting bodies worldwide, operate nationally and do not have to cope with such duplication and overlap.

Thomas adds, "When we have three bodies, we're effectively competing against each other — that's also unique. I estimate that in the past five years, we've probably spent in the range of \$100 million collectively on recruitment and marketing alone."

As Canada's accountants spend time and money promoting their brands and competing for market share among themselves, new competitive threats are emerging beyond our borders. For Kevin Dancey, CICA president and CEO, the need for Canada's accountants to stand together against these growing threats makes the case for consolidation even more pressing.

"With everything going global, it's important for a Canadian professional accounting body to be relevant and influential on the global stage," he says. "Standards are going global. Accounting firms are going global. Their clients are going global. As we look

around the world, you can see that other accounting bodies are not standing still."

Dancey points to several examples of accounting bodies that are recruiting outside their home countries or striking strategic alliances to extend their global reach. The American Institute of Certified Public Accountants has entered an alliance with the UK's Chartered Institute of Management Accountants. The CAs of Australia and New Zealand are similarly allied. The American and Australian CPAs and UK CAs are all undertaking strategies to pursue international growth. Dancey himself chairs the Global Accounting Alliance, a group of 11 accounting bodies in large capital markets worldwide that was formed to pursue common interests in 2005.

Even though Canada's accounting bodies are not necessarily looking to swell their numbers in other markets, we can expect these other brands to look to Canada to promote their own growth. Whether a single global designation will emerge any time soon is unknown, Dancey says, but if it does, selecting "chartered professional accountants" (CPA) for Canada's new designation is a good strategic choice. CPA is the world's top designation in terms of members by far, and retaining "chartered" (rather than "certified") in the designation's full name allows the profession to remain aligned with the world's CAs, who are the second most populous.

In fact, the CPA designation could itself become global. The Institute of Chartered Accountants of England and Wales and the Association of Chartered Certified Accountants have each applied to trademark this name in the European Union. It is also rumoured that at least one other CPA organization is considering changing the word "public" in its CPA designation to "professional," as professional would be more representative of its membership.

Rising competition is one concern at the global level. Diminishing influence is another. With Canada and other countries converging their domestic standards with international financial reporting standards, oversight bodies such as the International Accounting Standards Board have gained more control over how new standards are set. As globalization in standard setting continues, Canada's accountants stand to lose international influence at these tables. Canada is just one of many countries with a voice in the process. Emerging players from India, China, Latin America and Asia Pacific are gaining more sway. Canada needs consistent, effective representation to ensure new international

“We have three accounting bodies in Canada,” says Dancey. “That means we have three different voices”

standards continue to be designed to suit our country’s needs.

“While we want to maintain our relevance and influence, we have three accounting bodies in Canada,” says Dancey. “That means we have three different voices. And when you have three different voices, sometimes those voices get ignored. It’ll be very important to up our game in these forums going forward, and we can do that a lot better if we’re merged with the CMAs.”

Efficiency gains. Cost savings. Global competitiveness. Influence. For Thomas and Dancey, the case for merging Canada’s accountants seems clear.

But Canada’s CGAs are noticeably missing from the table. Does that mean their leaders don’t see the same need?

Anthony Ariganello, CGA-Canada’s president and CEO, says, “CGA-Canada participated in exploratory discussions with representatives from CICA and CMA Canada regarding the possibility of a national merger. We recognize the potential value of bringing the three Canadian accounting bodies together but, in the best interests of our members, we were unable to resolve a number of key issues.”

While the CGAs agree on the need for change, their absence from current merger consultations stems from concerns over how the merger would proceed. Early reactions to the merger talks suggest that some CAs and CMAs have similar questions.

One concern is the issue of tagging. A guiding principle of the merger consultations is that members of the merged body would identify their original designation together with their new one (e.g., CPA, CGA) for 10 years. Only new grads would call themselves CPA.

CGA-Canada’s leaders have said they would prefer to move to the new CPA designation immediately. With tagging, some CPAs might be perceived as different than others. In a communication to its members, CGA-Canada said, “Without equal protection of existing CA, CMA and CGA rights, the new body could prejudice the rights and opportunities of our members. More importantly, confusion in the marketplace would continue for 10 years with the addition of a fourth designation [CPA].”

The current designations are strong brands in Canada and their members have worked hard to earn them. Members of each body have strong feelings of fraternity with each other and have pride in their unique strengths, and decades of competition will need to be overcome.

Unlike other merger attempts, however, moving to the new CPA designation means that no brand will “win.” Everyone would move to the new brand over time. No one would be asked to give their designation over to anyone else or give up the one that they’ve chosen to earn. The 10-year period is intended to allow time to sensitize the Canadian market to the CPA designation and to evolve the profession to a common banner.

After nearly a century of trying to get the combination right, setting a 10-year time frame for transition seems like a good start-

ing point for negotiation. Still, the merger teams will need to be sensitive to perceptions of the tagging issue as talks go forward.

Another concern is that, because of their higher numbers, there is a risk that CAs will dominate the governance structures of the merged national and provincial institutes. The merger teams have not tackled this issue yet, but a guiding principle going in is that there would have to be the right degree of representation at the various levels from each body.

“Clearly, appropriate representation of all parties would be important,” Dancey says. “It won’t be the CA body saying, ‘this is how it’s going to be.’ Representation would have to be fleshed out and agreed upon by both parties as part of developing a concrete proposal.”

“The CMAs are equally involved in the negotiation and we will protect our interests,” Thomas says.

“Representation comes in various ways,” she adds. “It’s not just about numbers on boards. Representation by area of practice is also important. About 95% of CMAs work in industry or government, outside public practice. The CAs have about 60%. In that regard, management accounting would be very well protected and it will be a critical element to new program design and to the new profession going forward.”

On the possibility that the CGAs could come back to the table, Thomas says, “We continue to keep the communication lines open and we encourage the CGAs to join in the dialogue with us.”

Thomas and Dancey agree that dialogue, transparency and consultation are critical this time out.

“It’s a much different process than in 2004,” Dancey says. “We’re not going out to our members to announce a done deal. We want input and feedback from people on both sides to help craft the final proposal and shape the way ahead.”

Over the summer, working groups, town halls, online forums, and discussions with academics, politicians, regulators, the business community and other stakeholders are being conducted to determine whether a proposal should proceed. If so, the stakeholders’ views will influence that proposal, which would be finalized later this fall.

Getting their members onside will be the biggest challenge. Thomas hopes members can set aside their pride and emotions and do what’s best for the profession’s future. “This is about evolving the profession. We need to look beyond ‘what’s in it for me’ and understand the case for change. Of course, whatever we do that advances the profession will advance the interests of the individuals in that profession also.”

“Our overarching responsibility as a profession is to protect the public interest,” concludes Thomas. “We need to look at what will make the profession more effective, more efficient and more influential, and we need to take steps to achieve that.”

Joseph Petrie is a Toronto-based writer and editor

CICA Market Briefs focus on emerging topics

A new continuing education initiative from the Canadian Institute of Chartered Accountants (CICA) is keeping members and other stakeholders informed about hot topics of interest. Market Briefs

are information sessions featuring expert speakers or panelists. The sessions cover a range of current and emerging topics and usually run between 90 minutes to two hours in length.

“We view this as part of the CICA’s commitment to life-long learning,” says Frank Colantonio, director, continuing education, CICA. “Providing relevant information as an issue emerges is important. Market Briefs are an excellent avenue to deliver timely information that is useful, understandable and reliable.”

A recent Market Brief in Toronto focused on a tax-related matter. The session addressed an initiative by Canada Revenue Agency (CRA) targeting wealthy Canadians. It is called the Related Party Initiative and its scope is individuals and their related groups with a net worth of \$50 million or more and who have related groups made up of at least 30 entities. However, these numbers are not set in stone, according to CRA’s Guy Bigonnesse. “Actually, there’s a level of flexibility where a group that could be below the criteria could still be audited due to its level of risk,” he told the audience.

Bigonnesse, Paul Lynch from KPMG and Ian Morris from Morris Kepes Winters LLP, Tax Lawyers, each made presentations and fielded questions from the audience. Gabe



Gabe Hayos, CICA; Paul Lynch, KPMG; Ian Morris, Morris Kepes Winters LLP, Tax Lawyers; and Guy Bigonnesse, Canada Revenue Agency; at CICA’s Market Brief in Toronto.

Hayos, CICA vice-president, taxation, moderated the event.

Hayos credited the strength of the panelists for the event’s success. “The plan is to carefully select panelists who are experts on the topic and ensure that all points of view are covered in each session,” he noted.

Be sure to check the CICA’s continuing education website (www.calearningcentre.ca) regularly to see what sessions are planned.

New IFRS resources for mining industry

The CICA and the Prospectors and Developers Association of Canada (PDAC) have created a task force to assist public mining companies in making a smooth transition to international financial reporting standards (IFRS). The Mining Industry Task Force on IFRSs includes representation from Canada’s six largest CA firms and is chaired by director Ronald P. Gagel, CA, who is a member of PDAC’s board of directors.

Financial reporting in the sector is atypical because of the particular characteristics of junior mining companies; as such, the move to IFRS creates some unique

challenges for CFOs, controllers and auditors in this sector.

The task force has prepared a series of nonauthoritative papers that discuss IFRS application issues. Papers published to date cover such topics as functional currency, flow-through shares, farm-out arrangements in the exploration and evaluation phase, and exploration and evaluation expenditures. Papers on additional topics are in development. The series, called Viewpoints: Applying IFRSs in the Mining Industry, is available for free download on the CICA’s IFRS website, www.cica.ca/IFRS, and on PDAC’s website, www.pdac.ca.

THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS

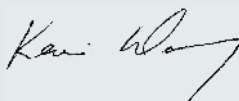
NOTICE OF ANNUAL MEETING

Winnipeg, Manitoba, September 21, 2011

The one hundred and ninth Annual Meeting of the members of The Canadian Institute of Chartered Accountants will be held in the West Ballroom of the Fairmont Winnipeg Hotel, 2 Lombard Place, Winnipeg, Manitoba, on Wednesday, September 21, 2011, at 09:00 hours (Local Time) for the reception of the reports of the Chair and the Board of Directors; the reception of the financial statements of the Institute for the fiscal year ended March 31, 2011, together with the auditor's report thereon; the appointment of an auditor for the current fiscal year; and for the transaction of such other business as may properly come before the meeting.

Sub-section 20(3) of the by-laws permits members to be represented by proxy at any annual or special meeting of members of the Institute and provides that no proxy shall be exercised by a person who is not a member of the Institute. If any member wishes to be represented by proxy, any proper form may be used. As a convenience to members, however, a form of proxy has been posted on CICA's website. Proxies for use at the meeting should be returned promptly to the attention of Mr. Walter Palmer, Fasken Martineau LLP, 333 Bay Street, Suite 2400, Bay Adelaide Centre, Box 20, Toronto, ON M5H 2T6.

Dated this 2nd day of May, 2011



Kevin J. Dancey, FCA
President & CEO



Bill MacKinnon, FCA
Chair of the Board of Directors

CA Firm Directory



Register today and get a Free Enhanced Listing

The CICA's CA Firm Directory is the go-to source for clients looking for a CA firm. A Basic listing is always free and if you register today, your listing will be enhanced with priority placement and an image for 6 months at no cost.

Special CA Firm Directory Offer
Visit www.cafirmdirectory.com to get started

Standards digest Want to be kept informed? Log on to www.cica.ca/stds-subscribe

RECENTLY ISSUED PRONOUNCEMENTS

CICA Handbook – Accounting	Date issued†
2012 Edition of International Financial Reporting Standards (Part I)	July 2011
CICA Handbook – Assurance	
Conforming Amendments to Sections 7050 and 7200 Regarding the Adoption of ISAs as CASs	May 2011
Clarification of Recent Handbook Changes	May 2011
CICA Public Sector Accounting Handbook	
Financial Statement Presentation, Section PS 1201	June 2011
Foreign Currency Translation, Section PS 2601	June 2011
Financial Instruments, Section PS 3450	June 2011

RECENTLY ISSUED DOCUMENTS FOR COMMENT (to July 31, 2011)

Accounting	Comment deadline
EDI Consolidation — Investment Entities	October 27, 2011
EDI Improvements to IFRSs	October 21, 2011
Auditing and Assurance	
ITC Assurance Engagements	August 12, 2011
ITC Enhancing the Value of Auditor Reporting: Exploring Options for Change	August 26, 2011
Public Sector	
ED Amendments Resulting from Section PS 3450	October 14, 2011
ED Handbook Improvements	October 28, 2011
ED Update of Terminology	September 30, 2011

WATCH FOR

New or Revised Standards IFRSs on Consolidated Financial Statements; Disclosure of Interests in Other Entities; Fair Value Measurement; Joint Arrangements; Post-Employment Benefit

Legend

ED – Exposure Draft EDI – ED based on IFRS/ISA RVI – IASB Request for Views
DII – IASB Draft Interpretation ITC – Invitation to Comment

† Refer to each Handbook pronouncement for the effective date and transitional provisions.
The information published above reflects best estimates at press time. Please visit our website for the most recent information.



Cash is King.

Business owners know that cash is king. By controlling and optimizing cash, businesses profoundly improve their operations and bottom line.

The Cash Management Toolkit for Small & Medium Businesses is a must have reference book, which covers key topics such as:

- Tips and techniques for controlling and optimizing your cash
- The building blocks of cash management
- Controlling cash with effective budgeting
- Optimizing cash by scrutinizing your sales cycle
- Financial structures and leverage

Easy to understand practical guides with tips, case studies, worksheets and checklists - includes a bonus CD!

CA Tools for Success

For businesses and business owners.

A must-have addition to your reference library written by professionals with hands on experience.

Never be out of resources or options again.

For more information or to order, visit: CAstore.ca/cashmgtk



Sponsored by:



Two years and two risky deals later, Barrick's CEO Aaron Regent has shown the mining community that he's one leader not afraid of taking chances

By Paul McLaughlin

Once upon a MINE

When Aaron Regent, the president and CEO of Barrick Gold Corp., addressed the annual general meeting of the world's largest gold producer in April, he had a lot of good news to bestow.

In a matter-of-fact tone, the 45-year-old CA, who had been appointed to the challenging role some 27 months earlier, began by telling the assembled shareholders at Toronto's Metro Convention Centre that Barrick had "a strong year in 2010." That was an understatement. The price of gold had surged to US\$1,228 an

Photography by RENÉ JOHNSTON





“I’ve hated Barrick for about the last 10 years, but I’ve recently changed my opinion,” says Sprott’s John Embry. “Regent seems to be an open, decent, smart guy”

ounce last year, up 25% from the year before and more than 200% since 2004. In May it was nudging US\$1,512 on the New York Stock Exchange and in June reached US\$1,540 an ounce. Those numbers contributed significantly to Barrick, which has 25 operating mines and six projects on five continents, being able to report record adjusted first-quarter net earnings in 2011 of US\$1.1 billion, up 32% from the prior year’s same period. Operating cash flow also jumped, by 27% from the previous first quarter, to US\$1.44 billion.

