

# CA

magazine

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December 2012

www.camagazine.com

Special issue

# WOMEN IN THE PROFESSION

## 90 YEARS AND ACCOUNTING



We've come a long way ... now what? P. 20 Eight career roadblocks —  
and how to avoid them P. 28 Why you need a word from your sponsor P. 34

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**Art director** Bernadette Gillen  
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**Senior editors** Bernadette Kuncevicus  
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**Associate editor** Yvette Trancoso  
**Assistant French editor** Marie-Josée Boucher  
**Editor, Web edition** Margaret Craig-Bourdin  
**Magazine Web producer** Alan Vintar

**Editorial assistant** Harriet Bruser  
**Director of translation** Suzanne Mondoux

**Contributors** Steve Brearton  
 Michael Burns, MBA, CA Marcel Côté  
 John Tabone, MBA

**Technical editors and advisers:**

**Assurance** Yves Nadeau, CA  
**Business valuation** Stephen Cole, CBV, FCA  
**Education** Karim Jamal, PhD, FCA  
**Fraud** David Malamed, CA-IFA, CPA, CFF, CFE, CFI  
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**Studies & standards** Ron Salole, vice-president, Standards  
**Taxation** Jay Hutchison, CA  
**Technology** Yves Godbout, CA-IT, CA-CISA

**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**

Nancy Cheng, FCA, Chair Phillip Gaunce, CA  
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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  
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On the Internet: <http://www.camagazine.com>

Email: [camagazine@cica.ca](mailto:camagazine@cica.ca)

[letters.editor@cica.ca](mailto:letters.editor@cica.ca)

[advertising.camagazine@cica.ca](mailto:advertising.camagazine@cica.ca)

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# Working women

Over the years things have been happening for women in the workforce. But what do the changes hold for the profession?

According to a TD Bank Financial Group special report from a few years ago, since 1980, women have “improved their educational attainment and job experience” and “increasingly infiltrated traditionally male dominated occupations.” The same study points out that more women than men enroll in university — in 2004, 62% of BAs went to women — and are increasingly found in service jobs. This is a good thing, the study reports, because globalization and aging populations will make the service sector important to economic growth — the growth of women in these sectors makes them especially vital to the economy.



The CA profession has not been isolated from these startling and profound changes in the gender composition of the Canadian workforce. In overall CA surveys, female chartered accountants are revealed to be taking a leadership role in the changes seen across the country: today, women comprise about half of new CA entrants, as compared with 23% 30 years ago; from 2009 to 2011, women won the overall highest standing in the UFE; in 2011, females won both the Governor General's gold medal for highest standing in Canada and all the regional gold medals.

What do these changes mean to the profession? Are they being translated into partnerships and changes in the boardroom? Has the glass ceiling shattered? In this special issue dedicated to female CAs, we examine these questions. In our lead feature, “Women at work” (p. 20), writer Rosalind Stefanac discovers that while prospects are better for women today than they were 20 years ago, there are still “ongoing challenges for female CAs hoping to progress through the ranks.” Why is this? Are females still being held back? Is it a lack of role models? This article is a must-read if you wish to understand the forces at play in a changing profession.

The second feature (“Breaking through,” p. 28) examines the roadblocks that women currently encounter. Writer Sandra E. Martin looks at such things as how women neglect to build the types of relationships that enhance progress in the organization as well as the unconscious biases that hinder female progress.

In the third feature, Stefanac returns to tell readers how a sponsor can be the essential but missing piece on the path to success (“Show me the way,” p. 34). She informs readers that an advocate for your merits in the inner circle of upper management may just be that key ingredient that gets you in there.

We also have the usual departments that you expect to see: fraud, taxation, people management, personal financial planning and business valuation. Do not fail to read “Where are they now?” (p. 56) to find out what Sheila Fraser is doing with her time outside the limelight.

PAUL ORENSTEIN

Okey Chigbo, Editor



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With the right backers, the sky is the limit — and that goes for the workplace too. Having a sponsor in the world of accounting can help you secure that top spot in the profession **BY ROSALIND STEFANAC**



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# Mailbox

## A WELCOME CHANGE

Congratulations on the improved format. Usually I leaf through *CAmagazine*, but for the first time I read it in its entirety. It is a much more straightforward and time-efficient read. Keep up the good work.

**John Fitzpatrick, CA (retired)**  
Niagara Falls, Ont.

## A PERFECT PENSION STORM?

Mark Yamada's article "Confronting a perfect pension storm" (Personal financial planning, October) simplifies the civil-service pension issue.

He states the pensioner used as an example has only made contributions of \$50,000, yet receives a pension of \$960,000. Yamada also says this contribution is matched by the employer. If this is the case, then the contributions total \$100,000, not \$50,000. All employer-funded benefits are employee compensation at the time of credit. They are not free.

Additionally, a major consideration of civil-service employment is the deferral of compensation for future benefit. Civil-ser-

vice rewards for employment are job security, pension and often substantially lower immediate rewards of compensation.

The civil service cannot afford to hire professionals at market levels of compensation. If what Yamada is saying were the answer, new CAs would be lining up for civil-service employment. This has not been the case historically. Any CA accept-

ing employment with the civil service will experience substantially lower immediate compensation than that offered by the private sector. The private sector does poach the civil service for staff but this requires large increases in immediate compensation, frequently in excess of 50%. Current recession conditions shouldn't be extrapolated over a 35-year career period.

I agree that there may be an issue here, but let us not distort it.

**D.S. McKay, CA**  
Toronto



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# UPFRONT

News, people, briefs, trends + tips

## A perfect fit

Most people rebel against middle age by taking up a dangerous sport or buying an impractical car — something impulsive and often ill-advised. But there's nothing haphazard about 43-year-old CA Debbie Donelle's self-described "midlife crisis business" — a Montreal lingerie shop catering to large-busted women.

Inspired by a "life-changing" professional bra fitting she had in Europe in 2009, Donelle wanted to give other women the same physical and psychological boost she'd found. "Wearing the right bra changed my figure, my confidence and my body," she says. "When I came back to Montreal, all my friends thought I'd lost weight." And while Montreal has a lingerie store on practically every corner ("It's like the Second Cup," she quips), "they all cater to the same-sized women."

With the due diligence one might expect from an accountant, Donelle spent the next few years transforming herself into an entrepreneur, starting with a course on launching a business. The first invaluable tip she received: get business cards right away because everyone you talk to will want one, from suppliers to potential customers to landlords. The second tip: don't sign a lease prematurely. "If you're not ready to get things going, time will pass and you still have to be paying that rent," she says. Donelle lined up a designer and contractor ahead of time and, as a result, was able to get her retail space in shape in just two months.

### Résumé

- 1991** joins Ernst & Young, Montreal
- 1993** obtains CA designation (Que.)
- 1998** becomes a school business administrator
- 2008** takes one-year sabbatical in France
- 2012** opens Lingerie DEBra



**Image booster:** after identifying an underserved market in lingerie, Montreal CA Debbie Donelle opened her own boutique that helps women find the right size and get the support they need

In the meantime, she conducted private bra-fitting parties to build her customer base and generate income.

Less than a year after the store's opening, Lingerie DEBra is not only turning a profit, it's so busy that even with three staff, clients need to book ahead for fittings. Donelle works 60 hours a week and is loving every minute of it. "Most women leave [the store] wearing the bras we fit them for because they feel so good," she says. "As an accountant, you're very much in the background. So to actually see the impact I can make on a woman's life is really important."

Sandra E. Martin

CHRISTIAN FLEURY/ KLIXX



# #NUMBERS Game

**First ladies** In July, a Swiss study reported that companies with female board members outperform those with all-male boards during testing economic periods. A history of women in Canadian business:

**2** Number of Canadian women accredited as CAs in 1922 — the first female members of the profession. Quebec's accounting profession accepts women into the fold in 1930.

**2** Occasions on which Quebec businesswoman Jeannine Guillevin Wood received “man of the month” awards for her entrepreneurial acumen. In 1990, she became the first woman appointed to the policy committee of the prestigious Business Council on National Issues.

**3** Women in the Canadian Business Hall of Fame. Muriel Richardson, the Winnipegger who headed Richardson Securities for 27 years, was inducted into the hall in 1981 as the first woman.

**42** Age of Karen Maidment in the year 2000 when the Bank of Montreal hired her as chief financial officer. Maidment was the



first woman CFO among Canada's biggest banks.

**138** Years after the Toronto Stock Exchange's founding that members appoint its first female president. In 1999, Barbara Stymiest is named president and CEO of the TSE.

**1972** Year that Katherine Graham of The Washington Post Co. becomes the first female CEO of a Fortune 500 company. By 1985, Graham remains the only woman in that elite group.

**1988** Year Carol Loughrey becomes head of the Office of the Comptroller of New Brunswick — the first woman comptroller of a provincial government. In 1994, CICA appoints Loughrey as its first female chair.

**2001** Year Sheila Fraser becomes the first woman auditor general of Canada. The office was established in 1878. Steve Brearton



## Working File: DEALING WITH A HOMOPHOBIC COLLEAGUE

### THE SCENARIO

During her first job as a CA in 1987, Louise Belliveau worked for a partner in the human resources department at a large accounting firm in New Brunswick. At the time, she hadn't told her colleagues she was gay. Belliveau was assisting her manager with summer job interviews, and after a meeting with a great prospect, her boss told her the candidate and interview was a disaster. "When I asked why, he told me he could 'never work with a guy like that,'" she says. "My mouth dropped; I was stunned." Belliveau couldn't leave the situation alone. "I found an information pamphlet — I was on the board of a gay organization in the area — and dropped it on his desk."

### HOW IT PLAYED OUT

"He didn't acknowledge the pamphlet, and the subject wasn't brought up again," Belliveau says. "In today's world, I'm out of the closet so it would be quite different; he probably would not admit his prejudices to me."

### THE EXPERT WEIGHS IN

"It was a thoughtful, proactive approach," says Astra Groskaufmanis, a human resources director in Ottawa. "By leaving the leaflet on her manager's desk, she sent a clear message that she did not appreciate his comments, while leaving both his and her privacy and dignity intact."

Discrimination complaints are serious business and most jurisdictions are legally required to have a complaint procedure in place. While workers may want to go straight to HR, a face-to-face with the alleged harasser could put an end to the unwanted comments and behaviour, says Groskaufmanis. "I'm pretty sure if this individual realized the financial and legal risks in which he placed his organization and himself, he would have considered keeping his comments to himself," she says.

Lisa van de Geyn



Have you faced a tricky work situation? Tell us about it at: [tamar.satov@cica.ca](mailto:tamar.satov@cica.ca) Names can be changed for anonymity

By Tamar Satov

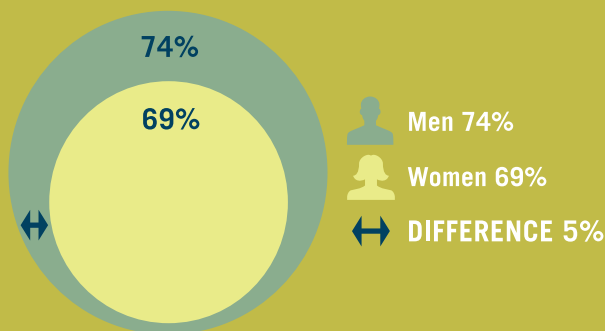


## STOP SIGNS

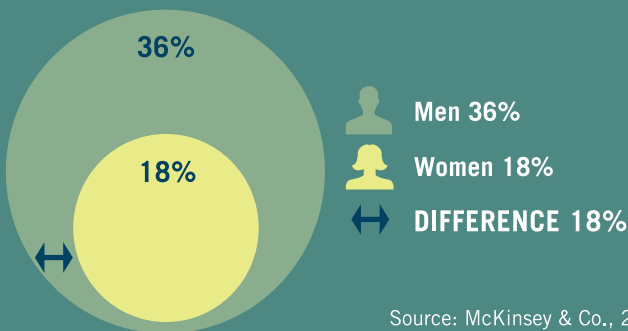
There is broad agreement today that gender diversity in the workplace is a “business imperative,” but despite the resolve of top executives to address the gender imbalance companies still fall short. One reason, according to a 2012 McKinsey & Co. report, is many women remain reluctant to take top corporate jobs.

by Steve Brearton

### Employees wanting to advance to next level



### Employees aspiring to reach the C-suite



Source: McKinsey & Co., 2012

## Move them up or they'll move on

Companies aren't doing enough to keep their staff from jumping ship, two separate Canadian studies indicate.

While career progression is the top staff-retention challenge for more than half (59%) of employers in the accounting and finance sector, 72% of these companies don't offer a career progression policy or plan, finds a survey for recruitment firm Hays Canada. Even more damning is a poll from staffing firm Kelly Services, in which just 24% of about 7,000 Canadian workers surveyed think they'll have a chance to progress with their employer in the next year, and nearly half (47%) say moving on to a different company is key to their career development.

“Employers need to consider ways to improve their development and engagement programs so that employees think twice before switching employers,” says Kristin Supancich, Kelly's vice-president and general manager of Canadian operations.

### THE DAILY GRIND

Women are more likely than men to get a boost from coffee, finds a study by CareerBuilder and Dunkin' Donuts. Nearly half (47%) of female workers say they're less productive without a cup of joe, compared with 40% of male workers. Most (63%) coffee drinkers polled have two or more cups each workday; 28% drink three or more.

### WHERE TO GROW

Canada placed 18th in Grant Thornton's global ranking of the best countries for growing businesses. The list of 50 countries was compiled from interviews with more than 400 senior executives from a broad range of countries and industries. The top five countries are Singapore, Finland, Sweden, Israel and Austria.

### DREAM DESTINATIONS

Canadian tourists like to go both near and far, according to a poll by RBC Travel Rewards. The top-ranked tourist landmark among Canadian reward-card holders was Egypt's Great Pyramids (18%), followed by Machu Picchu (11%), Disney World (10%), the Canadian Rockies (9%) and the Great Wall of China (9%).

BAIBA BLACK/ SETH



## PERSONAL ACCOUNTS

### The best wine pairing I ever had

Beatta Tolley, CA, co-owner,  
Moon Curser Vineyards, Osoyoos, BC

“Several years ago we were having dinner at my father-in-law’s house and a friend of his was visiting from England. Pairing port and Stilton, which is a type of blue cheese of course, is a popular combination in the UK because of their strong ties to Portugal, where

port was originally made. So the friend brought that over as a gift and, up until that point, I’d never really tasted the two together. I remember being completely blown away at how one enhanced the other.

Port is a little sweet and Stilton has a tangy, sharp taste and the two just work together beautifully. It’s sort of like the yin yang, where you get the two flavours that seem to be opposites. It was one of those moments where you say, ‘I had no idea it could be this good.’ It’s not a surprising pairing in any way. It’s a very traditional one that has been around for years. But for me it was the first time that I clued in to what food and wine can do together.” As told to Deena Waisberg

## QUOTABLE

### Mad men, smart women

“The best part of the show [*Mad Men*] is how it portrays women — making coffee, serving drinks. Yet it is clear the women are often smarter and better than the men at ... managing the business. It reminds me of a famous quote: ‘Ginger Rogers did everything Fred Astaire did, but ... backwards and in high heels’”

Anne Golden, president and CEO of The Conference Board of Canada, during a May speech discussing women’s lack of progress in business leadership

## 45 YEARS AGO THIS MONTH

Compiled by Steve Brearton

From the November 1967 edition of *CAmagazine*

### You hired her because she could type 60 wpm. Why are you limiting her to 12?

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Text from an IBM advertisement



### The image needs polishing

“The CA is stuck with that hoary image of a man whose imagination is buried in caution and conservatism ... and who believes nothing unless it checks and crosscasts. Is the trouble, perhaps, that we ourselves are still looking at yesterday’s image? If we are, then we cannot hope to convince others that the CA in public practice is ... engaged in a profession second to none in present opportunity and future promise.”

Reproduced from *The South African Chartered Accountant*, Oct. 1966





# Must Haves

by Alan Vintar

## BeoPlay A9

**Bang & Olufsen's newest addition** to its line of wireless sound systems, the BeoPlay A9, is a beautiful example of Scandinavian design and minimalism. Designer Øivind Slaatto has created stereo speakers from a shallow disk standing on three slim legs. No buttons, no dials, no displays — nothing. To control volume, simply run your hand along the top edge of the unit.

Streaming music is easy. The A9 connects wirelessly to all your playback devices — cellphone, tablet, computer and MP3 player. If you feel the need to plug in, there are also mini-jack, USB and Ethernet ports hidden away in the back.

Five digital amplifiers (160-watt bass, 2- x 80-watt midrange, 2- x 80-watt treble) drive an eight-inch woofer, two three-inch midrange and two three-quarter-inch tweeters to produce a rich spectrum of tones that shine. How good does it sound? The first time I heard the A9 I walked into the room and actually looked around to see who was playing acoustic guitar.

Cover comes in white. Extra covers available in silver, green, red, black and brown.

**Retail price:** \$2,999 [www.beoplay.com](http://www.beoplay.com)



## Going Concern



**JANICE BAKER, CA, CITY MANAGER AND CHIEF ADMINISTRATIVE OFFICER, CITY OF MISSISSAUGA**

**COMPANY PROFILE:** Established in 1974, the municipal administration of the City of Mississauga (CofM) in Ontario employs 3,600 full-time staff and 1,400 seasonal workers. With an annual operating budget of more than \$600 million, CofM stimulates local economic development and supports residents through the operation and maintenance of roads, transit, emergency services and recreation facilities. As the country's sixth-largest city, Mississauga is home to 740,000 residents and accommodates more than 20,000 new residents a year. It houses Pearson International Airport and 55,000 businesses, including dozens of Fortune 500 head offices.

