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XEROX'S ORIGINAL

She climbed the corporate ladder her way

Mandy Shapansky, CEO
of Xerox Canada

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More than one “surefire” road

Although many felt differently, one CA proved that all roads do indeed lead to Rome — or, in her case, CEO

The human mind is designed to seek patterns in the seeming chaos of life and search out “surefire” methods for achieving particular objectives. We all want to know what makes people successful; consequently when a few people get ahead treading a particular path, we are eager to prescribe it as the One True Way to success. But once in a while, something or someone comes along to challenge our assumptions and shows us there is more than one road leading to Rome.

At Xerox Canada, it was assumed that the fast track to CEO was through a posting to the US head office — until Mandy Shapansky came along. Shapansky turned down postings to the US twice because she did not think it was good for her family life. This should have been the proverbial career-limiting move. It was not. Her unique story serves as a beacon to all who wonder if it’s possible to do it their way, especially by not sacrificing family obligations. We sent writer Paul Brent to find out what makes this remarkable woman tick. He writes, “You can stick her with the dullest person in the room and she can have a captivating dialogue for half an hour. She can connect with senior executives and people on the front lines.’ Shapansky has received among the highest employee-satisfaction grades, a remarkable feat given that until recently she spent most of her time as CFO in a finance function . . . not known as the happiest area in the company.” Find out more in “Outside the profile,” p. 20.



What you’ve all been waiting for is here — the CICA national compensation report, a survey that tells you what CAs across the country are earning and helps you put your remuneration in a regional and national context. The survey was conducted in June-July 2011 for the calendar year 2010. Freelance writer Robert Colapinto examined the survey and reports that average compensation, compared with the last survey done in 2009, has dropped 2.9%. The survey also shows a decline in nonbase compensation of 4.7% for nonowners. Colapinto writes, “Despite the dramatic decline countrywide in the nonbase side of the equation, the stability of base salaries over such a long period of economic calamity suggests a commendable level of resilience in the CA profession.” This is a must-read (p. 26).

In this issue, columnist Marcel Côté has it in for the government and how immigration treats visitors and friends (Outlook, p. 52). In Netwatch (p. 12), Jim Carroll writes about how insurance companies may roll out technologies that will give you a rebate or reduction on your premium if you exceed some performance standards. There are also regulars on fraud (p. 34), standards (p. 38), education (p. 42) and assurance (p. 45). Happy reading.

Okey Chigbo, Editor

upfront

4 PEOPLE

Jamie Baillie credits his old boss for his decision to make a career change. Baillie gave up a comfortable position as a CEO to run for the leadership of the Progressive Conservative Party of Nova Scotia and help rebuild the party. Then, all he had to do was win a seat in the provincial legislature

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The first time Mandy Shapansky declined a fast-track posting to Xerox's US head office, many bosses were surprised. When she did it a second time, the rumour mill went into action: she must be sick. But doing it her way hasn't derailed the CEO of Xerox Canada's career

BY PAUL BRENT

26 2011 compensation survey

The latest remuneration report is in and the average compensation figures aren't as rosy as the last survey's. However, observers say CAs may not have much to worry about, especially compared with what businesses and other professions have endured the past few years

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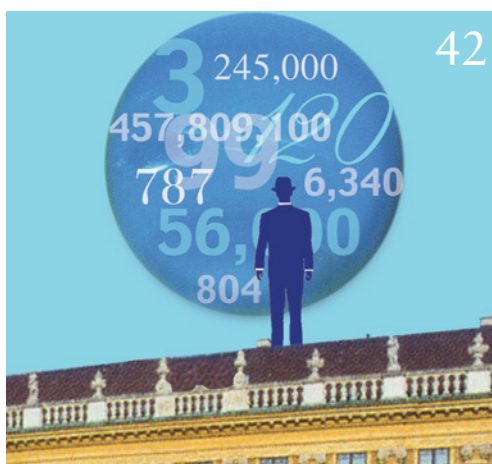
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UPFRONT

News, people, briefs, trends + tips

A higher calling



Once chief of staff to a premier of Nova Scotia, CA Jamie Baillie is now an MLA and leader of the province's PC party

Jamie Baillie risked a great deal in 2010 when he sought the post of leader of the Progressive Conservative Party of Nova Scotia. Not only did he have to give up his job as CEO of Credit Union Atlantic for the uncertain world of politics, but he also had to win his party's top post and rebuild a party devastated by a 2009 election loss that kicked it from power to third-place status. Then Baillie had to win a seat in the provincial legislature.

The chief of staff to former NS Premier John Hamm says his old boss contributed to the decision for the career change. "He is a bit of a role model for me," says Baillie, 45. "He was in politics for all the right reasons. He was a doctor at the height of his profession but felt a higher calling and the same for me. I didn't need the job. Running the credit union as CEO was a great job but still I felt that calling and Hamm really understood that."

Since winning the leadership in an uncontested race and a seat in the legislature representing Cumberland South in a byelection in 2010, Baillie has made his CA credentials a key part of his political message and is his party's finance critic. His fiscally conservative platform includes reducing debt and reintroducing mandatory balanced budgets. "I think that what Nova Scotia needs right now is the skill set that a CA is trained to have," he says.

Résumé

- 1991 obtains CA designation (NS)
- 1995 becomes VP finance, CitiGroup Properties
- 2002 appointed chief of staff for NS premier
- 2005 named CEO, Credit Union Atlantic
- 2010 wins PC leadership and elected as MLA

Last winter, Baillie was named a Fellow of the Institute of Chartered Accountants of Nova Scotia after receiving an emergency call in the legislature. His first thought was "I'm sure I paid my dues." When ICANS president Greg Simpson told him the institute was bestowing the FCA designation to a member who had "brought honour to the profession," Baillie joked, "Are you sure? You do know I'm a politician now, don't you?"

Paul Brent

More work and less play for Canadians

If you're feeling burned out at work, you're not alone. According to a Towers Watson survey of 98 organizations in Canada, 60% of employers say their workers have been putting in longer hours over the past three years, and 25% say employees have been using less vacation or personal time during the same period.

While almost half (48%) the respondents are concerned changes such as these made during the recession will affect employees' ability to maintain a healthy balance between work and personal lives, about the same number (47%) expect the trend of more work and less play to continue another three years.

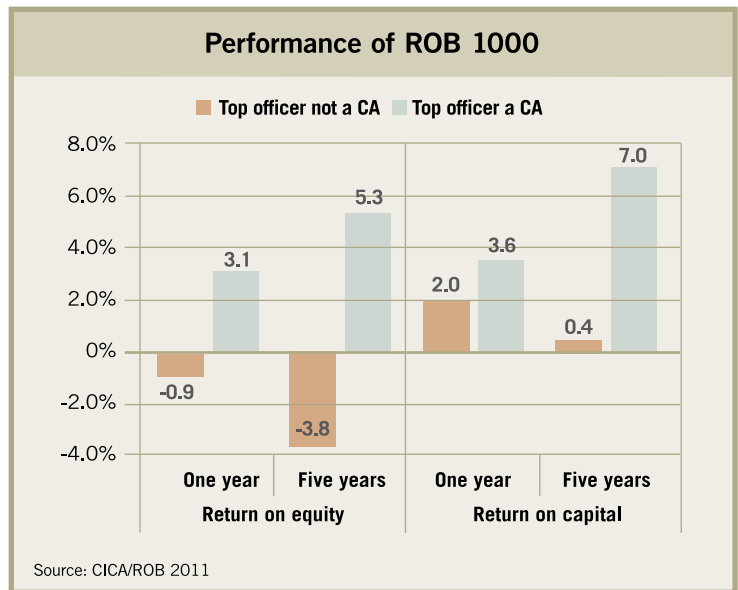
"Employees at many organizations are already suffering from change fatigue," says Julie Naismith, senior rewards consultant at Towers Watson. "As a result, when the labour market does recover, employers can expect a sharp increase in voluntary turnover."

CAs LEAD THE WAY AGAIN

Major Canadian companies with a CA as their top officer continue to outperform those without a CA at the helm, according to an annual review of executive positions in the *Globe and Mail's* Report on Business (ROB) 1000. More specifically, the study has found that ROB 1000 companies with a CA as their top officer performed better on return on equity and return on capital over the past year and over the past five years. This finding is consistent with the study's results since the CICA started this analysis in 1998.

Given the advantages CAs bring to the C-suite, it's not surprising they continue to hold a large percentage of these positions. And given CAs' financial expertise, it's not surprising that CFO is the C-suite position most likely held by CAs. In the 2011 analysis, 59.9% of ROB 1000 companies had a CA as their CFO. This compares with 57.4% in 2010, 57.9% in 2009, 58.7% in 2008, 59.6% in 2007 and 57.9% in 2006.

Other positions frequently held by CAs include chair (11.3%), CEO (10.9%), president (12.0%), secretary (14.5%) and chief operating officer (6.7%).



The study also found that 65% of the ROB 1000 companies had at least one CA in its top-six positions, while 21.6% of all the top-six positions are held by CAs.

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



ASK AN EXPERT

HOW CAN I GET TEAM MEMBERS TO MOVE PAST THEIR CONFLICTS?

Disputes will pop up even in the most cordial workplaces. But if you have the tools you need to work toward productive resolutions, you and your staff can use them to strengthen your organization rather than harm it. These tips will help turn your next meeting with conflicting staff into a productive conversation:

Start with an icebreaker. Ask for one person's take on something that's both work-related and positive. For example, if the conflict involves two employees involved in a project, you might break the ice by asking both of them how they became involved and what they hoped to achieve.

Work toward SMART solutions. That means specific (who will do what, when, where and how); measurable (to know when something has been accomplished); achievable (don't set anyone up

to fail); realistic (allow extra time for glitches and delays) and timed (create reasonable deadlines). Once you have your SMART solutions in place, immediately put them in writing to keep everyone on track.

Use and encourage positive language. For example, you could say, "This has increasingly affected the entire team, and we need to address it so we can get everyone's focus back on the project goals and having a comfortable working environment." Don't fall into repeating verbatim paragraphs from your company's HR manual.

Listen. Ask an open-ended question. It can be as simple as, "So, tell me, what's going on?" Then listen carefully to that person's side of the story. Acknowledge his or her emotions without seeming as though you are taking sides.

Steven Dinkin is president of the US National Conflict Resolution Center (www.ncrconline.com)

#NUMBERS Game

26 Millions of dollars in additional costs incurred by the Canadian army's policy to support domestic suppliers in 1986-'87, according to the federal auditor general. "The department often ends up paying significantly higher prices for items with little or no Canadian content," the report added.

34 Years since the federal government launched the Create a Job: Buy Canadian ad campaign at the urging of Ontario Premier Bill Davis. In 1978, Ontario began to work on a similar policy favouring made-in-Canada goods.

45 Percentage of Canadian business executives supportive of a 2004 call by SNC Lavalin president Jacques Lamarre for governments to adopt a buy-Canadian policy, according to a *Financial Post* poll. A majority (53%) said the feds should focus on cost cutting and

Practical or protectionist? A tempestuous economy and an eroding manufacturing base have encouraged some to explore one solution countering the movement to freer trade: buy Canadian



getting "the best product for the lowest price."

76 Years after the US initiated buy-American regulation in 1933 that NDP leader Jack Layton suggested similar Canadian legislation in 2009. "We are a world trading leader," Prime Minister Stephen Harper said in rejecting the concept. "We can compete with the best in the world."

280 Billions of dollars in "procurement opportunities" denied Canadian firms through buy-American policies in 2009, according to the Canadian Chamber of Commerce.

4,800 Made-in-Turkey delivery vehicles slated for purchase by Canada Post in 2010. "It's mind-boggling to me that they would spend money on foreign manufactured goods when [Canada] is struggling with its economy," said a union president. Steve Brearton

Going Concern



**JIM TRUSSLER, FCA
PRESIDENT,
LST ENERGY INC.**

COMPANY PROFILE: Founded in 2009, LST Energy Inc.'s core product is a patented hay-burning system developed by 78-year-old

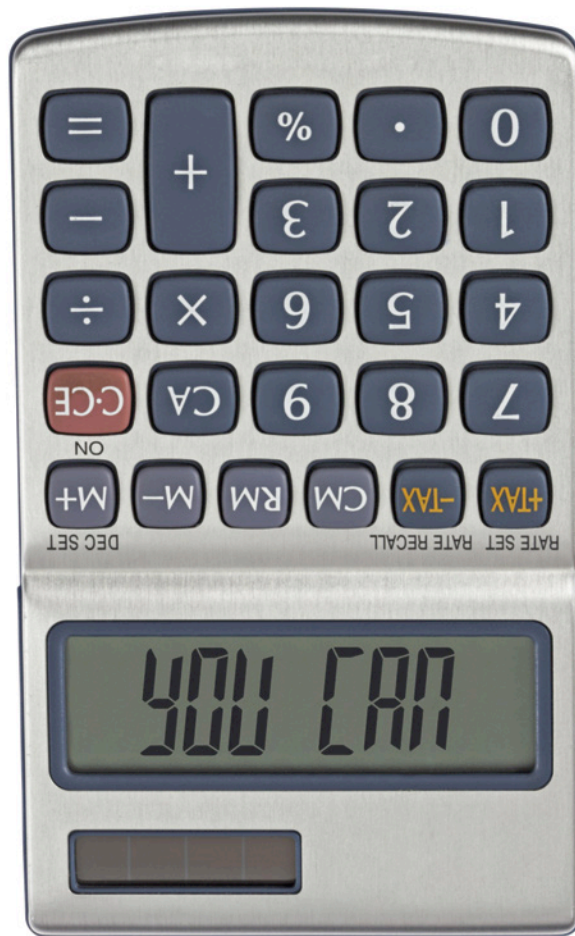
farmer Gus Swanson from Pictou, NS. A furnace-like unit that uses hay pellets to emit heat, it's geared to the residential and industrial markets, as it can be incorporated into a fireplace insert or a boiler big enough for a school. With a staff of eight and revenue of \$200,000 this year, the LST has eight heating systems in use in Nova Scotia with plans to target the rest of Canada.