As Regent continued to chronicle Barrick’s impressive financial accomplishments, it’s likely most in the audience had a controversial development on their minds, one that both Regent, and Barrick’s legendary founder and chairman, 83-year-old Peter Munk, were about to address.

Two days before the AGM, Barrick made a surprise announcement: it had offered US\$7.3 billion in a cash-only bid to purchase Equinox Minerals Ltd., a copper producer with operations primarily in Zambia and, to a lesser extent, in Saudi Arabia.

The news that the Canadian gold giant was about to almost double the revenue it generates from copper to about 20%, at a time when gold seemed to be on a never-ending glee ride, didn’t go down well with the markets. Barrick shares dropped almost 10% in the first week after the deal was disclosed.

The friendly acquisition, Regent said, was a unique and rare opportunity to purchase a substantial copper producer that had excellent potential to significantly increase production, especially in Zambia. “The financials of this asset are strong. At current copper prices [in about one year] the company will be generating about \$1 billion of EBITDA. This has the potential to increase to about \$1.5 billion with the expansion of Lumwana [the Zambian mine]. This will provide us with another major earnings and cash-flow generator.”

Regent’s rosy predictions for the copper deal are based on his belief that the mineral’s current near-record price will not drop significantly, as some analysts have predicted. “We believe that prices will continue to be well supported for the foreseeable future,” he says. “Demand is expected to increase by around 800,000 tonnes per year, underpinned by the emerging markets and China.”

No matter what transpires with the price of copper, the Equinox transaction is without question a gamble, a big enough one that Munk felt compelled to assure the audience that Barrick was not abandoning its core strength.

“Hear me loud and clear,” the dapper Munk proclaimed passionately. “Do not think that something we have worked for for 28 years is going to be given up. Who is so idiotic to kill the goose that laid the golden egg?”

For the second AGM in a row, Munk congratulated Regent on

his character. Last year he referred to Regent’s “imagination, the new spirit [that he brought to Barrick], the entrepreneurial thinking [and] the visionary approach.” But one description seemed to override the others: “courage.”

This was used in reference to a huge undertaking that had dominated Regent’s first year at the gold company. In September 2009, Barrick announced it would eliminate its fixed-price hedge book, a bold move for which it raised US\$4 billion and took a US\$5.7-billion charge to earnings. This was the largest equity offering in Canadian history. When Barrick announced the termination of the hedge book it had said it would happen within 12 months. But by early December 2009, Barrick had paid off the balance. “We are lucky that we are in a business [where] we can judge performance by a very measurable matrix,” Munk told the 2010 AGM, “and the results are nothing more than spectacular, nothing less than outstanding.”

Two large and risky moves in just more than two years make it more than clear that when Barrick surprisingly selected Regent to helm the mining company it was getting a leader who was willing to take chances. Contrary to Barrick’s tradition of hiring from within, Regent was an outsider, whose most recent business card had read senior managing partner of Brookfield Asset Management and co-CEO of its infrastructure group. His education, however, was not a departure from the norm. Both previous Barrick CEOs — Greg Wilkins, who had become executive vice-chairman and remained in that role until he succumbed to cancer in December 2009, and Randall Oliphant — were also accountants. “I think [hiring CAs] is in keeping with the DNA of the company,” John Ing, president and CEO of Toronto investment dealer Maison Placements Canada Inc., told *Reuters* when Regent’s selection was announced, by which he meant the company was a buyer of properties rather than an explorer. “Barrick’s problem is like all of the gold companies’ in that they’re on a treadmill. They have to replace ounces. A money man with his background will be useful.”

Reaction to the hedge deal had been primarily positive. “The hedge book had long been a concern with investors,” said David Haughton, co-head of mining research, Toronto, at BMO Capital Markets. “Its elimination positions the company to fully benefit from development of its next generation of large-scale, lower-cost mines.” Many supporters of the company — and its critics, including one of its harshest — echoed Haughton’s sentiment. “I’ve hated Barrick for about the last 10 years, but I’ve recently changed my opinion,” says John Embry, chief investment strategist at Toronto-based Sprott Asset Management LP. What caused his abrupt turn in thinking? The hedge-book decision and the man who drove it. “Aaron Regent seems to be an open, decent, smart guy,” says Embry, “and that is not something I would

have said has characterized Barrick in the past.”

Charles Oliver, senior portfolio manager of the Sprott Gold & Precious Minerals Fund, echoed Embry’s assessment of Regent almost verbatim. Oliver has known Regent since the two played rugby together at the University of Western Ontario. In fact, it’s how virtually everyone perceives the down-to-earth CEO, including former prime minister Brian Mulroney, who sits on Barrick’s board. “He’s a terrific young man,” says Mulroney. “He has strong leadership skills, a good vision of the company and he knows how to motivate people and have them work together.”

Response to the Equinox proposal, however, brought some of Regent’s decision-making into question. “We can’t help but worry why a gold company is looking to lever up their balance sheet to acquire copper assets,” Adam Graf, an analyst at New York’s Dahlman Rose & Co., told the *Globe and Mail*. Andrew Martyn, a Barrick investor and president of Toronto money manager Falcon Asset Management, was even more blunt when talking to the newspaper. The move into copper has forever changed Barrick’s complexion, he surmised. “Some investors will permanently abandon the company. New shareholders will have to come in, at a lower price.”

With any transaction of this size and scale, Regent says, it’s normal for some investors to raise questions and concerns. “They want to understand the rationale and the benefits. We are listening to our shareholders intently and we value their feedback.”

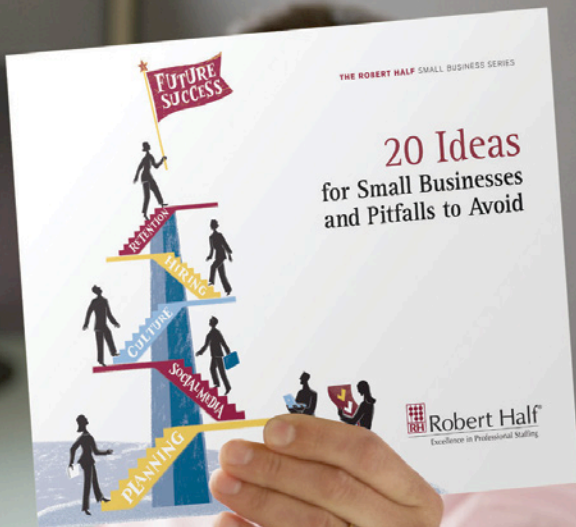
It’s a typical Regent reaction — calm and reasonable — and

is one of the reasons so many people perceive him in a positive light. The mining industry, however, does not always receive kind accolades. In fact, it’s often the opposite, with Barrick (sometimes referred to as Darth Vader) being the target of as much criticism as praise. It’s a tough industry that’s been accused of endorsing or being directly responsible for environmental damage as well as murders, rapes and other human rights abuses at mine sites around the world. How, then, did such a nice guy end up running the No. 1 firm in such a hard-nosed business?

Gold was not doing well when Barrick came into existence. On Barrick’s debut on the Toronto Stock Exchange on May 2, 1983, “gold was worth only \$433 an ounce, after soaring as high as \$850 an ounce in 1980,” according to *Passion to Succeed: Barrick Gold at 25*, a company-produced history. Known then as Barrick Resources Corp., it was an offshoot of a privately held oil-and-gas company run by Munk. Nevertheless, his decision to move on from that failed venture and focus on gold proved prescient.

Barrick grew quickly over the years. A key acquisition was the Mercur mine in Utah in 1985. “That’s when we got the support of the stock market,” says Barrick vice-chairman and director William Birchall, a Fellow of the UK Institute of Chartered Accountants, who had been the CFO of a property-development company that Munk had started previously. Another acquisition the following year, the Goldstrike mine in Nevada, further solidified the company’s standing in the marketplace. The highly

Every small business wants to grow.



To help you do so, we’ve identified five areas key to every small business in our new guide, *20 Ideas for Small Businesses and Pitfalls to Avoid*.

Call **1.800.803.8367** for your FREE printed guide, or download a copy by visiting www.roberthalf.us/smallbusinesscentre.

 **Robert Half**[®]

© 2011 Robert Half. 0211-9010

While a small, peaceful anti-Barrick demonstration was staged outside the AGM, Regent admitted that “we are not perfect and we have made some mistakes”

successful entrepreneur Joe Rotman, a board member and one of Barrick's original financiers, suggested that Goldstrike, which was producing about 50,000 ounces of gold a year, contained potentially higher reserves. He was only too right. “Analysts had derided Barrick for overpaying by spending US\$62 million to buy Goldstrike,” according to *Passion to Succeed*. “No one ever imagined that it would contain one of the richest deposits in the world.” When Barrick purchased competitor Placer Dome Inc. in 2006 for US\$10.4 billion, it had risen all the way to the top: it was now the world's largest gold producer.

In 1985, as Munk was building Barrick, Regent was leaving Calgary en route to the University of Western Ontario to begin an undergraduate degree in history. He had lived in Calgary since about age one, when his parents immigrated to Canada from Dublin, Ireland. The youngest of three children, Regent grew up in a home that had a strong penchant for the arts, thanks in part to his mother, Claire, who founded the Regent Academy of Dance in Calgary in 1980. An accomplished dancer who performed in Ireland and Europe, Claire once appeared on TV's popular *The Ed Sullivan Show* as a member of the Comerford Irish Dancers.

Upon graduating from Western and unsure of what to do with a bachelor of arts degree, Regent took the advice of a friend who suggested he obtain his CA. He worked in the Toronto office of Ernst & Young while studying for his UFE. While at E&Y he met Tom Kornya, a fellow CA student, and they became friends. “Aaron is passionate in just about everything he tackles,” says Kornya, who is managing partner for the GTA and a member of the executive committee at E&Y. “He's very hard working, without a doubt, and eager to try new things and new opportunities.” The friends and their families have often spent time at the cottage together, where Kornya noticed that Regent is no different when talking business on the phone or helping one of his three daughters water-ski. “With Aaron, what you see is what you get.”

On the eve of taking his UFE, Regent heard that Brascan Ltd. (formerly Brazilian Traction, Light and Power Company Ltd.) was looking for an associate comptroller. “It was clear to me that I liked business but I didn't see myself as being a practising accountant,” he says. “I did my UFE in September [1991], interviewed with Brascan in October and got the job before I found out if I passed. You can imagine there wasn't anyone more relieved that they passed than me.”

Although Regent opted for business over accounting, he credits his CA with being an incredibly important reason for his successful career. “I think there are few programs around that give you such a solid foundation in all aspects of business, whether it be accounting, finance, tax, audit or financial reporting. I think the CA is quite unique in that respect. Practising

accounting gives you a huge leg up in business.”

That academic and practical boost helped Regent quickly climb up the business ladder and over the following 18 years or so he held numerous senior positions in several companies. Not long after joining Brascan he became its CFO. Brascan held a 40% interest in Noranda Inc., one of the largest mining and metal companies in the world. It was Regent's introduction to the world of copper, nickel, aluminum, zinc and gold. In 2000 his education in the mining industry quickly escalated when he was moved over to Noranda as its CFO and executive vice-president. The first two years, he says, were particularly challenging, as commodity prices were significantly depressed. Despite the challenges he found the work interesting. “People tell you that once in the mining industry you get the bug and you become quite passionate about it. And, yeah, that happened to me.”

By 2002 Regent had become CEO and president of Falconbridge Ltd., one of North America's largest base metals companies, which Noranda had a controlling interest in. When Noranda and Falconbridge amalgamated in 2005 he became president of the new entity, Falconbridge Ltd. A year later the acquisition gods rolled another seven as the Swiss-based global mining group Xstrata plc gobbled up Falconbridge. Regent returned to Brascan, which by this time had been renamed Brookfield Asset Management Inc., where he served as co-CEO of global infrastructure business and senior managing partner.

Regent's spiffy office at Barrick is on the 37th floor of Brookfield Place in Toronto's financial district. Coincidentally, it also houses his immediate former employer. Despite a demanding schedule that sees Regent traveling about 40% of the time, he's fit and seemingly relaxed, thanks to a daily running regimen, among other physical activities.

He smiles easily, even when recalling the breath-holding gamble to make the elimination of the hedge book the defining act of his first year in office. A roaring success, it was a major factor that led Oliver to buy into Barrick [as part of a fund] for his clients.

As if one big move wasn't enough, Regent also engineered the creation of African Barrick Gold plc, which is listed on the London Stock Exchange (Barrick retains a 73.9% equity interest in the company). The main reason for the spinoff, says Anand Beejan, CA, a partner at Raymond Chabot Grant Thornton LLP in Montreal, is to protect the company's interests in Tanzania, where it has four operating mines and several exploration projects. Beejan says Tanzania is “a seriously unstable environment [with human-rights issues, violence, thefts] but is very rich in resources,” and as a separate entity, African Barrick would be much easier to sell, if the need should arise.

That observation seemed noteworthy when, in mid-May, sev-

eral people were killed or injured at one of its mines in northern Tanzania after hundreds of people invaded it in an attempt to steal gold.

At both this and last year's AGM, Regent and Munk addressed Barrick's commitment to corporate social responsibility (CSR). They spoke about the company's financial and social contributions to the countries in which it operates. In 2011 Munk lashed out at what he called a rogue element of activist nongovernmental organizations that wants "nothing but to stop development... that say, whatever you do we don't want you, go away. And what are the [employees] going to do? Line up for social benefits in the remote hills of Tanzania or Peru? There ain't none. Yes, we have hospitals. Yes, we provide clean water. Yes, we provide housing. But much more importantly, by moving into these countries and developing mines we provide way beyond the importance of money. We provide human dignity."

While a group of protestors staged a small, peaceful anti-Barrick demonstration outside the 2011 AGM, Regent admitted that in relation to CSR, "we are not perfect and we have made some mistakes along the way." He referred specifically to a report released in February by Human Rights Watch that confirmed serious abuses at Barrick's Porgera Joint Venture (PJV) mine in Papua New Guinea, including reports of gang rapes and beatings of people caught on the site's waste dumps by PJV security guards.

Regent detailed a list of actions Barrick is taking to resolve the Porgera situation, including terminations and arrests of those

involved and the appointment of an independent director to its board who has experience in CSR. He made the announced changes with a quiet but hardened determination that seemed characteristic of his first two and a half years at Barrick.