**HOT FACTOR:** This year CofM was named one of the country's best employers for recent immigrants by the editors of *Canada's Top 100 Employers* and its communications department got top honours from the

International Association of Business Communicators. The city is also garnering kudos for its architecture and public spaces: the Absolute Towers — known as the Marilyn Monroe towers for their curvaceous design — were named this year's Best Tall Buildings in the Americas by the international Council on Tall Buildings and Urban Habitat and, in 2011, *Spacing Magazine* cited the waterfront in Port Credit as the No. 1 public space in the Greater Toronto Area.

**COOL PROJECTS:** CofM is working with the province to redevelop 200 acres of waterfront land near the former Lakeview Power Plant. In addition, the first phase of a new rapid transit bus line providing a dedicated east-west route across the city is expected to open next year.

**IN HER OWN WORDS:** "Mississauga is no longer just a suburb. It's becoming an urban centre in its own right — a global city. We want to ensure it develops in a way that reflects the vision of the people who live here. Our role is to reflect their hopes and dreams in the decisions we make every day." Rosalind Stefanac

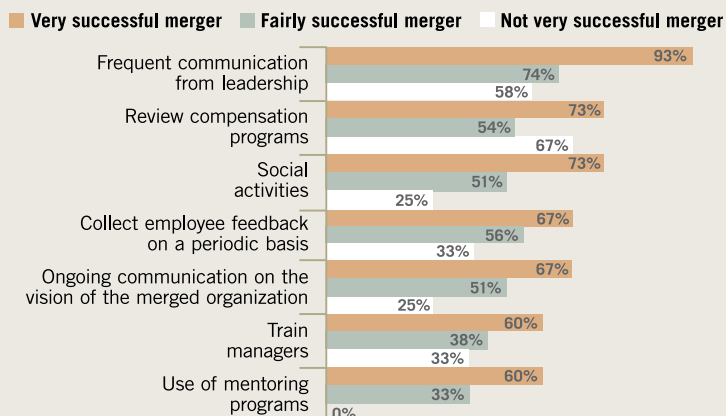
## PEOPLE MANAGEMENT IMPROVES MERGERS

Merging companies would be wise to improve employee engagement and productivity, as such actions can have a huge impact on a merger's success, finds new research from the Canadian Financial Executives Research Foundation.

According to a survey of executives whose companies merged in the past five years, only 19% reported that the merger was very successful overall. Half said the merger was fairly successful and 16% said it was not very or not at all successful. (The remaining 15% weren't sure or thought it was too early to tell.) Respondents were most likely to define success as growing revenue, achieving synergies and growing profit margin.

The companies reporting very successful mergers were more likely to take several actions during the integration period related to managing their human capital, most notably in the areas of employee engagement and productivity. For example, successfully merging companies were supported by frequent communications from leadership (93%) compared with 58% for unsuccessful ones. Successful mergers were also accompanied by ongoing communications on the vision of the merged organization (67%), while just 25% of companies whose merger was

### Ways to improve employee engagement and productivity following a merger



Source: Canadian Financial Executives Research Foundation, 2012

unsuccessful provided such communications. Other practices that distinguished successful mergers included collecting employee feedback on a periodic basis, providing training to managers and using mentoring programs.

While there are many factors that go into successfully bringing companies together, the study highlights that managing human capital is a critical one that should not be overlooked.

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

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## Progress toward unification continues

**P**rogress toward unification of Canada's accounting profession increased significantly over the past few months, with events at both national and provincial levels giving greater definition to the future of the profession in Canada.

### Launch of CPA Canada

A critical step forward is the announcement of the official launch of CPA Canada by CICA and CMA Canada, planned for January 1, 2013. The new national organization will support provincial bodies that have unified and those that will unify under the CPA banner. CICA and CMA Canada will remain in place until such time as all national operations are transferred to CPA Canada and all provincial organizations have completed the necessary process to unify under the CPA banner. While the integration of the national operations is expected by January 2014, the transition to the CPA organization by the provinces could take several years.

### CPA competency map

A second critical step forward is the release of the new Chartered Professional Accountant Competency Map. The CPA competency map details the education requirements for the CPA designation. It has been approved by all provincial bodies participating in unification of the accounting profession as the foundation for the new CPA qualification program. To help educators interpret the competency map and to ensure their programs meet the entrance requirements for the new CPA certification program, the CPA Competency Map Knowledge Supplement has been provided to academics across Canada.

### CPA certification program

The CPA certification program is also moving forward. A specialized group of leading accounting educators is now being assembled to develop the new CPA professional education program. Under the direction of the CPA Certification Steering Committee, John Gunn, MEd, FCA, has been engaged to assemble this group of experts and to lead the project. The CPA certification program will be launched in Western Canada in September 2013 and across Canada in September 2014.

To help current CA, CMA and CGA candidates and post-secondary students in merging jurisdictions obtain infor-

mation about how the transition to the CPA certification program will affect them, an interactive online tool has been added to the CPA One website. This tool provides details of how the legacy programs will transition to the CPA certification program in each province.

### Provincial progress

Critical changes are also occurring at the provincial level. The Institute of Chartered Accountants of Ontario (ICAO) began issuing CPA certificates to its members, effective November 1, 2012, bringing the total number of chartered professional accountants in Canada to more than 70,000, or just over 40% of the Canadian accounting profession.

ICAO also reaffirmed its decision to join CPA Canada when it is formed. The council's decision to issue the CPA designation is intended to protect the use of the CA and CPA designations in Ontario and to enable it to participate fully in the CPA initiative.

Here is a summary of other recent provincial unification activities, moving west to east:

### British Columbia

*ICABC and CMA BC sign agreement to pursue merger and establish CPABC*

The board of the Certified Management Accountants Society of British Columbia (CMA BC) and the council of the Institute of Chartered Accountants of British Columbia (ICABC) have voted unanimously in favour of unifying the two organizations and have signed an agreement to pursue a merger. Accordingly, the two organizations will work together to become the Chartered Professional Accountants of BC (CPABC). Together, ICABC and CMA BC will petition the provincial government to update legislation and legally merge the two organizations.

### Alberta

*CMA and CGA Alberta boards vote to unify*

The governing boards of the Certified Management Accountants of Alberta (CMA Alberta) and Certified General Accountants of Alberta (CGA Alberta) formally voted to move forward with unification of the two organizations as part of the national CPA unification framework. The vote follows the results of the June 2012 member vote, where 75% of members of both organizations indicated their approval



of unification. The unified organization will approach the provincial government to request amendments to the Regulated Accounting Profession Act, the governing legislation for the accounting profession in Alberta. Amendments to this act must take place to create the CPA designation in Alberta. The Institute of Chartered Accountants of Alberta is not part of this agreement.

### Saskatchewan

#### *Saskatchewan CAs and CMAs vote on merger proposal*

The leadership of Saskatchewan's CAs and CMAs released their provincial merger proposal, outlining key elements of a merger of the two accounting bodies and the creation of the CPA designation. Members of the two bodies participated in a vote designed to obtain a clear indication of their views regarding a merger between the Institute of Chartered Accountants of Saskatchewan (ICAS) and CMA Saskatchewan as well as the adoption of the CPA designation.

Vote results indicate Saskatchewan CAs and CMAs are in favour of unification. Within ICAS, 1,285 members voted, rep-

resenting 62.4% of the entire membership. Of those who voted, 64.9% supported the merger. Within CMA Saskatchewan, more than 48% of the membership voted. Of those who participated, 94% voted in support of the merger.

### Manitoba

#### *Manitoba CA and CMA bodies will move to CPA certification program next year*

The CA and CMA Manitoba boards have committed to move forward with the new CPA certification program once it is available in September 2013. Both bodies have thoroughly evaluated the program elements and agree it will best meet the needs of all stakeholders.

### Nova Scotia, Bermuda and the Caribbean

#### *Electronic vote results indicate Nova Scotia CAs and CMAs favour unification*

Members of the Institute of Chartered Accountants of Nova Scotia (ICANS) and of CMA Nova Scotia, Bermuda and the Caribbean

## CICA nominees receive Queen Elizabeth II Diamond Jubilee medals

**TO CELEBRATE THE DIAMOND JUBILEE** of Queen Elizabeth II, the Governor General of Canada created special Diamond Jubilee medals as a tangible and lasting way to pay tribute to 60,000 Canadians whose achievements have benefited their fellow citizens, their community, their organizations and the country. The CICA was given the opportunity to nominate persons who have made a significant contribution to the profession to receive the medal.

All of the provincial institutes/ordre, the board and the CICA management committee were invited to submit nominations in three categories: senior CAs; early-to-mid-career CAs and non-CAs.

"It was a great honour to be part of the nominations process and to learn firsthand about the outstanding contributions of each of these nominees," said CICA chair Shelley Brown, FCA, who headed up a working group that called for nominations and selected names to be submitted to the Chancellery Office of the Governor General. "The calibre of these individuals is truly impressive and a tremendous credit to our profession."



**Barbara Stymiest (left), one of CICA's nominees for the Diamond Jubilee Medal, accepts her award from Shelley Brown, CICA chair, and Rod Barr, ICAO's president and CEO**

Most of the CICA medals have now been presented in national and provincial ceremonies and the remaining ones will be presented by the end of the Diamond Jubilee year, Feb. 28, 2013.

The names and citations of the recipients nominated by the CICA as well as more information about the Diamond Jubilee Medal and its significance are available at [www.cica.ca/Jubilee Medal](http://www.cica.ca/Jubilee%20Medal).

# News from the profession

A SUMMARY OF CURRENT CICA PROJECTS AND INITIATIVES

were invited to vote on the merger proposal issued in July by CMA Nova Scotia and ICANS. Within the membership of CMA Nova Scotia, Bermuda and the Caribbean, 760 members took part, representing 54% of their membership. Of those members who participated, 93% voted in support of the merger between ICANS and CMA Nova Scotia. The strong support for unification among CMAs in Nova Scotia, Bermuda and the Caribbean provides their board with a mandate to proceed.

Within the ICANS membership, 1,127 members cast electronic ballots, representing 56.3% of the membership. Of those who voted, 59.6% voted in support and 5.1% chose “elected Council to decide” on the question of merging with CMA Nova Scotia. The final ICANS member vote results will include paper ballots for those members not participating electronically.

To follow the latest developments in the unification talks, visit [www.CPACanada.ca](http://www.CPACanada.ca).

## Develop your career with CICA’s new online resource for CAs in industry

**M**embers in industry now have access to a one-stop hub of resources, including publications, webinars, online content and other tools to support their organizations and advance their careers. Launched last month at CICA’s Business and Industry Conference, the new Members in Industry Online Resource Centre can be found at [www.cica.ca/industry](http://www.cica.ca/industry).

“CAs who work in industry are a very diverse group,” says Carol Raven, CA, CICA principal and national practice area leader for finance and management. “We know their individual needs depend a lot on the size of their company, industry sector and job position. But, the truth is, they also have many needs in common. This online resource centre addresses those important core technical needs and provides resources on the skills and big picture know-how to help our members develop their careers no matter what role they might take on.”

Based on what CAs working in industry said they need to achieve success in today’s ever-changing and demanding business environment, the tool represents an important step forward in CICA’s ability to meet the needs of almost half its 82,000-strong membership.

Created in conjunction with provincial and territorial institutes/ordre, the tool supports CAs at various stages of their careers. Phase one consists of must-have resources in five areas:

- enterprise-wide activities, such as business and economic trends; purchase, sale and valuation of business; risk management; strategic planning and execution; and succession planning
- finance activities, including cash-flow management; budgeting; capital markets; financial reporting and analysis;

financing; internal audit and controls; and taxation

- operational activities, covering business processes; legal; performance management and measurement; and regulatory compliance
- managing myself, with topics including career planning; communication; decision-making skills; leadership and team-building skills; and
- managing others, which includes compensation; employee development and retention; leading and managing teams; and managing difficult interactions.

There is also a link to the professional development web pages for every province and territory. Phases two through four of the centre will roll out additional resources for each topic under the five activity areas. Phase two is scheduled for release in fall 2013 with a full rollout of more than 50 topic areas by the end of 2014.

“Beyond the online resource centre, the CICA is working on research and other materials to help CAs in industry or CAs transitioning from public practice to achieve their aspirations of holding senior financial and management leadership positions such as chief financial officer, senior operations or strategic executive, and chief executive officer,” says Raven. “For example, the finance and management section of the CICA website currently offers the publication *Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success*, along with profiles of CAs at different stages in their careers to showcase the diverse career opportunities for professionals available at organizations across Canada.”

To find out more, visit Members in Industry Online Resource Centre at [cica.ca/industry](http://cica.ca/industry).

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# Corporate Reporting Awards celebrate best practices in corporate reporting since 1951

Late in November, the 61st Corporate Reporting Awards gala took place in Toronto. The Canadian Institute of Chartered Accountants (CICA) has held this prestigious event every year since 1951, reflecting the profession's ongoing commitment to enhancing the quality of corporate reporting in Canada.

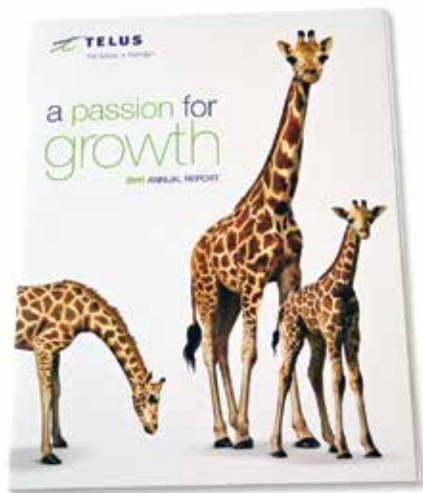
Recent market volatility has increased the importance of clearly demonstrating value to investors who need more reassurance than ever that the information they receive from the companies they invest in is clear, accurate and easily understood. CICA's Corporate Reporting Awards program continues to encourage participants to look for new ways to strengthen their relationships with stakeholders. Criteria are updated and enhanced each year to reflect the increasing scrutiny in the marketplace. These criteria drive the development of best practices in all areas of corporate reporting — financial reporting, corporate governance disclosure, sustainable development reporting and electronic disclosure.

Entries submitted by 92 TSX issuers and Crown corporations competing this year were carefully reviewed by a panel of more than 70 volunteer judges consisting of CAs, financial analysts, investor relations practitioners and experts in electronic disclosure, sustainable development and corporate governance.

In all, 22 awards were handed out to 18 of the competing organizations, with TELUS once again capturing the Overall Award of Excellence in Corporate Reporting.

Each year, after the award winners are announced, entrants are provided with valuable feedback from the judges intended to foster continuous improvement in all areas of corporate reporting and to help make strong reporting efforts even better.

For more information about CICA's Corporate Reporting Awards, visit [www.cica.ca/cra](http://www.cica.ca/cra).



## 2012 Corporate Reporting Award winners

Communications & Media	TELUS
Life Sciences/Technology	Newalta Corp.
Oil & Gas	Nexen Inc.
Diversified Industries	SNC-Lavalin Inc.
Financial Services	BMO Financial Group
Mining	PotashCorp
Utilities & Pipelines/Real Estate	Enbridge Inc.
Consumer Products	Canadian Tire Corp. Ltd.
Industrials & Energy	Enerflex Ltd.
Small Cap/Venture	Pure Technologies Ltd.
Excellence for Financial Reporting	PotashCorp
Honourable Mention for Financial Reporting	Bombardier Inc.
Excellence in Electronic Disclosure	Talisman Energy
Honourable Mention in Electronic Disclosure	Agnico-Eagle Mines Ltd.
Excellence in Sustainable Development	Suncor Energy
Honourable Mention in Sustainable Development	TELUS
Excellence in Corporate Governance	Royal Bank of Canada
Honourable Mention in Corporate Governance	TELUS
Overall Award of Excellence	TELUS
Federal Crown Corporations — Large	Export Development Canada
Federal Crown Corporations — Small	Royal Canadian Mint
Provincial Crown Corporations	Saskatchewan Transportation Co.