HOT FACTOR: Concerns about climate change and the sustainability of traditional energy sources are compelling policy-makers and investors to consider renewable fuel sources such as hay. Consumers are impressed with the system's potential to cut heating bills by half and emit

90% fewer greenhouse gases than traditional sources; and farmers stand to profit from monetizing their hay crops for pellets. This system is the first to completely combust hay into fine powder ash. Last year, LST won a \$100,000 regional prize from Innovacorp for being among the most innovative new knowledge-based companies in Nova Scotia.

COOL PROJECTS: Funding from both the federal Department of Agriculture and the Nova Scotia government is being used to develop prototypes and conduct further research. LST is aiming to deliver its system across North America; discussions are underway with the State of Vermont for the purchase of three large testing units.

IN HIS OWN WORDS: "We consider ourselves an enabling technology — one that is going to unlock the capacity for energy because it breaks all social, cultural and environmental concerns. We provide access to this cheap, clean, easy fuel that's virtually untapped across North America and beyond. The rural economic impact is enormous." Rosalind Stefanac



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LinkedIn top site to source potential hires

The vast majority of recruiters and hiring managers in Canada and the US say professional networking site LinkedIn is a good source for job candidates, according to a global survey by human resources firm Right Management.

LinkedIn was the top networking site used by North American companies, with 93% of respondents calling the site useful. Although Facebook trails in North America at 34%, it is the dominant site among European and Asian employers, at 62% and 75%, respectively.

“Most people tend to think of social or professional networking sites just as job-hunting tools,” says Monika Morrow, Right Management’s senior vice-president of career management. “But career-transition professionals are well aware that nearly all employers search these sites for possible job candidates.”

In addition to the top three networking sites, several others were also found useful by respondents, including Peoplenjobs, Plaxo, Viadeo and Xing.

Networking sites as source of job candidates (Percentage that said site was useful)				
	North America	Europe	Asia Pacific	Global
LinkedIn	93%	42%	32%	52%
Facebook	34%	62%	75%	58%
Twitter	18%	35%	48%	34%

Source: Right Management, 2011



Bosses feeling the love

Despite an uncertain economy and high unemployment, most employees are quite happy with who’s in charge at work, according to two separate US surveys.

Six in 10 (59%) employed Americans would not change anything about their boss, according to a survey of 834 full- or part-time workers for US recruiter Adecco Staffing. Furthermore, eight in 10 (78%) think their boss would go to bat for them if their job was on the line.

In a similar poll of 431 workers for US staffing service OfficeTeam, two-thirds (65%) of respondents did not think they could do a better job than their boss, and 76% do not want their manager’s position.

“It’s great that workers seem to have an overall good feeling about their relationship with their boss,” says Joyce Russell, Adecco president. “Bosses cannot underestimate the value that a happy, productive employee adds to the workplace.”

CA FIRMS POPULAR

Four of the world’s top-five “most-attractive” employers are accounting firms, according to an international survey of business students. Consultant Universum asked 83,000 students from 12 countries, including Canada, to identify “ideal” employers. Google placed first, followed by KPMG, PwC, Ernst & Young and Deloitte.

OMG I’M ILL

More than one-third of workers taking a sick day forgo a phone call to the boss and instead rely on digital communications to explain their absence, a survey for US recruiter CareerBuilder finds. About one-quarter (24%) of workers notify the boss by email and 11% send a text message.

DISAGREE TO EARN MORE?

Quarrelsome, stubborn workers earn more than agreeable, flexible ones, an academic study finds. “Do Nice Guys — and Gals — Really Finish Last?” coauthored by Charlice Hurst of the University of Western Ontario, shows that disagreeable men and women are paid 18% and 5% more, respectively, than their nicer counterparts.

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Are big changes ahead for SR&ED?

This past October, two reports were released that may well lead to some major changes in Canada's incentive programs for scientific research and experimental development. While the extent to which the federal government will implement the recommendations remains to be seen, SR&ED tax credits could be in for a major overhaul. One of the reports wants to see these credits eliminated altogether, at least at the provincial level.

These two reports come from two quite different sources. Canada's Innovation Underperformance: Whose Policy Problem Is It? was published on October 14 by the University of Toronto's Mowat Institute. And Innovation Canada: A Call to Action was released on October 17 by the federal government-appointed Independent Panel on Federal Support to Research and Development, headed by Thomas Jenkins, executive chairman and chief strategy officer of OpenText Corp.

Although the Mowat document is somewhat more severe in its criticism, both reports argue for reduced use of R&D tax credits as an innovation funding mechanism and recommend the use of so-called "direct funding" instead. In this context, direct funding generally means either grants or contingent-repayable loans that are arranged between government and industry for a specific project, before any work has begun on it.

Of the two, the Jenkins panel report is most likely to influence government policy since it was commissioned by Ottawa specifically for this purpose. The Mowat document will more likely be regarded as a supporting piece for any policy changes against tax credits, although federal legislators could counterbalance it with the recommendations in yet a third report called Rewarding Innovation: Improving Federal Tax Support for Business R&D in Canada, published by the C.D. Howe Institute in September 2011. That report concluded that "the SR&ED tax incentive program has generated a narrow net benefit to Canada."

How SR&ED tax credits could change

While SR&ED features in only one of the Jenkins panel's six recommendations, the body of the report contains a number of SR&ED-related corollaries. As written, these should apply only to Canadian-controlled private corporations (CCPC),

but it's easy to see at least some of them being extended to corporations of all sizes at some point. Here is a synopsis:

- Reduce spending on SR&ED tax credits and use the savings to pay for direct funding programs focused on the needs of innovative Canadian firms — especially small and medium-sized enterprises. The report argues that the high rate (35%) of refundable benefit currently available to CCPCs is excessive. There is an implication that the 35% CCPC rate should be reduced to the 20% rate available to other corporations.
- For CCPCs, SR&ED benefits should be allowed only for labour expenditures and overhead.
- CCPCs should receive a cash-refundable SR&ED benefit for a limited time; the benefit would then revert entirely or partially to a non-refundable investment tax credit.
- Provide temporary cash-refundable SR&ED tax credits to

Both the Mowat and Jenkins reports favour direct SR&ED funding through grants and loans

all small startup companies as well. The funding would be available only for a limited number of years after startup.

- The existing 65% proxy allowance for overhead may be too high. The Canadian government should review this figure in light of actual overhead costs for R&D operations and adjust it to a more realistic figure as necessary. (The provisions of the proxy cap in the existing legislation, i.e., the lesser of 65% or actual, were not noted.)
- Review the government's anti-stacking policy to ensure R&D projects are not "oversubsidized." The existing policy typically limits maximum government contribution to between 75% and 100% of the costs incurred. The panel argues that 75% may be too high.

The nature of the SR&ED changes recommended by the panel caught many by surprise as they seem to be somewhat at odds with a number of the 228 stakeholder submissions published on the panel's website. Almost all these submissions were positive about tax credits. While many criticized the CRA's administration of the SR&ED program, the consensus among the majority was that the program should be fixed, not replaced. The single most-repeated request was that all corporations (not just small private corporations) be eligible for cash-refundable SR&ED benefits.

For those experienced in SR&ED, the report contains

a puzzling statement on page E-3: “The current base, which is wider than that used by many other countries, includes non-labour costs, such as materials and capital equipment, the calculation of which can be highly complex. This complexity results in excessive compliance costs for claimants and dissipates a portion of the program’s benefit in fees for third-party consultants hired to prepare claims.”

For most taxpayers, the central issue is not how to calculate the expenditures, which is usually fairly straightforward, but, rather, what types of work are eligible. The vast majority of disputes between taxpayers and the CRA arise over issues of scientific eligibility and record-keeping, not calculation.

Drawbacks of direct funding

Both the Jenkins and Mowat (but not the C.D. Howe) reports favour direct funding through grants and loans. While tax credits are far from perfect, direct funding has three major drawbacks.

First, there is no legal process for redress of disputes between the administrators and applicants for (or recipients of) the funding. In the tax-credit system, the rules are legislated and any dispute about eligibility or payment can be escalated through to the courts and resolved by an impartial judiciary. This works to everyone’s benefit: not only can taxpayers who were denied funding appeal to the courts to get it, but the government can use the courts to recover funding that has been misappropriated. Under a direct-funding model, some or all of the decisions on eligibility and allocation take place outside the legal framework, through somewhat opaque processes that are not always fully accessible to public scrutiny, and there is no independent legal framework to adjudicate eligibility disputes.

Second, a move toward increased direct funding could threaten the global competitiveness of Canadian enterprises. Many international trade agreements (specifically the World Trade Organization Agreement on Subsidies and Countervailing Measures) constrain direct subsidies to business. Article 3 (Prohibited subsidies) has already been applied against Canada’s Bombardier by Embraer of Brazil in a 1998 WTO action over funding that Bombardier received from the former Technology Partnerships Canada program.

Third, direct funding models, as the report itself recognizes, generally create a larger administrative burden. As a result, a Canadian firm intent on getting its innovation to market might be deterred from seeking assistance through direct funding because the approval process for an application can delay the start of time-sensitive work. By contrast, tax credit submissions are made retroactively at year-end. They do not have an impact at the start of a project.

More funding for fewer companies?

The recommendations made in the Jenkins report are premised on an assumption that R&D is better fostered by governments than private-sector market forces. It recommends that a minister of innovation be appointed; that direct funding be introduced and administered by the government; and that an external innovation advisory committee be created. If the panel’s recommendations are fully adopted, we can expect to see much more targeted — and probably less democratic — payouts of R&D incentive funding to industry. In short, more funding will go to fewer companies.

The SR&ED claim environment has seen considerable changes over the past four years, beginning with the introduction of the new T661 SR&ED expenditures claim form in November 2008. But if these October reports are any indication, we may be due for another round of more severe adjustments. Anyone with a vital interest in SR&ED should keep a sharp lookout in the direction of the next federal budget.

For an expanded version of this article, visit www.camagazine.com/SR&EDJenkins.

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BY JIM CARROLL

YOUR GUIDE TO BUSINESS & ACCOUNTING ON THE INTERNET

Insurance rebates for keeners

I attend quite a few senior management meetings in both the property and casualty and life insurance industries. I'm there to help these executives consider some of the trends that will impact their industry in the future.

A big trend is performance-oriented insurance, with policies and pricing increasingly based on the performance of the insured. So, for example, I often joke that if I fail to live up to the terms of my life insurance wellness clause, one day my bathroom scale just might send an email to my fridge.

In all seriousness, though, we are clearly headed for an insurance model that will give you a rebate or reduction on your premium if you exceed some performance standard. This trend is already underway in the field of automotive insurance, thanks to a flood of GPS-enabled devices that measure driver performance on such things as excessive G-forces, sudden braking or stopping at all required intersections. At least one British company, Insure The Box, is using such devices to track performance and providing rebates for drivers who exhibit better than average behaviour.

We can expect most North American insurance companies to roll out similar technology and performance measurements in the not too distant future. Of course, some organizations won't have the speed, agility and flexibility to do this at the pace the market and competitive pressures will require. The result is a classic opportunity for big business model disruption.

Similar upheavals will occur in the life insurance industry. It has long been the assumption that, despite the rapid emergence of genomic, preventive medicine, it would never be desirable, ethical or even fair to underwrite policies based on a DNA test. I think this is a pretty big assumption to make. History shows that assumptions that underlie a business model barely last. When I speak about innovation, I advise people it's often best to challenge assumptions — those who don't often miss the biggest opportunities.

The cost for a DNA test that can be used to predict with

a high degree of accuracy the diseases and conditions you will inherit in your lifetime is set to collapse, as the cost of DNA sequencing machines that do the test will come down in accordance with Moore's law (which shows that the number of transistors per square inch on integrated circuits has doubled every year or so since their invention). Hence, greater numbers of people will have the opportunity to gain such insight.

Those who have a test that indicates they will be relatively disease- and condition-free would likely be able to offer themselves to a group of specialty insurers and receive a policy discount compared to the average population. Similarly, there might be a rebate on life, medical or disability insurance for those who can prove they are taking regular, active steps to ensure they are in good health.

Think of what can come next into our hyperconnected world: individuals who monitor their blood pressure, glucose levels and other vitals that they are willing to share with their insurer; exercise and wellness apps on their iPhones that they can use to demonstrate their commitment to a regular series of workouts; and adherence to a personalized lifestyle plan — with insurance cost reductions based on performance.

This type of stuff isn't farfetched at all. And it's going to hit the insurance world quicker than it thinks.

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

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Insure The Box www.insurethebox.com

Genetic sequencing and Moore's law <http://singularityhub.com/2011/03/05/costs-of-dna-sequencing-falling-fast-look-at-these-graphs>

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Work in process

BY MICHAEL BURNS

USING TECHNOLOGY TO IMPROVE THE WAY YOU DO BUSINESS

System selection, done right — Part I

Anyone who has been involved in selecting software knows the road is strewn with pitfalls — many of which we covered in “The top 10 software selection mistakes” (www.camagazine.com/selectionmistakes). But how do you avoid those mistakes altogether? In the next few columns, we hope to shed some light on the subject. First, though, a cautionary note: as with any big purchase, you first need a compelling business case to invest in a new system — one that is supported by management. Without that, you will go nowhere. In this first instalment, we’ll look at what needs to be done before the requests for proposals are sent out. Next issue, we’ll focus on what to do after the responses come in. Later, we’ll explain the various roles and how to present a compelling business case.

Our system selection projects usually last about four months and start with a kickoff meeting with our client. There, we confirm the project scope (such as order processing or general ledger), review the methodology, establish milestone dates and identify the critical success factors (CSF) — what the company must do well to be successful. For a public company, one CSF might be to prepare its financial statements on time. We ask the client how a system can help achieve the CSF, given that people are by far the most important factor.

We then ask management to tell us about the key performance indicators (KPI) that measure the CSF. The measure of success is not whether the project goes live or even if it’s on time and budget; it’s whether the goal metrics or KPIs are achieved. For example, in the case of a company that needs to have its financial statements prepared on time, the KPI would be the number of days needed after month end to release the financial statements. The current KPI might be 15 days and the goal might be five.

At our first meeting, we also explain the roles and responsibilities for the project. We typically identify roles for the sponsor, steering committee, project manager, project coordinator, business-process owners, subject-matter

experts and technical leads. The idea is to determine which tasks fall within the purview of each role and to name the people responsible. It is essential that the right people be assigned to the project. For example, the project manager must be very organized and subject-matter experts must be highly knowledgeable about their business processes. Also, they must have enough time for the project.