He will need those soft and hard sides of his personality to be in full bloom if he takes over from Munk when the latter decides to step down, a daunting challenge according to Derek Pannell, chairman of Brookfield Infrastructure Partners and a director of African Barrick. "[Regent] has got big shoes to fill. People are probably wondering how much Munk has his fingers on the reins and how much latitude Regent has," he says. "I think he probably has to walk a very difficult line to make certain he balances the influence Munk has with his own style and where he wants to take the company."

Pannell thinks Regent would be up to the task, citing him as a very quick study. Looking at Regent's exceptionally fast rise, it seems he fits comfortably into new and more demanding roles. When asked to summarize why he has done so well so fast Regent once again praises his CA training.

"It gave me a foundation and a level of confidence I could build off of. I don't think there's a better way to be introduced to the business community than by completing the CA program." It's said with a heartfelt certainty and is backed up by a résumé that makes his assessment compelling.

Paul McLaughlin is a Toronto writer



TROUBLE FINDING THAT PERFECT BALANCE?

WE CAN HELP — WITH CICA WORK/LIFE TOOLS AND RESOURCES ONLINE

A CA career is a challenging one, but your life goals and demands need and deserve so much of your time. How do you balance the two priorities?

The CICA Work/Life website is a great place to start. With online tools, resources and specific information on work/life issues for CAs, the life balance you're looking for may be just at your fingertips.

Just go to www.cica.ca/worklife.



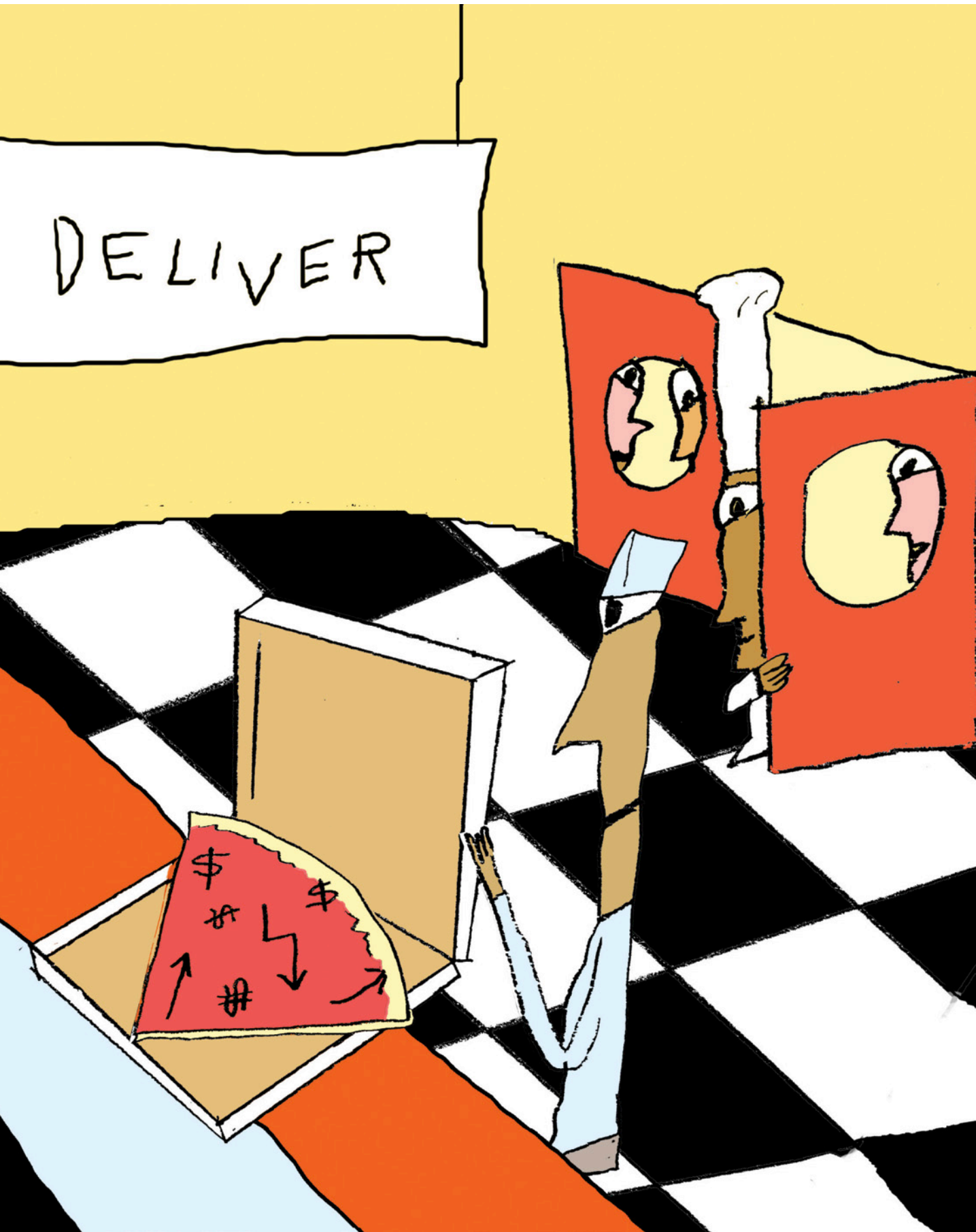
With the first IFRS-infused filings now in, how did the implementation go? What went right? What went wrong? And what can we expect in the future? by Robert Colapinto

IFRS: the first quarter

MINING GIANT TECK RESOURCES LTD. HAS PREPPED MANY quarterly interim reports over the years. But 2011's first quarter was something different. A team from finance slaved away two years in advance. Advisers were hired to offer guidance, although the internal team did most of the work. All the while, audit committees and auditors were kept in the loop every step of the way.

Illustration by MIKE CONSTABLE





Yet, despite all the grunt work, Teck could not be entirely certain how this latest quarterly would be received. All it knew was that from January 2011 to its first-quarter deadline, almost two years of work would have to back a 90-day crunch to finally issue a filing that would represent a significant change in how Canadian business measures, records and discloses its financial transactions.

The transition to a new era of international financial accounting standards (IFRS) is now formally in play on the balance sheets of Canada's publicly listed companies. With just more than 4,100 IFRS-infused Q1s being filed with regulators in 2011, these organizations have only the briefest of respites to look back at what was for many an unexpectedly daunting task.

"As a company, we simply refused to run the gamut of those five emotional stages of grief — disbelief, fear, anger, depression and then acceptance," laughs John Gingell, vice-president and corporate controller at Teck, Canada's largest diversified resource company. "We said, 'no way are we expending the energy on the first four. Time's a-wasting, so accept this new reality and just get on with the transition.'" Of Gingell's many concerns, as Teck's April 18 filing approached, was his understanding that the assembly of an IFRS-mandated 2011 Q1 was only part of his transition team's looming challenge. "This Q1 filing went back to the start of 2010, even 2009 because it required that we educate ourselves about the principles and standards, how they apply to us and how they differ from Canadian GAAP and then making the changes. There was a lot of analysis up front about how it would affect us," he says. "So this test also involved creating a raft of information in our notes and MD&A, along with historical comparative restatements from Canadian GAAP that would allow stakeholders a better perspective on how converting to IFRS affected or did not affect our bottom line."

Which is all analysts really care about when it comes to the changeover, says George Vasic, equity strategist and chief economist at UBS Securities Canada Inc. "For me, converting to IFRS is more an accounting exercise than anything else," he says. "Our analysts simply want clarity on whether the new Q1 numbers are based on business performance or changes resulting from the transition to IFRS."

For Clearwater Seafoods out of Bedford, NS, the transition to IFRS began moments after the Canadian Accounting Standards Board's (AcSB) 2008 confirmation of mandatory adoption of the new standard. The real challenge for the company's director of corporate finance and investor relations, Tyrone Cotie, was the sheer scope of the project. "That was the most difficult task," he says. "It's one thing to adopt a new inventory, or, say, a tax standard — those can be significant and painful exercises. But to take on a whole new book of standards? That was quite something."

The greatest GAAP to IFRS difference for Clearwater in the run-up to Q1 reporting was componentization of assets — its 14-vessel clam, lobster, scallop and shrimp fleet. Depreciation calculated on the IFRS platform requires that these assets be broken down into a greater number of components to satisfy the new standards. "When people say the transition to IFRS is

mostly an accounting-related exercise with little material effect on operations, they're right," says Cotie. "But it necessarily involves accountants sometimes sloshing around the operations side of things. We had to get fully involved with our vessel engineers dockside in order to accurately identify the components of our assets to be depreciated, which I'm sure was pretty fishy stuff."

The pace of the mandated January 1, 2011, deadline for companies with a calendar year-end and then Clearwater's spring disclosure reached an almost breathless state as the company trotted out not only Q1 2011, but mere weeks earlier, Q4 2010 and its

"The enormity of the effort in these few months was astounding. We only thought we knew how invasive the process would become"

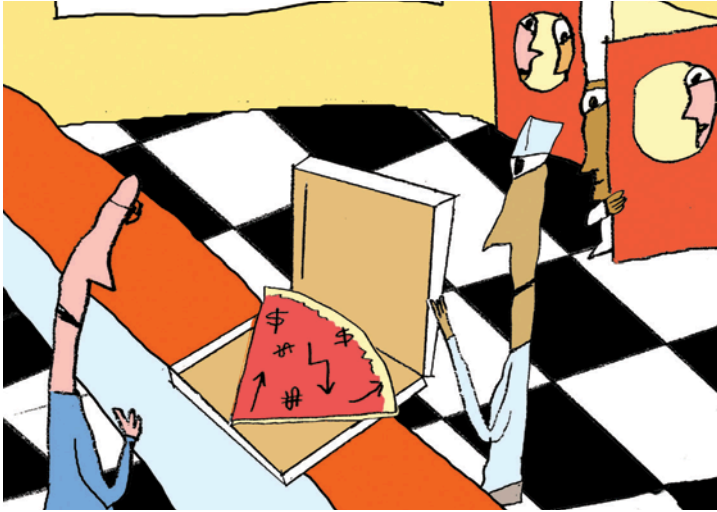
annual 2010 results. "It became an all-hands-on-deck approach," says Cotie. Even though the game plan started in 2007, when push came to shove, the conversion strategy took on a life of its own as the new year passed and spring approached.

"Line-by-line, every accounting policy and procedure had to be analyzed for any imperfection," Cotie says. "Our IT had to be reviewed and tested to ensure it would successfully capture the information netted through IFRS. We obsessed over regulatory compliance and disclosure controls. The enormity of the effort in these few months," he says, "was astounding. We only thought we knew how consuming and invasive the process would become."

"One thing all stakeholders have to admit is the amazing effort these companies must have put forward," Vasic says. "I don't envy them or the challenge that had to be met." That IFRS is mandated is one thing, says Rebecca Villmann, a principal with the AcSB, the other is that a company's success in making this changeover, or lack thereof, has a direct impact on investor confidence. "If a company misses the deadline, well, what does that say about other aspects of its operations and leadership structure? So perception joins the regulatory consequences as part of the equation." The punishment for noncompliance runs the gamut from an embarrassing refile, to an OSC cease-trade order to, at the extreme, delisting. These humiliating scenarios seem to have ensured that Canada's public companies, for the most part, took heed.

"I have yet to hear of any company drawing up short," says Ron Salole, vice-president of standards at the CICA. "Certainly, some took the option for extensions, but there is no word of anyone ignoring the mandate." Indeed, Salole believes those who have been overwhelmed by the task should not whip out any half-baked filing. "We will see by year-end, but the worst scenario to me would be that after a careful analysis of these filings — by the companies themselves and by regulators — that a lot of people will be forced to restate their interim reporting because of hurried mistakes. That's not something we'd like to see. It means the financial statements would be misleading."

Adamant about manufacturing as smooth a changeover as possible, Vancouver-based Hunter Dickinson Inc. (HDI) accepted the challenge of an early IFRS adoption. "There's always a business imperative or well-thought-through business rationale for



going early,” says Philippa Wilshaw, IFRS mining specialist at KPMG in Vancouver. The firm’s West Coast office advised HDI through to a 2009 IFRS adoption — one of the earliest in Canada. “IFRS is not just an accounting project that’s buried in the finance group. There are impacts potentially on remuneration agreements; there might be impacts on debt covenants. So you look at factors [for decisions on early adoption] that actually impact business,” she says.

Bernard Tan, CFO of HDI, was HDI’s driving force when it came to getting senior management to buy in to early adoption. “I got consensus with what Philippa saw as potential problems,” he says. “Add to that that we’re an umbrella mining group with a number of public and private mining concerns with looming IPOs, the idea of converting all the companies all at once for 2011 seemed a logistical impossibility.” Tan and KPMG’s plan was to stagger the transition, company by company, starting with its Vancouver-based Northern Dynasty Minerals Ltd. concern in 2009. “It was a bit of a lonely feeling being out there on our own, with few other transition projects for comparison,” says Tan. “A bit scary, actually.”

All the major accounting firms had and still have specialized departments dedicated to 2011 Q1 to Q4, year-end and post-implementation IFRS management. Like KPMG, they offer templates, checklists and extensive step-by-step guides to IFRS transition. “In our case,” says Tan, “we followed KPMG’s phased template of scoping the magnitude of the effort, enabling the people and resources for the evolving plan of attack, actually executing the process, then finally going live and monitoring the results of the new standards on the company.”

The surprises for Tan were few, but significant. First, HDI soldiered on into IFRS just as the global financial crisis hit in September 2008 — a time when company brainpower and resources could well have been diverted to more pressing issues such as survival.

Extend your professional network online

CACONNECT

www.cacconnect.com

Found an old colleague with People Search

Read the blogs

Checked the webinar schedule

Updated her profile

Visited a forum for advice on taxation

Joined communities

Invited a coworker to join

Networked with other CAs

After weathering the economic storm, Tan was shocked at the complexity involved in compiling all the historical comparatives needed to put his first quarterly IFRS disclosure into analyzable perspective. “That was an extraordinary job, and one I’m sure all companies were surprised to face,” he says. “It took an amazing effort to become comfortable with our understanding of the many cause-and-effect differences in our Canadian GAAP versus IFRS checklist. It was a real mind-bender.”

“The book of the interpretations for IFRS is probably twice as thick as the book of the actual IFRS standards,” says Wilshaw. “But that is really the imperative connection, if publicly accountable enterprises are to truly comply with IFRS effectively.”