**RECENTLY ISSUED PRONOUNCEMENTS**

<b>CICA Handbook – Accounting</b>	<b>Date issued†</b>
<b>Part I</b>	
Amendment Regarding the IFRS Changeover Date for Rate-regulated Enterprises	October 2012
<b>Part II</b>	
2012 Annual Improvements	October 2012

**RECENTLY ISSUED DOCUMENTS FOR COMMENT (to November 30, 2012)**

<b>Accounting</b>	<b>Comment deadline</b>
EDI Annual Improvements to IFRSs 2011—2013 Cycle	March 18, 2013
EDI Equity Method of Accounting: Accounting for Other Net Asset Changes (IAS 28)	February 25, 2013
EDI Financial Instruments: Classification and Measurement (IFRS 9)	March 28, 2013
EDI Revenue-based Methods of Depreciation and Amortization (IAS 26 and 38)	March 18, 2013
ITC Post-implementation Review of IFRS 8 Operating Segments	November 16, 2012
<b>Auditing and Assurance</b>	
EDI Responsibilities Relating to Other Information	February 8, 2012
<b>Public Sector</b>	
CP Measuring Financial Performance in Public Sector Financial Statements	January 31, 2013
ED Related Party Transactions	November 21, 2012
ED Use of Appropriations	November 28, 2012

**WATCH FOR**

<b>New or amended Standards</b>	Amendments to IFRS 9 Regarding Hedge Accounting Amendments to IFRS 10 Regarding Investment Entities Section 7150, Auditor’s Consent to the Use of a Report of the Auditor Included in an Offering Document
<b>AcSB Exposure Drafts</b>	Amendments to IFRS 9 Regarding Impairment Amendments to IFRS 10 and IAS 28 Regarding Sales or Contributions of Assets Amendments to IFRS 11 Regarding Acquisition of an Interest in a Joint Operation
<b>PSAB Exposure Draft</b>	Amendments to Introduction

Legend

CP – Task Force Consultation Paper  
ED – Exposure Draft  
ITC – Invitation to Comment

DII – IASB Draft Interpretation  
EDI – ED based on IFRS/ISA

† 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.*

# Women AT WORK

**Female CAs** have come a long, long way since their beginnings in the profession. How do they see the road ahead?

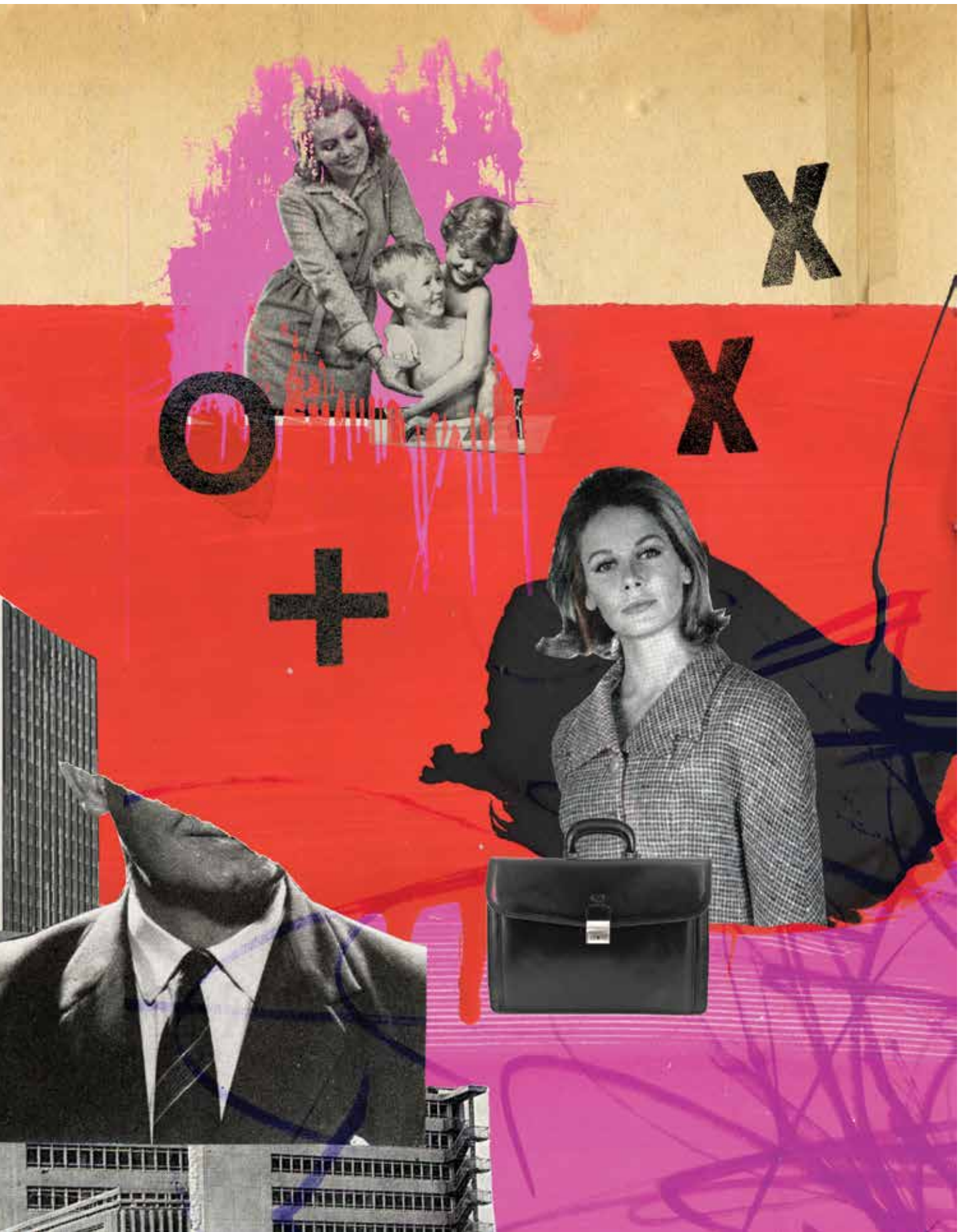
By Rosalind Stefanac

**By all accounts, Janice Rennie is a pretty inspiring woman.** Based in Edmonton, this FCA and mother of two sits on six boards, is a former owner of two businesses, has held numerous senior management positions and stays active in several charities. This year, she was elected a Fellow of the Institute of Corporate Directors, having already earned her fellowship from the Institute of Chartered Accountants of Alberta in 1998.

But Rennie will be the first to say the path to success has included its share of trials. During her early days as a CA in the 1980s, she recalls a client who didn't want to work with her because she was a

illustration by MICHELLE THOMPSON







# Trends in the CICA survey hint at ongoing challenges for female CAs hoping to progress through the ranks

woman. “I was well regarded in the firm, but the client didn’t see how a woman could bring any value to the business,” she says. Her firm backed her up, but the experience set the precedent for how Rennie would approach her career going forward: “To be equal, I knew I had to be better than the guys.”

Rennie’s hard work paid off and in 1990, at the age of 33, she was asked to join her first board at NOVA Chemicals (then called Nova Corp. of Alberta). Not only was she the only female on the board; she was the youngest member by at least 20 years. “I knew I was plunging into an area where men traditionally walk,” she says.

Today, women make up a third of all members of the profession. About half of new entrants are female, compared with 23% when Rennie graduated in 1981 and a paltry 2% in 1970. From 2009 to 2011, women secured the overall highest standing in Canada on the Uniform Final Evaluation and last year, they garnered all the regional gold medals as well. (At the time of writing, the 2012 results had yet to be released.) Many of the major CA firms across the country have recognized the potential of their female employees by implementing initiatives geared specifically to helping women succeed in leadership roles.

At the Canadian Institute of Chartered Accountants (CICA), a Women’s Leadership Council has been in place since 2008 and this year and next, it is offering a range of tools, resources and events geared to nurturing future female leaders in the profession.

The latest research conducted by the CICA through its national compensation survey also includes a wealth of new information on the status of women CAs. Prospects have improved dramatically since Rennie started out — no question. Naturally, when you add more decades to the perspective, the progress looks even

more striking (see “A short history,” below). Today, there are more or less equal numbers of women and men in the profession, at least for the first 10 years of their careers. Overall, women and men are equally likely to work in professional services (43% for women versus 41% for men), but there are fewer women in industry and more in the public sector, education and not-for-profit sectors. Other membership statistics show women are well represented in various specialties such as chartered business valuator, certified internal auditor and investigative and forensic accounting. And in the 35 to 44 age group, the genders are right on par when it comes to management positions, with 27% of females and 26% of males holding titles such as controller, director, assistant vice-president and senior director.

That said, trends in the survey hint at ongoing challenges for female CAs hoping to progress through the ranks. For example, the CICA data show that males in public practice are more than three times more likely than women to be partners or sole practitioners (44% versus 14%). And even though almost a third of women in the 55 to 64 age group hold senior positions such as president, vice-president, senior vice-president and CFO, the average for all age groups looks less rosy at 13%, compared with 31% for men. The difference is most apparent for CFOs, with 14% of men in those roles compared with only 6% of women (see [www.camagazine.com/women2012](http://www.camagazine.com/women2012) for chart).

Paul Long, CICA’s manager, marketing and market research, says that while there is a difference in the percentages, it is a positive sign that women are more likely to be in senior positions as they progress in their careers.

Taking a snapshot at this point, however, it’s still clear that

## A short history

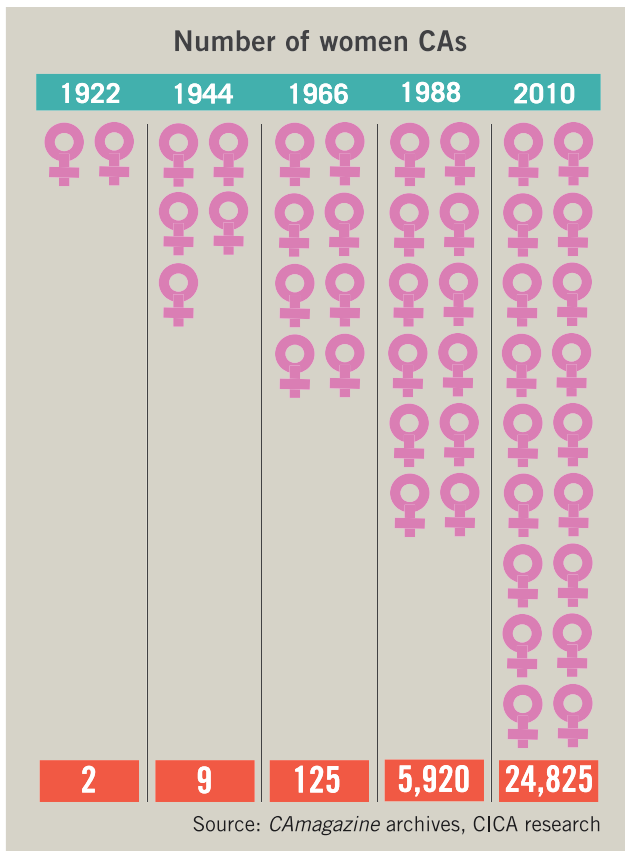
To gain a true perspective on how far women have come in the profession, it’s enlightening to look back — way back — to 1922, when Mercy Ellen Crehan and Florence Eulalie Herkins became the first women to be admitted to membership. It seems the welcome was not exactly glorious: in the June 1966 issue of *CAMagazine* (then called *The Canadian Chartered Accountant*), FCA and former federal MP Ellen Fairclough wrote that one of the women “found it necessary to ‘defect’ to the United States to earn a living in her chosen profession.”

Over the next decades, the number of women in the profession grew ever so slowly. As Steve Brearton wrote in “A century of *CAMagazine*” (June/July 2011), “Even the opportunities afforded women during the Second World War to demonstrate their obvious competence barely opened doors.” By 1966, there were still only 125 women members — a situation that Fairclough bemoaned. “[The number] leaves much to be

desired, particularly when there is such a demand, even an urgent need, to fill the vacancies which appear to be increasing in number in the profession. The question arises whether the profession is to be deprived of the services of qualified people because of age-old prejudices and inhibitions.”

By the mid-1970s, things were slowly starting to move. In 1976, Pamela Jermy became the first woman to garner top marks on the Uniform Final Examination. And in 1979, women took all three top spots on the UFE honour role. In a January 1980 *CAMagazine* editorial, Nelson Luscombe wrote, “There’s every indication that [women’s] presence will continue to increase, both in numbers and significance.” He cited an article in the same issue predicting that females would begin to be appointed to partnership in the early 1980s and that by the end of the first decade of the next century, the proportion “should reach 30%.”

As we now know, that last prediction did not come true. Is it time to make another? **Margaret Craig-Bourdin**



women in the CA profession, as in other professions and industries, have a way to go before they are equally represented in leadership roles. The balance is likely to shift with time, as even more women become CAs and gain experience. But in the interval, some think change is not coming as quickly as it could.

Karen Wensley, a retired partner from Ernst & Young who is now an adjunct professor at the University of Waterloo, is among those who would like to see progress happening at a faster pace. When Wensley became a partner with Ernst & Young in 1988, she says she and her small network of female colleagues thought it was just a matter of time before more women would move into

leadership roles. But in her view, reality hasn't caught up: "Maybe the goal isn't 50%, but it has to be more than it is today," she says.

Wensley cites the lack of adequate role models for women who want families or have other priorities outside of work as a contributing factor to the gender disparity. Among female partners, there is a higher percentage who have no children than is the case for males. Meanwhile, firms haven't worked out the flexible arrangements needed for balancing work and family — especially for mothers. As a result, "you often get female senior managers in firms who say they can't imagine doing what it takes to become a partner." For some women in the younger generation of CAs, the lack of role models does not seem to be an issue. For example, Brenna Dickison, a 28-year-old manager in audit at KPMG in Toronto, says her workplace is filled with female leaders. "I see [female] partners here with two or three kids who are still actively involved in their children's activities — they make it work," she says. "I don't have a family at this point but I can't see that holding someone back. I consider myself ambitious and I definitely see myself at a senior level within the next six to seven years."

Her colleague Kathleen Buzek, also 28 and a manager, echoes these sentiments. "The way I see it, I can go forward and achieve the same things as a man," she says. "I see a lot of possibility ahead of me if I put in the effort."

These attitudes are encouraging. And the statistics show that both genders are more or less on equal footing in terms of numbers and positions when they start out. But overall, the balance does seem to change after about 10 to 15 years — at the 35 to 44 year mark. This is just when women would be moving toward more senior levels. It is also the period that, for some, corresponds to the key child-raising years.

One difference has to do with the numbers of men and women with spouses working outside the home. "When you get to the most senior levels, it's still true that a high percentage of executives have a spouse who isn't working full time or has given up her career entirely," says Wensley. Indeed, the data show that in the under-35 group, 74% of men said they have a spouse working full time outside the home (versus 93% of women). But in the 35 to 44 age group, the number drops to 51% (versus 89% for women).

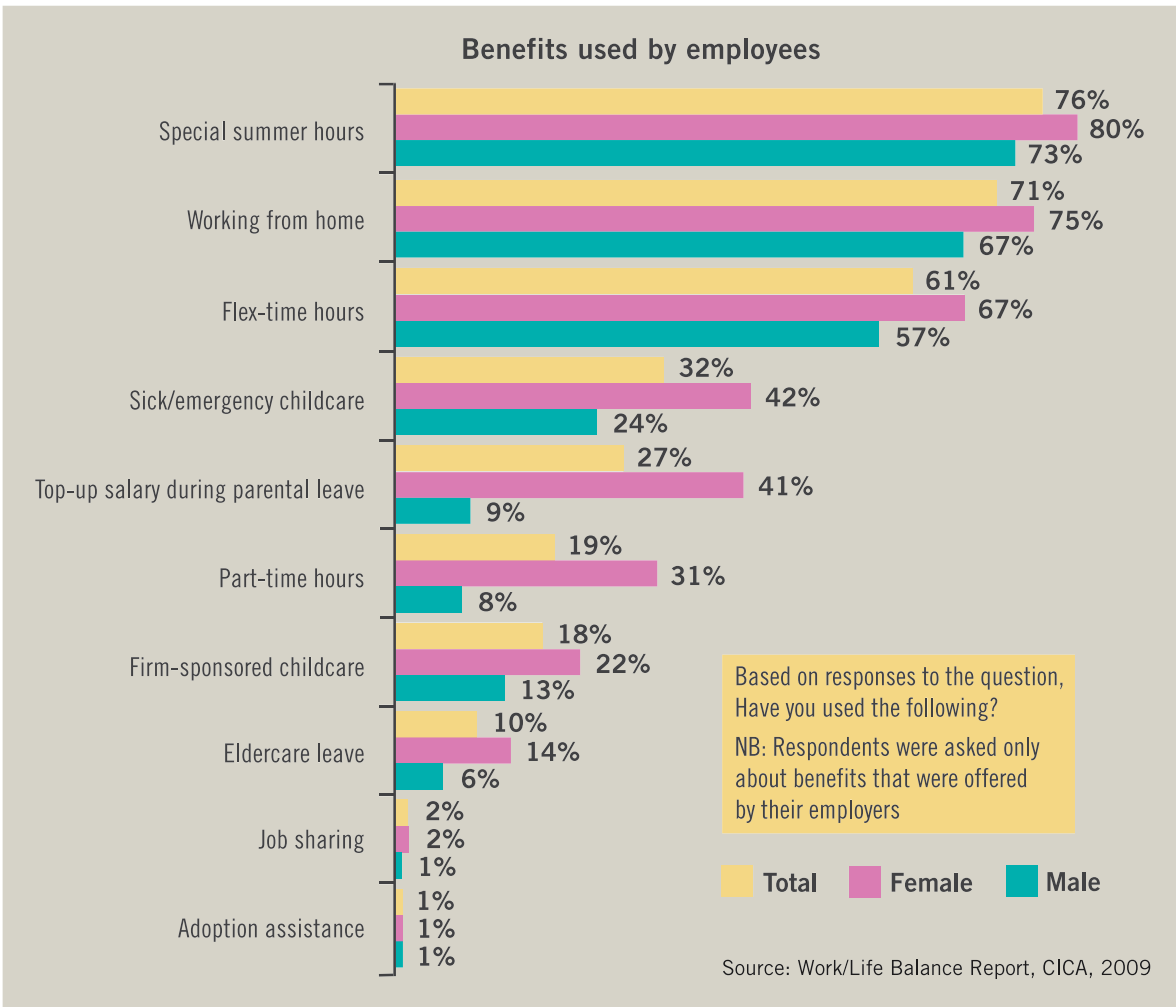
Statistics on leaves draw a similar picture. A full 73% of

## Negotiating a flexible life

For ideas on how to balance home and work without sacrificing your career, it's useful to read a recent article by Mary Bennett in the US newsletter *cpa2biz*. The article details how Melissa Harman, a CPA (and now partner) negotiated flex time at her firm in the US. When Harman's oldest child (now 7) was born, she transitioned to an 80% schedule and adopted what is called a "client first" model, where she was available more than 40 hours a week in busy times and less in others. She regularly conducted assessments with her leaders and asked her clients how they thought she was doing. Key to her success, says Bennett, was clear communication regarding her career goals: "Harman made it clear she did not want to be left behind while

she was raising a family." She asked for opportunities, was vocal about what she wanted, and used a team approach with clients — keeping more than one partner in the loop on client needs. She had a mentor and role models at work as well as support systems at home, including her partner. Although Harman said that in her experience, a "rigidly defined 'flex schedule'" does not work, a "more fluid approach to flexibility" does. "She is living it, not on a weekly or monthly basis, but long term," says Bennett.