Involving the right people has two major benefits. First, many of them know the business really well and can add a lot of value and input. Second, they are more likely to buy into the selection decision. Some might still resist — not because they are naturally resistant to change, but because they might be concerned about losing their jobs if the system promises to bring big improvements

As with any big purchase, you first need to have a compelling business case to invest in a new system

in efficiency. They might also be concerned about the amount of work required during the implementation. These concerns should be addressed early in the process.

After the first meeting has taken place and the roles have been assigned, we review the business processes by interviewing the employees who do the work — usually the subject-matter experts. These could be order-processing clerks or controllers, depending on the process. We ask them to describe a day in the life of the existing process — the inputs, outputs and problems. In order processing, for example, the inputs are order forms or telephone calls, the outputs are the orders, and one problem could be a lack of inventory. We ask these experts to provide screen shots and reports, as details can often be missed when you are just talking. The primary objective here is to reveal the current steps in the process that must be retained, as well as solutions to the problems. These would both be incorporated as requirements into the request for proposals (RFP).

The business-process review can also be used as a basis for building a business case, by documenting the impact of any problems and showing how the new system could

resolve them. Plus, it can be used as a script for vendors when they conduct a detailed demonstration. Finally, the business-process review can expedite the implementation, as vendors typically start by documenting what they call the “as is” business process.

At this point, which is usually about two to four weeks after the kickoff meeting, we take all the requirements from the business-process review report and organize them logically in the requirements section of an RFP. We also include requirements that were not discussed in the meetings but that we believe, based on similar projects, could be helpful. In the case of order processing, for example, it could be showing inventory availability by day or by week. The client must confirm each requirement and place it in a priority sequence (critical, high, etc.). To make it easier for the vendors to respond to the RFP, we ask them to respond only to critical requirements.

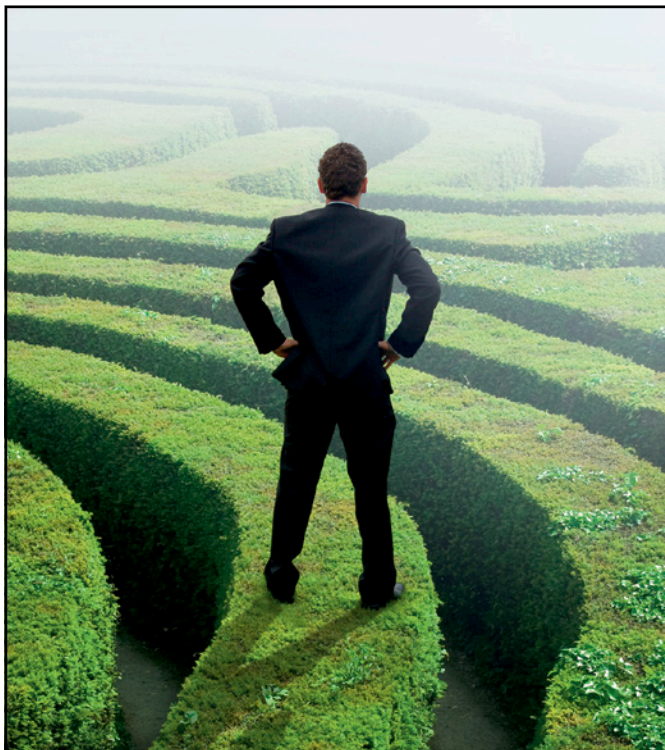
Next, we identify potential vendors. We generally include three types of systems: those designed for multiple industries (these vendors are generally well known); industry-specific systems (the vendors might be small and not well known, but still successful); and hybrid solutions (vendors such as Microsoft provide a technology platform and marketing reach to their business

partners, who then extend their system for a specific industry using the same tools and database).

We think selecting the right implementer is just as important as selecting the right system. But the choice can be tricky. Often, the developer relies on value-added resellers (VAR) to do the implementation. In some cases, it does the implementation itself but also has VARs that can do it. To complicate things even more, the developers have not done a good job in dividing up the marketplace so that it's clear which VAR to call for a specific industry and company size. So it's best to discuss the alternatives with the developer and conduct some research on the VAR before sending it an RFP.

In the March column, we'll look at the next stage, which includes everything from evaluating responses to preparing scripts, evaluating demonstrations, selecting the preferred system and negotiating contracts. Stay tuned.

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



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A SUMMARY OF CURRENT CICA PROJECTS AND INITIATIVES

Federal funding for CICA to help internationally trained accountants become CAs

Canada's chartered accountants are into the second wave of initiatives aimed at helping internationally trained accountants become CAs by making the process clearer and easier. The federal government is contributing \$1.4 million to the Canadian Institute of Chartered Accountants (CICA) to assist with this phase.

The Honourable Diane Finley, minister of human resources and skills development, made the funding announcement during a news conference at the CICA offices in the fall.

"Our government's top priority is jobs and the economic recovery," said Finley. "That's why we're helping newcomers find meaningful work that contributes to Canada's long-term growth, to its competitiveness and to our overall prosperity. Through partnerships with organizations like the CICA, I know that we can achieve this goal."

"Skilled professionals are vital for Canada's future," said Kevin Dancey, CICA president and CEO. "We welcome the federal government's commitment to helping internationally trained accountants contribute to their full potential as quickly as possible."

The CICA received its first grant through the Foreign Credential Recognition Program in September 2009. The program aims to improve the integration of internationally trained workers into the workforce.

Prior to receiving the grant, each provincial institute had its application and assessment process for internationally trained accountants. The information provided varied from province to province.

Focus groups were conducted with internationally trained accountants who had become Canadian CAs to better understand their information needs. An interprovincial team was created to produce a harmonized online application process.

And a special website, www.becomeacaincanada.ca, was created. It provides valuable information to employers of internationally trained accountants and to individuals wanting to know more about becoming a Canadian CA.

Since activation, the site has received more than 10,000 visits from accountants from all over the world.

Dancey said this initial work represents an important step forward but that things are not yet where they need to be. The initiatives currently being worked on in conjunction with the



Top: Honourable Diane Finley, minister of human resources and skills development; bottom: Kevin Dancey, CICA president and CEO



provincial institutes will help the profession get to the "right end game," he said.

The planned initiatives include an online assessment of credentials of an internationally trained accountant against the CA profession's qualification requirements.

For members from foreign professional accounting bodies with which the CA profession has mutual recognition agreements, the profession is looking at a CA Reciprocity Education Program that will replace the existing exam with online courses.

Another initiative is the CA Executive Professional Program to help prepare internationally trained accountants with seven or more years of experience to write our Uniform Evaluation.

Canada's CA profession also is looking at an Evaluation of Experience targeting internationally trained accountants working in senior positions. Individuals who qualify will be able to become a Canadian CA.

The federal funding will come to the CICA over a three-year period.

"We all have a part in helping Canada build on the promise of opportunity," said Finley.

Website supports women seeking leadership positions

If you are a woman who is a CA, you may want to spend some time exploring a new website that has been designed specifically with you in mind — www.cica.ca/women.

Presented by CICA's Women's Leadership Council (WLC), whose mission is to act as the voice for women in the accounting profession, the site provides a wealth of information and resources to individual women CAs and to organizations.

"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," says Robin Taub, CA, WLC committee chair.

Resources to be found on the website include a series of webinars; profiles of successful women CAs; downloadable documents; and a calendar of events. You can also find links and discussion threads on CA Connect.

"The WLC plays an important role within our profession in encouraging women members to seek leadership positions," says Kevin Dancey, CICA president and CEO. "The demographics of the profession are changing and there must be a level playing field for all members who want to advance their careers."

Customs and Canada's expanding trade network

Canada is the envy of the developed world these days. It has vast amounts of natural resources, a solid banking foundation, a resilient manufacturing sector and, most important, valuable trade networks that continue to expand.

These trade networks have helped shelter us from the painful economic slowdown by picking up some of the declining demand from the US. Therefore, expanding the networks is a necessity for economic survival.

One challenge facing Canadian enterprises is a vulnerability when seeking new customers in a foreign country, where transactions can get bogged down with complex customs and duty requirements.

To help empower Canadian enterprises to successfully build their trade networks and expand their businesses, the CICA has

made arrangements with the Canadian Association of Importers and Exporters to offer CAs special member rates at the Customs Duty and International Trade Course. The course was presented in Vancouver and Toronto this past fall, and there are plans for a number of presentations during 2012.

The Customs Duty and International Trade Course is designed to educate CAs and other customs and trade professionals and advisers about the rules governing international trade and how Canadian enterprises can ensure compliance. It helps participants gain the confidence to grow their enterprises' foreign trading partners and expand their business.

To learn more about the Customs Duty and International Trade Course and expected dates and locations, please visit www.calearningcentre.ca.



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RECENTLY ISSUED PRONOUNCEMENTS

CICA Handbook – Accounting	Date issued†
Part I	
IFRS 13, Fair Value Measurement	November 2011
IAS 19, Employee Benefits (revised)	November 2011
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine	December 2011
Parts II and III	
2011 Improvements to Part II	October 2011
Part IV	
Section 4600, Pension Plans (revised)	November 2011
CICA Handbook – Assurance	
Amendments to Sections 7110, 7115 and 7200 Regarding Securities Regulations	December 2011

RECENTLY ISSUED DOCUMENTS FOR COMMENT (to January 31, 2012)

Accounting	Comment deadline
ED Employee Future Benefits	May 31, 2012
EDI Government Loans (proposed amendments to IFRS 1)	January 5, 2012
EDI Improvements to IFRSs (2010-2012)	April 15, 2012
EDI Investment Entities	January 5, 2012
EDI Revenue from Contracts with Customers	March 13, 2012
Auditing and Assurance	
ED Proposals Relating to Authoritative Guidance Issued by the AASB	March 30, 2012
ED Withdrawal of Assurance and Related Services Guidelines AuG-19, AuG-32 and AuG-39	March 30, 2012

WATCH FOR

CICA Handbook – Accounting	Amendments to IAS 32 and IFRS 7 Regarding Offsetting Financial Assets and Financial Liabilities Deferral of Mandatory Effective Date of IFRS 9 Improvements to IFRSs (2009-2011)
Documents for Comment	IASB Exposure Drafts Regarding Leases and Impairment of Financial Assets PSAB Statement of Principles Regarding Appropriations

Legend

CP – Task Force Consultation Paper	ED – Exposure Draft	IP – Issues Paper
DII – IASB Draft Interpretation	EDI – ED based on IFRS/ISA	ITC – Invitation to Comment


† Refer to each Handbook pronouncement for the effective date and transitional provisions.
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A woman of distinction, **Mandy Shapansky** rose to the top rungs of corporate Canada — on her terms By Paul Brent

Outside *the* PROFILE

It's been said that the rules don't apply to all people equally. And that could best sum up the career of the president and CEO of Xerox Canada Inc., Mandy Shapansky, who in reaching the top of the information services giant achieved a number of firsts.

Her rise to the top rung has not been a typical one. Shapansky is the first CEO of a Xerox operating company to make it to the corner office through the finance ranks while breaking a number of unwritten Xerox "rules."

Unwilling to sacrifice her family life to the sales-driven, Fortune 500 company that has been her only employer since earning her CA designation at Price Waterhouse in 1985, the 50-year-old has taken two lengthy sabbaticals and turned down US postings that are considered de rigeur for advancement within the organization.

Shapansky is viewed as a businessperson, not your stereotypical cost-cutting type from finance

Photography by NIGEL DICKSON

“She wasn’t hired because she is a finance person who could come in and cut costs. [Shapansky] was hired because she was a business leader who could come in and grow the company”

“This was not the norm,” Shapansky told an audience of 500 women at June’s 2011 Deloitte Women of Influence luncheon in Toronto. “In fact during my second sabbatical [in 2006] there was a rumour floating around US head office that I had a terminal illness because no one could understand why someone could take off so much time at the peak of her career.”

But it becomes quickly apparent to an observer that family plays a key role for the low-profile Xerox chief. Perhaps it’s the example of her father who walked away from wealth and prestige when he packed up the family, including a 10-year-old Mandy, and left Northern Ireland for Canada. Or that Shapansky and her husband have four kids from previous marriages and blended all into one happy family.

Declining fast-track postings to the \$22-billion company’s head office in Connecticut engendered similar rounds of head scratching among Xerox’s leaders. The first US job offer Shapansky turned down citing her husband’s busy career and their young children. “The second offer was a whole lot less delicate,” she recalled in her speech. “I was told that I was viewed as someone that had potential, maybe even CEO material, but a stint in the US was a prerequisite. Never had anyone been promoted to CEO of an operating company without doing this US stint. Again I declined.”

In the end, Shapansky’s commitment to her Toronto-based family and unwillingness to play by the executive guidebook did not derail her career. In summer 2010, after eight years as the Canadian CFO, she was promoted to the top Canadian post, replacing Kevin Warren, who moved south to head up the US Solutions Group and is currently president of customer operations. Warren and his predecessor, Doug Lord, both came up from the sales side of the company, the traditional stream for top leadership at Xerox.

While one initial press report characterized Shapansky as a “cost cutter” because of her finance background, her task was never to swing an axe through the Canadian organizational chart. “Xerox Canada is like the jewel in the tiara of the Xerox Corporation,” says Lord. “Canada is a terrifically high-performing company and she wasn’t hired because she is a finance person who could come in and cut costs. She was hired because she was a business leader who could come in and grow the company. She is not viewed in the company as a stereotypical cost-cutting type [from accounting or finance]. She is seen as a businessperson — in fact one of the finest we have in the company, period, not just in Canada.”

In the early ’90s when then president Richard Barton brought Shapansky in as his executive assistant for a short time, it really spread her wings, says Lord. “Senior staff identified her as a person that could do jobs outside of finance. There was a high desirability to see Mandy take on a variety of jobs to see what her

runway could be,” he says. “That is one of the reasons I hired her to work with me as my marketing person.”

Lord, a 35-year veteran of the company and president and CEO from 2002 to 2007, is one of a number of people at Xerox who was not surprised by her steady ascent. “I was maybe one of the first to identify that she could be the CEO,” Lord says. “When she was starting and doing more entry-level or beginning-type jobs, she always did a spectacular job.”