It is no wonder, then, that as January 1, 2011, loomed, some companies became more reliant on “temporary” stop-gap measures to shore up their compliance efforts. The use of spreadsheets, for example, may seem a quick, easy and inexpensive solution, says Gordon Beal, director, guidance and support at CICA, but they are hardly built for any level of sustainability. “They’re admittedly quite handy tools for companies struggling with their 2010 comparative period dual reporting, and people have relied on them for componentization and tracking note disclosures,” he says. “But they’re outside any real formal IT controls within the company and therefore prone to all sorts of errors.”

Excel, for example, can be easily manipulated to create highly complex accounting formulas. But there is a three-fold problem to their excessive use, says Beal. “One, without formal controls, how can you ensure the right data is being input? Two, has the spreadsheet formula been appropriately designed?” In addition, Beal is concerned that some organizations may not have actually adjusted their accounting systems to IFRS and are still creating Canadian GAAP numbers. They then use spreadsheets as a device to turn GAAP statements into IFRS. “Well,” says Beal, “Canadian GAAP is done, it’s history. We’re now in the era of IFRS.”

Another major stop-gap measure is just as insidious. Organizations may be over-relying on the support of external IFRS experts. “When they’re using hired guns who’ll do the work for them,” Villmann says, “then it’s easy not to be working on building the long-term internal processes and capabilities within the company. It’s understandable when it’s crunch-time, but eventually that crutch has to be let go to allow for internal expertise to be developed.”

Although it is not known how widespread this reliance on ad hoc measures has become, Beal is convinced that as the deadline for compliance drew near, stop-gap measures surely became irresistible. “Still, I’m confident that Canadian companies that continue to use these Band-Aids will start to look long-term and well beyond both the 2010 transition year and this first IFRS quarter,” he says. “In the end, they know that these stop-gap measures become more of a burden and simply can’t be sustained in the new global IFRS environment.”

The financial cost required to comply with and maintain an IFRS changeover has been and will continue to be a major chal-

lenge. According to Financial Executives International Canada’s most recent survey and report, IFRS Readiness in Canada: 2010, 36% of its respondents planned to spend between \$100,000 and \$500,000 on their conversions. “And for the larger companies, we are sure these expenditures rose dramatically,” says Cotie, who is also the chair of FEI’s committee on corporate reporting.

Indeed, the report revealed that of the companies recording revenues between \$1 billion and \$5 billion, 43% were likely to spend between \$500,000 and \$5 million on their conversions. “The cost also depends very much on the industry, how far flung it is globally and the complexity of its operations,” Cotie says. “But to be sure, no matter the size, this conversion is significant in terms of the people and money that has to be thrown at it.”

Working with PricewaterhouseCoopers and Ernst & Young,

“To be sure, no matter the size, this conversion is significant in terms of the people and money that has to be thrown at it”

CAE Inc. dedicated an eight-person team and an undisclosed dollar commitment to its conversion. The \$1-billion-plus flight simulator manufacturer began its work in December 2007 and started offering comparative Canadian GAAP/IFRS reporting internally in early April 2010.

“Our steering committee wasn’t just from finance, but people from all our business groups,” says IFRS project lead Constantino Malatesta. “The VP from HR, our legal rep, investor relations persons — across the board — the executive team were invited to be a part.” Of particular value to the process was CAE’s ability to reach out for internal expertise beyond its Montreal base. With CAE’s 32 offices and training facilities across the globe, it was a lot easier because these colleagues, especially those in Europe, were already fluent in IFRS, Malatesta says. “They made sure we identified the issues, took the best path, and that all the checks and balances were addressed. Still, it was a daunting experience. But good, in that it allowed us to better tell the story of the company.”

For analysts schooled in the nuances of IFRS, this financial narrative can now be read with far greater precision. “The new cash-flow statement, for example,” says David Tyerman, managing director, transportation and industrials, Canaccord Genuity, “paints a much clearer picture of how they use their cash without my having to decipher various elements of net income.” A specialist in planes, trains and automobiles, Tyerman has recently finished his forecasting based on the 2011 Q1s for Air Canada, WestJet, Linamar Corp., Martinrea International Inc. and New Flyer Industries. “IFRS is a lot cleaner for core determinants like return on capital,” he says. “So it’s been quite useful in helping me understand the earnings power and long-term performance capabilities of these companies. And for massive and complex organizations this is key.”

With annual revenue of nearly US\$18 billion and a presence in every major IFRS market in the world, Bombardier Inc. was

Now with more visual aids!

2011 Financial Reporting in Canada under IFRS

Ensure you have all your IFRS pieces in place

2011 Financial Reporting in Canada under IFRS is a practical reference source that looks at the application of IFRS from a Canadian perspective. Expanded to over 1,800 pages, this comprehensive guide examines and explains IFRS requirements, illustrating their application using real-world extracts of financial statements from companies that have already adopted IFRS.

For more information or to order, visit: CAstore.ca/FRICIFRS11-CA

INTERNET • DVD • DOWNLOAD • PRINT



champing at the bit to move away from Canadian GAAP. Indeed, the transportation and aerospace giant chose to perform its conversion entirely in house. “We started with a period of awareness, where we made sure people understood what we were trying to do with the project — which was to do more, to identify opportunities for improvement beyond IFRS,” says Jean Paré, vice-president, financial reporting. Bombardier convened a January media conference for the express purpose of delineating the differences between its GAAP and IFRS disclosures. “We thought that coming out with our first-quarter results together with a bunch of big changes would confuse the market,” he says. “By having an information session with analysts explaining the impact of IFRS adoption on our opening balance sheet and Q1 and Q2 reporting, we not only helped the analysts but also solidified for ourselves the scale of work ahead.”

Despite its many resources, Paré admits the final conversion was a painful but illuminating process. “I could not believe the devil-in-the-details that surfaced at every turn,” he says. “At first, GAAP and IFRS seemed similar, but no.” One thing he did suspect was that under IFRS, the company’s pension deficit would have to migrate over to the balance sheet. “Anyone who has had a defined-benefit plan, that’s a biggie,” says Tyerman. “It is not uncommon to find defined-benefit plans underfunded significantly, so we’ve seen massive ballooning of the pension deficit, and of course the offsetting item is an adjustment to their equity accounts.”

Paré’s concern was that in the heat of analysts’ decoding of thousands of IFRS Q1s the drop would not be put in IFRS context. “So,” he says, “there was some concern this could be misread to say, ‘Oh look, this is a different company now,’ when in fact it did not change the risk profile of the company.”

As CAE’s Q1 filing approached (it was scheduled to make its Q1 filing with comparatives June 30), it too found it challenging to be as open as possible with external stakeholders. Its MD&As from 2009 on were key to untangling the changes it expected to make and the impact to its bottom line. As a member of the AcSB’s IFRS discussion group, Malatesta assessed the problems and progress of public companies, big and small. Separate presentations such as Bombardier’s and quantitatively detailed MD&As were crucial, he says. “For example, we adjusted the mean difference of our MD&A — showing not only where the IFRS differences were, but where we didn’t expect to have differences. This sort of thing lessened the surprises and made us more transparent.”

Bombardier wanted to make clear to stakeholders the IFRS standards also served as a platform for a wholesale change in how it reported revenue recognition from its US\$9-billion aerospace division. Under GAAP, revenue was recognized upon delivery of its large business aircraft even when they were still green — that is, without exterior painting or interior custom-design — while with its other aircraft, revenue was only recognized with delivery of a fully completed plane. Inspired by

the changeover to IFRS, Bombardier will now only recognize revenue from completed planes, no matter the size or model.

“This change was perceived to be compliant with IFRS,” says Paré, “and it’s a smart move internally and a smart move for the market because it simplifies our process and creates more visibility. In the long term, we have set ourselves a course that aligns with IFRS, which we believe will be a solid accounting principle for quite some time.”

With a number of major IFRS projects still on the go at the International Accounting Standards Board — policy decisions for leases and financial instruments — the new reporting landscape is still a live environment.

“There’s a lot of things still in flux,” says Wilshaw. “Getting to Q1 was certainly big, but what goes into the Q1, compared to what will need to be included in the disclosures for annual financial statements, is quite different. There will still be a considerable amount of work for companies to do by the time they get to their year-end,” she says. “So it’ll feel, I’m sure, like the never-ending story.”

Robert Colapinto is a Toronto-based freelance writer



COMBINING DISCIPLINE AND INNOVATION, HE DOES HONOUR TO THE PROFESSION OF CHARTERED ACCOUNTING!

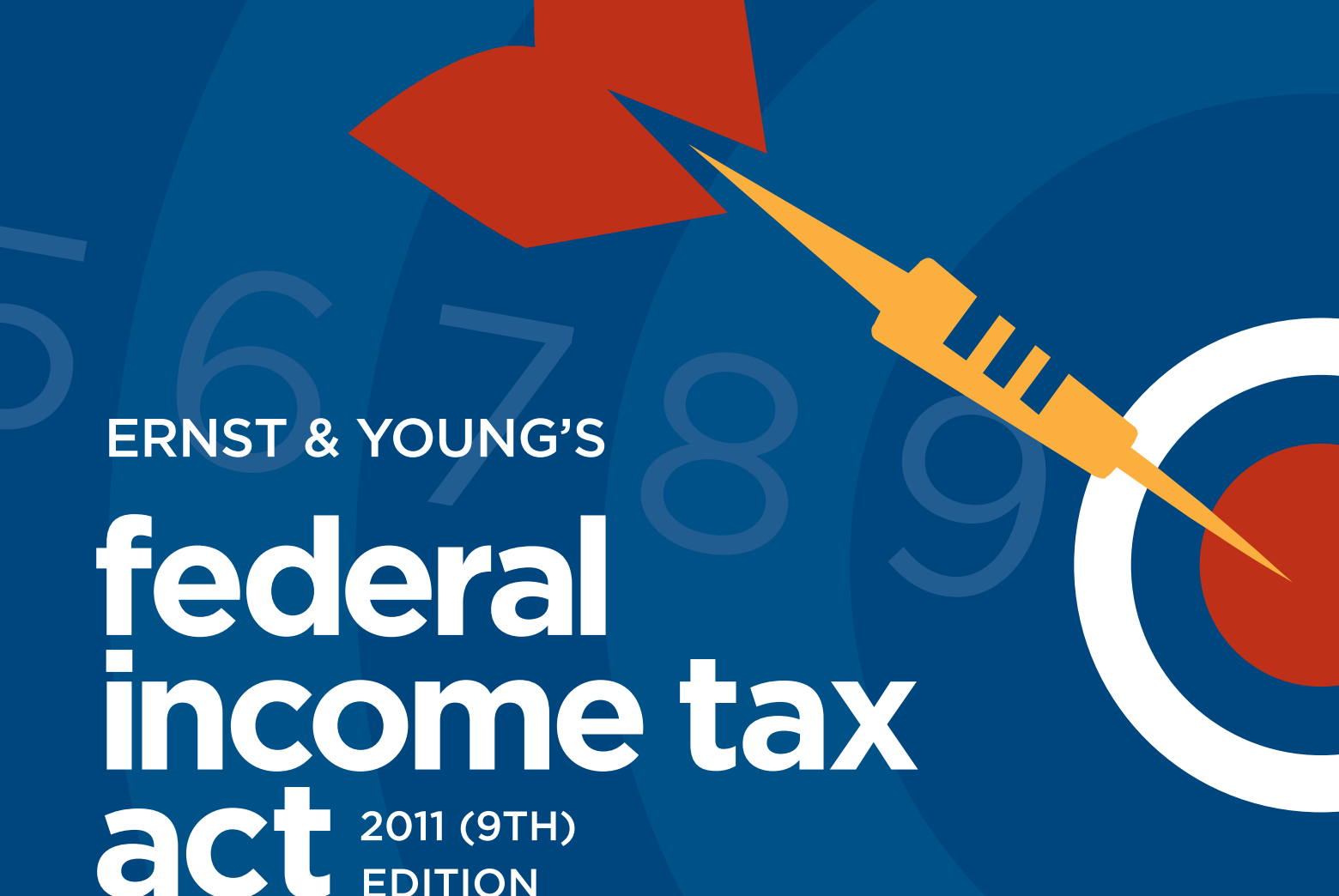
DESJARDINS GROUP TAKES GREAT PRIDE IN ANNOUNCING THAT RAYMOND LAURIN, SENIOR VICE-PRESIDENT, FINANCE AND TREASURY AND CHIEF FINANCIAL OFFICER OF DESJARDINS GROUP, HAS BEEN AWARDED THE TITLE OF FELLOW OF THE ORDRE DES COMPTABLES AGRÉÉS DU QUÉBEC.

For more than 30 years, Mr. Laurin has dedicated his talent to Desjardins Group. Over these years, he has played a major role in developing and bolstering the financial strength of the leading cooperative financial group in Canada. This prestigious distinction is a crowning achievement in an accomplished career and bears testament to the level of excellence aspired to by the people who work every day to move Desjardins Group forward.

Congratulations!



Cooperating in building the future



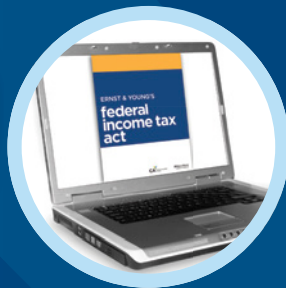
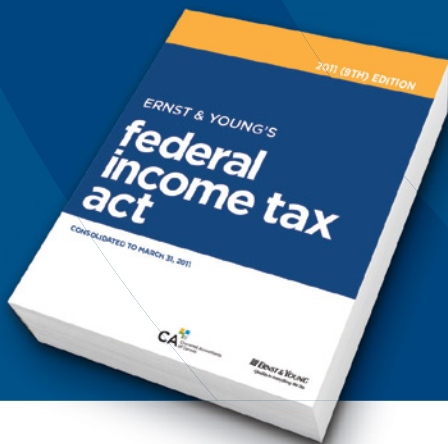
ERNST & YOUNG'S

federal income tax act

2011 (9TH)
EDITION

Complete coverage of Canada's Income Tax Act and regulations,
edited by tax professionals for tax professionals

Available in print and eBook format!



Stupid fraud tricks

Not all fraudsters are created equal. While some are cunning and clever, many are inept and just plain dumb



It's not uncommon to glamorize fraudsters. They are often clever, charming and cunning. Their schemes are frequently brilliant and breathtakingly bold. Even the words "con artists" used to describe them bestow a degree of respect and admiration for their accomplishments, immoral and illegal though they may be.

Not all fraudsters, however, are deserving of our reluctant praise. In fact, for every Frank Abagnale, the master of fraud and false identity portrayed in the film *Catch Me If You Can* by actor Leonardo DiCaprio, there are myriad examples of bungling, clumsy and downright stupid fraudsters. In fact, the inept ones are more common than the inspired schemers. Nonetheless, they do evoke a

certain response from fraud investigators — comic relief.