Have you found a good recipe for balancing work, family and other priorities? If so (or even if not), *CAMagazine* would like to hear from you. Go to [CAMagazine.com](http://CAMagazine.com) to respond to our short survey and provide your comments (anonymously if you wish). We'll publish the results in a future issue. MCB



women between the ages of 35 and 44 said they have taken at least one leave, compared with 25% of men. For the profession as a whole, the percentages drop slightly to 60% for women versus 22% for men. (That said, Long notes that leaves are becoming more commonplace for men in the younger demographic.)

Not surprisingly, most leaves for both genders are taken for maternity/paternity/parental reasons, although it's still women who leave most often to care for children (see "Leaves taken," p. 26). And the after-effects do not seem to be the same for both men and women. In the survey, a higher percentage of women than men (32% versus 12%) said taking a leave had a negative impact on their career progression.

Other data on work/life balance show that at a certain stage in their careers, women seeking more balance either hit stumbling blocks or choose to step back. For example, more women than men said they have taken a job with lower compensation to allow for more work/life balance (47% versus 36%). And a higher percentage of women also felt that never working outside their regular business hours has limited their ability to achieve a promotion (22% versus 10% for men).

Vanessa Velentzas, a senior manager in the audit division at Richter in Montreal, is one CA who fully expects she'll have to make some sacrifices when the time comes to start a family. "During the busy period there are some long days with late

nights," says the 30-year-old. "I am single with no kids so it's easy for me to do that, but I have friends with kids and it's not easy."

She says she'd like to become a partner one day but she will probably take advantage of her company's flex work options if there are children in the picture. "I'll have to plan out my day better because I won't be able to do what I'm doing now," she says. "There are three female partners here in audit with kids so I guess where there's a will there's a way."

For Jean Prichard, a mother of three and partner at BDO Canada LLP, having it all meant taking a significant detour. Starting as a junior CA at a busy firm in Toronto, she soon realized that a move to a smaller, family-oriented firm in Guelph, Ont., would afford her a less frenetic lifestyle. It would also give her closer access to family members who could help with childcare.

These days, with her children still at home and a spouse who is on the go as a pilot, she recognizes that some of her female staff with children don't have the family support she had to get to partner level. "I think in some firms people are held back or excluded altogether if they are the main caregivers of small children; if someone wants to work part time, let's accommodate that so they don't feel marginalized," she says. "No doubt it will take them longer to get where they want to be, but at least we're not shooting them out of the profession entirely." (Currently, of CICA members who responded to the compensation survey, only

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The CICA's Women's Leadership Council is a voice for women CAs. We act as a catalyst for change, promoting a work environment within the Chartered Accountancy profession that provides for the retention, promotion and advancement of women to positions of leadership without bias, unintended or otherwise, based on gender. We provide resources and education to further women's advancement in the CA profession.



19% of females and 8% of males work part time.)

Prichard says women who don't opt for leadership roles need to be supported too. "The assumption before was that if you didn't aspire to be a partner there was something wrong with you, but I now see that some women don't want to take on the hours and expectations," she says. "That doesn't make them inferior."

She cites the example of a colleague with many years of experience in public practice. "She is vocal about the fact that she is very happy to be a career manager and not a partner," says Prichard. "She puts in her hours at the office, works very hard and her clients love her. But she also takes all her holidays, takes time out of the office when her kids need her and is generally available to them." Prichard says for this particular CA, the restricted earning potential is a trade-off for what she considers most important: a good balance between home and work.

A controversial article, published in the July/August 2012 issue of *The Atlantic* (see "Resources," below), points to the social and political norms that need to change in order for women to thrive personally and professionally. Author Anne-Marie Slaughter, who was the first woman director of policy planning at the US State Department, left her job after only two years for more work/life balance. She notes that the American definition of success — climbing the farthest up the ladder in the shortest amount of time — doesn't make sense in today's world where life expectancy has increased to 80 years old. "[W]omen should think about the climb to leadership not in terms of a straight upward slope, but as irregular stair steps, with periodic plateaus," she writes. Slaughter looks at these plateaus as "investment intervals" into the family bank that are key to a more fulfilling life.

In a recent *Newsweek* article (see "Resources," below), Deborah Spar, president of Barnard College, a women's college in New York, recognizes Slaughter's arguments on the importance of having better daycare, better family leaves and more flex time at work. But she also says women should stop trying to be everything to everyone: "We seem stuck today in a purgatory of perfection — each of us trying so hard to be everything that inevitably, inherently, we fail." Many of the underlying problems facing women, she says, "cannot be resolved solely by money and they are not caused only

### Leaves taken

	Male	Female	Total
Maternity/paternity/parental	6.6%	42.5%	20.7%
Medical	5.5%	11.5%	7.8%
Sabbatical	2.6%	4.3%	3.3%
Compassionate care	1.7%	2.6%	2.0%
Other	5.6%	7.6%	6.4%

Source: 2011 CICA Member Compensation Survey  
Based on responses to the question, Which of the following leaves have you taken?

NB: average duration of all leaves taken — 14.5 months for females, 4.4 months for males

by men. They come partly from the media, partly from society, partly from biology and partly from our own vastly unrealistic expectations." Among other solutions, Spar says women should work together for collective goals rather than alone for individual goals. She suggests returning to some of the social structures of earlier decades, where friends and extended family played a larger role in helping out with the myriad tasks of daily life.

Recreating such communities in Canada and the US might be an enormous task in itself — and perhaps not practicable, at least in the short term. But when it comes to finding other ways to accommodate women who want to progress, some countries seem to be doing it better. For example, some European countries have quotas for women on company boards. In France, listed firms are required to reserve 40% of board seats for women by 2017. Norway and Spain have similar laws and Germany is considering one. And at the time of writing, the European Commission had just postponed a vote (due to issues on legality) on a plan to make companies allot 40% of their board seats to women by 2020.

### RESOURCES

- [www.camagazine.com/women2012](http://www.camagazine.com/women2012): includes web-only chart
- "Why women still can't have it all," *The Atlantic*, July/August 2012: [www.theatlantic.com/magazine/archive/2012/07/why-women-still-cant-have-it-all/309020/](http://www.theatlantic.com/magazine/archive/2012/07/why-women-still-cant-have-it-all/309020/)
- "Why women should stop trying to be perfect," *Newsweek*, September 24, 2012: [www.thedailybeast.com/newsweek/2012/09/23/why-women-should-stop-trying-to-be-perfect.html](http://www.thedailybeast.com/newsweek/2012/09/23/why-women-should-stop-trying-to-be-perfect.html)
- "Flexibility at the partner level," *cpa2biz*, August 16, 2012: [www.cpa2biz.com/Content/media/PRODUCER\\_CONTENT/Newsletters/articles\\_2012/Career/FlexibilityPartnerLevel.jsp](http://www.cpa2biz.com/Content/media/PRODUCER_CONTENT/Newsletters/articles_2012/Career/FlexibilityPartnerLevel.jsp)

- The Women's Leadership Council ([www.cica.ca/women](http://www.cica.ca/women)): Webinars are available through this link or through [www.casource.com/employer-resources/Webinars](http://www.casource.com/employer-resources/Webinars)
- The Power of Personal Branding for Career Success, by Karen Wensley (a step-by-step guide on how to market your skills to advance your career)
- In-person leadership training opportunities for CICA members (with the University of Toronto's Rotman School of Management Initiatives for Women in Business): [www.cica.ca/career-and-professional-development/womens-leadership](http://www.cica.ca/career-and-professional-development/womens-leadership); follow the link to the Rotman website for courses and dates
- *Babes on Bay Street: Stories of Wisdom, Courage and Inspiration*, by Janet Graham (interviews with 15 senior corporate women who offer advice on how to find work/life balance)

CA Robin Taub, a Toronto-based entrepreneur/consultant and chair of the CICA's Women's Leadership Council, also points to the progressive parental leaves in some European countries. In Norway, for example, there's no stigma for women taking a leave because maternity and paternity leaves are mandatory. "Here there are unconscious biases around women and their choices which are difficult to fight, simply because they are unconscious."

Paul Singleton, a former partner who was with E&Y for more than 35 years before retiring in 2010, believes that men aren't intentionally blocking women out, but that some do have unconscious biases. For example, they might assume that a woman with a young family wouldn't want to take an out-of-town assignment.

Singleton says he noticed women were leaving the profession earlier than men and that, as a result, fewer were reaching senior positions. "In time I started asking why this was happening," he says. Toward the end of his tenure at E&Y, he joined the company's Gender Equity Advisory Group and gained insight on how to retain talented women in the profession.

Singleton believes it is imperative for organizations to set the tone from the top by having leaders who show their staff they can have a life they value outside of work as well. "If you have to go to a soccer practice or swim meet, don't skulk out the back door carrying your briefcase," he says. "You are being a parent and that's important too."

As the boomers retire and more women move through the profession, Taub says there will be an inevitable changing of the guard that will hopefully entail a leadership consisting of both women and men who are open to customizing the work environment. In the interim, she believes there should be policies in place to train people who evaluate talent to be more objective. "The traditional model of working in an office 80 hours a week may not work for everyone," she says. "There is talent out there that will get the work done in an untraditional way." Fortunately, some firms have already made major strides in introducing such policies. The CICA's Work/Life Balance Report shows one in two respondents (52%) work for an employer that has policies to handle gender issues. Flexibility around work arrangements is also gaining popularity, with two in three respondents reporting that their employers offer flex time. Some benefits, such as summer hours and flex time, are catching on with both genders, although women are still the major users (see "Benefits used by employees," p. 24).

This year, firms such as E&Y, Deloitte and KPMG have all earned spots on Canada's Best Diversity Employers list. They and others are putting a push on mentorship and sponsorship programs geared to moving women up the career

ladder (see "Show me the way," p. 34). And for those smaller firms lacking resources to tackle these kinds of initiatives, the CICA's Women's Leadership Council is helping fill the gap. Last year, the group started a series of webinars on topics such as the status of women in the profession, how to build your personal brand, risk-taking and the importance of mentoring and advocacy programs (see "Resources," p. 26).

In October, the council was actively involved with the American Institute of Certified Public Accountants on the Women's Global Leadership Summit in Boston, MA. Karen Duggan, CICA's principal, guidance and support, says the council will also be involved in the 2013 summit. "It's still early days for this council, but I think we've made progress in opening people's eyes to the issues at hand and to the business case for promoting women," says Duggan, who provides staff support to the council.

Some companies might already be enlightened. Nancy Thai, a manager in accounting operations and reporting at Xerox Canada, considers herself fortunate to work in an environment where the CEO, CFO and a number of vice-presidents are all women. In addition, she says there are several female colleagues, at various levels, who choose to work part time. "Many female colleagues have been here 20-plus years because of the flexibility," she says. "It really motivates you to think you can achieve everything you want without having to compromise your life."

Rosalind Stefanac is a freelance writer in Toronto

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# Breaking

By Sandra E. Martin

Feeling stalled and stymied on your career path?  
Here are some roadblocks you might recognize  
— and ways to  
power past them

# through



**KAREN DUGGAN, CICA's principal, guidance and support, recalls talking** to a CA who had recently transferred from one city to another. At her new workplace, all the female senior managers worked through lunch, grabbing food at their desks. Meanwhile, their male colleagues went out to lunch with the firm's partners.

**Question:** Which group would you wager is on the upper-management career track? If you said the men, you'd be right — but likely not for the reasons you might have expected. Those lunches? “That’s networking women aren’t getting in on,” says Duggan. “If women aren’t tapped into those informal networks, they may not

illustration by **CAREY SOOKOCHEFF**



hear about the opportunities their male colleagues do.”

Glass ceilings aren't supposed to exist anymore in the 21st century, yet a fifth of the women interviewed for CICA's Work/Life Balance Report say their careers have been hindered by gender discrimination. At the very highest levels of career achievement, the gender gap is still in evidence; although half of new CAs and a third of CICA members are women, fewer than 15% have made it to partner or own their own practice. And we're seeing the same inequity over many industries.

At the same time, there's empirical proof that promoting women is good for businesses. A report by McKinsey & Co. called Women Matter, written after three years of research on the topic, indicates that companies with the largest proportion of women in senior management roles also have the strongest bottom lines. And, notes Kathleen Grace, an executive coach who has led webinars for CICA's Women in the Profession series, once women are put in leadership positions, they score higher satisfaction points from employees than do their male counterparts. As Beatrix Dart, a professor, associate dean and executive director of the Initiative for Women in Business at the University of Toronto's Rotman School of Management, puts it, "Investing in women leadership through training, mentorship and sponsorship yields a stellar return on investment not only in financial, but also in social terms."

So if you're a female CA and you feel your career hasn't advanced as it should, why is that? Maybe you'll recognize your own roadblocks — some of which you might have built yourself — and break through them using the guidance we've collected from career coaches, human resources professionals and women who have reached the senior ranks of the accounting profession.

### She says, he says

How different are men's and women's leadership styles? Executive coach and leadership development specialist Kathleen Grace points to six areas where our work approaches differ



Women	Men
Focus on people and relationships	Focus on task orientation
Seek consensus	View each project as win-or-lose competition
Express themselves more often through emotion	Speak first and more often
Look at process leading to outcomes	Look toward outcomes
Multi-task	Have a single focus at a time
Consider production	Consider strategy

Source: The Seven Deadly Sins of Career Management, CA Source webinar by Kathleen Grace

### ROADBLOCK #1:

#### You aren't a member of the club

As Duggan described, women miss out on opportunities to build relationships with hiring decision-makers because they aren't taking part in the informal networking sessions traditionally dominated by men. Case in point: the golf course. "Golf isn't merely a leisure sport. It's the martini lunch of the modern workforce," notes The Business Case for Women Leaders, a position paper by CICA's Women's Leadership Council. Where else but the links can you secure consecutive hours of an important person's attention? Successful women recognize this, and get themselves a set of clubs — and contacts. Going even further, former US secretary of state Condoleezza Rice and banker Darla Moore literally became members of the club this year, by becoming the first women to be invited to join Georgia's prestigious Augusta National Golf Club.

Besides perfecting your putting, you can also join industry associations and go to conferences as a way of building relationships with influential people. Finding a mentor or, better still, several differently connected mentors can also help you get introductions and acceptance into networks that might otherwise seem impenetrable (see "Show me the way," p. 34).

### ROADBLOCK #2:

#### You have to drive carpool? That's OK, we'll have that meeting without you

When your firm's culture makes extensive travel or long hours a requirement for management roles, women are generally less able than men to go "all in." Women still carry a more-than-equal share of family responsibilities — both in raising children and in caring for aging parents. "These are obstacles which men, historically, have not had," notes Michael Stern, president and CEO of Michael Stern Associates in Toronto.

As men's and women's parenting and caregiving roles continue to evolve, we might see more women ascend the ranks because their partners have taken on primary child-rearing responsibilities. But Stern and other executive-coaching professionals believe the best way to effect change in this area is through government and corporate policies designed to give women more support in their caregiving roles so they can devote the attention needed to achieve their career objectives. Examples might include providing after-hours daycare, says Stern, or giving women the flexibility to leave work midday for an elderly parent's medical appointments.

### ROADBLOCK #3:

#### Deep down inside, I want to hire someone like me

As Grace points out, some implicit biases still exist in the workplace. "We don't recognize the full potential of everyone in the company, women and minorities in particular. We have a 'similar to me' bias," she says. As a result, those tasked with handing out promotions may unconsciously prefer a male candidate over an equally qualified female. Again, hiring and talent-development policies targeted at women can address this bias, in part by reminding talent managers that they need to be aware of similar-to-me biases — and not be led by them (see "Women at work," p. 20).

**“If there’s something you want, ask,”** says executive coach Kathleen Grace. If Jim down the hall seems to be getting all the plum assignments, tell your boss you want the next one.

Do you believe you deserve a promotion?

Put it into words — and numbers. Women on a team say,

**“We accomplished this.”** Men say, **“I accomplished this”**



The message is starting to take hold. In its most recent budget, Canada’s federal government announced its plan to encourage the private sector to promote more women to the director level. Catalyst, a nonprofit organization dedicated to the advancement of women in business, has also launched a call to action for Canadian FP500 companies, with the goal of increasing the number of female board members by 25% in the next five years. And many accounting firms already have policies in place to encourage women to take management roles at various levels. Such policies are “controversial at the start” to people who do not directly benefit, says talent development consultant Mary Bennett. “But it forces companies to take a hard look at how they’re selecting talent.”

#### **ROADBLOCK #4:**

##### **Where are the female role models?**

Partly because of the traditional biases in roadblock No. 3, women CAs looking to get ahead in their firms have few role models. As Bennett says, when these women look at upper management, in most cases the roll call is homogeneous. “It’s out of line with the general population. It’s mainly Caucasian men with non-working spouses.”

As a result, Bennett says, it can be difficult for emerging female leaders (and even for young male leaders) to approach these influential senior leaders. They “do not have a perspective on the changing social trends, such as dual-income families.” She adds, “The very people you’re going to for advice are people who’ve done it the way it’s always been done. Women do not have access to enough examples to make informed decisions.”