As CFO under Lord and Warren, Shapansky carried out the traditional responsibilities as the top financial executive, but she was also their adviser beyond corporate finances. “When [Lord] was president I was really his adviser on everything in the business, whether it was our go-to-market strategy, our coverage strategy, strategic initiatives — any critical priority I would work closely with Doug.”

An example of Shapansky’s work as a sort of super-CFO was in 2007 when she headed up a project dubbed “One Canada” designed to remake Xerox Canada from a silo model with a number of departments reporting directly to the US to a more integrated country model. She drew up a white paper and successfully convinced the head of Xerox strategy to make the shift. “It is actually quite unique for subsidiaries of large organizations,” she says. “As a result of one country, which appeals to the pride of Canadians, we also grew our market share [in equipment] since that time by five points and we have grown our services [document management] business by double-digits. I think it is driven largely by the reintegration of Canada into a country model.”

While coveted, the role of running Xerox Canada is not for the faint of heart. First, there is nowhere to hide as the US headquarters is just an hour’s flying time away, compared with the other 160 or so countries that Xerox operates in. Canada also represents one of its most important subsidiaries. With 3,600 employees and generating more than \$1.1 billion in annual revenue, the Canadian unit is also highly profitable, churning out a profit of \$85.7 million for 2009 (the latest year the Canadian business released full-year financial figures).

Xerox Canada is more than just a collection of sales offices and document specialists strung east to west across the country. It operates a number of call centres in the Maritimes and a toner-manufacturing plant in Oakville, Ont. Best known as a copier company with the biggest market share — more than 30% — in the Canadian equipment market, Xerox also supplies colour network printers, document scanners and software designed to streamline how information is stored and shared. It is a major force in printing with its colour and black-and-white digital printers and presses and digitally delivered business-development tools.

Included in the national organization is a research centre in Mississauga, Ont. With an international mandate, one of just four in the Xerox empire, it employs 100 scientists from 39



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“She has always had a balanced perspective, not just on the cost side, but on the marketing side. She is very balanced from a problem-solving standpoint and is credible in front of customers”

countries and the research unit recently recorded its 1,500th patent. “It’s a very special place,” says Shapansky. “We bring a lot of customers out there. We do thought sessions and the scientists talk to our customers about what they are working on, the future of the office, the new innovations.” One of the centre’s now retired scientists, Dr. Hadi Mahabadi, who holds more than 70 US patents, was named one of Canada’s top 25 immigrants in 2010 by *Canadian Immigrant* magazine. Recent breakthroughs at the research centre include advances in emulsion aggregation toner and the development of long-life photoreceptors and in the developing of the next generation of solid ink, Xerox’s proprietary ink that melts to a liquid in the printer.

While she is unique for coming out of the finance ranks, Warren says she demonstrated the broader skill set necessary for the top job. “She is not a typical finance executive who comes from an accounting background, has all the credentials and sees things through just a pure financial lens,” he says. “She has always thought like a general manager. She has always had a balanced perspective, not just on the cost side, but on the marketing side. She is very balanced from a problem-solving standpoint, she is very sensitive to the people and she is very credible in front of customers. I think that it is very special to have all that financial acumen but also be really balanced in how you view the business, how you solve problems, how you manage it.”

And that talent was evident midway through her term as CFO. The company’s largest account, one of Canada’s giant telecommunications firms, was about to defect to the competition after a third-party consultant said it could save money by switching companies. “The financial ramifications would have been devastating and, as expected, everybody was trying to distance themselves from the situation,” she said, describing the situation in her June speech.

With the business thought to be lost, Shapansky assumed the role of head of a “swat team” of Xerox Canada executives charged with convincing its largest customer to reverse its decision and stay with the company. Xerox as a sales-driven organization is unique for having had appointed a top manager as “focus executive,” a nonsales role in which he or she is expected to develop a relationship with the client and work to develop the best solution for it rather than Xerox.

The Xerox Canada chief makes the process of saving the account sound anti-climactic. “The company was looking to save a lot of money, and one of the services we offer is consolidating all these distributed devices throughout the offices and deliver to it a rationalized asset base and then basically digitizing it so that the company could improve its work processes, whether it was through simply scanning or whatever the requirement was.

“We delivered large cost savings, upgraded the company’s technology and then gave it a platform where it could improve

its business process,” she says. “But quite frankly, it was spending a lot of time with the customer, understanding their needs at the executive level.”

The new contract to the telecom firm included everything from graphic design services, management of all print output as well as mail/courier and other back-office functions.

Ensuring that relations with major clients do not escalate into a crisis where they have to be saved by a six-month effort as in the case of the telecom company is a major part of Shapansky’s role as president. A typical visit to one of Xerox Canada’s seven sales divisions starts with an operations review with the sales team, roundtables or town halls with employees and one day devoted to visiting customers.

Shapansky, sitting in the unprepossessing CEO office in Toronto’s North York head office, recalled how she was told by Xerox Corp. CEO Ursula Burns in January 2010 that she was going to be the company’s next president. “Ursula is one who loves people who have strong opinions and who speak their minds,” says Shapansky. “She is an engineer by trade, so she had a nonlinear path to the corner office and she said, ‘I want you to be president. I think you will be a great president and you earned it the hard way,’” a reference to how both had the nonsales career path to the corner office.

Shapansky believes that her accounting background has played a key role in her career success to date. “The beauty of having CA skills is I think you are a logical thinker, I think you manage by fact. You can do business models in your head,” she says. “Yesterday we were with the governance team talking about strategic ideas and you are automatically doing the business model in your head, which you can’t turn off.” A focus on the return on investment on any proposal or problem and a “work ethic and desire to get the job done” are two other skills she attributes to her CA background.

Lisa Greatrix, a CA who worked alongside Shapansky from their first days with Xerox in the mid-’80s and counts her as a close friend, says she stood out of the pack from the beginning. “I would say that everyone who meets Mandy knows there is something pretty special about her. Just coming into a company where there would be a number [of CAs], we had a fairly large financial organization in those days, she rose to the top right away. She breezed through her CA exams, she breezed through university, she won awards and was top of everything without looking like she was exerting a lot of effort.”

Shapansky is one-half of Toronto’s inconspicuous power couple. Her husband, Kerry Shapansky, is president and CEO of Pareto Corp., a Toronto-based shopper marketing company that was acquired by a US equity firm, with a minority investment by management, in March 2011 for \$125 million. Rather than leave with a huge severance package, Shapansky and his

senior management team stayed on to work on expanding the company's market presence.

Kerry met Mandy at Xerox when he was running the company's consulting group in the early '90s. "We fell madly in love and promptly decided this company was too small for the both of us," he says.

For Kerry, it was pretty much love at first sight. "I walked into this room full of 50-plus men and there was this petite woman at the front of the room who was able to whip these old coots into shape and get more out of them than I had ever seen before," he says. "I watched how she operated in front of this pretty intimidating group and I thought, this is a woman I need to get to know." Like the fictional *Brady Bunch* of '70s TV fame, the Shapanskys both had unsuccessful marriages behind them and came together with a ready-made family, each bringing two young children into their newly combined home. Today the three daughters and a son are aged 18, 20, 22 and 20, respectively.

Kerry, an entrepreneur, decided he wanted a break — twice. Both times, in 2001 and 2006, his wife joined him in what turned out to be six-month sabbaticals. The first one included a six-week European vacation, reconnecting with family and friends and, she says, she organized about five years' worth of photographs and recharged her batteries.

The second sabbatical was more ambitious. It involved a four-week commitment with Free the Children foundation in Kenya. The Shapanskys lived in a village in tents and helped build a schoolhouse. "It was one of those life-changing experiences you do as a family," she says. "You go to build these schoolhouses and you think in a way it is going to be sad because you think of AIDS and that people don't have money. Then you show up and these people have nothing and they have big smiles on their faces and [the children] are running around playing."

Shapansky knows firsthand what it is like to have little. The youngest of five daughters, she was born in Belfast where her father ran a prosperous linen company and her parents were members of the Northern Ireland establishment. Her father's office was bombed three times during the worst of the sectarian violence

and after the third one, when his wife and daughters wondered for hours whether he was alive, the family packed up what they could and emigrated to Toronto. They bought a humble home in Ajax, Ont., and at 55, her father took a job as an auditor with Revenue Canada. (Her father, then 94, and her mother — "she's way too discreet to talk about her age" — were at the Women of Influence speech, welling up with tears through much of it.)

Today the Shapanskys live a somewhat modest lifestyle in the St. Andrew neighbourhood in the north end of Toronto near the 401. He does most of the cooking while she is in charge of preparation and cleanup. They prefer to entertain at home, throwing dinner parties for a mix of friends, family, colleagues, the kids and their friends. The Shapanskys' humble roots are perhaps best reflected in their children. "Two of our kids went to public school and two went to private school because they had needs the public system couldn't accommodate," Kerry says. "But we are both products of a public school education and believers in immersion."

For a power couple, they keep a low profile. But that can be due to time constraints, says Kerry. "The reality is that when you live in a household with four kids and there are the demands of family, aging parents and two enormous careers, you don't have time for a whole lot else." They support a number of charities, such as Free the Children and the arts, but they avoid gala fundraisers and other corporate events as much as possible. They are protective of the limited together-time their hectic travel schedules allow and Kerry, the gregarious marketer by day, dislikes the social scene. "I always like her on my arm at a cocktail party because I can't handle the inane cocktail party banter," he says. "You can stick her with the dull-est person in the room and she can have a captivating dialogue for half an hour. She can connect with senior executives and people on the front lines."

Within the Xerox international organization, Shapansky has received among the highest employee-satisfaction grades, a remarkable feat given that until recently she spent most of her time as CFO in a finance function that because of the workload is not known as the happiest area in the company, says Kerry.

Seated around a coffee table in her nondescript and doorless office, Shapansky neither seems surprised about where she has ended up, nor is she plotting her next move — but it's a guarantee she would have to leave Toronto to move farther up the Xerox corporate organization chart. Becoming president was not in her sights when she joined the company, she says. "It's a great company, they just give you opportunities, you work hard, you succeed. They give you the next opportunity, you work hard, you succeed and it really happens very naturally."

A year-and-a-half into her new role, she laughs at the prospect of taking a more senior job. "We are in a growth phase at Xerox Canada, so the nice thing is we are growing market share, we are growing our services business dramatically, we have lots of new offerings to make our customers productive," she says. "We see the next period of time being an incredible growth journey for Xerox Canada, so that is what I am focused on."

Paul Brent is a Toronto-based writer

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The remuneration report is in. But if at first read the results don't seem stellar, don't fret — there may not be that much for CAs to worry about

by Robert Colapinto

2011 compensation SURVEY

Stan MacPherson has just gone through and digested the diminishing findings of the CICA's latest national compensation report. With more than 40 years in the profession, the partner at Charlottetown's MacPherson Roche Smith & Associates is not sure he has ever heard even an anecdotal rumour of salaries actually declining — certainly not across the board, across the country (except Saskatchewan) nor in almost every traditional and nontraditional sector within which CAs work. However, it's not all as it appears at first blush.

“As an old hand, let's settle down and put things in perspective,” he says.

“Relative to the generalized bloodletting all businesses, professions and

illustration by GARY TAXALI



This year's report is top-heavy with youthful respondents, members likely three to five years into their careers

citizens have had to endure over these past few years, there may not be all that much for CAs to worry about," at least, not in the Maritimes.

The report is a detailed survey conducted in June-July 2011 for the period of CA compensation during calendar year 2010. In a snapshot, average compensation, compared with the last survey in 2009, has dropped 2.9% to \$181,203 from \$186,543. The median fall is 2.3%, which, according to CICA marketing research manager Paul Long, is always the more meaningful barometer to follow in such surveys. "It discards the extreme high and low salary responses that tend to skew an accurate reading of the results," he says. "Remember, this is a self-reporting survey sent out to 75,467 members." The final report reflects the responses from 15,544 members whose information could be analyzed within all categories of the survey.

From these responses, the survey records a decrease in non-base compensation of 4.7% for nonowners, which continues a trend from the more upbeat 2009 report. In that survey, the only eye-catching downside was a precipitous 16.2% drop in nonbase compensation. "Well, there you go," says MacPherson. "Your previous study shows that public practice and other entities employing CAs were likely reacting to the recession with that decrease." MacPherson says that salaries in the Maritimes had gone up for a while, but they "may start leveling out."

Indeed, most experts in executive compensation agree that variable (nonbase) compensation is far more easily adjusted — up

or down — given the health of the economy. Georges Soaré, a partner at executive compensation specialists Hugessen Consulting in Toronto who helped found the firm in 2006, has extensive experience serving on compensation and audit committees. From his experience, "it would not be unusual for annual bonuses to be lower in years in which the economy is in rough shape," he says. "Perhaps in order to preserve employment for all, firms may have decided to bring down the variable compensation." Such a reaction can certainly be more prudent from a public and shareholder accountability standpoint, as well. "In Canada, we have not had the excessive pay packages that grab headlines in the US," he says. "We have fewer scandals around pay here than in the US. We're more conservative." Conversely, Canada is not immune to overly generous packages in happy times. This may be why nonbase declines have been so deep and possibly not reflective of the true short-term state of the CA's value.

Case in point: survey results from the heady years between 2005 and 2007 showed that employers rewarded their CAs with a healthy 34% bump in bonuses, profit sharing and other incentives.