One of the dimmest big-time fraudsters was a woman named Melanie (not her real name). She was the bookkeeper for an Ontario-based mid-sized manufacturing company. Soon after she was hired in the late 1990s, her employer experienced a decline in sales. As a result, it laid off as many staff as it could. Melanie was the only person in the accounting department, apart from the chief financial officer, who survived the terminations.

By the early 2000s, the company's fortunes had reversed. Although sales and profits were stronger than ever, the owner of the privately held business was nervous that another downturn could happen at any time. For that reason, he tried to maintain as small a staff as possible.

Over the years Melanie had proven to be a hardworking, competent employee. She was well liked and trust-

GARY CLEMENT

ed. The CFO, who had been with the company for more than 30 years, was nearing retirement and battling serious health issues. His energy for the job was dwindling and he increasingly relied on Melanie to handle certain responsibilities on her own. Whereas previously he had to sign off on all invoices over a certain amount, he now trusted Melanie to be the sole signatory on all but six-figure ones. That's when his bookkeeper decided to upgrade her lifestyle.

Melanie was not a happy person. Recently divorced, the 43-year-old had to move in with her widowed mother when she learned her ex-husband had left her financially destitute after he lost their savings in a failed high-risk investment opportunity. Lonely and bitter, she decided that life owed her a payback. Her workload contributed to her misery; it had become overwhelmingly onerous, thanks to the extra burden imposed by the reduced contribution of the often-absent CFO.

She rationalized that she deserved to be paid more — a lot more — but knew a raise of any significance was unlikely. So she began a scheme that, to her delight, was simple to put in place and worked incredibly well. She created a fictitious supplier and had it invoice her company for large amounts that came in below the threshold requiring the CFO's approval.

In the following 10 months she stole close to \$1 million. Although the money would have easily allowed her to move out of her mother's house, she chose not to. Her plan was to build up as much in her bank account as possible and then move to Brazil, which has no extradition treaty with Canada and where she had a close friend. That part of her thinking was the only bright spot in her scheming.

It hadn't crossed her mind that her ruse might be detected during the company's annual audit. Nor had she made it difficult for even the most inexperienced accountant to notice something didn't seem right. She called the supplier she created "Melanie Holdings." The cheques were sent to her mother's home. Melanie endorsed them at her bank, where she had opened a business account for Melanie Holdings in her own name. To make it even easier for the auditors, she retained the cancelled cheques in a file marked "Melanie Holdings" in her office. "I thought it would be funny when they noticed I was gone and found the file," she later told a forensic accountant, who had been retained to quantify how much she had taken and to look for any other schemes she might have concocted (there was none).

The forensic accountant prepared a report on his findings, which was given to the police. They found the evidence compelling and issued a warrant for her arrest. The police arrived at her home to serve the warrant and found her having dinner with her mother. When she opened the door and saw the uniformed officers Melanie turned to her mother and said, in a quiet voice, "Mom, I've been a bad girl. But I only took a little money from my company. I guess we are going to have to skip dessert tonight." Instead of moving to Brazil, Melanie went to jail.

While the bookkeeper's scam was woefully devoid of any admirable subterfuge, there have been countless scams that make her deceptive skills look ingenious in comparison.

In June 2000, 49-year-old Kevin Jackson of Hyde Park, Utah, was arrested after trying to cash a US\$100-million Federal Reserve bearer bond issued in 1934. In court papers, Jackson later claimed he was given the bond by an intermediary of an unnamed Philippine general. The notes, Jackson said, had been issued to European nations during the Second World War to boost their economies.

Unfortunately for Jackson, prosecutors pointed out that the Federal Reserve never issued any note in a denomination greater than US\$1 million.

While Jackson at least aimed high, a British man, 25-year-old Jonathan Hambly, only tried to get a £400 bogus cheque cashed. In April 2008 Hambly presented the forgery at a local cheque-cashing outlet. He told the cashier that the cheque, which had been written by his former landlord, was a security deposit refund.

The cashier asked for all his information, including his address, which he willingly provided, before informing him that she couldn't cash the cheque. "Why not?" Hambly asked. "Because Midland Bank doesn't exist," she said, and hadn't since 1999 when it had been taken over by HSBC.

Hambly bolted but was later arrested when police easily

In court the British man's lawyer pleaded for leniency after explaining his client drank six cans of lager before trying to scam the instant cash shop

tracked him down at his home. In court his lawyer "pleaded for leniency after explaining his client drank six cans of lager before trying to scam the instant cash shop," the *Daily Mail* reported. He was fined £60 and ordered to carry out 120 hours of community work.

Equally inept, if not more so, was 44-year-old Clifton Wright. In May 2009, Wright was arrested in front of the FBI building in Monroe, La. He had concocted a somewhat ambitious scheme to defraud a company in Minnesota that sold refurbished cell-phones. Wright ordered 50 phones and gave the Monroe FBI office as the shipping address. He sent the company a US\$2,359.45 cashier's cheque drawn from a Chase Bank account. His plan was to flag down the company's delivery van in front of the FBI office and convince the driver, by showing documentation from the supplier, to give him the phones rather than wasting time going through the bureau's strict security procedures.

The only problem? On the cheque he had misspelled "cashier" as "cahier."

The company smelled a con and contacted the FBI in Monroe, which waited until it saw a man wave down a delivery van, at which point they arrested Wright. Not only was he charged with the scam, it was discovered he was a fugitive from justice in another state.

While Hambly and Wright enacted fairly common and non-violent schemes, Ronald Evano and his wife, Mary, came up with a more inane, and far more dangerous, ruse — dangerous to their own health, that is.

For several years leading up to their arrest in 2005, the Massachusetts couple dined in restaurants, hotels and grocery stores throughout the northeastern US where they sprinkled shards of glass into their meals. The two would then go to a hospital for treatment and subsequently file a suit against the establishment where they had eaten. They once extorted a US\$45,000 payment directly from a restaurant.

The painful scam netted them more than US\$200,000 from insurance companies. The two 49-year-olds also failed to pay more than US\$100,000 in hospital bills.

In court, Evano asked for leniency, explaining to the judge that he and his wife, who are both members of the minority Roma community, needed the money to pay for dowries and other costs associated with the marriages of their children, as required by their culture.

He was sentenced to five years in prison while his wife received a four-year term. They were also ordered to pay US\$340,000 in restitution.

Insurance scams are often lame brained, as the perpetrators seem to assume that no one will ever investigate their claims. This was perhaps the thinking of two British backpackers, both recent law graduates no less, who decided to have an insurance company help pay for their nine-month globe-trotting trip, which concluded in Brazil in July 2009.

On the eve of their return to England, Shanti Andrews and Rebecca Turner, both then 23, told police in Rio de Janeiro that during a long-distance bus journey several days earlier they had been robbed of cash, a camera, an iPod, a phone and suitcases, valuing about £1,000 (\$1,620). They reported the crime, they said, because they planned to make an insurance claim upon their return home.

It's possible they thought the Rio police wouldn't care about one more tourist robbery in a country where such an occurrence is commonplace. If so, they were terribly wrong.

What the police knew was the prevalence of travel insurance fraud and that most frauds were reported just before the fraudster was set to return home. (According to website allbusiness.com, in 2008 there were 4,300 cases of travel insurance fraud in the UK with claims totaling £5 million. That figure is dwarfed by the £400 million worth of claims that were upheld.)

Suspicious of the women's demeanour and their failure to report the theft until several days after its occurrence, the police escorted them back to their hostel where the stolen items were easily found.

Turner and Andrews were arrested and spent six days in a rat-infested jail before being released on bail. A month later they pled guilty to insurance fraud and were sentenced to 16 months community service. That conviction was overturned by Brazil's high court in December 2009 when it ruled the police search had been illegal.

It is also illegal to fake your own death, which the *Law Society Gazette* estimates at least 1,000 people in the US alone do every year.

In December 2005, one of those Americans was 36-year-old Kimberly Du of Des Moines, Iowa. Was there a monumental reason that caused her to create a false obituary that looked as if it had been published in the *Des Moines Register*? And was there such a monumental reason that inspired her to send a letter to a judge — purportedly signed by her mother — that informed the court her daughter had died in a car crash? Not really. In fact, not at all.

Du just wanted to get out of having to pay a few traffic tickets and decided faking her death was the best way to accomplish her goal. She didn't factor in, however, that she might continue to accrue the source of her problem. In January 2006, she was given another traffic ticket, which led to the police discovering her fake death.

In an instant her legal problems escalated from a simple misdemeanor — failing to pay her traffic fines — to a class D felony that carried a possible sentence of up to five years in prison. When her case was settled in 2006 Du was fined US\$500 and placed on two years probation.

How dumb can some fraudsters get? According to Ed Scarborough of the Virginia Lottery department, they don't

Fraudsters don't get much thicker than the man who claimed to have a winning jackpot ticket. He presented a payout slip, which anyone can get from a lotto retailer

get much thicker than the man who claimed to have a winning jackpot ticket in 1998.

He arrived at lottery headquarters with a payout slip — which simply lists the winning numbers and which anyone can get from a lotto retailer — and presented it as a winning ticket, Scarborough said. "This man, however, convinced a couple of his buddies that they were going to hop in a car, drive to Richmond, and pick up a couple of million."

The final example of not-so-bright fraudsters is more than likely an urban legend but it is so much fun that it is worth retelling.

In the 1990s, police in a town in Pennsylvania supposedly put a colander on an accused con man's head and attached it to a photocopy machine. They told him it was a lie detector. A message stating, "he's lying," was placed in the copier. Every time the police thought the man wasn't answering a question truthfully, they pressed the button. Eventually the man confessed his guilt.

If only it were that easy. If only all the scammers we have to deal with were rank amateurs and not pros. Alas, they are not, which means we will have to keep looking for the right buttons to push when investigating the fraudsters who truly are artists (at least sometimes).

David Malamed, CA-IFA, CPA, CFF, CFE, CFI, is a partner in forensic accounting at Grant Thornton LLP in Toronto. He is also *CAMagazine's* technical editor for Fraud

Safe virtual environments

A risk-based approach to access and identity management can lessen the impact of potentially detrimental situations



Since the implementation of stricter internal controls in response to an increasingly demanding regulatory environment, IT access and identity management has become a vital issue for companies. However, today traditional access management by a systems administrator is giving way to complex and decentralized management, which can take several forms.

Trade globalization has created a need for communication links with customers and suppliers, for example through specialized platforms, extranet networks, electronic data interchange, secure meeting spaces and file transfer protocol servers. In addition, technological changes have led to information mobility and greater voice and data traffic (WiFi, BlackBerry, touch pads, etc.). Consequently, the line between professional and personal

lives is increasingly blurred. Added to these changes are the growing use of social media in business (Facebook, LinkedIn, Twitter, etc.), frequent outsourcing and an increasing number of places of business and representative offices. Finally, the concentration of enterprises, buyouts through mergers and acquisitions, and the dematerialization of certain assets and services have changed the traditional corporate structure, whose boundaries were characterized by joint ventures, offshoring and virtualization.

How can enterprises continue to operate using the traditional systems administration model without considering the radically different business environment? A risk-based approach to access and identity management that will lessen the impact of situations that may be detrimental to an enterprise's reputation, assets, employee working conditions and business relationships might be the solution.

Transitioning to increasingly complex management

Systems administrators and IT security managers are responsible for ensuring the integrity and efficiency of access and identity-management mechanisms. They face new challenges as the ever-changing regulatory environment along with the massive externalization of IT create complex situations that can be difficult to manage. Issues such as employee access to Facebook during work hours can prompt lively debates about the security of information on personal pages. Such access can compromise the enterprise's confidential data.

What's more, the boom in smartphones equipped with authentication parameters and self-activating or deactivating capabilities generates extra work for IT support staff, who must ensure information access mechanisms remain robust. Also, the increasing use of removable media such as USB keys is an added source of potential data leaks.

With greater focus on fixed costs and the pressure to be competitive in the global marketplace, businesses are increasingly outsourcing their operations and support services. These new trends, along with the proliferation of cloud computing and virtualization, present new risks as regards to the confidentiality, integrity, availability and nonrepudiation of exchanged information. What assurances do outsourcers have that there is no risk of internal or external disclosure of the enterprise's information? This issue is all the more relevant considering that the outsourcer may in turn have to externalize part of its operations.

Various legislations, such as the Sarbanes-Oxley Act and NI-52-109, identified some access and identity-management issues, including systematic deletion of accesses when an employee leaves to prevent unauthorized use, creation of accesses authorized by the manager and periodic review of accesses to ensure their adequacy for business needs.

The democratization of software tools combined with in-house solutions, the growing number of specialized software and the distribution of software-type files (Excel spreadsheets, Access databases, etc.) add to the complexity of administering these systems. Most of the time, these software rely on a single sign-on system that stores all user credentials in one tool. However, not all identity-related issues are solved with these solutions.

For example, employees with several years of service with a company and whose tasks have changed may have a number of access profiles in one or several IT systems, giving them rights that are too expansive in relation to their responsibilities. Such conflicts, known as segregation of duty conflicts, can be analyzed manually if the analysis is limited in scope and access profiles are simple.

However, for multinationals with a high turnover rate that are equipped with an ERP-type system, access management can become impossible, for example, due to object restrictions (read-only, write, execute, modify). In this case, the company must use a governance risk and compliance tool.

These examples show that access and identity management can't be considered all at once. An appropriate strategy is required.

Adopting a step-by-step approach

A risk-based approach appears to be more appropriate for solv-

ing troublesome identity and access-management issues. The enterprise should review its access and identity management by assessing its risks in the manner shown in the table on page 39.

The advantage to such an approach is that it focuses on the enterprise's major access issues and establishes definitive action plans. The following points clarify this process:

- identify the enterprise's critical assets;
- classify critical assets based on their security requirements;
- establish a list of all the people who deal with these assets;
- describe the means of access to these assets and their use;
- identify inherent risks and their likelihood;
- identify existing mitigating mechanisms to counter these risks;
- establish a list of risks that are insufficiently covered or not covered;
- validate the risk-management strategy: bypass, accept, mitigate and transfer; and
- carry out a cost/benefit analysis for the proposed solutions.

Why identify the enterprise's critical assets? Because they should be given priority. It's pointless for an enterprise to spend time creating access-management mechanisms for assets of little value.

Why classify critical assets? In order to assess their exposure to risk from a confidentiality, integrity and availability standpoint.

Why establish a list of people (owners, internal users, the enterprise's third parties, etc.) who deal with these assets? Because they are responsible for these assets from a confidentiality, integrity and availability standpoint.

Why describe the means of access to the assets and their use? In order to inventory usage (read-only, execute, write, etc.) and means of access (remote, with a privileged account, by rerouting, by validating identities on the network beforehand, etc.).