That’s one reason why CICA’s Women’s Leadership Council has developed a series of profiles of successful women CAs, including financial consultant Robin Taub and Alana Detenbeck, manager, forensic services, at PricewaterhouseCoopers. In each profile, the CA discusses her successes, challenges and triumphs and in so doing provides a much-needed role model.

#### **ROADBLOCK #5:**

##### **Oh, no — that’s way too risky for me!**

While being risk-averse might have kept your RRSP in the black through the stock market correction of 2008, it’s detrimental to your career, Grace says in her CA Source webinar Risk Taking. At work and in life, men have a greater appetite for risk than women do. In turn, women “experience emotions more intensely than men — especially fear and nervousness.”

As Grace notes, this skittishness could be there for a reason: parents emphasize safety and vulnerability more with their daughters than they do with their sons. But she’s quick to add, “Sex is not our destiny; your own personal experience with risk-taking is the largest factor.” In the webinar, Grace offers a number of ideas for building up your tolerance, such as taking a risk right after you’ve done something well. Start small, and as you begin to see positive results, you’ll become more confident staring down bigger fear-inducers.

#### **ROADBLOCK #6:**

##### **Women can’t handle the truth about themselves (and other gender-based stereotypes)**

Grace has found that male managers often hold back from giving women employees the kind of unvarnished feedback they give other men — feedback that is essential to gaining the self-knowledge required for personal development. When she asks men why they hesitate, the answer she often gets is, “I’m afraid she’s going to cry.” The solution is not for women to bottle their tears or to be carried away by other emotionally driven reactions. Men need to know that “when a woman cries, it’s kind of like when George pounds the table in meetings. It’s just a strong emotion,” Grace says. “When I train mentors, I let them off the hook by saying, ‘If she cries, just give her time to compose herself.’”

However, it’s not just men who are guilty of harbouring stereotypes. Sometimes it’s other women as well. Attitudes such as, “you could be a good leader, but you can’t be a good mother”

(or vice versa) are not uncommon. Witness the controversy over Yahoo CEO, president and director Marissa Mayer's decision to take a very short maternity leave this past October.

#### ROADBLOCK #7:

**Hold on, I'll be right there — after I've finished the report and clipped the hedge**

Women can end up spreading themselves too thin — partly because they say “yes” too often. But a “yes addiction,” as Eileen Chadnick of Big Cheese Coaching calls it, can lead to frustration and might actually hinder your career; agreeing to take on too many small, inconsequential tasks takes your time and focus away from more important, career-building projects.

Luckily, there are ways to gain better focus and control. “There is power in knowing what you want,” says Grace in her CA Source webinar *The Seven Deadly Sins of Career Management*. Also, it's important to understand your own value proposition — your unique combination of skills that produces valued results. “Write it down and keep it in front of you,” she says. You should also make a “to not do” list. “What you put down is as important as what you pick up,” she says.

#### ROADBLOCK #8:

**Modesty is a virtue ... isn't it?**

Many assume they will be promoted solely on their work merits — and of course you need to have a strong performance record, says Grace, but you also need to put yourself in line for key career-building opportunities. “As women, we have a little bit of a naive belief that if we work hard, someone will notice,” she notes. “But your boss isn't psychic.”

What you should be doing is advocating for yourself: “If there's something you want, ask,” she advises. If Jim down the hall seems to be getting all of the plum career-building assignments, tell your boss you want the next one. Don't settle for recognition; go for rewards. Do you believe you deserve a promotion? Put it into words — and numbers. Women on a team say, “We accomplished this.” Men say, “I accomplished this.”

In her *Seven Sins* webinar, Grace offers some useful reminders to get you out of a non-self-advocating rut and to help with other potential career-limiters such as wanting to be liked by everyone. For starters, she says, think about whether you are sending yourself unconscious messages about how a woman ought to behave; if you were raised to put others first, talking up your own accomplishments might feel wrong. You might actually be suffering from self-censorship — a fear of “outsucceeding” your male colleagues at the office or your spouse at home. You might also be trained to steer away from conflict and confrontation at all costs. But remember, your boss has limited time and attention, so there's no room for martyrdom. If talking about yourself is simply too uncomfortable, ask a mentor or coach to sing your praises for you.

And if you feel you're being passed over for promotion, Grace says it's time to have a tough and potentially scary conversation with your boss. Ask, “What is it that you're not seeing in my performance? What is holding me back, in your view?”

Grace says, “Often those conversations don't happen. It's a scary question to ask because you have to be prepared to hear the answer.”

Sandra E. Martin is a freelance writer in Toronto

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You might know you have what it takes to succeed in a top spot, but sometimes you **need a sponsor** who knows it too — and passes the word on to others

By Rosalind Stefanac

# Show me **the** way

## THEY SAY THE BEST JOBS ARE SELDOM ADVERTISED. SO WOULDN'T IT BE IDEAL

to have someone touting your merits in the workplace — especially in that exclusive inner circle of high-level management where key staffing decisions are made?

Sponsors (or advocates as they are sometimes called) make a long-term commitment to do just that. And for women striving to reach those coveted top spots in the workplace, a sponsor may be the essential but missing piece on the path to success. Fiona Macfarlane, office managing partner, British Columbia, and chief inclusiveness officer at Ernst & Young, says her sponsor, Michel Lanteigne, was the primary reason she became the first woman in Canada to lead a tax practice

at a major firm. “He had the credibility and the courage to stake his reputation for me,” she says of Lanteigne, who was her boss and a partner at the time. “He made sure that I got exposure to the right people and that my accomplishments got the right type of airing.”

While a mentor is often credited for being an instrumental guide in work-related decisions, a sponsor takes it a step further. “Basically, a mentor talks with you and a sponsor talks about you,” says Elizabeth Reynolds, manager, diversity, equity and inclusion at KPMG. “Rather than just helping develop the person, the sponsor opens the door to that next opportunity.” Similarly, a *Globe*

photography by JIMMY JEONG/KLIXPIX



**FIONA MACFARLANE** says her sponsor had “the courage to stake his reputation” for her

and Mail article entitled “How to find and keep a sponsor at work” likens sponsors to “turbocharged mentors.”

In Macfarlane’s case, Lanteigne saw her potential and had a goal for her to become his successor. “If I stumbled, he was there to give me actionable advice and over time, I proved I could deliver,” she says.

In the world of accounting, having a sponsor is imperative to securing a top spot, says Mary Bennett, a consultant and chair of the Women’s Initiative Executive Committee for the American Institute of Chartered Professional Accountants. “It’s very difficult to accede to partner level at a firm if you don’t have one or more sponsors,” she says. “You could work around the clock and never get the visibility in the meetings behind closed doors that you’d get by having a sponsor — that’s just the way it works.”

As a past partner at Crowe Horwath LLP for 17 years, Bennett says she was shocked when she first got into a leadership role and saw firsthand how often sponsorship came into play for major staffing decisions. “It was always who was top of mind, who was visible and which influential people they were connected to,” she says. “In my case, I didn’t realize they were advocating for me until years after the fact.”

### What’s the difference?

Mentor	Advocate/sponsor
Can be in or outside the organization	Is inside the organization and well connected to leadership
Acts as sounding board and career adviser	Is always on the lookout for career/networking opportunities for protégé
Is aware of mentee’s career goals	Is aware of protégé’s overall career/life goals
Is not directly involved in career advancement	Uses personal political capital to help protégé advance at the risk of his/her reputation
May be an adviser on a specific subject	Is accountable for the retention and development of the protégé

\*Adapted from Navigating the Profession: Mentors & Advocates, CA Source webinar by Mary Bennett

While Bennett was fortunate to have several sponsors throughout her career (all male), she says the challenge for women is that these relationships happen more fluidly among men. “The influential people in the top roles are still predominantly male and there’s a natural human affinity to bring people up behind you who remind you of yourself,” she says. If all the leadership roles were filled by women and it was young men coming up the ranks, they’d be facing the same challenges, she adds.

When Bennett is helping organizations develop a sponsor program, concern sometimes arises that anyone inside or outside the office could misconstrue these mixed-gender relationships. The sponsor and protégé are expected to meet regularly (Bennett recommends at least quarterly, sometimes more often) to discuss career goals and strategies to get there. But because it’s also an opportunity for the protégé to speak frankly about any challenges that may be impeding the attainment of these goals, some opt to conduct these meetings off-site. “I always tell the sponsors I work with that how and where they meet with their protégés has to be comfortable for both parties,” she says. “That could be inside the office or out, but the most important thing is that the learning and exchange of information take place.”

Bennett says men who have no experience working with women might not always understand the needs of their female protégés or may feel apprehensive acting as a role model. “But he doesn’t have to be that role model,” stresses Bennett. “He just needs to ensure she gets all the resources she needs when she’s running into challenges.” For example, if the protégé is a new mother struggling to juggle work and home, Bennett says, the sponsor’s role could be to connect her to another woman in the industry who has gone through a similar situation.

While the current demographics at KPMG mean most of the sponsors are males, Reynolds says the gender mix hasn’t been an issue. But that’s not to say every relationship will be successful. “Theoretically, it’s like dating — you can’t throw people together and expect it’s going to work every time,” she says. “Part of the role of stewarding a person’s career may [be] transitioning them to another sponsor entirely.”

### RESOURCES

- **Mentoring and Career Advocacy, CA Source webinar by Mary Bennett:** [www.snwebcastcenter.com/event/?event\\_id=2402](http://www.snwebcastcenter.com/event/?event_id=2402)
- **CICA’s Advancing Women in the Profession: Career Navigation Toolkit (coming soon):** [www.cica.ca/career-and-professional-development/womens-leadership/resources-for-individuals/index.aspx](http://www.cica.ca/career-and-professional-development/womens-leadership/resources-for-individuals/index.aspx)
- **The Power of Personal Branding for Career Success, CA Source webinar by Karen Wensley:** [www.snwebcastcenter.com/event/?event\\_id=2929](http://www.snwebcastcenter.com/event/?event_id=2929)
- **The Corporate Sponsor as Hero: Advancing Women into Leadership Roles, Ernst & Young:** [www.ey.com/Publication/vwLUAssets/The-corporate-sponsor-as-hero/\\$FILE/Advancing-women-into-leadership-roles.pdf](http://www.ey.com/Publication/vwLUAssets/The-corporate-sponsor-as-hero/$FILE/Advancing-women-into-leadership-roles.pdf)
- **Mentor Relationships that Work, CA Source webinar by Sandra Oliver:** [www.snwebcastcenter.com/event/?event\\_id=2851](http://www.snwebcastcenter.com/event/?event_id=2851)

Another hurdle to developing these relationships in the first place is that women aren't taking on enough of the operational roles or stretch assignments that would make them more visible for sponsorship, says Macfarlane. "I think it's easier to sponsor someone when they're running a division with a top and bottom line," she says. "So the key is making sure that women and minorities take on those roles that are operational in nature."

That means not only making these roles available, but making women aware that they exist. Initiatives are underway at Ernst & Young to do precisely that. But Rob Scullion, a partner and leader of public policy and regulatory affairs, says there are still barriers, such as the challenging hours often inherent with the stretch assignments that can open the doors to these more visible roles for women. "That's slowly changing but we still need to help our senior women managers understand how to succeed by being their active coaches and mentors," he says.

Fortunately, formal and informal mentorship programs have become quite common in firms across Canada. And while there are no formal North American statistics on sponsorship programs, firms such as Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers are implementing initiatives geared to advancing women that have sponsorship elements.

Other firms such as Richter in Quebec are using mentorship programs as a starting point to cultivate sponsorship-type relationships in the future. The organization is currently piloting a career-management program among 23 mostly female employees and 10 partners (of which one is female) in its tax and audit divisions. The program — called "Talented!" — will be launched across the firm in 2013. Participation is voluntary and the connections are intended to promote dialogue between the ranks and address the needs of younger female employees. The firm has already held an introductory meeting, says Caroline Cyr, vice-president of people and talent at Richter.

For the Richter program, employees were asked which partners they wanted to work with, but in other firms protégés may be assigned to sponsors they've never dealt with. The key is to have sponsors who are influential members of the leadership team and not in the protégé's immediate line of reporting.

Sponsoring may come more naturally to some people than to others, so training for the role is essential. "We provide tools and training sessions to the partners on how to become good coaches/mentors and we hope that the sponsorship relationships will grow out of that," says Diane Tsonos, a partner at Richter. "As a partner I would feel comfortable playing a mentorship role to several people but I wouldn't take on a sponsorship role for many; mentorship is an excel-

## How to nurture a relationship with your sponsor

Establish a level of trust by having frequent meetings (try for every six weeks)

Focus on your career developmental milestones and any issues you may have in getting there

Map out and record your progress

Do a final evaluation at the completion of the program (a formal sponsorship lasts about two years) to determine what you've achieved

lent place for sponsorship to develop but it takes time."

In the past two years at KPMG, every member of the leadership team has been matched with at least one female protégé. "The research shows that men tend to have more senior-level sponsors, while women tend to have sponsors one level above them," says Reynolds. "So now we are focusing on women and how to develop that next generation of leaders."

"At the end of the day, sponsorship is good for men and women," says Bennett. "We just want to make sure that everybody who has high potential is equally visible."

Rosalind Stefanac is a freelance writer in Toronto

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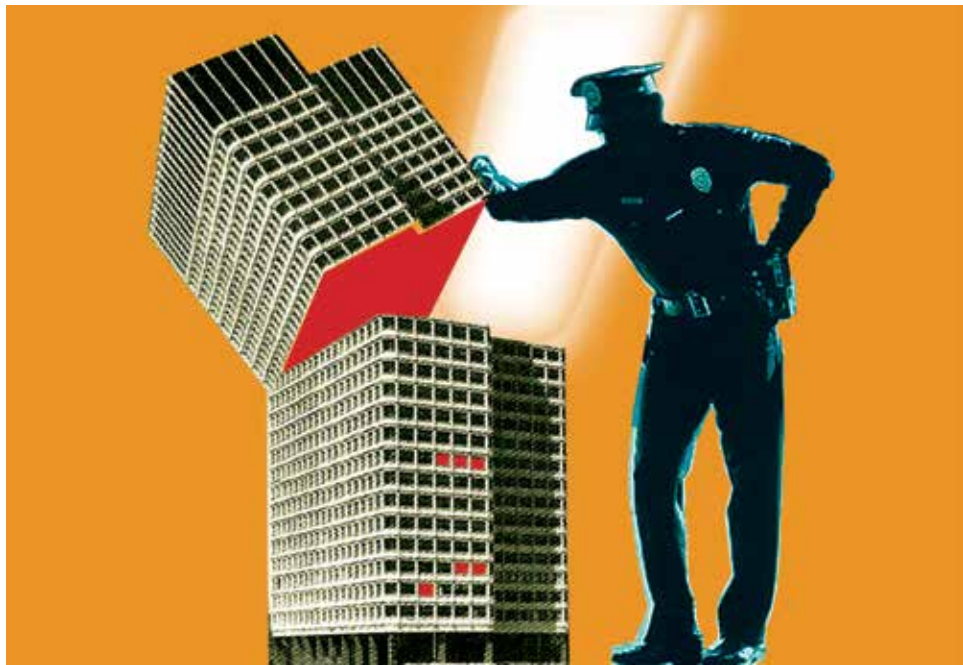
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## Help, police!

So you think you've uncovered fraud in your company. Here's what you need to know before contacting police



Several years ago a large Canadian insurance company contacted the financial crimes unit of a major metropolitan police force. The company was certain it had uncovered a large-scale internal healthcare fraud.

Many companies opt to deal with suspected fraud on their own, preferring to keep the matter quiet for fear of public embarrassment or of losing the trust of customers or shareholders. They also worry about opening their doors to a police fraud squad. "Once we are asked to investigate, we can seize any relevant documents and interview anyone who might prove helpful," a senior police fraud investigator says. "And sometimes in doing so we uncover other things the company would prefer we didn't find."

When companies do involve the police, many do not understand the preparation they need to undergo before taking that step.

In this case, however, the victimized company understood those obligations perfectly. And, as a result, the outcome was most successful.

There is a popular belief that a police financial crimes unit will only investigate frauds that involve a substantial loss quantum. That is not true.

A fraud, such as the grandchild-in-trouble scam, is an example of a matter that merits police attention even though it may not have cost the victim a significant amount of money. This scam, which can thank social media sites for providing con artists with extensive details about family relationships (names, ages, birthdays, itineraries, traveling companions and the like), targets elderly grandparents. The grandparents receive a phone call from someone purporting to be helping their grandchild who has been in a serious car accident or, if traveling abroad, has been jailed on some matter such as drug possession. Whatever the story, the caller asks for money to be wired immediately to help pay for medical costs or bail or bribes.

SUSANNA DENTI

The fabrications are legion and clever and, to some victims, most believable, especially since the caller seems to know personal details about the grandchild.

A police unit doesn't need much motivation to track down and stop such heartless crimes, likewise affinity, renovation and other frauds that prey on elderly and vulnerable victims.

A substantial corporate fraud, however, is a different challenge for a police financial-crimes unit. Typically, it involves countless documents and timelines that span years, if not decades. The nature of the scam can be incredibly complex and hard to follow, even for an experienced fraud investigator.

Therefore, before a company contacts the police it has to do groundwork on its own. If it doesn't, there's a strong chance the police won't be able to take on the case, especially as resources these days are stretched thin.