Nevertheless, the survey indicates a decrease in a key element within the compensation package that many CAs look on as a given. "Bonuses and profit sharing were so expected that they became 'salary' in my mind," Zaher Juma says. Juma, who started his career with Coopers and Lybrand in Zaire and Canada, then moved into industry, where he stayed for 20 years and is today settled into a Toronto sole proprietorship, believes that nonbase

Compensation by province						
	2007		2009		2011	
	Total compensation (includes owners and nonowners)					
	Mean	Median	Mean	Median	Mean	Median
British Columbia	\$184,552	\$125,000	\$179,255	\$125,000	\$179,448	\$122,000
Alberta	\$212,314	\$138,000	\$213,850	\$143,700	\$212,836	\$143,500
Saskatchewan	\$135,092	\$95,016	\$136,304	\$106,250	\$156,136	\$109,880
Manitoba	\$140,967	\$101,450	\$142,408	\$103,980	\$144,609	\$104,600
Ontario	\$193,739	\$133,000	\$192,023	\$135,000	\$182,898	\$130,000
Quebec	\$147,628	\$100,000	\$139,855	\$102,000	\$139,125	\$103,000
Newfoundland	\$128,485	\$95,000	\$145,870	\$108,000	\$124,096	\$100,000
New Brunswick	\$114,045	\$95,800	\$129,814	\$100,000	\$125,234	\$95,333
Nova Scotia	\$130,385	\$97,950	\$137,214	\$106,850	\$144,458	\$102,725
PEI	\$100,131	\$80,796	\$118,116	\$93,000	\$99,602	\$84,500
Nunavut/Yukon/NWT	\$166,236	\$132,500	\$170,958	\$142,000	\$159,510	\$130,000
Outside Canada	\$299,210	\$175,001	\$324,635	\$200,000	\$300,218	\$200,000
Total	\$186,544	\$123,000	\$186,527	\$126,800	\$181,203	\$124,000



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Compensation by years of work experience

Years	2007		2009		2011	
	Total compensation (owners and nonowners)					
	Mean	Median	Mean	Median	Mean	Median
Less than three	\$63,962	\$52,500	\$62,721	\$57,000	\$59,221	\$54,800
Three to four	\$68,827	\$64,500	\$73,807	\$69,000	\$69,387	\$63,500
Five to nine	\$103,775	\$88,000	\$109,431	\$91,987	\$101,053	\$87,000
10 to 14	\$155,320	\$120,000	\$156,763	\$126,200	\$157,227	\$124,000
15 to 19	\$193,082	\$135,750	\$207,563	\$150,000	\$203,002	\$155,000
20 to 24	\$219,604	\$150,000	\$217,515	\$150,000	\$214,095	\$157,000
More than 25	\$257,520	\$164,131	\$255,676	\$175,000	\$260,772	\$175,000
Total	\$186,544	\$123,000	\$186,543	\$126,857	\$181,203	\$124,000

compensation and its decline since 2008 is a factor of real concern to his colleagues. “Now that I’m on my own, I really do see not only the monetary but also the psychological value of this form of compensation,” he says. For Juma it was cash in the pocket as well as a validation of the CA’s worth as a professional. “The chilling effect of a drop in nonbase should not be underestimated,” he says.

Despite the dramatic decline countrywide in the nonbase side of the equation, the stability of base salaries over such a long period of economic calamity suggests a commendable level of resilience in the CA profession.

Kevin Dancey, CICA president and CEO, is not happy to see any decrease in any area, of course, but says that clearly the survey describes a profession that is without a doubt one of the more financially stable as well as rewarding professions around. For Dancey, “rewarding” speaks to more than just remuneration. “The way we look at the CA designation is as a platform to launch your career in accounting as well as business,” he says. “The combination of education, evaluation and experience — those triple Es — is a great launching pad for that path. So it’s a long-term calling and commitment,” he says, “and I do not see an average drop of two percentage points as being a real cause for concern.”

Forward looking is how Amy Lam’s perspective can be described. For the senior director of member services and external affairs at the Institute of Chartered Accountants of British Columbia, a key finding is the CA’s mind-set into 2011 and beyond. The majority of CAs (71%) said they believed their total compensation would go up in 2011. “When I look at the same question in the last study, there were only 56% who were confident of better times,” she says. “That is particularly encouraging in the context of BC, where we’ve been in the doldrums, and across the country.”

Sole proprietor Juma truly hopes this is the case. Over the past few years, he has been struggling not only with recessionary times but also with competition from other financial designations. “The CA’s gold standard is still of value to me,” he says, “but it’s been tough.” Peter Jeewan, CA, president and CEO of Lannick Group, has watched as other designations have made inroads into industry positions, consulting roles and finance that

have normally been the purview of the CA. A lone CA trying to build a specialty consulting practice or even meat-and-potatoes tax and accounting is bound to run into push back from other financial experts during a prolonged downturn. “It should be no surprise that a client or employer looking to save a dollar takes on another financial expert rather than the services of a CA in this environment,” he says. “Still, we see many clients looking to that CA after the name.”

As in any profession, people looking for greener pastures are usually the younger set. This year’s compensation report is top-heavy with youthful respondents — members likely three to five years into their careers or earning entry-level compensation packages at public practice firms. Although 49% of Canadian CAs are under the age of 45, their representation in the survey is 62%. “Certainly that will drive down overall compensation in the professional services category,” says Long, “and, to a certain extent, the overall average in the survey.”

For Jeewan, the compensation survey is very much a report from which CAs can benchmark their value in the marketplace — region by region in public practice, but also between industry sectors. The result is a tool and an interest in the survey that resonates far more for those who are looking to the next step in their careers. “In my practice,” he says, “this kind of survey is an excellent comparative yardstick for respondents, the ones on the move.” This would stand to reason if one supposes that older CAs, who are safely and happily ensconced as, say, partners or successful industry CFOs, are less likely to be affected by its results, and therefore just as unlikely to respond to the survey.

Dancey looks at the breakdown of the survey from professional services into industry and years of experience as they affect salaries in 2010 in terms of what he describes as the “what have you done for me lately” principle. Salary and benefits demands in the profession, he believes, should be wholly dependent on the CA’s expertise and what he or she brings to the table. “The designation is important, and it may be what gets you in the door,” he says, “but as your career goes on, it comes down to what you’ve done with that expertise.”

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Nonbase compensation (nonowners)						
	Profit sharing	Bonus	Overtime	Commissions	Allowances	Other nonbase
Count	2,752	8,463	1,752	345	2,162	1,803
% who received it	20%	63%	13%	3%	16%	13%
Mean	\$30,830	\$36,446	\$5,237	\$53,455	\$9,842	\$52,494
Median	\$7,500	\$11,440	\$3,000	\$2,500	\$5,000	\$10,000
Percentile 25	\$2,250	\$4,364	\$1,400	\$1,000	\$1,200	\$3,000
Percentile 75	\$23,525	\$30,000	\$6,000	\$20,000	\$11,000	\$33,584

Transparency is one of the profession's main focuses, says Dancey, and so too with the survey. "That's why we disclose CA compensation at every stage of the CA's career. When you talk to recruiters as time goes by in a career, it's not years of service you're selling, it's you and what you've shown you can do," he says. As an example, although the survey consistently reveals (since 2006) that industry offers the highest salaries, CAs in public practice who garner the wealth of experience and knowledge to reach partner earn quite comparable median salaries (\$240,000) to those in similar C-suite positions in industry (\$200,000).

Keri McFadden, CEO at the Institute of Chartered Accountants of Saskatchewan, says the survey's decrease in compensation helps peel off some of the Teflon and feeding-off-the-misery-of-others perception some might have of the profession. "In a way, these results are a good sign in that they show we're not immune to what's going on out there," she says. "Like everyone else, the economy impacts the profession in upturns and downturns." The tired notion that it is the CA who is the last to turn out the lights of a company does not sit well.

Barth Bradley, CA, partner at Edmonton's Kingston Ross Pasnak, is particularly offended by the sentiment. "When times are tough, we're quite simply needed," he says. "It takes a lot of maturity and expertise to deal with an economic crisis."

With other professions, not as open with detailed and evolving compensation reports, it is impossible to construct accurate and meaningful comparators to the profession during this recession. For Bill McFarland, CA, PricewaterhouseCoopers' new CEO, the downturn is a global challenge that puts the CA profession

squarely in a spotlight like no other. Hardly a carpetbagger taking advantage of hard times, the profession is positioned to help clients not only survive but become more productive. "And our business is in no different a position," he says. "We face the same challenges to do our work smarter, better and faster while maintaining quality." The incentive to pick up the pace, he insists, is not simply a paycheck. "Believe me, it's an important thing — we've got to put bread on the table — but we don't differentiate ourselves based on compensation. It's more about how we train the CAs, how we develop them and the interesting challenges we give them. Money's a major factor," he admits, "but it's only one piece of the puzzle."

To move the business into higher gear, McFarland, in his first 90 days on the job, created a special staff council that focused on how PwC could more effectively take the pulse of the needs of its people. Giving employees a voice and sounding board became a top priority to make sure the firm was meeting the needs of its staff. "We recognize we have to meet the needs of a new generation that are likely growing up with some different perspectives than when I entered the firm in 1980," he says. "Rather than this old guy thinking I know what the questions and solutions are, we want to go to our people, engage them for input that makes sense to them and have conversations around doing things that have impact for them." He believes the firm, much like its competitors at KPMG, Deloitte, Ernst & Young and Grant Thornton (none of whom responded to requests for comment in this feature) is getting a better sense of the challenges its employees face as they service clients into a continually unstable 2012.

Compensation by area of practice (owners and nonowners)					
	Count	Mean	Median	Percentile 25	Percentile 75
Professional services firm	6,484	\$150,039	\$100,000	\$71,500	\$165,515
Industry	6,569	\$229,318	\$158,000	\$110,000	\$247,500
Crown corporation or public service	1,543	\$120,608	\$102,600	\$84,900	\$130,000
Education	416	\$119,366	\$107,333	\$87,750	\$140,000
Not-for-profit	339	\$136,389	\$120,000	\$90,000	\$160,000
Other	193	\$286,996	\$161,000	\$102,000	\$300,000
Total	15,544	\$181,203	\$124,000	\$87,000	\$200,000

As the recession's impact cycles through the country — for 2010, the survey shows steep declines for CAs in Ontario and Quebec, where manufacturing and the auto industry have been hit hard — regional ups and downs again become a key feature of the compensation report. In MacPherson's PEI, CAs recorded some of the largest salary increases (18%) from 2006 into 2008. For 2010, the survey reveals that PEI suffered the country's most precipitous drop — 19% from 2008 to 2010. This was certainly an eye-opener for MacPherson, given that, other than the volatile fisheries, Charlottetown's business is rather stable with its concentration on government and education. "It's a surprise," he says. "The key to these stats is clearly the number of respondents to the survey from any particular region," he says. Indeed, only 75 CAs from PEI replied to the 2010 survey mailing. "So, although we surely do not earn the kind of dough seen in the larger centres, I think one has to look closely at sample size."

In Edmonton, Bradley sat down with his partners to talk about retention bonuses. From 2005 through 2007, the phone at the firm's reception desk was ringing off the hook as industry looked to cherry-pick his firm's very best. All went silent in 2008 and 2009, but the ringing has started up again. "We've had a number of strategic discussions around bonuses," says Bradley. "Not just for performance but for that evil word 'retention.' In the past, when we lost people we used to look to Saskatchewan to recruit, but that's unlikely now."

Indeed, Saskatchewan is the only province to show double-digit increases (18%) in 2010. "Our diverse economy — potash, oil, farming and such — has helped us hold our ground," says McFadden. "We're no longer the have-not province. Wages in general are up; we've had the lowest unemployment rate in the country for a while now; there's a slew of investments and opportunities in the province," she says. "And inevitably, it's all being reflected in our profession." The result is members staying put along with CAs from out of province contemplating a move, or returning, to the prairies.

"The discussion out West," Bradley says, "is beyond wages and more into career goals and what CAs see themselves doing within our world. Don't get too excited about a 10 grand bonus if you sign tomorrow, because how valuable is that for your happiness quotient for the remainder of your career?" Work/life balance remains a key consideration as members look at the compensation picture. McFarland is not surprised that CAs are divided when contemplating the choice of work/life balance over gains or losses in compensation and career progression. "When I was growing up, work/life was a foreign concept," he says. "But I now see that this balance has an actual value that CAs can almost put a monetary stamp on."

Still, members are divided as to its impact. The survey finds that 40% of respondents agree that choosing balance has had a direct impact on compensation. Members who take leave, for example, experience a 17% reduction in compensation compared with members who do not take time off. Yet 54% of the survey's respondents do not believe that taking leave has had a negative effect on their careers. But the survey seems clear on the outcome of choosing a more balanced working life. In exchange for this balance, members earn 30% less, or \$149,489 compared with \$212,137.

Jeewan looks at his workforce of CAs and can make a clear distinction between their needs today and his needs when he entered public practice in 1995. In his early years in practice and then in new business development at TD Bank, a 12-plus-hour day was the norm. Not today. "Candidates who query us want to be connected to a higher purpose than just money," he says. "They've studied hard, expect to learn a great deal more on the job and in this rather challenging recessionary environment, they want to test their skill sets in jobs where they can see concrete results."

Anything less and Jeewan says it can be awfully difficult to create a productive match between new employee and employer. "Even today, even with this study's drooping numbers, I like to use the word 'courageous' for most of the CAs we see," says. "If you're not going to make it happen, these individuals are very comfortable with moving on."

Robert Colapinto is a freelance writer in Toronto

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Although there is protection in place for the brave souls who expose corruption, too often they pay for their courage



When US film and TV star Cliff Robertson died at age 88 in September 2011, not only did an Academy Award- and Emmy-winning actor pass away but also a courageous whistleblower.

Robertson is primarily known for his many film roles, especially the mentally disabled lead character in *Charly*, for which he won the 1968 Academy Award as best actor. He also played US Navy lieutenant John F. Kennedy in the 1963 film *PT 109* about the future president's heroic efforts to save the crew of the patrol boat he captained after it was sunk during the Second World War (Robertson was chosen for the part by Kennedy). More recently, he had a recurring role in the *Spider-Man* movies.

Robertson also gained a measure of both fame and infamy, however, as a whistleblower who exposed a cheque-forging and expense-account scheme perpetrated by David

Begelman, then studio head at Columbia Pictures. Under Begelman's watch hit films such as *Close Encounters of the Third Kind*, *The Way We Were* and *Shampoo* had come out, making him a powerful film czar.

The scandal that became known as Hollywoodgate began in February 1977 when Robertson received an IRS 1099 form from Columbia asking why he hadn't declared \$10,000 in royalties paid to him by the studio the previous year. Robertson knew no such payment had been made. "I hadn't even worked for Columbia. This old Scot's not going to pay taxes on money he didn't earn," he said and asked his secretary to find out what might have caused the mistake.