Why identify inherent risks and their likelihood? Because it's important to determine what issues were raised in the previous situations and in relation to the environment in which the enterprise has to operate (unrestricted access to the enterprise's data and that of its partners, etc.). The likelihood of the risk occurring should also be evaluated.

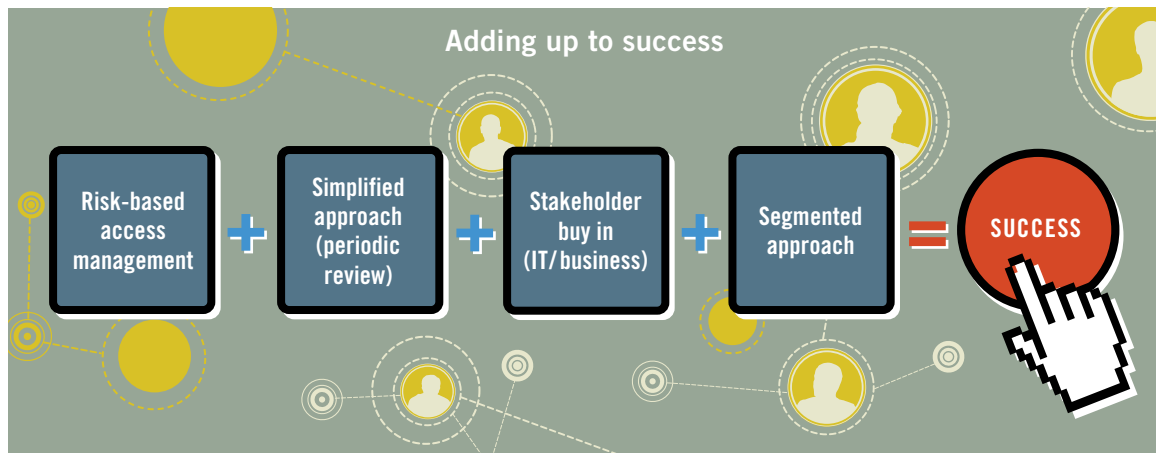
Why identify existing mitigating mechanisms? In order to focus efforts on high-risk situations for which mitigating measures are insufficient or nonexistent (for example, the potential for modifying and corrupting data without logging accesses or saving original data). This step will also help identify adequate control mechanisms.

Why undertake a cost/benefit analysis? To ensure the most adequate and cost-effective solution will be implemented and guarantee resource efficiency for the organization while providing the best level of effectiveness for reducing identified risks.

Periodic review of the approach

Experience in the area of identity management has identified two significant points organizations need to be aware of when selecting their approach.

The first is organizations that adopt an overall approach to access management, including all the processes and applications, devote considerable effort without achieving a positive result.



Depending on the organization's size and infrastructure, projects to revamp access management often take three or four years.

Second, identity-management processes and systems implemented by organizations break down over time because of a lack of resources, effective tools or consistency in application. Consequently, a systematic and simple approach, as presented in the previous point, becomes a priority.

The chosen approach must take into account the organization's constantly changing environment (new regulatory requirements, new physical or information assets, new applications, infrastructure changes, etc.). In other words, it must be based on a long-term vision. Developing or adding access-management tools when implementing a new application is no longer feasible since it impedes the process. The focus should be on strengthening the access-management process, while adopting a continuous improvement approach. Combined with a simplified approach, optimizing the identity-management process should be an integral part of the risk-based approach. This optimization would focus on a periodic review of the relevance of each activity, the roles and responsibilities of the stakeholders and the tools used to respond to access requests. As a number of experts in the area will attest, success is 75% application and 25% technology.

Where to begin?

In light of these findings, some success factors for sound identity management that has become increasingly complex include:

- Integrating access and identity management into the enterprise's risk-management process. The organization's objectives will thus be in line with security needs, which will be part of the access-management processes. Once these two elements are aligned, the approach explained above will be more efficient and effective. In addition, the annual risk review will include the critical assets identified in the organization's risk-based approach. Therefore, compliance risks will no longer be the only factors needing attention.
- Maintaining simple and optimized access-management processes. Roles and responsibilities are mainly assumed by managers and success depends on their taking charge of policy and procedure applications. The most common example of a weakness

relates to staff turnover and access modification or deletion. In most cases, responsibility for communicating personnel changes is often unclear. A better understanding and communication of processes, as well as clear and accepted responsibility by managers, will remove any ambiguity.

- Raising awareness among IT managers and other managers. The organization should include this element in its integrated enterprise risk-management exercise. Accordingly, IT and other managers will work together to establish the policies and procedures, along with requisite controls, and more specifically to agree on how best to manage common risks related to the organization's critical assets. Successful projects that we had an opportunity to study were based on joint responsibility of several departments, including IT, as well as business unit managers and the internal audit team. Business unit managers own the processes and therefore own the information assets connected to these processes.

- Developing a segmented approach to access management. Organizations that successfully met the challenge of access management divided its implementation into several phases. The first phase prioritized the critical assets included in the organization's key processes. Once this approach is adopted, it is easier for managers to coordinate efforts if necessary. Such projects include a number of variables that are only identified once a project is complete. It is therefore important to be able to adapt quickly in order to avoid taking a wrong turn that could lead to inefficient use of resources. The suggested approach utilizes considerably less human and financial resources and allows organizations to allocate specific budgets to implement access-management processes, such as obtaining an automated client relationship tool.

To conclude, an equation that summarizes a successful access-management project can be seen in the table above.

Philippe Ricart, MBA, CISA, and Pascal Théoret, CGA, are senior managers with the risk management consulting group at RSM Richter Chamberland in Montreal

Technical editor: Yves Nadeau, CA, partner, audit and risk management, RSM Richter Chamberland

It's something to talk about

Discussion with your clients is vital and the new Canadian auditing standards are a communicator's dream

How many jokes are there about the inability of accountants to communicate? But the stereotype of a CA stuck under a green eyeshade is way out of date and largely inaccurate. Successful accountants are successful communicators. It is just that often what they communicate is not what the other person wants to hear.

Enter the new Canadian auditing standards (CAS) that are in effect for audits of reporting periods ending on or after December 14, 2010. These newly drafted standards are a communicator's dream. Throughout, the standards stress communication with clients, with those charged with governance, and with and among the audit team and many others. What was always a best practice has now been incorporated into standard day-to-day audit practice. But is it overkill to put so much emphasis on communication in audits of very small (micro) entities?

Will it place an undue burden on the practitioner and hence unreasonably drive up the cost of audits?

If the practitioner makes communication a part of the day-to-day audit procedures, does not treat it as an after-thought and uses common sense along the way, the answer is no. Here are a few practical steps for each phase of the audit that seem to work well with micro-entity clients. They serve to reduce the audit risk, increase the client's satisfaction, improve audit quality and increase recoveries.

Client acceptance and continuance

Some accountants like to issue an engagement letter every year and certainly one will be required on every audit this year under the new CAS (CAS 210.10 and .13). If you use audit software on all audit engagements, this practice is relatively painless. First, update a master letter annually for any changes required. Make sure that customized changes are fully programmed. For example, the clients' names, addresses and year-end date fields are programmed automatically in the audit software so that when the master letter is imported into the file, further customizing is not needed. Having programmable fields makes it easy to customize the letter further by referring to a client as "organization," "foundation" or "society," for example.

This is probably a good time to make a call to management or those charged with governance or, if necessary, pay them a visit to see if there is any reason to believe the preconditions for audit may not be met (CAS 210.06). If the entity is unauditible, it's much better to find out now than after you have formally accepted the engagement. Think of the savings in time and aggravation if you deal with this up front, and not halfway through the audit.

Engagement planning

You can repeat the engagement-letter process with the letter outlining the planned scope and timing of the audit



each year (CAS 260.15). Import these letters into your audit software package. In the case of a very small engagement, this of course assumes you have taken the time to call management to ask whether there are circumstances pointing to new significant risks or requiring a change in your approach to internal control for this particular audit (CAS 210.A13).

So, in very small entities you can be ready to start fieldwork with one phone call or visit and two letters. Now it's time to go on site to do the fieldwork.

Communication during fieldwork

Every audit requires the auditor to “identify and assess the risks of material misstatement...through understanding the entity and its environment, including the entity’s internal control...” (CAS 315.03). In a very small audit it pays to have a more senior auditor, preferably the person who performed the engagement the year before, have the “what’s changed?” discussion on site with management and other appropriate client personnel. This is an efficient way to update your knowledge of the organization and to spot problems that require fine tuning of the audit response. This is especially the case when the documentation from last year’s audit has been rolled forward into this year’s file and just needs to be updated. Having a senior person involved in this communication process reduces the need to pass that information up the chain of audit command and back down again, and it reduces the risk that something critical will be missed or misunderstood.

In one fell swoop you can reduce your audit risk, save time and, hopefully, have a happy client. That’s a bonus all around.

Many auditors consider the management letter to be the bane of their existence. The financial statements have long been finalized, the file is sitting on the floor just waiting for the letter to be written, and you have forgotten the exact details of the burning issue. If this sounds familiar, change your approach and write the management letter right on site at your client’s office. This is fairly easy to do if you have your laptop with you and your management-letter template is loaded in your audit software. Keep the points simple and easy to understand. What is the problem or issue you want to bring to the attention of management or those charged with governance (CAS 260.13(c) (iii); CAS 265.09)? What could go wrong if the point is not addressed? What do you recommend the client do to address the problem? You can even pass the wording by management on site, if appropriate, to make sure you have your facts straight. Presto, the management letter is ready before you leave your client’s office. Again, time has been saved and you have a happy client.

Forming an opinion and reporting

In audits of micro-entities where management and those charged with governance are one and the same, communication need not be a complicated affair in this phase of the audit. This is especially true when most of the audit work has been done on site by a senior auditor and issues were raised and resolved as the audit progressed. The management letter is complete, and any

changes to the audit report in addition to those explained in the acceptance phase (CAS 210.10(e)) will have been communicated on site during the fieldwork. The other significant findings from the audit will also have been communicated to the client (CAS 260.16). All these comments need to be made in writing to the client only if, in your professional opinion, oral communication would not be adequate (CAS 260.19). Now it’s time to issue your final audit report and send out the bill.

In audits of micro-entities where management and those charged with governance are not one and the same, communication requirements are more complicated, as more people are involved. Though the same issues and points need to be reported, you may want your communications to be more structured or formal when you report to those charged with governance. In this case it is often prudent to run your comments past management first to make sure you have your facts straight. Clients rarely get upset over the numbers or facts themselves. It is the manner in which the information is delivered that can cause outrage. This is very true in any audit of a micro-entity, since the success of an engagement depends as much on communicating with the people as on reporting on the presentation and disclosure of the

In audits of micro-entities where management and those charged with governance are not one and the same, communication requirements are more complicated

financial position and results of operations.

An important part of forming your opinion is evaluating whether the two-way communication process has been adequate for the audit’s purpose (CAS 260.22). This evaluation applies not just to the effectiveness of communication from the client to you, but also from you to the client. If you conclude that either of the processes was inadequate, you should probably extend your evaluation beyond this year’s audit opinion. What could you suggest to improve the communication process next year? How could you diplomatically make suggestions so they will be heeded? Is the communications process so flawed that future audits are likely to be unmanageable? If it is, the time to resign is at the end of this year’s engagement, not in nine months’ time.

Wrapping it up

The CAS has numerous requirements for communication that, in addition to being mandatory, are useful in reducing audit risk and increasing client satisfaction. Taking advantage of audit software and ensuring your micro-entity audits are properly staffed can go a long way toward making the mandatory communication a natural outgrowth of your audit procedures and save you valuable time in the process.

Phil Cowperthwaite, FCA, is a partner of Cowperthwaite Mehta in Toronto

Technical editor: Ron Salole, vice-president, Standards, CICA

The first of many issues

The recent Imax case will be cited in all subsequent litigation involving the OSA secondary market civil liability regime

On February 14, 2011, Justice Corbett of the Divisional Court (Ontario Superior Court of Justice) rendered judgment in *Silver and Cohen v. Imax Corp. and others*, the first case to be presented under the new Ontario Securities Act (OSA) provisions that introduced a liability regime governing alleged misrepresentations in the secondary market. Two individuals proposed a class action against Imax and some of its directors and officers under that statutory regime as well as at common law.

The judgment dismissed the defendants' motion for leave to appeal from a 2009 decision that certified the class action and granted the necessary leave to the plaintiffs to pursue the new statutory cause of action. The decision is significant precisely because it is the first to address the new rules and to consider how they operate in conjunction with a class action procedure. Justice Corbett was extremely sensitive to that significance and indicated clearly in his judgment that he was applying the tests necessary to determine if an appeal of that preliminary decision was warranted or whether the points raised by the defendants could be fairly dealt with at trial. He cautioned that he was not pre-judging the merits of the claim. Based on the allegations, he was merely determining whether the plaintiffs' case was arguable in law — and if so, they would be permitted to try the case.

Despite this caveat, the case sets out the parameters of such actions, and they are clearly broader than the defendants believed were appropriate. These parameters will likely apply to future cases against issuers, their directors and officers and their experts, including their auditors.

The facts referred to by the judge indicate that in keeping with its continuous disclosure obligations as a public issuer, Imax made a number of public statements about its 2005 financial results (reported in accordance with US GAAP). However, five of those public statements

falsely overstated its 2005 revenue, as subsequent corporate filings admitted. First, Imax failed to disclose that it had changed its accounting policy regarding revenue recognition to a much more aggressive policy than the one adopted in the previous year, making year-to-year comparisons misleading. Second, the new policy adopted for 2005 was not in accordance with US GAAP. Third, the alleged motivation for this policy change included a management compensation package that provided financial incentive to report more income in 2005 and a desire to make Imax a more attractive takeover target.



Three broad issues were before Justice Corbett:

- were the criteria met to grant leave to commence an action under the new secondary market liability regime set out in the OSA?
- were the pleadings adequate to disclose an arguable cause of action in negligent misrepresentation at common law?
- was it appropriate to certify a global class action?

In deciding that there was no error made in granting leave to commence the first action to be taken under Sec. 138 of the statute, Justice Corbett considered the court's

“gatekeeper” role and observed that this was not a strike suit of the kind that had been dreaded. In other words, it did not appear to be prompted simply by a precipitous drop in share values with no underlying objective basis. Instead, it was reasonable to conclude that after a full trial, a judge might determine that the failure to disclose the change in accounting policy and the selection of an aggressive non-GAAP revenue recognition test was not a mere accounting error.