The large insurance firm is a classic example of a victim doing it right. A month before meeting with the police, the company discovered through a random audit that numerous employees had been claiming health benefits for seemingly fraudulent reasons. The company had a large staff and processed thousands of claims, virtually all legitimate, annually. The audit discovered that some employees, however, had an unusually large number of claims, well above the norm. A subsequent investigation showed these claims, which required notes from authentic medical institutions, were false. The attached medical notes were doctored, so to speak. The quantum loss was several hundred thousand dollars.

Once the insurance firm knew it had a serious problem, it acted quickly and professionally. It struck a confidential internal committee that included its CFO, general counsel, external counsel, the head of security, the CIO and an external forensic accounting firm, which employed former law enforcement investigators, one of whom was assigned to the case.

The committee debated whether to handle the matter internally or to involve the police. "We want the guilty people prosecuted under the law," the CFO said. "We want everyone in the company to know this kind of behaviour won't be tolerated. A message has to be sent out."

As a result, the former investigator suggested it was best that he not conduct interviews at this time. "You don't want some lawyer saying later in court that his client thought I was an officer of the court, a person of authority, and challenging whether his client was properly represented or anything else he can throw up as a red herring," he said. "Some judges are very sensitive to that kind of stuff. Let the police do that work. What we have to do is make it possible for them to take on this file."

"We can't just walk in and talk to the police about the fraud," he noted. "We need to provide as close to a turnkey investigation as we can, within our circumstances." That meant, he told the committee, the forensic accounting firm needed to prepare information that was detailed, clear, thorough, convincing and easily searchable.

When the forensic accountants, in conjunction with the company's IT and security personnel, completed their work, the company called the police. They arrived with four bankers boxes full of binders. One binder had an overall executive summary that outlined the case in language that was easy to understand. Each binder was meticulously tabbed and indexed. Each had a clear, concise executive summary of its contents. Everything in the boxes had been burned onto CDs with searchable indexes.

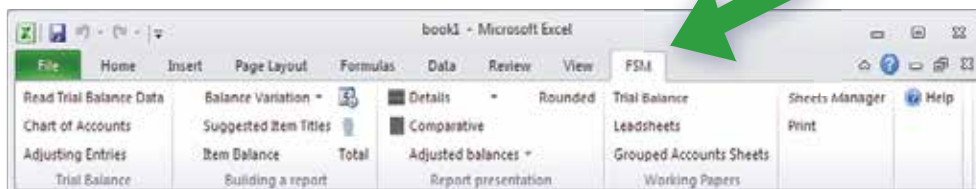
The files contained a list of approximately 400 separate incidents of alleged healthcare fraud along with the names of the individuals associated with each allegation. A search by incident or by suspect's name revealed every match within seconds.

The police began an investigation that resulted in numerous charges of fraud under \$5,000 being laid against a number of employees. Many convictions followed.

"They had their ducks in a row when they came to us," the head police investigator said. "That's the kind of sophistication I wish more of our private-sector partners showed."



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Once a company brings a possible fraud case to the police it initiates an investigation even if the police ultimately decide not to pursue the matter. “Oftentimes they don’t realize that once they report the crime to us and we accept their documents and meet with their security people and their forensic accountants that we have started to investigate their incident,” says a financial-crimes unit officer. “As we go through the process, whether or not we accept the case for investigation, the intake process has begun and we’re likely almost a quarter of the way through.”

That means a significant amount of digging will have taken place — and the company will have lost any control over what is discovered. “For example,” the officer says, “if the loss involves investment income then the source of the income will be asked. If it is profits from another investment then the victim will be asked if those profits were declared as such to Revenue Canada. If they haven’t, we have no choice but to inform CRA of our findings.”

Nor do the police have to limit their investigation to the identified suspects. If the evidence points to others being involved, including trusted senior officials at the company, there is no way the company can prevent arrests or public reporting of that finding. “If we open a Pandora’s box, then so be it,” says the officer.

The key for companies contacting the police, as noted, is in their preparation before making that call. Obtaining and organizing the supporting documents is critical. But it’s not just a collection exercise. The documents must tell a story, one that convincingly portrays a fraud in a professional format. “We’ve had people come in with what amounts to little more than scribbles on a napkin,” the officer says. “Maybe a memo or a bunch of emails or some points jotted down on paper. We’ll hear them out, of course, but can’t do much with something that flimsy. As much as possible, we want original documents and supporting evidence.”

It helps, he adds, if the people preparing the material are familiar with what the police require. “A lot of forensic accounting firms have former senior law enforcement officers working with them. They can be a great resource as they can walk the victim’s team through the steps that police require.”

Even better is a suggested plan for the investigation. “If the company’s experts did their work properly, there’s a good chance they learned what to focus on, what didn’t pan out and other tips that can help the police when they launch their investigation,” he says. “Some companies are nervous about offering this, thinking the police might be insulted that a private firm has suggested how they do their job. They shouldn’t be. We have respect for any work done at a professional standard. And trial and error is a great teacher. That doesn’t mean we won’t go where our instincts and experience tell us. But why would we want to pursue a line of investigation that competent people have already found leads nowhere?”

Victims must also be clear on one crucial matter: the police and the Crown are not debt collectors. “Understand that we feel awful when people lose their money,” says the officer. “But recovery is difficult in the best of circumstances. That’s not our priority.

It’s not our job, either. If we can assist a victim in a civil matter, by testifying, and so forth, then we’ll do it. But most victims know, or come to realize, that getting a judgment and getting the money back are two different matters.”

A successful prosecution can be more easily achieved if the victimized company had effective risk mitigation and due diligence policies and procedures in place prior to the fraud. “Crowns never used to ask this but they do now,” a fraud investigator says. “Did they have unequivocal written codes of ethics? Did every employee have to read and sign a statement on the acceptable usage of company resources, such as computers and smartphones? That kind of thing.”

In the absence of such policies and procedures, she says, the next question a Crown is likely to ask is: what have you done since the fraud was discovered? “We want to know when you discovered the fraud, what do you know about it now and what have you done about it?”

One of the best answers, she says, is that it was researched by credible forensic accountants and experts who recommended certain steps to stop the problem from happening immediately and in the future and that those steps were implemented.

## **A substantial corporate fraud is a different challenge for a financial-crimes unit. It can involve countless documents and timelines that sometimes span years, if not decades**

Although frauds often take many months to surface, especially because of the financial reporting cycle, it’s imperative the victim contacts the police as soon as it has conducted a thorough internal investigation. Undue delay can only help the perpetrators and possibly make investigation more difficult.

The decision to contact the police is obviously up to each company or victim. But the insurance firm found it was well worth the effort to go to the authorities. Everyone at the company learned that fraud was taken seriously and that prosecution could result if they too took that route.

And sometimes it just feels right to know the perpetrators have been brought to justice.

Involving the police in a fraud investigation is a decision that should be taken after due consideration. A big plus is that the police can often uncover evidence that can’t be obtained internally. Police have the ability to obtain warrants to search and seize virtually every possible piece of evidence, even communications with legal counsel, provided the Canadian Charter of Rights and Freedoms has not been violated.

Yes, there can be a loss of control. But there can also be outcomes that make the work and effort well worthwhile.

Cameron Field, BAA, is a detective sergeant with the Toronto Police Service Financial Crimes Unit, Corporate Crimes Section and Social Media Team. 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



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## Turnaround teams

To get a group to work together as an effective team, leaders may be forced to reconstruct the fundamental building blocks

**D**ennis was asked to take on a new role leading a business unit in a large accounting firm. He was excited by the challenge. The leadership team he would head was responsible for 150 staff across the country.

But for Dennis, this was not going to be an easy road to navigate. Clients had been complaining about this group. The unit's revenue growth was stagnant. The group's leadership team met only on an as-needed basis. A number of these members had been in their roles a long time and Dennis wasn't sure they were the right fit for where he wanted the group to go.

With guidance from an executive coach Dennis revisited the fundamental building blocks of leading an effective team. These included a focus or vision; the right players on the team; and team members spending time together.

"I know what I want to accomplish with this group," Dennis told the coach. "What I need is help on how to get there. I have a few ideas and I want us to hammer out a good plan for my first year."

And here's the plan they came up with.

**Determine the issues and opportunities for the group:** Dennis had worked in the firm 16 years. He knew it well. It was tempting to jump in and work on what he thought was important, but Dennis held off. He had read Michael Watkins' book *The First 90 Days: Critical Success Strategies for New Leaders at All Levels* and agreed with its recommended approach. Essentially, he spent time learning about the leadership team members, their roles and the way the unit had functioned previously. He met with each leader and other individuals within the unit, reviewed employee-satisfaction surveys completed by the group and studied their work, developing a clearer idea of what needed to happen and how best to approach the work.

**Set objectives:** Dennis used the themes collected from the meetings to develop a strategy and objectives. His coach advised him that it doesn't matter what you call the

strategy or its format. "Think of sports teams," she said. "They have a common goal — to win a game, to become champions. Without a common goal, there is no reason to work together."

**Build the right leadership team:** prior to sharing his ideas and goals with his team, Dennis had to ensure he had the right people on the bus. If he was going to develop a lasting strategy he had to have the right group. So, Dennis and his coach reviewed each team member, asking such questions as: How long had each individual been on the team? What had they accomplished in the past for the practice overall? How much credibility and influence did they have over their subteams? Were they likely to not only support but also lead his emerging vision? Were they good team players? And would they put the

### **A culture of open feedback: the way to ensure the continued growth and development of a team is to foster an environment where feedback flows freely**

team/practice needs before their own?

After reviewing the eight people in detail, he determined that two were going to be real blockers, four would be fence sitters and two would be pleased to see change and would contribute to that change. He resolved that he needed to change one of the eight. The others he could work with. He was assured that while no leader has everyone onside, he or she needs a large percentage onside.

**Share with your team:** once Dennis had the leadership team he needed and an idea of its objectives, he brought the team together to discuss his ideas. His agenda for the meeting included themes, draft objectives for discussion, a plan for how they would work together and a plan for how often they would meet.

Overall, the meeting was a success — people were positive and engaged. Dennis listened to the group and drew out the more reserved team members. By the end of that exercise, they had agreed on priorities. There had been a dynamic energy to the meeting and one leader approached

Dennis, saying it was different from previous meetings. "They were monologues. In this meeting everyone spoke."

**Build team relationships:** relationships don't happen overnight. You can't have a team without it spending time together. Dennis needed to deepen those bonds. To do so he planned social events such as dinner before or after meetings. The team had agreed on regular short meetings, so Dennis booked those right away. To achieve their objectives and have good, open dialogue the team needed to communicate on a regular basis.

He asked his coach to do a personality profile on each team member and to discuss the results with the team. People were skeptical about the exercise, but afterward they found they understood one another better.

**Improve your meetings:** Dennis' coach gave him a popular business book, *Five Dysfunctions of a Team*, by Patrick Lencioni. In it, the author emphasizes the importance of meetings. Dennis realized that many people detested meetings because they were poorly run. He resolved to have good meetings and developed agendas around the group's goals and encouraged group discussion. He kept meetings short, no more than 30 minutes every week.

**Create a culture of open feedback:** the best way to ensure the continued growth and development of a team is to foster an environment where feedback flows freely. Again, think of sports teams — they thrive on an open exchange of instructions and feedback. It's not personal; it's about improving performance. With team members on board, Dennis felt well positioned to start the work of growing their practice area. He made an effort to give feedback to his team often. And he asked for feedback on his work and leadership (e.g., What did you appreciate about today's meeting? What would you change for next time? How did I do at keeping the meeting moving? How am I doing at making my expectations clear to the group? How can I fine-tune my delivery?). Giving and getting feedback created a team culture where members were open with one another, helped one another and were driven to constantly improve.

"Establish a healthy environment where all players feel supported; where they can freely offer and receive feedback," Dennis says. "Give it, ask for it, take it. Say thank you."

It's been a year since Dennis took on this group, and he has heard from clients that it is increasingly responsive and professional. He believes that turning the team around required extreme patience and energy, but he is confident that the team and business unit's performance will continue on an upward trend.

Sandra Oliver is an executive coach and owner of IMPACT, a global coaching firm. She is also *CAMagazine's* technical editor for people management (sandra@impact-coaches.com)

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## Requests and requirements

Although the CRA's power to access taxpayer information is broad, the legitimate expectation is that it will be fairly invoked



**U**nder the Income Tax Act, the Canada Revenue Agency (CRA) is vested with broad administrative and enforcement powers. The more significant of these includes the authority to make requests and issue formal demands or requirements for information. Given the significant out-of-pocket costs that can be incurred in complying with requirements, it comes as little surprise that taxpayer resources are increasingly expended in disputes over whether the CRA is entitled to the information requested.

The reality, however, is that comprehensive demands are becoming routine and recent decisions suggest that taxpayers who resist production outright may not easily find success in the courts.

### Broad powers to access information

There are several provisions in the act that empower the CRA to access taxpayer information. Two of the most frequently used ones are found in sections 231.1 and 231.2.

Under subsection 231.1(1), the CRA may inspect, audit or examine the books and records of a taxpayer. This provision enables the CRA to access information (including third-party information) that is required to be kept by the taxpayer as well as information that happens to be in its records. It also requires the taxpayer to give the CRA "all reasonable assistance and to answer all proper questions" relating to the administration or enforcement of the act.

Subsection 231.2(1) authorizes the CRA to require any person to produce any document (hard copy or electronic) and again, the only constraint, if it can be considered as

RYAN SNOOK

such, is that the requirement must relate to the administration or enforcement of the act. The CRA can also rely on this provision to compel the disclosure of electronic information stored on servers in foreign jurisdictions, provided the information can be accessed in Canada.

A requirement is valid if the requested information may be relevant in determining the tax liability of the taxpayer. In establishing the purpose of a requirement, the CRA need not prove it is engaged in a genuine and serious inquiry of one or more specific persons. The test is whether the information sought is required to verify compliance with the act and is needed for an audit conducted in good faith. The latter condition evidently guarantees that the CRA “will act judiciously” in the exercise of its audit powers.”

If a taxpayer fails to assist the CRA as required by subsection 231.1(1) or to comply with a requirement issued under subsection 231.2(1), such action may result in prosecution by the CRA. Alternatively, the CRA may apply to the Federal Court for a compliance order. Failure to comply with such an order is considered contempt of court and is punishable by fine and possibly imprisonment.

### Third-party requirements

The CRA has stated it “will always attempt to collect information from the most direct source where [it] can most readily expect to find the information in the first instance.”

However, where the CRA cannot obtain the information directly from the taxpayer, it may consider issuing a third-party requirement. In such situations, the third party, although not the subject of the audit, may be compelled to provide information relating to the tax liability of the taxpayer.

The power to issue third-party requirements is subject to the limitations of subsection 231.2(2), which require the CRA to obtain judicial authorization before seeking information from a third party with respect to unnamed persons. The court will only authorize the issuance of such a requirement if it is satisfied that the unnamed person or group of unnamed persons is ascertainable, and the requirement is made to verify compliance by the person or the group with any duty or obligation under the act.

The third party on whom such a requirement is served may seek a review of the order authorizing the requirement within 15 days after its service. The judge who granted the order may then cancel the authorization if he or she is not convinced that the two conditions have been met, or alternatively may confirm or vary the authorization. This procedure is evidently intended to prevent the CRA from engaging in “fishing expeditions.”

In its administrative policy regarding third-party requirements, the CRA recognizes the need to demonstrate that it actually requires the information sought and that the requirement relates to specific compliance matters. The CRA also candidly acknowledges in its policy that if such precautions are not taken, the requirement may be challenged on this basis.

Since the application for judicial authorization is made by

the CRA on an *ex parte* basis (i.e., without notice to the intended recipient of the requirement), it is incumbent on the CRA to make full and frank disclosure of all material and relevant information. The evidence presented must be complete. No relevant information (even if adverse) may be withheld. The CRA must disclose the circumstances surrounding the application and any defences that it has reason to anticipate may be advanced by the recipient of the requirement. In short, the CRA must make a balanced presentation of all relevant matters, including the facts and the law. Breach of the duty to make full and frank disclosure ordinarily results in a cancellation of any order granted.

Recent decisions reflect the increased reliance by the CRA on requirements and the willingness of the courts to sanction their use. In *Redeemer Foundation v. Canada (National Revenue)*, for example, the Supreme Court of Canada held that the CRA was not required to obtain prior judicial authorization where information about unnamed persons was sought in the course of an audit of a named taxpayer. The majority of the Supreme Court concluded that judicial authorization would not be required in situations in which the requested information was needed to verify the compliance of the named taxpayer

**The CRA has stated it “will always attempt to collect information from the most direct source where [it] can most readily expect to find the information in the first instance”**

being audited, “regardless of whether or not there is a possibility or a probability that the audit will lead to the investigation of other unnamed taxpayers.”

### Foreign-based requirements

In requiring a Canadian resident taxpayer (or a nonresident carrying on business in Canada) to provide any information or document, the CRA may demand the taxpayer provide information and documents available or located outside of Canada.

Failure to provide substantially all the documents or information covered by such a requirement allows the CRA later to bring a motion to prohibit the introduction into evidence of any such material in an appeal or other civil proceeding relating to the act. For example, if a person provides only 50 out of 100 documents required, that person may be prohibited from introducing into evidence any of the hundred documents required, including those provided to the CRA. In this regard, it is not simply the quantity of the documents supplied, but also their relevance that is taken into account in assessing whether there has been substantial compliance with the requirement.

### Statutory and other limitations on access

Requests for information under subsection 231.1(1) and requirements under subsection 231.2(1) can be judicially reviewed; however, the scope of review is limited to determining whether the CRA has satisfied the requisite statutory conditions and has reasonably exercised its powers. Although a court may not con-



clude that a decision of the CRA is unreasonable because it would have decided the matter differently, the court will, in reviewing the decision, consider the manner in which the CRA exercised its powers and determine if it did so reasonably.