She called the accounts payable department at Columbia and spoke with a supervisor, who located the cancelled cheque, which had been cashed at a Beverly Hills, Calif., bank. The supervisor keenly noticed that the handwriting on Robertson's supposed signature endorsing the cheque looked very much like that of Begelman. This troubling

information was given to Alan Hirschfield, Columbia's president and CEO, who confronted Begelman with the supervisor's suspicions. Begelman told him some kid in New York was the forger and that he had been fired as a result of his actions. Hirschfield bought this flimsy lie and subsequently suggested to Robertson that the matter was closed and should be dropped. The actor did not agree.

"It was a well-known piece of wisdom," Robertson later said, "that in Hollywood the unadmitted but widely recognized covenant was, 'Thou shalt never confront major moguls on any kind of corruption or thou shalt not work.'" Despite knowing what could happen to his career if he pursued the investigation, the highly principled Robertson could not comply with Hirschfield's suggestion. He found it difficult to understand how a "kid from New York" could fraudulently issue a cheque, forge his signature on the back and cash it in Los Angeles.

Robertson contacted the LAPD and FBI with his concerns. An ensuing investigation easily confirmed that his signature had indeed been forged and that Begelman was the culprit. The studio head was first charged with grand theft but it was bargained down to a misdemeanor and the mogul was sentenced to community service. Columbia suspended Begelman and put him on a "paid vacation." The studio launched its own secret investigation and subsequently discovered at least three similar cases where Begelman had forged cheques in the amounts of US\$5,000, US\$25,000 and US\$35,000.

Despite growing evidence of Begelman's corruption — "A psychiatrist hired by the studio later attributed [it] to a penchant for self-destruction based on an underlying sense of guilt about his very success," *The New York Times* reported — Columbia reinstated Begelman following a two-month suspension. Not long after, however, he was quietly fired. The studio said he left due to emotional problems.

Columbia's board of directors wanted to keep what had become an embarrassing mess as quiet as possible and again entreated Robertson to stay mum. He refused, as did his then wife, actress and socialite Dina Merrill. They both talked to the media and, perhaps as a result, *Wall Street Journal* reporter David McClintick wrote about it in his newspaper and in 1982 published *Indecent Exposure*, detailing the forgeries and other types of similar wrongdoings in Hollywood.

Not long after leaving Columbia, Begelman was hired as the president of MGM. When it acquired United Artists he was named its chairman, a position he held until 1982. He was able to obtain other executive roles in Hollywood after leaving UA. "Begelman is very much Hollywood royalty," McClintick said around the time his book was published. "Over the years he's cultivated a strong network of friends and alliances that's like a safety net. [Being hired repeatedly after the scandal] is Hollywood being true to form." (In 1995, at age 73, again facing charges of fraud, Begelman killed himself in a hotel room he shared with singer Tony Bennet's ex-wife.)

After going public about the affair in the late 1970s, Robertson suffered the fate of far too many whistleblowers. "I was black-

balled and didn't work for three-and-a-half years," he said. "They were trying to send a message to other would-be Don Quixotes."

Although he was able to make a few small films, major roles didn't come his way. The actor who had once turned down the chance to play Dirty Harry was no longer an A-list star.

"Even with that outcome, Robertson said he was proud of what he did," McClintick wrote in *Indecent Exposure*. "They wrote me up in that congressional record. I was given a lot of citations. All the writers and creative people were delighted. Within two years, several other actors began confronting corporate corruption and creative bookkeeping."

Things finally changed for the better when a courageous director, Doug Trumbull, cast Robertson in *Brainstorm* in 1983, which featured Natalie Wood in what would be her final film. "He said he wouldn't listen to those bastards," Robertson told McClintick. "He said, 'He's right for this role and I'm going to hire him.' As soon as he did, it broke the cycle."

Most members of the public likely forgot or had no knowledge of Robertson's courageous decision as the years passed. In 2003, however, the Association of Certified Fraud Examiners (ACFE) changed that when it decided to present an annual award to

After going public about the affair, Robertson suffered the fate of too many whistleblowers. "I was blackballed and didn't work for three-and-a-half years"

honour whistleblowers who expose fraud and corruption. It named it the Cliff Robertson Sentinel Award and made the actor its first recipient.

"Cliff Robertson didn't come forward to get rich; he was already rich. And he certainly didn't tell the truth to become famous; Cliff was already famous. He did the right thing for one and only one reason: because it was the right thing." That was how Joseph Wells, the founder and then chairman of the ACFE, began his speech before presenting Robertson with the award at the association's annual conference in Chicago. The award bears the inscription, "For Choosing Truth Over Self."

"If we are ever to turn the corner on fraud," Wells continued, "we must have the help of those people society has tarred forever with being 'whistleblowers.' And we certainly need to call these heroes by a different name. They are actually corporate sentinels — our front line of defence against wrongdoing. We must remember their heroic sacrifices."

Historically, many whistleblowers have experienced sacrifices, such as losing their jobs, being persecuted by employers and suffering health problems resulting from the harassment they endured after coming forward about a perceived wrongdoing.

A famous case involved Jeffrey Wigand, a former vice-president of research and development at Brown & Williamson Tobacco Corp. As portrayed in the 1999 film *The Insider* (starring Russell Crowe as Wigand), Wigand's life became a nightmare after his former employer (he had been laid off in the mid-1990s) found out he was assisting the investigative program *60 Minutes*

in a segment it was doing about some of the company's practices. Wigand told the program Brown & Williamson, the third-largest tobacco company in the US, deliberately misled consumers about the addictive power of nicotine, how it knew and ignored research indicating some of its ingredients caused cancer and its efforts to conceal documents that might be used against it in lawsuits by customers who had become ill due to smoking.

During the time Wigand cooperated with *60 Minutes*, he and his family faced death threats. They were sued. And Brown & Williamson retained a public relations firm to dig up dirt on the PhD in biochemistry, which was detailed in a 500-page report that smeared Wigand's name and reputation.

The nasty report, however, was ultimately discredited. And Wigand won a major victory in November 1995 when he delivered a "damning deposition in a Mississippi courtroom that eventually led to the tobacco industry's US\$246-billion litigation settlement," as *Fast Company* magazine reported. But not without a terrible cost.

The stress caused by the endless attacks by Brown & Williamson ultimately led to the end of his marriage. When his wife left him she took their children with her. His career was over and he had to begin anew, becoming an award-winning high school teacher. A renowned speaker on matters such as smoking, he also created the foundation Smoke-Free Kids.

Like Wells, Wigand does not like the term "whistleblower."

"[It] suggests you're a tattletale or that you're somehow disloyal," he says. "But I wasn't disloyal in the least bit. People were dying. I was loyal to a higher order of ethical responsibility."

In recent decades, many countries around the world have introduced or toughened legislation to protect whistleblowers/sentinels. In Canada, the federal government introduced the Public Servants Disclosure Protection Act (PSDPA) in 2006 and passed it in 2007. It claimed the act would afford "ironclad" protection for federal employees and touted the PSDPA as the Mount Everest of whistleblower protection around the world.

According to website www.fairwhistleblower.ca, the reality has been very different. "When [Federal Accountability Initiative for Reform] testified to Parliament, we predicted that the legislation would fail, but we could not have imagined how badly. A combination of flawed legislation and improper administration created a system that in three years uncovered not a single finding of wrongdoing and protected not a single whistleblower from reprisals. The commissioner appointed to protect government whistleblowers resigned in disgrace following a report by the Auditor General condemning her behaviour. The credibility of the entire system is currently in tatters: it needs a complete overhaul."

A recent Canadian example of a whistleblower paying the price involves career diplomat Brian McAdam. From 1989 to 1993, McAdam was an immigration control officer in Hong Kong,



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whose area of responsibility included southern China. His job was to protect Canada from international people-smuggling rings, murderers and drug-smuggling, organized criminals from China, Japan, Korea, Taiwan, Macau and Hong Kong, according to a 2008 *Ottawa Citizen* report.

“He discovered and painstakingly documented in more than 100 separate reports to his bosses in the Department of External Affairs infiltration and corruption at the Canadian consulate,” the paper said. “And he investigated individual members of the Triads — China’s powerful, Communist Party-connected organized crime gangs — [trying] to buy visas and smuggle its members and spies into Canada.”

At first his work was a huge success. His reports, which were used by the RCMP, kept out 5,000 organized criminals, according to Immigration Canada’s assessments, he says. “In addition, I stopped 2,000 illegal immigrants from getting to Canada, saving Canadian taxpayers at least \$25,000 for each refugee claim — or \$50 million,” the *Citizen* said.

Then he started to get death threats and other forms of intimidation. Things became worse when he reported the common practice of Canadian immigration officials accepting bribes in Hong Kong.

“He and RCMP Sgt. Clement kept writing reports on infiltration and corruption,” the *Citizen* reported. “By the end of McAdam’s four-year posting, he says, ‘maybe three or four people among the Canadian staff would speak to me.’ The 32 reports he sent Foreign Affairs in Canada, entitled Triads Entering Canada, ‘were received in Ottawa by total silence.’”

One day without notice, an External Affairs Department personnel director invited him to return to Canada to start an organized crime unit. Upon his return a colleague told him his career was toast. He was soon urged by the personnel department to take a retirement package because no one wanted to work with him.

McAdam took a job in Immigration where he was assigned to a project already completed. He knew then his career was over. A serious bout of depression ensued, made worse by something he had learned.

“One day, my contact in the Hong Kong police department phoned me. He’d intercepted a phone call from Mr. X [a Triad kingpin] talking to someone in the Immigration Department in Ottawa,” he told the *Citizen*. “That person said to Mr. X: ‘Don’t worry about McAdam and what he’s doing. We’ll take care of him.’”

It’s great that some official form of protection exists for people who have the guts to come forth and expose fraud and corruption. But if the few people who do take that dramatic step continue to see that they will often severely pay for their courage, they will think many times before acting the way people such as Cliff Robertson, Jeffrey Wigand and Brian McAdam did, whether we call them whistleblowers or sentinels.

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Treading the fine line

Auditors of micro-entities can offer value-added services, providing they take safeguards against familiarity threats

Auditors can provide their micro-entity clients with much additional value when it comes to accounting and financial reporting. As part of an audit, they almost always have a significant role in helping management fulfill its responsibility for preparing annual financial statements. The alternative for these small entities is to hire a qualified accountant independent of the auditor to prepare statements — much less efficient and likely more expensive.

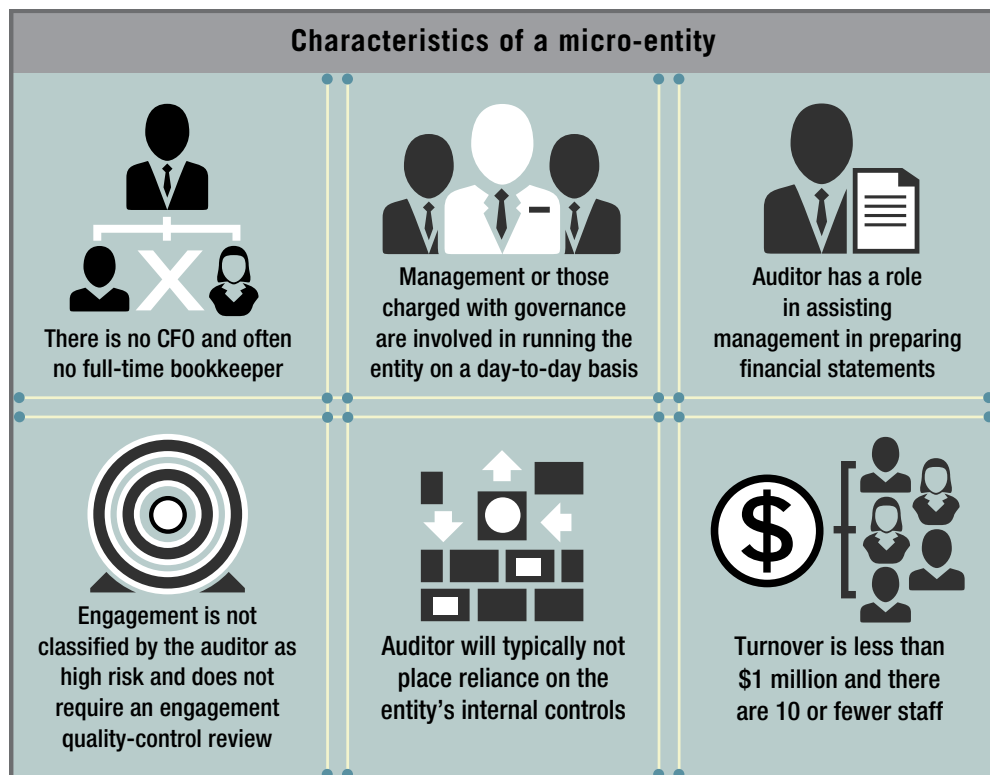
The practice of auditors helping micro-entity clients with statement preparation is common in Canada and around the world. Auditor independence in every audit engagement is a given, being required by the code of ethics. Independence is also essential to maintaining a skeptical and objective state of mind. But how can auditors re-


tain that independence while helping their micro-entity clients fulfill their responsibility for financial reporting at the same time as auditing the financial statements? What are the principal threats to that independence and what safeguards are essential if it is to be maintained?

Requirements in the Canadian Audit Standards (CAS) on preconditions for an audit in CAS 210.06 state that the auditor shall ... obtain the agreement of management that it acknowledges and understands its responsibility:

- for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation; and
- for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

But what does taking responsibility look like in the



A stylized calendar grid with a red pushpin on the 30th. The numbers 15, 20, 21, 22, 23, 27, 28, 29, and 30 are visible on the grid. The 30th is highlighted in yellow.

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micro-entity environment where the auditor may help draft the financial statements? It isn't practical for management to take a couple of courses in accounting and financial-statement preparation. Thankfully, there are straightforward procedures to follow that enable management to accept the responsibility for financial reporting in a meaningful way.

Review the period-end financial position and results with your client before you start the audit fieldwork

Auditing a micro-entity often begins with a preliminary client-prepared trial balance. As an essential first step in the fieldwork, review that trial balance with management and combine this discussion with updating your understanding of the entity, its environment and its internal controls over financial reporting (CAS 315.11–315.14).

Typically, management has a good idea of where the micro-entity stands financially. It will also likely be able to point out possible areas of concern as it is guided through the trial balance. Audit adjustments in micro-entity engagements are frequent. They are, however, often a result of management's unfamiliarity with the financial reporting framework. This unfamiliarity should not be confused with poor management or unwillingness to take responsibility for the accounts.