The judge then turned to the issue of the sufficiency of the fraud allegations that had been made. This was significant as the statutory liability regime contains a number of departures from common law, designed to balance each other. One of the pro-plaintiff elements, for example, is that the plaintiff is deemed to be owed a duty of care and to have relied on certain public statements, subject to limited defences that the statute offers. A pro-defendant element of the regime is a monetary cap on the amount of damages that can be awarded against a defendant. That cap, however, does not apply where there has been fraud by the maker of the representation. On this point, it was held that although there must be a factual foundation for allegations of fraud, this does not mean that the plaintiff is required to adduce direct evidence of each defendant’s state of mind. Instead, it is possible that the fraud could be inferred by the trial judge from all the circumstances. Justice Corbett clearly concluded that the facts, as alleged, were capable of resulting in such an inference. As the plaintiffs therefore had an arguable case, they would be permitted to go forward with it.

A third issue raised within the context of the statutory remedy concerns the burden of proof. The general rule is that the plaintiff has the burden to prove the required elements of its case against the defendants. In the context of a motion for permission to commence the statutory cause of action, which is determined on the face of the pleadings, the court stated that this translates to a burden to show a “reasonable possibility of success.” However, where defendants are invoking affirmative defences that are available under the statute, then the burden is no longer with the plaintiff.

The next major issue was whether a common law recourse in negligent misrepresentation could also be supported by the same pleadings. In determining that it could, Justice Corbett considered various issues on which plaintiffs enjoy a presumption under the statute, but must prove their case at common law. The first such issue was whether a duty of care could be owed by the company and its directors and officers to shareholders with whom they had no particular relationship other than the fact that they had taken cognizance of public statements made in furtherance of continuous disclosure obligations. Again, applying the test as to whether the plaintiffs’ case was at least arguable, it was decided that the claim could move forward. Justice Corbett observed that as this issue had never been dealt with before, and as all the cases pleaded by the defendants dealt with the liability of third parties such as securities underwriters and auditors, it was arguable that different policy considerations would apply to the defendants in this case.

Similarly, although the statutory recourse provides a presumption of reliance, under the common law, the plaintiff must prove that he relied on the alleged misrepresentation. Justice Corbett began by noting that Canadian law, unlike US law, does not provide for a “fraud on the market” reliance standard. (In short, this is a presumption that the capital markets operate efficiently, such that there are sufficient market participants who in fact do understand and rely on corporate disclosures to affect share price. As a result, although a particular individual may not have been aware of the offending representation, or may not have understood it, his or her share purchase can be said to have been in reliance on it, as the price at which he or she traded was affected by the misrepresentation.) That said, however, Justice Corbett noted that secondary market investors may be influenced by numerous factors and although reliance is not deemed as a matter of law, there is nothing to prevent the plaintiffs from attempting to prove that there was an efficient market in fact that operated in respect of the specific misrepresentations at issue. So again, as the claim was capable of being proven, the plaintiffs were permitted to go forward to trial.

The third significant issue was whether it was appropriate

The judge noted there’s nothing to prevent the plaintiffs from attempting to prove there was an efficient market that operated in respect of specific misrepresentations

to certify a global class action. As the first judge had noted, the defendants had previously succeeded in having US proceedings against them dropped on the basis that Ontario was the preferred jurisdiction. The court therefore was skeptical of their claim that Ontario courts should not deal with foreign plaintiffs. It was also held that although it would be inappropriate to impose Ontario law on foreigners, it was equally inappropriate to exclude them if they wanted to benefit from it. This clearly leaves a host of practical issues to be dealt with—for example, how shareholders who traded on exchanges that are not subject to the OSA should be dealt with, and whether the statutes governing their trades should be considered. The court simply took the position that the trial judge would no doubt deal with such matters appropriately and if necessary, specific issues could be brought forward on appeal from time to time. In other words, rather than circumscribe the class, the court adopted a wait-and-see approach.

This case, being the first on many of the issues it raised, will no doubt be cited in all subsequent litigation involving the OSA secondary market civil liability regime, as well as the similar regime adopted by the Quebec Securities Act, which borrowed heavily from that precedent.

Mindy Paskell-Mede, BCL, LLB, is a partner with the Montreal law firm of Nicholl Paskell-Mede

Technical editor: Jo-Anne Demers, LLB, managing partner, Nicholl Paskell-Mede

The ABCs of RCAs

RCAs might just be the best way to provide suitable retirement income for employees while offering flexibility for employers

Structuring proper compensation strategies in Canada has always been challenging. The goal is to find a vehicle that will provide reasonable retirement income to key senior employees

and assure maximum latitude to the employer that establishes these plans. The retirement compensation arrangement (RCA) can be structured to achieve both goals.

While the consistent reduction in corporate taxes coupled with many innovative tax-efficient investment structures has reduced the use of RCAs by entrepreneurs, the structure is enjoying a resurgence in a variety of financial planning situations. It is primarily in the field of executive retirement planning and key employee retention that the flexibility of the RCA has found favour.

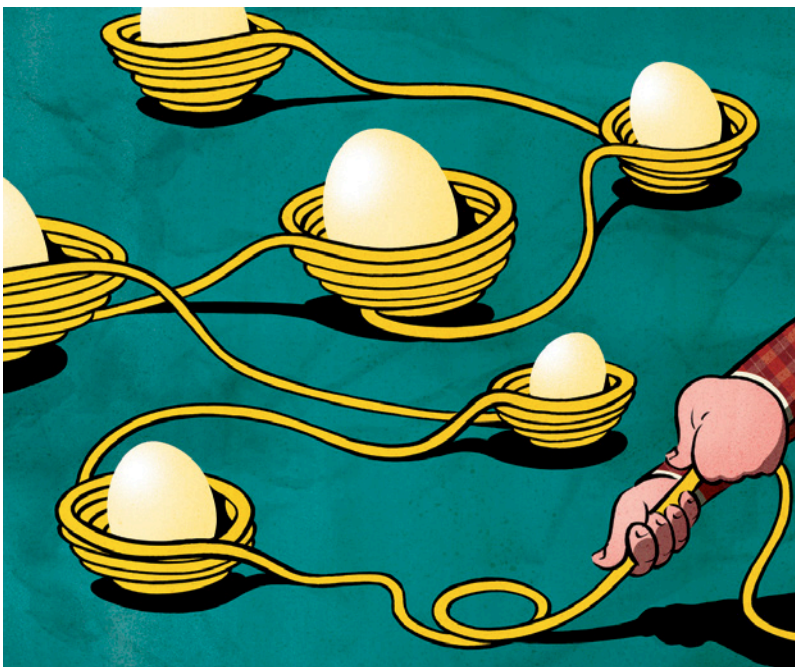
The RCA rules, as set out in the Income Tax Act in section 248(1) are quite simple and the structure itself is not complex. Canada Revenue Agency provides an excellent guide, T4041 Retirement Compensation Arrangements Guide, available on its website (www.cra-arc.gc.ca/E/pub/tg/t4041/README.html). The RCA is a trust registered

with CRA. The RCA trust, along with a plan text or RCA agreement, and the requisite registration document T733 must be filed on or before the conclusion of a company's fiscal year. To be deductible by the employer, funding must also be completed and reported on or before this date.

Contributions to the RCA are fully deductible for the sponsoring company and are not subject to provincial payroll taxes including Quebec Health Tax, Ontario Employer Health Tax, and the payroll taxes levied in Manitoba and Newfoundland and Labrador. The drawback is that only half the initial contribution can be invested, with the other half, and one-half of any realized returns generated by the investments, being subject to refundable tax. These remittances are held in a refundable tax account (RTA) with CRA and no interest is paid on the deposit. This refundable tax is recouped by the trust when payments are made from the trust to the plan member.

When compared to actual tax rates in many provinces, the 50% refundable tax rate may not be a significant impediment to implementation. In Quebec and Nova Scotia, the effective rate of tax in the top bracket of income exceeds 50%. Ontario, with its 1.95% employer health tax, sees its real top bracket on earned income approach the 50% mark. Even in other provinces with lower tax rates, all that is sacrificed through the use of an RCA is the loss of opportunity on the differential between refundable tax and top marginal rates. Since the RTA represents an obligation to the trust on behalf of the Government of Canada, the appropriate benchmark is a Government of Canada bond of appropriate duration. Given the low interest rate environment we're currently enjoying, this opportunity cost is slight in most provinces.

When examining the potential needs that the RCA can fill regarding executive retirement planning, the withholding tax becomes even less of a concern. When establishing a retirement or retention plan for an employee rather than the business owner, individual taxation is at best a secondary concern. Security of assets, as well as maximum flexibility to both employer and employee, result in the RCA being a key ingredient in many executive retirement packages.



Many Canadian companies offer some form of supplemental executive retirement programs (SERP) for their key or senior employees; the majority of these remain unfunded promises. A company typically establishes a SERP when a defined contribution (RRSP) formula is insufficient to fully fund the retirement needs of the employee or employee group. A variety of pseudo-funding vehicles have been used in the past to fund these, with varying degrees of success. Many firms would obtain a letter of credit from a financial institution to deal with the future income promise; however it has been legally established over the past few years that only the issuer of the letter of credit can claim tax relief, not the company obtaining the letter. Other firms have attempted to create phantom stock plans or phantom stock market accounts to deal with these funding matters. These programs are often overly complex, can create legal rights where the employer never intended to create such rights, or can run afoul of the deemed receipt provisions established by CRA.

The simplicity of the RCA in assuring funding for the employee and flexibility for the employer makes it a powerful tool. The RCA itself creates no direct obligation on the part of the employer to fund it. These obligations are created by ancillary agreements, such as a SERP document. Subject to an actuarial calculation, the total funding amount of the SERP is likely able to be contributed to the RCA. The use of a pension formula as the foundation of reasonable contributions is essential when establishing an RCA. Because RCAs do not include the same funding requirements as defined benefit pension plans, they create fewer potential obligations for the company. Still, they allow for significantly more money to be put away compared to traditional vehicles such as RRSPs.

For the employee, the flexibility of withdrawals allows him or her to manage his or her income and taxation to their maximum advantage. Also, because of the nature of RCAs, once the funds have been contributed, they are not vulnerable to the employer's creditors or capriciousness.

We have encountered cases where global firms wish to treat all their key employees equally, regardless of the country they are operating in. The RCA is particularly useful in rectifying international inequities. The use of the RCA is particularly useful for senior executives of multinational firms if their intention is not to remain in Canada their whole life. Bilateral tax treaties negotiated by Canada with other countries often allow for low withholding tax rates to be enforced against periodic pension payments. Payments from the RCA represent such payments and may attract these lower taxation rates. RCA income may or may not be taxed in the new jurisdiction depending on the treaty stipulations.

Multinational employers are not the only companies considering the use of an RCA. The flexibility of funding affords considerable latitude to an employer and may further be used as an employee retention vehicle. Unlike traditional pensions, the RCA has statutorily created vesting rules, allowing the employer to write vesting provisions into the RCA agreement/plan text. For instance, if the employer was involved in a particularly com-

petitive market it could enforce a restrictive vesting schedule, perhaps not allowing benefits to vest for several years. If the benefit is significant enough, the employer is more likely to find an employee not willing to test the waters. If employees were to leave before vesting (you can also have partial vesting), they would find themselves without their RCA benefits. Those benefits are typically structured to revert to the company.

The RCA can also be used as an effective tool in downsizing an operation. Severance is an unfortunate fact of employment and the RCA is routinely used to smooth transition to the benefit of the severing and the severed parties. A senior executive presented with a large taxable payment pursuant to a severance agreement may benefit from a structured payout that postpones taxation to a later date at the former employee's discretion. Many highly skilled executives will be able to find new employment soon after severance and may not require the lump sum payment. Since it is the plan members who decide when and where to take their RCA withdrawals, they may find their overall tax situation significantly improved by taking advantage of this flexibility. It is important that any use of the RCA in severance matters originate with the employer so as to avoid salary deferral issues.

The simplicity of a retirement compensation arrangement in assuring funding for the employee and flexibility for the employer makes it a powerful tool

There has been heightened concern in the marketplace of over-expanded auditing by CRA of RCA structures. This might have more to do with reduced government revenue, which is part and parcel of our economic situation rather than a fundamental problem with RCA use. While there is no denying that some have used RCAs in an arguably aggressive fashion, the basic merit of the structure remains sound. Proper due diligence, drafting of documentation and actuarial certified proof of reasonableness are the first bulwark against any CRA scrutiny. Employers must always be aware of salary deferral rules. As long as the contributions emanate from an exercise in employer discretion rather than employee discretion, however, such fears are overblown.

While the changing tax landscape has seen a diminished use of the RCA by business owners for tax reduction, the reality of the retirement of the baby boom generation coupled with a need for flexibility on the part of employers provides many situations where the RCA plays a key role in compensation structuring. It remains the best means of providing suitable retirement income for key employees while not hamstringing the companies that employ them.

Trevor Parry, MA, LLB, is an executive vice-president with Gordon B. Lang & Associates, an actuarial firm specializing in developing executive compensation strategies using RCAs and IPPs

Technical editor: Garnet Anderson, CA, CFA, vice-president and portfolio manager, Tacita Capital Inc. in Toronto

AMBIT

ART + SCIENCE

Ambit is an executive search firm specializing in finance and accounting professionals. We have a proven track record of providing highly personalized service to Canada's leading companies.

At Ambit, we've perfected the subtle art and science of matching the right person with the right position.

Learn more about us
+ 416.703.5050

AMBIT SEARCH
36 Toronto Street, Suite 1160
Toronto ON M5C 2C5
www.ambitsearch.com



CATHY LOGUE, JOANNE ELEK & SHERIZA PERABTANI



verriez

EXECUTIVE SEARCH CONSULTANTS
WATERHOUSE EXECUTIVE SEARCH PARTNERS

IRSA International Retained Search Associates
Member AESC Association Executive Search Consultants

verriez@verriez.com
www.verriez.com

Acquiring exceptional talent for over 25 years

One London Place,
255 Queens Ave., Suite 1000
London, ON N6A 5R8
Ph: 519-673-3463
Fax: 519-673-4748

36 Toronto St., Suite 850
Toronto, ON M5C 2C5
Ph: 416-847-0036

US TAX SERVICES

For all your US tax needs

- U.S. and Cross-Border Tax Planning
- U.S. Tax return Preparation
- Individuals and Businesses
- Authorized Acceptance Agent for IRS

Laurie Zon, CA, CPA (IL)
1137 Centre Street, Suite 301
Thornhill, Ontario, L4J 3M6

Telephone: 416-490-9898
www.us-taxservices.com

SR&ED Technical Partner for C.A.'s

- SR&ED reports written by Professional Engineers in all key disciplines
- Technical audit support as well as setup of documentation & time tracking systems
- Support for a broad range of additional government grant, loan, and tax credit programs

Jason A. Schwandt
P.Eng, MBA
VP Business Development
905.738.6770 x2010



www.techcentiveservices.com



THE SIMPLE SOFTWARE SOLUTION TO DOCUMENTING SR&ED TAX CREDIT CLAIMS

- Reduce documentation efforts by as much as 75%!
- Create concise project descriptions with cost correlations
- License fees as low as \$1,000 / year
- Full training and support available

RDBASE.NET

SR&ED eligibility overview & demo at www.rdbase.net

1% TRAINING OBLIGATION (QUEBEC)

- Tired of paying all or part of the 1% ?
- Will your back-up survive an audit ?
- Prior years internal verifications
- Pay Equity Compliance



Tel: (514) 484-5160
 Fax: (514) 484-5453
 E-mail: info@liwconsultants.ca
www.liwconsultants.ca



NORTH AMERICA'S LEADER IN PRACTICE SALES

LOOKING FOR
 A CHANGE OF
 SCENERY?