Although there are limited circumstances in which a judicial review application will be successful, it is an important tool for taxpayers because the application, once commenced, essentially stops the clock in terms of compliance. In most cases, it can take several months for an application to be heard and, as such, the commencement of the application itself may lead to an agreement with the CRA to narrow the scope of its request or the requirement.

The act does not impose a time limit within which requests for information or requirements may be issued. However, to ensure finality in the administration of tax matters, it does limit the time period within which the CRA can assess taxpayers, and likewise requires taxpayers to maintain records only for a specified period. Requirements that are intended to elicit information about earlier taxation years may be issued after the expiry of the normal reassessment period for those years. That being said, it would defeat the purpose of the statutory limitation period if the CRA could require a taxpayer to undertake an expensive, time-consuming and labour-intensive process to retrieve and produce documents it was no longer required to retain.

The CRA is not precluded from investigating the affairs of a taxpayer following the commencement of an appeal; however, this is typically not done and there may be circumstances where the exercise of such powers could be considered abusive since the authorizing provision may afford the CRA broader authority to obtain information than would be the case in the context of pre-trial examinations for discovery.

A requirement must provide for a reasonable amount of time within which to comply. Although the act does not stipulate the extent of the notice period, the CRA bears the burden of proving that reasonable notice was provided. Factors that are considered in determining whether the deadline imposed is reasonable include the complexity of the file and the volume of materials demanded.

For a requirement to be upheld as valid, the CRA must establish it has been issued for a purpose related to the administration or enforcement of the act. This test is an objective one. The (subjective) opinion of the auditor is not determinative; the purpose of the requirement must be discerned from an objective analysis of the evidence in its entirety.

If a document is either privileged or can be considered irrelevant (based on the stated purpose of the requirement), it does not have to be produced.

Privilege can, however, be waived by implication where disclosure is made to a third party that does not have a sufficient common interest in protecting the privilege associated with the information.

In appropriate circumstances, the recipient of a requirement

may have a right to redact the names of third parties from documents that fall within the scope of the requirement, but it must first establish a factual basis for asserting the right to redact. As cautioned by the Federal Court in *Artistic Ideas Inc. v. Canada Customs and Revenue Agency*, there must be “clear evidence that the unnamed persons are to be investigated. That evidence must go beyond a mere speculation that these persons may be of interest to the tax authorities. Only in the face of such evidence, should the broad powers of the [CRA] be curtailed.”

## Conclusion

Although the investigative powers afforded to the CRA under the act are broad and increasingly exercised, the legitimate expectation of taxpayers is that such powers will be fairly invoked, having regard for privacy and cost of compliance concerns. To this end, the Taxpayer Bill of Rights expressly acknowledges that taxpayers have the right to privacy and confidentiality and to have the costs of compliance taken into account when the CRA administers the act.

The CRA has indicated that, in any given case, its decision to issue a requirement is a matter of professional judgment and

## The Taxpayer Bill of Rights acknowledges that taxpayers have the right to privacy and to have compliance costs taken into account when the CRA administers the act

that such decisions are typically made whenever a significant noncompliance issue is present; the information sought is material to the proper assessment of tax; or a taxpayer is reluctant to provide the information or has not done so in a timely manner. At the same time, the CRA seems to recognize that the exercise of its investigative powers must be tempered in each case by consideration of whether a requirement is necessary and that it should avoid “requesting too much documentation.”

Requirements are often issued years after the relevant events have occurred and generally relate to complex transactions that have been heavily documented. Taxpayers should therefore carefully evaluate how their information is created, stored and disseminated.

Although the CRA will not normally issue a requirement unless it is prepared to prosecute in the event of noncompliance, where a taxpayer reasonably believes the volume of information demanded cannot be provided within the time limits stipulated in the requirement or that the exercise will be prohibitively expensive, the taxpayer would be well advised to communicate these concerns to the CRA with a view to negotiating a more manageable period and process.

Justin Kutyan and Pooja Samtani are associates, taxation, at Osler, Hoskin & Harcourt LLP in Toronto

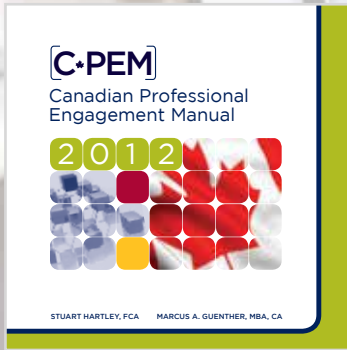
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Technical editor: Jay Hutchison, tax managing partner, Canada, E&Y

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## What looms for miners

Signals show that grades from 2012 year-end impairment tests may not be as fail-safe as they once were

Investors who have held a mining stock in their portfolios throughout 2012 are likely scratching their heads at current market prices. On the one hand, most analysts think we are in a strong long-term commodities cycle; on the other, 2012 mining valuations have been relatively weak.

Against this backdrop and with significant impairment charges from Kinross (\$2.9 billion) and Newmont (\$1.6 billion) earlier this year, what future accounting goodwill and mineral asset impairment charges may lie ahead for mining companies in 2013?

A review of the stock price performance (see table on page 50) over the past 12 months through July 30, 2012, illustrates the doldrums.

### How is value determined?

Mines are fundamentally valued based on a life-of-mine (LOM) model. Generally speaking, the LOM model is akin to a discounted cash flow analysis (DCF). The principal inputs, such as commodity prices, capital and operating costs, production levels and development timelines, are provided by the company based on internal departmental studies or independent studies. It is the combination of the mine or project's specific inputs, such as measured reserves, resources and inferred deposit base, physical properties of the mine itself, metallurgical qualities, location and tax rates, that drive net asset value (NAV). The model structure and inputs are typically updated with each new feasibility study.

NAV is not necessarily equal to the mine's market value. To determine the mine's market value, one needs to examine or refine the NAV taking into account a number of market-based measures. Often one will apply a multiple to the NAV to account for qualities not imbedded in the model or the discount rate. Such factors sometimes include quality of the ore, quality of management or potential beyond the reserves/resources in ore size or new finds. A price-to-NAV (P/NAV) multiple of more than one lifts the value of the mine over the NAV to reflect positive factors not accounted for in the DCF, and a P/NAV of less than one reduces value to account for risks or market attributes not accounted for in the DCF.

Impairment charges have their origins in a material difference between the carrying value of a mine on the books and its market value, not just its NAV. For greater certainty, once the market value of the mine is computed, it is apportioned across all the component assets and liabilities and these revised allocations are compared to the then book values to determine if there has been impairment or not. In the case of goodwill, those values are residual calculations — what is left from the market value of the mine after all other values have been identified and allocated.



BLAIR KELLY

### What's driving the impairment?

Impairment charges from 2009 were based on metal prices, which fell rapidly and precipitously, and the resulting decline in NAV. However, in recent years, long-term metal prices (as measured by consensus estimates) have remained strong, notwithstanding trepidation regarding China's long-term growth prospects, which adversely affected short-term base and ferrous metal prices. Similarly, precious metal prices have maintained their lustre as sovereign debt concerns and a low interest rate environment continue.

So what is behind the current goodwill impairment and mineral asset charges, and what will drive them in the balance of 2012 and early 2013? In summary, the primary drivers will not be current spot prices, but declines in P/NAV multiples over prior years (which when applied to the NAV give an estimate of market value of the mine); increases in capital costs (impacting the mine model or NAV); and delays in development timelines (impacting the mine model or NAV).

### Trends in support of the above

*Declines in P/NAV multiples* As set out

in the table below, P/NAV multiples for the gold sector have been on a steep decline over the past 18 months after the frenzy of mergers and acquisitions in 2010 and 2011, when more than \$180 billion of M&A activity was completed. Causes for the declines in the P/NAV multiples are debatable but generally attributed to:

- negative investor expectations regarding higher capital costs over-and-above what has been modeled in the NAV;
- negative investor expectations regarding delays in development timelines due to financing concerns, permitting difficulties, and other development delays over-and-above what has been modeled in the NAV; and
- short-term volatility in the spot metal prices or concerns over long-term metal prices relative to consensus estimates.

In respect of potential impairments, it is worth bearing in mind that many acquisitions completed in 2010 and 2011 were priced at a time when P/NAV multiples were at loftier levels.

*Increases in capital costs* Significant capital cost increases have been commonplace in the mining industry. Increases of 20% to more than 50% in cost estimates have been experienced in many projects such as NovaGold-Barrick's Donlin Gold, Barrick's Pascua-Lama projects, Baja's Boleo project and Kinross' Tasiast project. Some firms have rationalized their project scope or delayed projects altogether.

Cost escalation has been driven by rising costs for the construction inputs, such as fuel, cement, steel, skilled labour and equipment. For projects where there has been a change in ownership or operator, the cost increases are often attributed to

## As the search for resources continues around the globe, many new projects have been started in jurisdictions with modest mining histories and higher geopolitical instability

changes in scope. For junior mining companies attempting to develop their own projects, such cost overruns often signal higher dilution risk for existing shareholders.

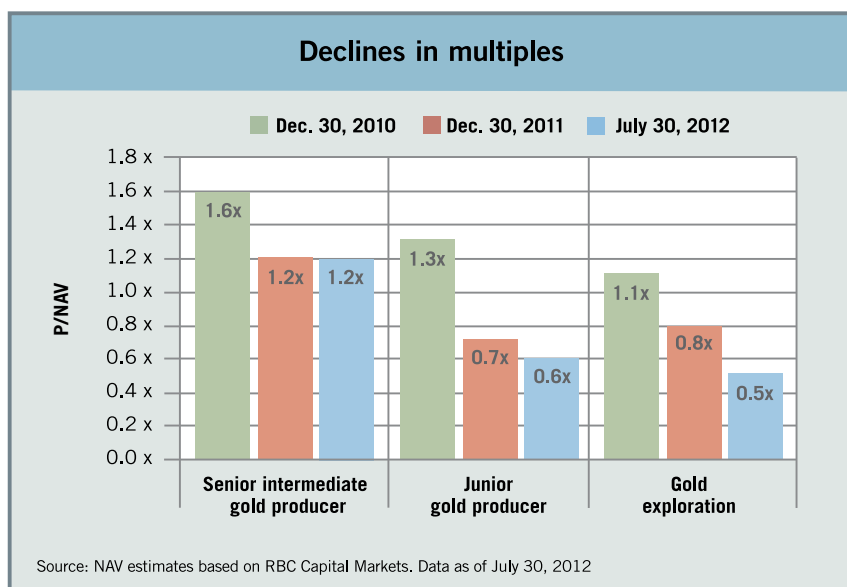
From a NAV perspective, such significant cost increases have a meaningful downward impact since cash outflows are realized early on in the forecast period.

To reflect negative investor expectations that there are cost increases not specifically accounted for in the LOM model or related NAV, they will often apply a P/NAV multiple as a shortcut to capture the expected effects on the LOM model and NAV.

*Delays in development timelines* Delays in development projects have become increasingly frequent. As the search for resources

continues around the globe, many new projects have been started in jurisdictions with modest mining history and/or geopolitical instability. Access to skilled labour and infrastructure can be exacerbated by ownership risk and fears of resource nationalism. Permitting in these jurisdictions can be even less predictable and cause significant project delays. Furthermore, new projects are located in very remote regions, which might offer positive project economics but feature complex technical designs and operations that may not be apparently reflected in the forecasted cash flows.

Another factor contributing to project delays includes acquisitions of development projects where, in addition to changes in project management, the new owner reassesses the project design and





Stock performance	
Senior/intermediate gold producers	-24%
Junior gold producers	-38%
Gold exploration	-60%

Indices comprised of comparable company database lists prepared by RBC Capital Markets

ed by analysts for anticipated delays or increases in capital costs, the market has reflected its perceived risks through the decrease in P/NAV multiple.

The pullback in mining stock prices and P/NAV multiples thus far in 2012 combined with the interrelated pressures on the NAV from project delays and cost overruns are signaling that the 2012 year-end impairment tests will not

alters the scope to its preferred methods.

Further complicating project timelines is the number of expected projects to be developed over the next five years, many of which are competing for skilled labour, engineering, procurement and construction management firms, financing, and access to mining equipment.

From a NAV perspective, a delay of initial production by one or two years can have a significant downward impact.

To the extent that the NAV has not been specifically adjust-

ed by analysts for anticipated delays or increases in capital costs, the market has reflected its perceived risks through the decrease in P/NAV multiple. However as we observed in 2009, the wave of impairment charges was followed by another wave of M&A activity. Will history repeat itself?

Alan Lee is director of valuations, and Molly Yuan is senior associate at Duff & Phelps in Toronto

Technical editor: Stephen Cole, managing director, Duff & Phelps in Toronto



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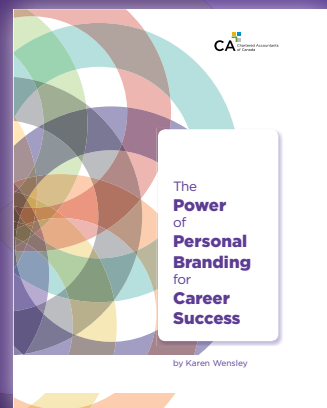
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## Know when to fold 'em

Is it time to sell your funds? A few pointers on knowing when to cut your losses or reap your gains

**A**t times, investing can seem like a train bound for nowhere, which is why you've got to know when to hold 'em and know when to fold 'em. While much of the wealth-management industry's effort is focused on convincing people to buy products, it's equally, if not more, important that investors know when to sell.

Selling is a much harder decision than buying, as emotion plays a larger role. Fear, greed, regret, anger and paralysis can all lead to poor decisions. Even the most seasoned professionals make investing mistakes, although the good ones put emotions aside and make the decision to either be patient or move on.

Given the widespread use of mutual funds in Canada, knowing when to sell a fund is vital. It is recommended

that clients do a thorough performance assessment once a year. To do so, investors and supporting advisers should have a framework as to how to review portfolios and identify when adjustments are required.

While deciding when to sell a fund is more art than science, five factors may help determine when to hold or fold.

### Poor performance

One of the biggest mistakes investors make is being impatient. They don't give strategies enough time to play out, and as a result, they trade too often. Every fund goes through periods when the manager's strategies are out-of-favour and it lags the market and competition. While it can be difficult, ignore short-term performance. Monthly or quarterly returns are random and even one-, two- and three-year numbers are too short on which to judge a fund.

Short-term pain is not a reason to sell.

While it is absolute returns you want (as opposed to benchmark-like returns), market context has to be considered when doing a performance evaluation. Focus on five-year annualized returns (and longer) in comparison to an appropriate benchmark index. For example, a Canadian equity fund should be compared with the S&P/TSX composite index, while a fund with 50% Canadian and 50% US stocks should be compared with a blended benchmark (50% S&P/TSX composite index, 50% S&P 500 index).


Ideally, five-year returns covering different time periods should be used in an evaluation — e.g., five years ending December 31, 2008, 2009, 2010 and so on, up to the most recent year-end. Rolling five-year returns get around the fact that annualized returns can be heavily influenced by specific start and end dates, or what is called end-date sensitivity.

If a fund's five-year numbers reveal chronic underperformance and trail the benchmark index by a meaning-



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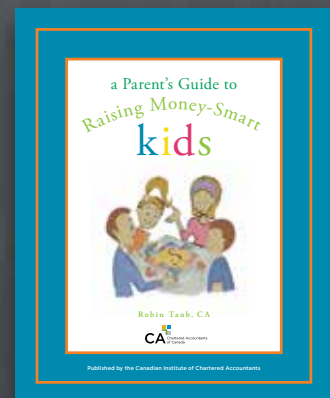
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ful amount (3% a year or more for equity funds; 1.5% for bond funds), it's a signal to move on.

### Change of key personnel

If a key manager leaves, it's time to reassess. You originally purchased a fund for a number of reasons, but the person making the final decisions was likely a key one. The manager has a big impact on the structure and holdings of a fund, which is what produces returns. A new manager brings a different strategy and approach to the portfolio.

If a longstanding manager with a successful track record leaves, consider exiting as well. Or, at the very least, learn more about the new manager (track record and approach) to be comfortable with the change. Admittedly, this can be difficult to assess, but the fund company should provide some information on the new manager in its marketing materials and regulatory filings.

### Change to investment philosophy

Changes to a fund's objectives or investment philosophy can occur for any number of reasons. The fund may be doing a poor job of meeting its objective and as a result is not selling well. The marketing department may feel it has gone out of fashion. But the most common reason is fund mergers, which occur because there are too many similar funds in the market, and there have been a number of mutual fund company takeovers over the past few years (Manulife buying AIC; Royal Bank/PH&N; CI Funds/Hartford; AGF/Acuity; Bank of Nova Scotia/Dundee; and Sun Life/McLean Budden).

A fund company takeover is a red flag. If you own a fund that is acquired by another company, keep a close eye on proposed changes to the fund's manager, objective and name. Following an acquisition, companies look for synergies, which may result in changes. Typically, a small or unpopular fund is merged into a product with more assets or sales momentum. It may even be merged into a different fund category, resulting in a complete overhaul to the portfolio (for example, an international equity fund is merged into a global equity fund, which changes its geographic makeup significantly). Additionally, there may be tax implications arising from fund mergers that need to be considered.

A fund merger often results in a fundamental change to the fund (including personnel) and is a sign to go back to square one and reassess. In a tight portfolio that holds four to eight funds, you can't afford to have one of the pieces out of line.