On the other hand, there are not-for-profit clients whose management is unwilling or unable for a variety of reasons to take responsibility for financial reporting. In these situations, auditors should only accept the engagement on condition that a member of the board of directors take responsibility for the accounts and only when that member has sufficient knowledge of the transactions and events throughout the year to accept the responsibility in a meaningful way. When a client is managed by a volunteer board, a member of the board is required to accept responsibility for financial reporting as a condition of audit. Firms should not accept an audit engagement where both management and those charged with governance are either unwilling or unable to accept that responsibility since the preconditions for an audit under the CAS do not exist. In addition to the practitioner not complying with the standards in this situation, the engagement risk will likely exceed the level a firm should be willing to accept.

Ensure clients approve financial statements before you date your audit report

An auditor can't date an audit report before management or those charged with governance demonstrate to the auditor that they have fulfilled their responsibility for financial reporting by approving the financial statements being audited (CAS 700.11(a); CAS 580.10). That management or those charged with governance must approve the statements prior to completion of the audit should be agreed to in writing in an engagement letter before the audit commences. Management's acceptance or responsibility is often documented in the letter of representation sent to the auditor prior to completion of the engagement. Its wording will likely be similar to that of the engage-

ment letter obtained before starting the audit, and the auditor must be certain that management has thoroughly accepted that responsibility.

It is important to review the nature of the client's responsibility for financial reporting with the management at the outset of every micro-entity client. Management needs to take ownership of annual audited statements. Client education undertaken by the auditor is vital to ensuring this important responsibility is understood.

Safeguard against a self-review threat

It is essential for an auditor to safeguard against a self-review threat to independence if the auditor is also helping management fulfill its financial-reporting responsibilities by assisting in drafting the financial statements. The more familiar an auditor is with a client, the more difficult it is to maintain skepticism — making the threat of self-review all the more important and difficult to guard against.

Fortunately, micro-entities have a number of characteristics that help an auditor implement appropriate and sufficient safeguards. Micro-entities are by definition uncomplicated

An auditor who looks at the total financial-reporting process over a number of years acquires an excellent knowledge base with which to make recommendations

from an accounting perspective, so it should be well within the expertise of an experienced micro-entity auditor to assist management in measuring or evaluating accounting estimates required for financial reporting. As a result, statement preparation is generally straightforward. It is also important for the auditor to talk to management throughout the audit about the accounting options and nonroutine transactions, if any. Even though management may not be versed in accounting, it will understand the assumptions made to support accounting estimates and mandatory disclosures such as those required if the going concern assumption is not appropriate.

Auditors need to listen closely and gauge management's reaction to financial reporting alternatives presented. Besides showing if it is informed enough to take responsibility for financial reporting, management's reaction can also provide a check to the auditor's assumptions used.

Industry-specific knowledge is helpful in managing a self-review threat. This is especially true when the client operates in a sector governed by specific laws and regulations (i.e., condominium corporations and other sector-specific not-for-profit organizations). If management is unfamiliar with the financial-reporting framework as it relates to its specific sector, it may overlook the need for certain accruals, tax-related entries or accounting disclosures mandated by grantors and others. When auditing statements of an entity in an unfamiliar sector, it is always best to consult an experienced colleague to help identify areas of risk of material misstatement.

In short, don't sail in uncharted waters without adequate consultation and study. Doing the audit on site often improves the quality of audit evidence obtained. The small size of a micro-entity and the ability to talk with management during field-work means an opportunity to be familiar with what happened throughout the year. For example, it usually doesn't take long to review the general ledger for the entire year. This will provide insight into the state of the bookkeeping and help identify any unusual transactions.

Safeguard against a familiarity threat

Equally as important as the self-review threat is safeguarding against the threat of familiarity. An auditor who looks at the entire financial-reporting process over a number of years acquires an excellent knowledge base with which to make recommendations for improvement. As a result, the auditor often becomes a trusted adviser.

The cost of becoming an instrumental, valuable resource to management can be a perceived decrease in independence, but the benefits of auditor/client continuity generally outweigh perceptions of lack of independence. Having micro-entities change auditors every five years or more frequently may not be in the public interest in the long run.

Safeguards that can protect against a threat of familiarity include, but are not limited to, the following:


- micro-entity audit fees are generally modest. The audit fee for any micro-entity will likely always be insignificant in relation to total firm billings;
- do not perform other significant work for the client other than helping with tax compliance and being available to answer questions throughout the year; and
- do not design the client's internal control systems. However, making recommendations for improvement as part of the audit engagement is a benefit, especially if adopted by the client over time.

Summing up

Providing assistance in financial reporting to micro-entity management is a valuable service offered by many auditors in conjunction with the annual audit. As long as the client fully understands his or her financial reporting responsibilities and the auditor has adequate safeguards against self-review and familiarity threats, this value-added service can be offered without compromising independence.

Phil Cowperthwaite, FCA, is a partner of Toronto CA firm Cowperthwaite Mehta and a member of the IFAC's Small and Medium Practices Committee

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Inconclusive evidence

What, if any, are the potential economic consequences or benefits of the Canadian IFRS adoption?

As the activities of preparing and auditing the first set of complete annual reports using international financial reporting standards (IFRS) are in full swing, it is easy to identify some costs of transitioning from Canadian GAAP to IFRS. So it is an appropriate time to ask, why are we going through this transition? Are there benefits that my company, my clients or the country as a whole might expect to realize from IFRS adoption?

Recent academic literature has examined IFRS transitions, mainly the European Union (EU) transition, which occurred in 2005, and provides evidence that some benefits have accrued to some IFRS-adopting firms. Here, these benefits are summarized, cases where the evidence to date appears to be relatively inconclusive are highlighted and some cautions about generalizing from the EU transition experience to Canada are noted.

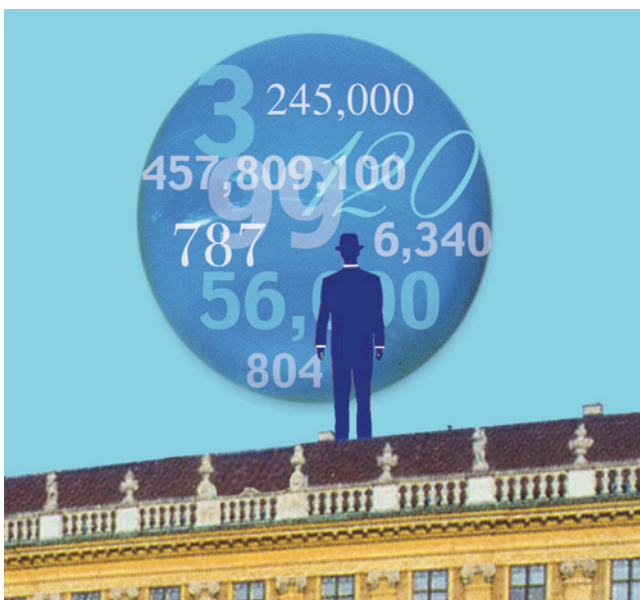
The chief aim of the IASB is to develop a set of “high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles [that] require high quality, transparent and comparable information in financial statements and other

financial reporting [IASB, 2010].” Most of the academic literature examining the potential consequences of IFRS adoption is guided by this objective and seeks to determine if benefits predicted to result from increased transparency and/or comparability have actually been realized.

IFRS adoption may increase transparency if IFRS-compliant financial statements better reflect a firm’s economic context and contain enhanced disclosures. Increased international comparability may result as about 90 countries have fully conformed with IFRS as promulgated by the IASB (IAS Plus, 2011). Among the potential capital market consequences of increased transparency or comparability are lower costs of capital, increased liquidity, and enhanced analyst and investor participation, particularly among foreign analysts and investors. There is a general expectation that these capital market benefits will result in macroeconomic benefits such as increased employment, foreign direct investment and GDP growth. Reliably documenting direct links between IFRS adoption and such outcomes is difficult, however. Finally, an emerging literature examines how IFRS affects the usefulness of accounting numbers in settings other than capital markets, particularly in contractual settings such as executive performance appraisal and remuneration.

IFRS adoption and capital market consequences

To the extent that IFRS produce more transparent and comparable accounting numbers, IFRS adoption could reduce information asymmetry and investor uncertainty, thereby improving equity valuations and resource allocation. In capital markets, these outcomes are expected to be reflected by lower marketwide cost of capital and enhanced market liquidity. Daske et al. (2008), Li (2010), and Florou and Kosi (2009) conduct empirical tests to see if these results materialize in IFRS-adopting jurisdictions. Li finds that the cost of equity capital declines by 47 basis points on average for EU firms adopting IFRS in 2005. Daske et al. find mixed evidence about the effects of IFRS adoption on the cost of equity capital, but find that equity market liquidity improves after IFRS-based financial statements are released. Florou and Kosi extend the analysis to debt financing and find that IFRS adopters are more likely to issue public bonds than borrow in private debt markets and that IFRS adopters enjoy yield spreads that are



on average 39 basis points lower when they do issue public debt.

Combined, the results of these studies suggest lower cost of capital and improved market liquidity. These effects appear to be concentrated among firms located in EU countries with stronger legal enforcement mechanisms. The finding that IFRS adoption has a greater effect in jurisdictions with better legal enforcement is a consistent theme in the literature. A common interpretation of this result is that IFRS permits many accounting choices and requires judgment to implement; therefore strong legal enforcement puts pressure on financial statement preparers to implement IFRS in ways that result in more informative financial statements, enhancing the benefits of IFRS adoption.

Why might we see these capital market effects from IFRS adoption? It is difficult for researchers to provide direct evidence to answer this question. However, additional studies that examine the effects of IFRS financial statements on capital market participants' decisions provide some insights. Byard et al. (2011) find that both financial analysts' earnings forecast errors and the dispersion of earnings forecasts across analysts decline after IFRS adoption. Tan et al. (2011) use a database that identifies analysts' locations to assess how IFRS adoption might impact foreign and local analysts differently. They find that IFRS adoption attracts foreign analysts, particularly those who reside in countries that are also simultaneously adopting IFRS and those with prior experience with (voluntary) IFRS-adopting firms. Foreign analysts are also able to forecast IFRS-based earnings more accurately than they could forecast the prior local GAAP earnings for adopting firms. IFRS adoption also attracts local analyst following but does not improve local analysts' forecast accuracy. Since earlier research suggested that local analysts could forecast more accurately than foreign analysts under local GAAP reporting, this suggests that IFRS adoption reduces or eliminates the forecasting advantage that local analysts previously enjoyed.

Combined, these findings show that the 2005 wave of IFRS adoption in the EU and elsewhere significantly increases the scrutiny of companies' financial statements by foreign analysts. This will likely enhance the transparency and reliability in those companies' financial statements, leading to lower costs of capital and increased liquidity.

DeFond et al. (2011) and Yu (2011) find that foreign mutual-fund holdings increase for at least some IFRS-adopting firms. DeFond et al. find that increased foreign ownership is concentrated in firms with a large number of industry peers that also switched to IFRS. Yu finds that the increase in foreign mutual ownership is more pronounced in countries where local GAAP differed more from IFRS prior to IFRS adoption. Florou and Pope (2011) find that expanded institutional ownership after IFRS adoption extends to a broad array of institutions, not just mutual funds. They also find that local funds expand their holdings of IFRS-adopting firms. Interestingly, they document that the increases in institutional holdings are concentrated in funds whose investment style relies more on financial statement data (e.g., the increase is greater in growth and value-oriented funds

than in index funds). One interpretation of these studies is that enhanced comparability and/or transparency make it less costly for analysts and investors to analyze and interpret financial statements, particularly across borders. This expansion of analyst and investor interest is a likely mechanism producing the capital market consequences discussed earlier.

A final capital market effect that has been examined is the extent to which markets seem to respond to announcements of earnings prepared using IFRS. Landsman et al. (2011) find that markets exhibit a stronger stock-price response to IFRS-based earnings announcements, consistent with IFRS-based earnings conveying more information to capital markets than earnings based on local GAAP. Extending this analysis to an international setting, Wang (2011) finds that firms' equity prices react more strongly to the earnings announcements of foreign industry peers after IFRS adoption. This finding is consistent with increased financial statement comparability facilitating transnational information transfer.

IFRS adoption and macroeconomic benefits

As mentioned, it is difficult to design empirical tests that establish clear connections between IFRS adoption and macroeco-

Findings show that the 2005 wave of IFRS adoption in the EU and elsewhere significantly increased the scrutiny of companies' financial statements by foreign analysts

nomie effects. We are aware of only one study that attempts to draw such connections. Márquez-Ramos (2008) finds that both foreign direct investment and trade flows are enhanced between two countries when both countries adopt IFRS. This is an area where more research is needed. The challenges in designing tests of these relations may explain the lack of research.

IFRS adoption and contractual uses of accounting data

Accounting data are used in a variety of contexts outside capital markets. Most notable is the extensive use of accounting data in contractual settings, including debt contracts that may include accounting-based covenants and contracts that govern the compensation and retention of executives. The effects of IFRS adoption on the usefulness of accounting data in these settings is hotly debated in academic circles. Some argue that increased transparency and comparability should not only enhance the usefulness of accounting data in capital-market settings, but should also enhance the usefulness of the data in contractual settings. Others argue that the increased use of subjective fair-value measurements under IFRS will reduce the contractual usefulness of accounting data where harder, less subjective data that better reflect managerial stewardship rather than uncontrollable market movements is called for.

So far the evidence on how IFRS affects the contractual uses of accounting data is sparse and inconclusive. Most of the evidence to date focuses on how accounting data appear to be used

in management compensation arrangements. Wu and Zhang (2010) find that firms in Continental Europe appear to use the accounting data of industry peers located in other Continental European countries more for relative performance evaluation of management (in particular, management turnover decisions) after IFRS adoption. Ozcan et al. (2011) examine EU countries that adopt IFRS, reporting that compensation becomes more sensitive to accounting data after IFRS adoption in those jurisdictions that have local GAAP that differs more from IFRS prior to IFRS adoption. They also find that the use of foreign industry peer data in assessing relative performance and determining compensation increases after IFRS adoption. Voulgaris et al. (2011) investigate these issues for UK firms only and find that the firm's own accounting earnings are less useful for setting compensation after IFRS adoption. They attribute the decline in the reliance on accounting earnings in compensation contracts to the extensive use of fair-value accounting in IFRS, arguing that such use interjects noise into accounting earnings as an indicator of managerial performance.