We have qualified buyers waiting! We simplify the process and help you get more for your practice... along with the BEST terms. To learn more, call Brannon Poe, CPA at 1.888.246.0974 or visit us at www.accountingpracticesales.com

PAY EQUITY/L'ÉQUITÉ SALARIALE AUDITS IN PROCESS

The commission de l'équité salariale (CES) is now auditing Quebec enterprises to insure Pay Equity compliance. **Don't wait until you get a CES audit notice!**

LIW Consultants has assisted numerous Quebec corporations implement Pay Equity and our proven methodology has been validated by the CES.

Beginning 2011, all enterprises must file an annual government declaration.



Tel.: (514)484-5160 • Fax: (514)484-5453
 E-mail: info@liwconsultants.ca
www.liwconsultants.ca



The Larkin Group

Executive search

Susan Larkin, CA, MBA

2275 Upper Middle Rd. E., Suite 101 Oakville ON L6H 0C3
 T: 905.491.6806 E: susan@larkinggroup.ca
www.larkinggroup.ca



Visit our website [@camagazine.com](http://camagazine.com)

WEB FEATURES News and **exclusive items** of interest to all accountants

WEB EXTRA **Web-only** articles, also summarized in the print edition

ARCHIVES **Hundreds of articles** published in the magazine since 1994

The essential companion to our print edition

Rod K. Tanaka, C.A.

TANAKA ASSOCIATES

Executive Search Inc.

120 Adelaide Street West, Suite 2500
 Toronto, Canada M5H 1T1
 Tel: (416) 410-8262
 Confidential fax: (416) 777-6720
 E-mal: tanaka@sympatico.ca

FRANÇOYS BRUNET, CA — CONSULTING FIRM

U.S. and International Tax

- Services:
- U.S. and international tax consulting
 - U.S. tax returns (individuals and corporations)
 - International transaction consulting

- Resources:
- Our team is composed of experienced tax advisors
 - Our network is established in over 100 countries

630 RENÉ-LÉVESQUE BLVD. W., • SUITE 2895 • MONTREAL • QUEBEC • H3B 1S6
 TELEPHONE: (514) 938-0663 • FAX: (514) 938-1695

“**GREAT ACCOUNTANTS
AREN'T BORN, THEY'RE...
Hired!**”



accounting
& finance inc.
people that count



PTC is in the business of providing our Clients with Accounting Professionals for **Contracts and Projects**. Send us your RESUME by visiting our website.

Bruce Singer

Bruce Singer, Chartered Accountant
CEO & Visionary

Typical projects include IFRS, Controllers, Assistant Controllers, CFOs, Auditors, Taxation, Treasury, SOX Specialists, Junior to Senior Accountants.

For today's **CONTRACT OPPORTUNITIES**, visit our website at: ptcaccounting.com

TEL 905-660-9550
TOLL FREE 1-877-303-9550

CA|SOURCE

Looking to recruit Chartered Accountants?

Offer positions to over 77,000 CAs
Highly targeted advertising
Immediate matching resume database access

For more information visit
www.casource.com/advertising

CA|SOURCE
The key to a successful search

CA Chartered Accountants
of Canada



CORPORATION

MAXIMUM
EFFICIENT
USE OF
KNOWLEDGE

Visit us at www.meuk.net
or contact David Sabina, C.A.
905-631-5600
dsabina@meuk.net

COMPLETE SR&ED CLAIM PREPARATION SERVICES

*Recover up to 65% of
experimental development costs*

Free Assessments < 15 minutes
Claims often completed < 1 week
Fees typically < 20% of \$ recovered

ATTEND AN UPCOMING
SR&ED WORKSHOP!

Details @ www.meuk.net

ME + U = Knowledge



IWASAN
est. 1988

SR&ED SOLUTIONS

Clients performing R&D?
Need Help?

www.iwasan.com

Call Chris Stevens
1-800-661-4463

Your **Classified**
advertisement will
cost as little as

\$120

For more information
contact:

Darcey Romeo
at 416-204-3257

ACCOUNTING SERVICES

IFRS Implementation – CA/MBA, based in west GTA, with 20+ years of industry experience is available for freelance engagements including IFRS Implementation. If you require an experienced professional to complement your current staff, contact me. Per Diem, short or medium term. See www.proclaimconsultants.com or call Carl at (905) 815-5431.

IFRS and Private Enterprise GAAP CA in the GTA with over 25 years of experience. Available for contract assignments including IFRS, PE GAAP and compliance. We address shortfalls in staff competencies or staff complement. See www.glenidan.ca or call 416-262-6649.

External Monitoring Reports and File Quality Review Specialists. You will need these reports to meet the new CICA standards and for your firms upcoming ICAO Practice Inspections. We operate anywhere within the GTA and all surrounding areas. Call us now at 905-598-2800 and be confident that these important functions have been taken care of for you!

CA sole practitioner looking for challenging and interesting per diem assignments. Big firm trained with extremely clean and well documented files. Work with CaseWare, most tax programs and will fit in with your staff and clients. Please email midtownca@gmail.com for further details.

OFFICE SPACE

Yonge/Lawrence – Toronto CA firm has fully furnished Executive office space for rent (above Lawrence subway station) available immediately. Use of boardrooms, internet, telephone line(s), copier, fax, kitchen and reception. Please call 416-322-7039 ext. 22.

Vaughan – An office in a CA firm is available immediately for an accountant. The office is within a firm of 25 people complete with many resources, a paperless environment

and includes quality assurance staff. Please contact Joan Camilleri by email j.camilleri@fazzaripartners.com

Richmond Hill, ON – Professional individual CA offices available for lease, available immediately, terms negotiable, free parking, board room and other office amenities. For more information, call Gerry Gibbs at 905-771-5017 ext. 102 or email ggbbs@rogers.com

CAREER OPPORTUNITIES

South Georgian Bay, ON – Sole practitioner seeking a CA as a manager/associate/future partner for well established practice. Candidate should possess 5-10 years of experience in public accounting. The area offers a tremendous lifestyle experience and the practice offers growth opportunities, a long-term professional career future and succession for the right candidate. The candidate may or may not have an existing client base. Please reply with your resume to Box 706, CAmagazine or ockc815@hotmail.com

PROFESSIONAL OPPORTUNITIES

Are you ready to sell your practice? Contact Brannon Poe with Accounting Practice Sales for a confidential discussion at: 1-888-246-0974 or via email at bpoe@poegroupadvisors.com. Discover our unique 5-step process which is designed for simplicity and unequalled value. BUYERS – registration with us is simple and free via our website at www.AccountingPracticeSales.com.

AUDITS AND REVIEWS WANTED Growing North York, ON firm needs hours for our CA students. Will acquire individual or blocks of accounts. Email: gary@kurin.ca

Ottawa CA firm is seeking a CA or CGA. The ideal candidate will have a minimum of 2 years recent audit experience in a public accounting firm. For more information visit our

website: www.ggfl.ca. Please send resume to lm1@ggfl.ca.

CA is looking to acquire a practice or block of accounts in north part of GTA with gross billings of up to \$300K. Please respond to practwanted@yahoo.com

Accounting Practices Wanted – We are a growing professional services firm (accounting and taxation, wealth management) looking to add to our existing accounting practice and welcome any opportunities in B.C., Alberta or Ontario. We offer flexible succession options allowing current owners to, at their discretion, remain involved in the practice in an advisory capacity. We also offer a premium for practices that, like us, are run with integrity and share a commitment to providing exceptional client service. Please forward details of your practice to accounting@firstleaside.com.

Poe Group Advisors, an affiliate of Accounting Practice Sales
Current Listings:

Lambton County, ON – \$425,000
Hamilton, ON – \$164,900
Southwest of
Lloydminster, AB – \$645,000
Calgary, AB – \$595,000
Calgary, AB – \$635,000
Edmonton, AB – \$225,000
Northeast Alberta – \$840,000
Calgary, AB – \$175,000
Central Northern, AB – \$145,000
Edmonton, AB – \$635,000
North Okanagan Valley – \$150,000
Southern Interior,
BC – \$717,000 (Gross)
Prince Albert, SK – \$590,000
To view the most up to date listing information, please visit www.PoeGroupAdvisors.com

Accounting and Tax Practice for Sale CGA retiring after 20 years in an established location in Toronto offers succession opportunity. We provide a turnkey operation of diverse block of clients. Excellent opportunity for those keen on expanding their client base. Proprietor willing to participate in a succession arrangement and will remain as a consultant as needed.

Serious enquiries only. Please reply to: accountingcga@yahoo.com.

York Region CA looking to retire in 3 years or so seeks buy in partner or other succession arrangement. Annual billings \$250,000 to \$300,000. Reply DPECA@aol.com

London, Ontario CA Practice – seeks buy in partner or other succession arrangements. Billings \$800k to \$900k. Please reply to Box 604, CAmagazine.

4 Partner GTA Firm – Our established and growing entrepreneurial firm is seeking to purchase a practice or associate with CA's who are interested in flexible succession arrangements. We are a multi-disciplinary full service firm with a particularly robust audit and tax practice enveloped with an excellent firm culture of quality, customer service and fun. Please contact Marcia Niles at 905-678-2740.

TRAINING

Simply Accounting Training – Sage Software approved & recommended one-day training seminars presented across Canada. Each course worth 7.5 Verified C.E.C.'s. For more information, or to register, please visit: www.AlanCohenCGA.com

WEB DESIGN

Website Design – Do you need a website? Is your existing site in need of an upgrade? Do you lack the time to develop and maintain your website? Do you want a professional site at an affordable price? Visit us at accountantswebdesign.ca

Reply to CAmagazine

Box Numbers via:

MAIL: CAmagazine

277 Wellington St. W.

Toronto, ON M5V 3H2

FAX: 416.204.3409

E-MAIL:

advertising.camagazine@cica.ca



Outlook

BY MARCEL CÔTÉ

WHERE ECONOMICS AND POLITICS MEET

Hitting the wall

According to a recent C.D. Howe Institute study, healthcare spending in Canada will rise by 6% annually and should reach 19% of the GDP by 2031. These expenditures will exceed what is spent on food and housing combined, without substantially improving the quality of healthcare. Two factors are believed to be driving this increase: an aging population and technological advancements.

Healthcare costs are seven times higher for an 80-year-old than for someone less than 45. Moreover, healthcare is the only economic sector in which technology leads to a rise in costs instead of a reduction; the opposite is true for every other sector of the economy.

Besides technology, the power of doctors within our healthcare system and pervasive bureaucracy are, in my opinion, even greater problems. In order to confront soaring costs, such system shortcomings must be addressed.

Power of doctors

Doctors are responsible for decisions that weigh heaviest on our healthcare system, yet they are barely affected by the resulting costs. So it's not surprising that even poorer quality services are expensive. What's more, physicians have all the power in relation to their patients, often making decisions influenced by their own biases and their lack of discipline and knowledge. This explains why some hospitals perform twice as many C-sections as elsewhere. Unfortunately in both the US and Canada, the medical profession is fiercely resisting the move to a better-managed healthcare system.

Bureaucratic red tape

Governments are also omnipresent in our healthcare system. They control the sector by setting doctors' compensation and significantly influencing the practice of medicine. This is likely why the use of technology is not lowering costs. Only prescription drugs escape this government stranglehold and the increased use of medica-

tion plays an important role in curbing healthcare costs.

Four reforms

Unless we make a change, not only will our healthcare system cost even more, but service quality won't improve and we will simply hit a wall. The following four reforms could turn things around and ensure productivity gains, comparable to those in other sectors:

- a universal pricing system in hospitals and doctors' offices. The no-payment principle can be maintained, but patients would have to sign a bill, like they do for credit-card purchases. This change, though seemingly trivial, would force the healthcare system to account for services

Four reforms could turn things around and ensure productivity gains in our healthcare system

rendered and their costs, an important step in increasing productivity.

- a parallel private network, paid in part by the universal health insurance plan and by charging patients extra fees. This type of parallel private system, in place in all industrialized countries, would inject more money into the public system and expose it to competition.
- improved remote followup services and homecare for the elderly. Thanks to telecommunications, patient followups can be done remotely. With today's technology, better-quality homecare services can be provided at a lower cost.
- remote followup services for the chronically ill is another major expense. Technology can lower costs and improve the quality of services as it does in the rest of the economy.

Such measures will infuse the system with new life, injecting more money and creativity into healthcare. By fostering competition, these initiatives will reduce the influence of the state and doctors. If we maintain the status quo, we'll end up hitting the wall. It's time for a change.

Marcel Côté is founding partner at SECOR Consulting in Montreal



UNITING THE CANADIAN
ACCOUNTING PROFESSION

UNIFICATION DE LA PROFESSION
COMPTABLE AU CANADA

Talking about the future

A national dialogue is underway that could unite Canada's Chartered Accountants and Certified Management Accountants. Combining our respective strengths under a new designation, Chartered Professional Accountants, may be the most powerful way for our profession to respond to the changing needs of business.

Where do you stand on the challenges facing the profession?

Learn more and engage in this historic conversation.

Share your views at www.CPACanada.ca

Your growing international business needs a global bank that can support it.



Your business will evolve as it grows internationally. With HSBC's on the ground network of 3,700 trade specialists, we have access to local market knowledge in over 60 countries and territories. Our expertise in global payments, trade, receivables, finance and foreign exchange means no one is better placed to open doors internationally for you than HSBC.

And with HSBC's global network it enables both sides of any cross border transaction to be handled by us – making it faster, more reliable and cost effective.

Talk to us. HSBC has been helping build businesses around the globe for 140 years.

Talk to one of our experts today.
[hsbc.ca/trade](https://www.hsbc.ca/trade) or visit your local HSBC branch.

HSBC Business

HSBC 
The world's local bank