### Inactive manager

With most equity funds, you pay a premium fee to have your money actively managed. If the manager is more or less replicating the index, it's time to move on. There are index-oriented exchange-traded funds (ETFs) that achieve market-like returns at a much lower cost.

As for active management, make sure you're getting what you're paying for. Your fund should look, and accordingly perform, differently than the index. Yale University researchers have coined the term "active share" to measure how much a

fund differs in composition from its benchmark index. They suggest truly actively managed funds are those that have an active share of 80% or higher (80% of the portfolio does not replicate the index). Most funds do not publish their active share, so it can be difficult to determine how truly active they are. Funds with a large number of holdings, however, tend to look more similar to the index than funds that concentrate on fewer holdings. Also look at the sector breakdown to see how much a fund differs from the index. If you find you own a "closet index" fund, a change is in order.

### Excessive fees

This one doesn't require much explanation — fees have a direct impact on returns. Look to keep your investing costs low wherever possible. The definition of a reasonable fee will differ depending on the investor, asset category and service provided, but if you're paying 2.5% or more a year in management fees, you should be aware that there are many lower-cost options available, including low-cost mutual funds and ETFs. Further, if your investment firm does not provide you with transparent, easy-to-understand information on fees, or hesitates to answer questions, it may be time to sell.

### Other considerations

After you've done a dispassionate review of a fund and determined it's time to sell, there are a few other considerations to take into account before hitting the red button.

First, look into any deferred sales charges (DSC) that may be triggered by a redemption. These fees can be steep, at up to 7% of the value of the investment. While the practice of selling funds under a DSC schedule is in decline, ensure that you will not be hit with a large penalty when you sell. If your fund is subject to a deferred sales charge, you may want to hold off on a redemption until the charge declines or expires (it drops every year and most DSC-sold funds allow you to redeem 10% per annum without penalty).

Second, consider the tax implications. If you have a large unrealized capital gain, for example, put some thought into the timing of your redemption (possibly spreading it out over different tax years) or offset it with a capital loss on another fund or investment. To be clear, however, if a fund no longer fits in the portfolio, taxes should not be a reason to keep it.

Finally, have a plan for the proceeds of any redemption to ensure your portfolio's strategic asset mix (your long-term mix of stocks, bonds and cash) does not veer off course. If you sell an equity fund during a period of market weakness, you do not want to be holding a large cash position and miss a rebound.

To steal one last line from Kenny Rogers, "*The secret to survival is knowin' what to throw away and knowing what to keep.*"

Tom Bradley is president and cofounder of investment firm Steadyhand Investment Funds Inc. in Vancouver. Scott Ronalds is Steadyhand's manager of research and communications

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

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## HOW THEY DO IT IN...



### NICE, FRANCE

When CAs are relaxing on a patio at the port of Nice on the Mediterranean Sea in France — perhaps some from Ernst & Young's Promenade des Anglais office — they might see as many as 20 local buses go by in any given hour during the day. France's fifth-largest city has an enviable, integrated transportation system, including buses, trams and trains used regularly by the locals. Many residents do drive but parking is scarce and expensive.

The local buses on the Lignes d'Azur network are frequent, cheap and usually air conditioned. Passengers can travel all over the city for one euro; a transfer is good for up to 74 minutes in one direction. Tickets can be purchased from automatic ticket dispensers at tram stops, as well as from bus drivers when boarding: a thumb up means one ticket, the index finger means two. Regulars can pay 40 euros for a monthly pass or 320 euros for a year.

Since late 2007, more commuters have left their cars behind

and chosen the slick, quick tram line. It speeds quietly along an 8.7-km, U-shaped track from the edge of the city through the business area, hitting stops every four to eight minutes.

It's cheap and easy to get to work for CAs with jobs down the scenic coast in Monaco where KPMG has an office. There's an express bus that costs four euros for the 21-km ride, and leaves every 50 minutes in the early morning; train service is frequent and costs about three euros and a "simple" bus is just one euro.

Snow and strikes are about the only things that can wreak havoc with the system. A dusting of snow has been known to throw bus drivers into a tizzy and when a strike hits, the cars come out. Electric cars can be reserved online, with prices ranging from four euros to eight euros an hour, depending on departure and return times. For those who prefer peddle power, bicycles can be rented at stations for one euro a day or 25 euros for one year.

Taxis are usually a last resort. They're hard to hail and pricey; walking is a privilege and highly recommended, especially on the palm-tree-lined beach-side promenade. Lorie Murdoch

## Where are they now? SHEILA FRASER



### Across the boards

Sheila Fraser made headlines often in the 10 years since she was featured in *CAMagazine* (January/February 2002). Her visibility decreased, however, after she ended her term as auditor general of Canada, a position she held from 2001 to 2011.

But you won't hear her complain about being out of the limelight. "Accountants are not people who seek that type of visibility; it's not in our nature," she says.

Although she doesn't miss the attention, she does miss the teamwork. "I had an extraordinary team and we achieved great things," recalls the McGill University alumna, who received her CA designation in 1974.

She would soon get the chance to be part of a team again. Fraser was invited to sit on the board of directors of Manulife Financial and Bombardier. The invitation from Manulife came with an opportunity to attain some educa-

tion. "Maintaining low interest rates, for example, is a big challenge for Manulife that I have to learn more about. This is quite a learning experience," she says.

While Fraser laments that 40% of the 500 largest Canadian companies do not have women on their boards of directors — "companies should reflect society" — she is against coercive policies that would require quotas. The situation, she believes, will right itself. "The majority of students at universities are women, so it's only a matter of time," she says, adding that Manulife's chair is a woman.

Fraser's work on boards isn't limited to corporations: she also sits on the board of the Ottawa Food Bank. Her concern about social issues is demonstrated by her astonishment that in such a wealthy city more than 45,000 people use the food bank's services each month.

With all her board work, the former AG still keeps her feet firmly planted in accounting; she has been a member of IFAC's International Public Sector Accounting Standards Board for the past five years.

While Fraser has remained very active, she relishes her newfound free time as well. "Now I have time to read the entire newspaper in the morning." Yves Gingras



# In my purse

by Angela Lawrence



## SARAH DAVIS

CFO of Loblaw Cos. Ltd. since 2010, Davis has more than 20 years of financial management experience working for some of Canada's largest corporations. In her role at Canada's largest food retailer, Davis reflects a steely commitment to making Loblaw an industry leader in multiple areas. To start, she successfully led the conversion of the company's public reporting standards to IFRS and plays a key role in implementing SAP Finance; she is also the executive sponsor of the CA training program at Loblaw. Named one of Canada's Top 100 Most Powerful Women by the Women's Executive Network in 2011, Davis is also the executive sponsor of the Women@Loblaw network. We asked the busy corporate executive and mentor what's in her purse.

### SMARTPHONE

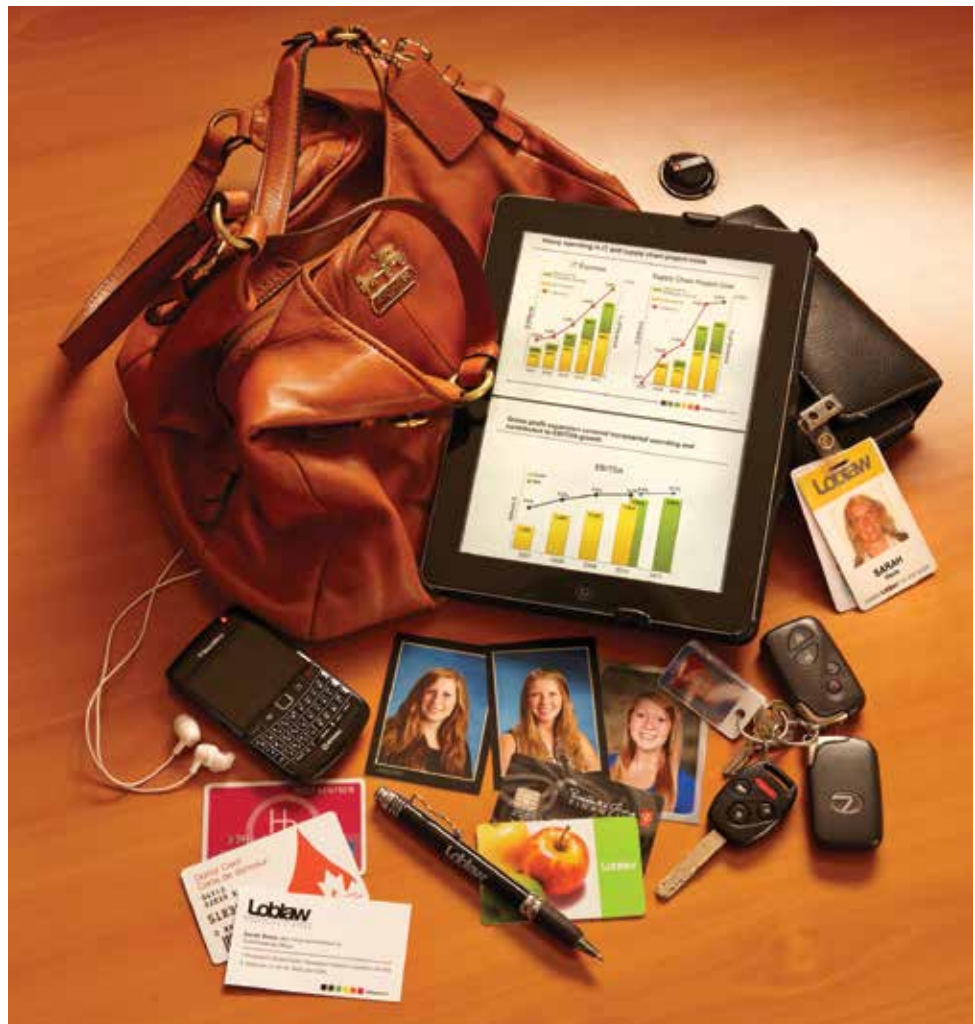
"My BlackBerry is definitely the most important item in my purse. It allows me to always be connected and in contact with my [three] teenage daughters. We only text; no email or calls anymore."

### TABLET

"I have special software that allows me to review all the board and committee meeting reports online on my iPad. I can see any type of presentation or financial report on it. There is also a recipe app on it, because I'm always looking for something new to make for dinner."

### WALLET

"I always keep photos of my daughters in my wallet, along with all my loyalty cards [for] where I shop. It also contains my credit card and company discount card. At Loblaw we give a discount to colleagues in our stores."



### BUSINESS CARDS

"Meeting business associates and investors is a big part of what I do."

### HEADPHONES

"Every month or so I travel to a different part of Canada to see a [Loblaw] store. I always have my headphones with

me to listen to music on my iPod touch or watch a movie on the plane."

PAUL ORENSTEIN



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## A Kay Commission for Canada

In July, a major British report titled *The Kay Review of UK Equity Markets and Long-Term Decision Making* was published. Its author, well-known economics professor John Kay, had been commissioned by the government in 2011 to study the impact of equity markets on the long-term performance of listed companies in Britain. His report should be better known in Canada.

The stock market acts as an intermediary between savers and public companies, channeling the savings of the one toward the needs of the other. Today's stock exchanges are dominated by institutional investors; individuals hold barely 12% of the quoted shares in Britain. Institutional managers, such as pension funds, impose their vision on the market. According to Kay, this vision doesn't serve the interests of the economy.

They may once have been investors, but now most portfolio managers in these institutions are traders. Their strategy is to exploit imperfections in the market, with limited regard for the fundamental value of the shares they trade. According to Kay's report, 72% of British stock trades involve traders, basically portfolio managers, betting against each other as opposed to investing for the long term. An average portfolio now turns over every six months, increasingly under the hold of programmed algorithms.

Alpha is a word for the value created by a portfolio manager beyond the market's average performance. All managers seek to create alpha, by outperforming their benchmark. Since there is a sale for every purchase, "trading" is a zero-sum exercise that doesn't create overall value. But the frantic search for alpha imposes short-term perspectives on the market. Managers are less concerned by a company's future performance than with the price they can get for their shares, which depends on what other portfolio managers think about what other portfolio managers think. The market therefore becomes disconnected from the real economy and morphs into a pit of speculation where everyone is trying to anticipate the other's next move.

Unfortunately, portfolio managers also impose their

short-termism on companies. Each quarter offers an opportunity to speculate. Companies that fare poorly in one quarter can be severely penalized. The roles have somewhat been reversed. Companies from the real economy no longer shape the stock market; instead, the expectations of the traders impose constraints on companies. There is no better illustration of this role reversal than hedge funds that accumulate significant positions in out-of-favour companies, then shop them around to empire-building CEOs. Whether the acquisition makes sense is secondary.

Kay proposes that exchanges return to their true mission of being a market where investors can build a portfolio of shares in companies they trust and that will provide dividends for the long term.

**According to Kay, 72% of British stock trades involve portfolio managers who bet against each other**

To this end, portfolio managers must re-establish a bond of loyalty with the companies they invest in. How managers are compensated also must change: alpha, doing better than other managers, must be replaced by the long-term absolute returns on their portfolio. Kay also recommends the regulatory framework and obligations of various stakeholders be revisited. In particular, public companies' boards should act on behalf of the company as a whole, not only for the benefit of short-term shareholders.

Kay has no illusions; changing the system will be difficult, even if calls for change come from all over. The July/August issue of *Harvard Business Review* included a thought-provoking article ("What Good are Shareholders?") recommending disenfranchising short-term shareholders.

I encourage a read of the Kay report (available online). The recommendations are not all relevant for Canada, but Kay's diagnosis of the state of the financial system reflects Canadian reality. Canada should create its own Kay Commission to examine the extent to which our capital markets meet the real needs of the Canadian economy.

Marcel Côté is strategic adviser, KPMG SECOR, Montreal

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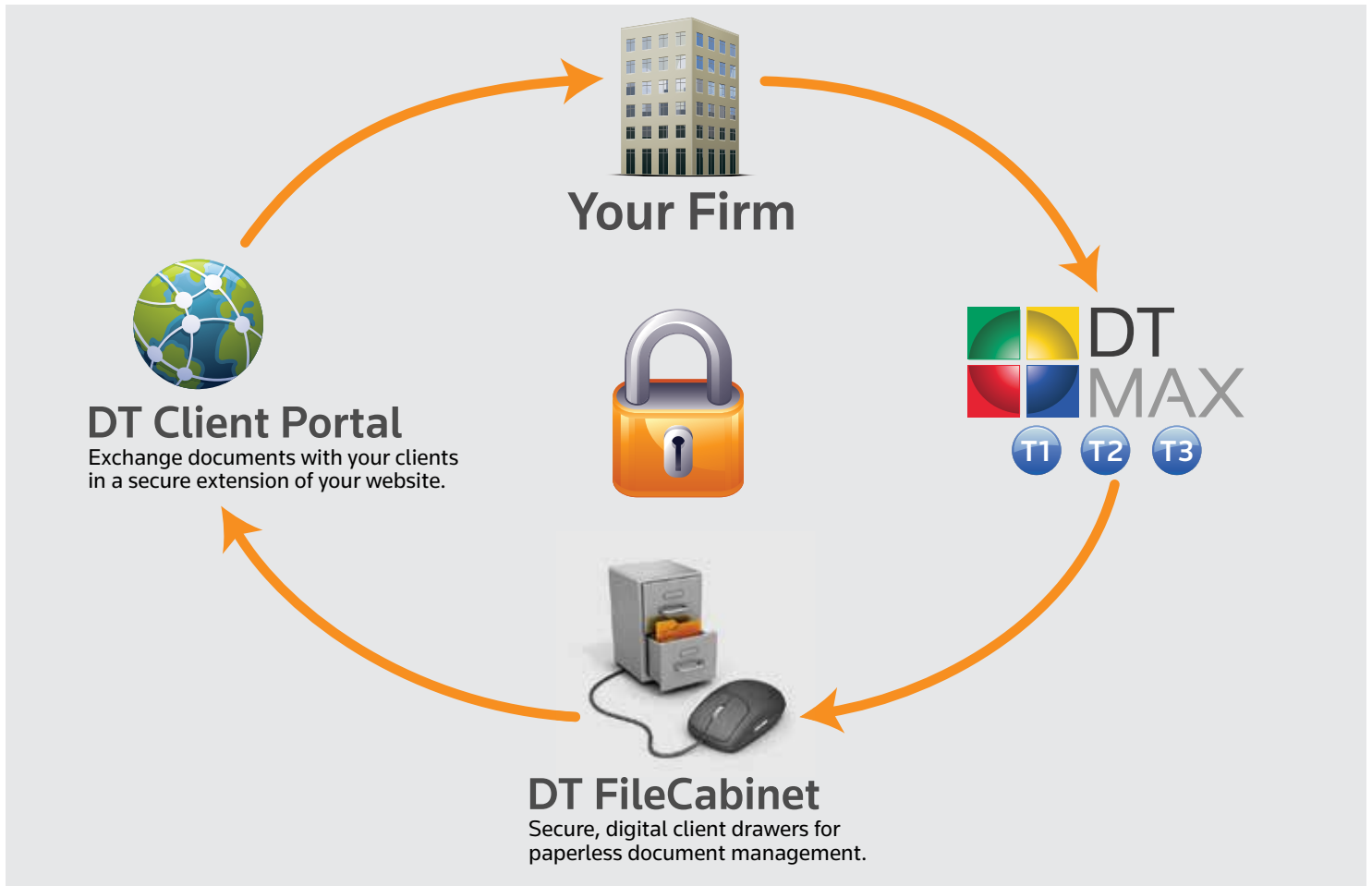


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