Conclusions and implications for Canada

The evidence to date appears to suggest that at least some IFRS-adopting firms have experienced lower cost of capital; enhanced equity market liquidity; and increased analyst and institutional investor interest, particularly among foreign analysts and investors. So far, however, the literature with respect to macroeconomic implications or contractual outcomes is inconclusive. So the obvious question is can Canadian IFRS adopters, or at least some portion of them, expect to receive similar benefits?

So far, all that can be said is it depends, and we'll see. Most of the evidence is based on the adoption of IFRS in the EU in 2005, and the effects appear to be more concentrated in strong legal enforcement countries. Canada is consistently rated as a country with strong legal enforcement in the international rankings we are aware of, and on that basis it might appear poised to experience generally high-quality IFRS implementations with the potential to yield benefits. However, it is important to remember that Canada differs from EU countries that adopted IFRS in 2005 because so much of Canada's economic activity is conducted with the US, and the US has not adopted IFRS. European firms may have been better poised to benefit from IFRS adoption because so many countries they have significant economic relations with also simultaneously adopted IFRS.

How IFRS adoption might impact US users is unclear. For example, whether moving from Canadian GAAP to IFRS enhances or diminishes comparability between Canadian and US companies is unknown. It probably depends on the industry and how IFRS is implemented. It's safe to assume that Canadian IFRS-based statements will be more easily understood by EU-based users, but it's not clear how the change will affect US users and their investment decisions. If enhanced comparability is a key driver of the benefits of IFRS adoption, as suggested by some of the prior academic literature, then the consequences will probably vary depending on how and where the new Canadian financial statements are used.

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Design and implementation

No matter how sophisticated a company's sustainable development plan is, the internal auditor is an asset to its success

At the start of the second year of one company's 2009–2010 biennial internal audit plan, a group of colleagues was contemplating the different internal audit mandates and decided to include a number of sustainable development initiatives. After an intense brainstorming session, the group came to a consensus about sustainable development; however the same couldn't be said about how it planned to carry out such a mandate.

Sustainable development initiatives are essentially built on three pillars: economic development, social commitment and environmental soundness (see chart below). Given the magnitude of the task, the group of colleagues wondered where to start.

With an initial diagnosis of the negative implications (risks) of each pillar and of the state of the underlying processes, it's possible to determine the extent of the internal audit work to a high degree.

Environmental soundness

With corporate responsibility and sustainable development being increasingly important to stakeholders, the related issues pose major reputational risks. A host of ever-changing laws and regulations adds to the challenge. Therefore, depending on the nature of a company's operations, environmental soundness is a good place to start, and this is the point from which the group began its mandate.

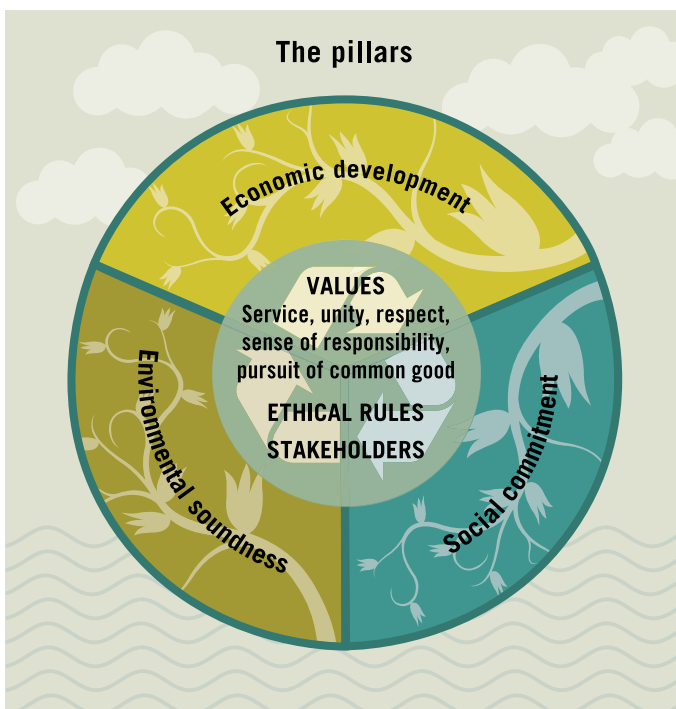
With the support of a specialized firm, it developed a framework to identify the risks associated with environmental soundness and conducted an in-depth assessment to measure the extent of the internal audit work that would be required.

The first phase of the company's approach was to define the key issues, i.e., the areas where the company's operations can impact the environment. These issues can be structured under such categories as air, water, soil, energy, waste, hazardous materials, natural resources, and products and services.

Next, the group assessed the risks of each key issue, such as the risk of overconsumption of water and the risk of energy inefficiency. By doing so, it put the company's industry and the marginal environmental impacts of its operations into perspective. Also at this stage, it would be premature to spend time on technical aspects such as calculating greenhouse gas emissions, volatile organic compounds and landfill tipping fees. It is better to examine these issues when performing the audit.

The third phase of the company's approach involved assessing risk considering two variables: impact and vulnerability. Assessing impact consists of determining the company's level of exposure based on sustainable development commitments, the legal and regulatory context and peer best practices, for example. The vulnerability assessment requires establishing the company's level of exposure by considering systems and processes, business units affected and internal controls.

Once these three phases were completed, we designed and implemented audit programs to audit mitigating mechanisms for the risks we considered the most significant. We also placed particular emphasis on corporate governance, which is another crucial element of our approach.



Corporate governance

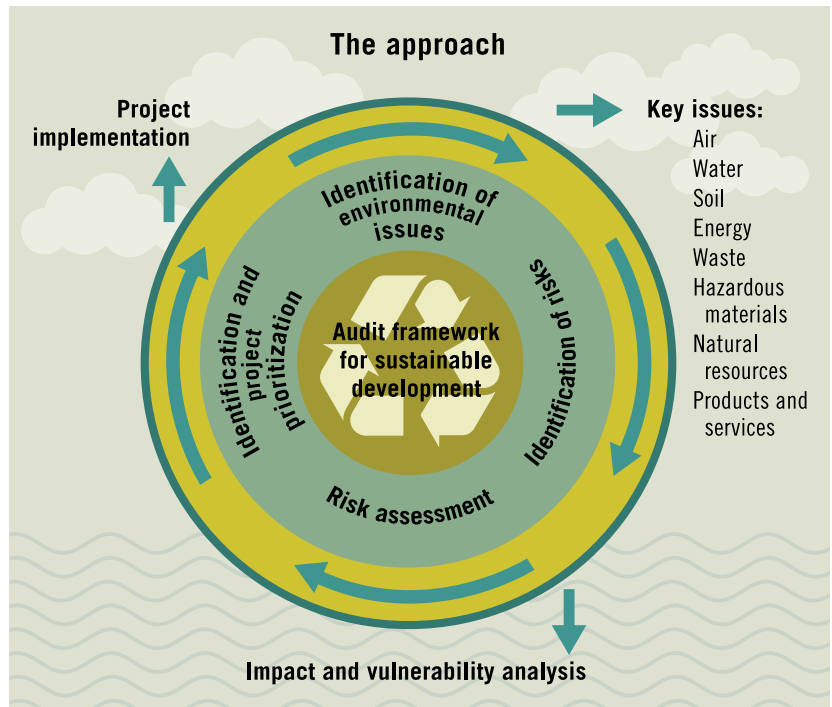
This is the basis of the sustainable-development approach. Any business that wants to achieve its vision and successfully meet its objectives must rely on clearly established, effective and efficient governance. Practically speaking, governance assessment can be built around three areas: strategy, roles/responsibilities and accountability.

Strategy Using various methods, many companies integrate sustainable development into their strategic objectives and operations, thus indicating the importance they place on sustainable development. Intentional or not, this decision leads to comparative positioning with regard to peers. Companies must choose their pet projects wisely in order to set themselves apart from the others. It is important to clearly establish a top-down corporate strategy to set priorities and objectives. The presence of quantified objectives is a sign of strategic discipline.

On a tactical level, effective communication of policies, procedures and programs to the various business units is essential to ensure implementation of the strategy.

Roles/responsibilities The sustainable development organizational structure is different for each company, but it must be aligned with sustainable development-related priorities.

While there is some flexibility in the structure, roles and responsibilities must be clearly defined to ensure that objectives are ultimately met. Formalizing the board of directors' mandate to oversee and monitor sustainable-development issues sets the tone of the approach. Moreover, by creating committees and



establishing a method of remuneration based on performance improvement, management stresses how important sustainable-development issues are for the company.

The company must have employees with the appropriate skills and technical knowledge, who can monitor operational compliance with environmental regulations. In addition, with the number of government programs encouraging companies to reduce their environmental footprint, knowing these programs is essential in order to draw maximum benefit from them.

Accountability Faced with rising stakeholder expectations and considering the regulatory requirements for environmental information disclosure, companies must have a structured, rigorous approach to presenting relevant high-quality information. Although current legislation does not require companies to obtain an independent opinion on sustainable development data (especially environmental), investors expect this information to be as reliable and transparent as all financial information.

In this context, the internal accountability processes should be well defined to control and measure corporate performance. If they are properly established, the tools and mechanisms used to compile sustainable-development performance data will ensure that information intended to validate the data is traceable.

In short, no matter how mature the company is in its sustainable development approach, the internal auditor is a precious ally. Striking a balance between a consulting engagement — which is built on strategic risk assessment — and a compliance engagement focused on the applicability of the strategy is a guarantee of success for your organization.

Frédéric Marien, CA, is project manager, internal audit, at RONA Inc.

Technical editor: Yves Nadeau, CA, CPA, partner, RSM Richter Chamberland LLP in Montreal

Fundamental questions

Strategy

- What is the company's positioning with regard to its peers?
- Is the company's strategy clearly defined?
- Is the strategy implemented appropriately?
- Does the company have quantified objectives?

Roles/responsibilities

- Who is responsible for sustainable development in the company?
- Are roles and responsibilities clearly defined?
- Does the company have appropriate resources?

Accountability

- Are the disclosures appropriate?
- How reliable are they?
- Are control tools and mechanisms well established?

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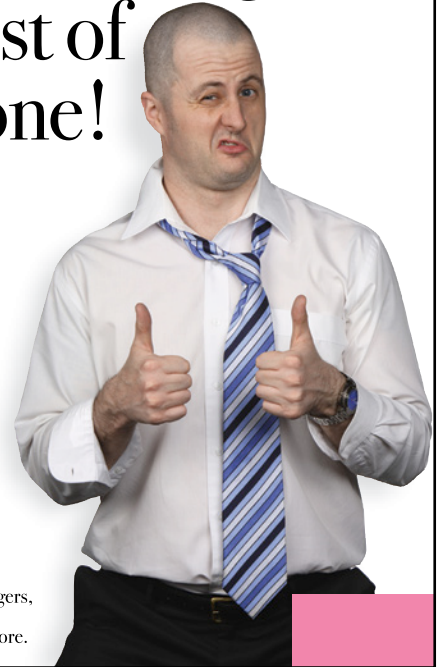
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Government's bad act

There is no better illustration of the government's inability to provide quality services than airport passenger screening systems. Last September, about a dozen international flights landed at Montreal's Trudeau airport within a short time period. Hundreds of passengers had to wait hours to get to the immigration counter. Is that how to welcome friends to Canada? A few weeks later, the employees of a private agency working for the Canadian Air Transport Security Authority (CATSA) protested their working conditions by a work-to-rule at Toronto's Pearson International Airport, delaying departures for thousands of passengers and disrupting air traffic across Canada.

In both cases, federal authorities refused to accept responsibility and blamed other parties. Unfortunately, these "other parties" don't exist. Responsibility for these disruptions can be traced to senior government officials who designed passenger screening systems that crash easily. If this were the private sector, they would have lost their jobs a long time ago. But in Ottawa, life goes on. When it comes to customer service, incompetence often goes unnoticed in government.

The Canada Border Services Agency (CBSA) is responsible for controlling immigration in airports, processing 40 million passengers annually. Decked out like kids playing cops with bulletproof vests and real guns, CBSA employees ask travellers trivial questions about the purpose of their trip, an inefficient triage method to send immigrants to a special counter, which regularly leads to long lineups.

Such lineups are rarely seen in Europe, where more travellers pass through airports than in Canada. We could draw lessons from Europe, such as counters for citizens and noncitizens. We could also eliminate the questionnaire that passengers entering Canada by plane are required to fill out. Nearly 99.9% of the 40 million completed questionnaires go into the garbage anyway.

After the fiasco in Montreal, the CBSA should fire —

yes, fire — the managers whose poor manpower planning caused the delays. The quality of service for travellers should be a key element in performance assessment.

The other screwup can be traced to Transport Canada, which mandates CATSA to control a security perimeter that all air passengers must cross. CATSA contracts out this work to private agencies for \$400 million a year. However, Transport Canada should have anticipated that the screening officers, who are paid little to carry out one of the most boring activities imaginable, would want to unionize and would resort to pressure tactics to improve their situation, seriously disturbing air traffic as happened in Toronto. The government shouldn't be surprised — as designed, its screening system is bound to fail sporadically.

The screening system, designed by modern martinets, humiliates people and costs airlines a fortune

What's more, the system is ineffective. Statistically speaking, the integrity of the perimeter is more symbolic than real. Journalists regularly demonstrate its permeability by passing through checkpoints with prohibited objects or false boarding passes. Still, the bureaucrats who developed this ineffective control feign ignorance and impose it across Canada.

The screening system is fragile and ineffective, going through it is a humiliating experience for many and it costs airlines a fortune. Only government can defend such systems, designed by modern martinets cut off from the real world, by invoking compliance with international rules. Canada should assume the role of agent of change rather than follow silly rules developed elsewhere.

Every year more than 120 million air travellers go through these ineffective systems set up in all airports. No other government service has so many touch points with Canadians. Unfortunately, the experience is miserable. Why does it have to be so? Is government listening?

Marcel Côté is founding partner at SECOR Consulting in Montreal



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