Waste WATCHERS

Meet some of the country’s most influential CAs — the AUDITORS GENERAL who won’t let governments binge on our tax dollars

AU CANADA: accountants from around the world immigrate here in search of a better life. Find out how they fare P. 30

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Ones to watch

Canada’s auditors general, many of whom are CAs, are steadily gaining name-recognition for exposing government waste

In March, Ontario Auditor General Jim McCarter’s audit on the Ornge provincial air ambulance service exploded in the media like a guided munitions bomb. It exposed, among other things, that taxpayers had spent $700 million on a service that was doing a very poor job of delivering patients to hospitals, and that Ornge’s senior management and some board members had set up a web of privately owned companies that conducted business with the agency. (The matter was under police investigation at press time.) The report reverberated across all media, generating a multitude of outraged comments and calls for the resignation of the Ontario health minister, Deb Matthews.

McCarter’s role in the Ornge scandal is just one example of what writer John Lorinc calls “the steadily growing public profile of many of Canada’s auditors general” in our lead story (“Watch and Waste,” p. 22). Former federal auditor general Sheila Fraser is, of course, very well-known, and is arguably the most popular Canadian auditor general of all time. While all of our country’s auditors general may not share the high national profile enjoyed by the outspoken Fraser, they are nevertheless important figures and “are, as a group, some of Canada’s most prominent and influential CAs.” Lorinc’s well-written and thoroughly researched story is a must-read.

Accountants in many parts of the world see Canada as a land of opportunity, and a number of drivers and trends such as globalization and diversity have made it possible for them to leave their countries to pursue that opportunity here. Some come on secondment, others take advantage of reciprocity arrangements, yet others come because they like what they have heard about this country. Who are these accountants? Where do they come from? What are their experiences? CA magazine conducted an informal online survey to get a nonrepresentative snapshot of immigrant accountants. We also sent out writer Mary Teresa Bitti to speak to them and provide us with some understanding of what they encounter when they get here. Their fascinating stories can be found in “Au Canada,” p. 30.

Nevertheless, important figures and “are, as a group, some of Canada’s most prominent and influential CAs.” Lorinc’s well-written and thoroughly researched story is a must-read.

In this issue, Marcel Côté writes about the dynamics of innovation: it’s not driven by R&D, but by a company culture that looks out for new ideas (p. 56). The regulars this month are on fraud, which warns against precipitate assumptions in investigations (“Don’t jump to conclusions,” p. 38); standards, with information on quality control for firms (“One size doesn’t fit all,” p. 42); and taxation, which considers when one should appeal an assessment (“To fight or not to fight?” p. 47).

Happy reading.

Okey Chigbo, Editor
upfront

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10 PEOPLE
Her love affair with the gentle giants began some 12 years ago when Lori MacNaughton’s neighbour asked to board his Belgian draft horse in her barn. Today, when she’s not working as a tax specialist, MacNaughton rescues horses, cares for them and trains them to plow her NB farm fields.

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Over the years the public profile and role of Canada’s auditors general have grown dramatically as these legislative officers stand guard against corruption and wasteful spending. And as a group, the AGs are some of the country’s most prominent and influential CAs.

BY JOHN LORINC

30 Au Canada
Some accountants get a designation in a foreign country, then immigrate to Canada. What’s it like for them in terms of preparing to come here, finding work and taking the qualification exams? What did they experience and how can it be improved?

BY MARY TERESA BITTI
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BDO. MORE THAN YOU THINK.
In “Merger concerns” (Mailbox, December 2011), Brian Galvin looks at the CA/CMA/CGA merger only through the prism of the past. Current circumstances are, indeed, not the same as those in the 1960s and his comments do not address either the current reality or the changes coming soon.

Unlike in the 1960s, the Public Accountants Council (PAC) is now the authority that grants public accounting licences in Ontario and grants licences to all who meet their standards for education, training, examination and ethics, regardless of designation. CMAs and CGAs are in the process of changing their programs to meet PAC standards and if the merger fails, it is likely they will meet PAC standards and qualify for public accounting licences in Ontario in the near future.

Also unlike in the 1960s, CAs, CMAs and CGAs now train students in the same places: public accounting, banks, other financial institutions, government and industry. Once CMAs and CGAs meet PAC standards, we will have the odd situation where all three bodies train in the same places and have comparable education, experience, examination and other standards but award different designations.

Galvin denies that the public is currently confused by three designations, though there does not appear to be empirical evidence that this is so. But even if the public can differentiate now, once CAs, CMAs and CGAs meet PAC or similar requirements in their respective provinces the designations will, by any objective standard, be different shades of the same colour. Further, four designations will soon be a reality. In 2012, the merger is expected to take place in Quebec, resulting in approximately 34,000 accountants in Quebec holding the CPA designation.

If the merger fails, it will fall to governments and regulators to make decisions as to who will speak authoritatively on accounting and auditing matters within Canada and on world standard-setting bodies. The effect of those decisions on us can only be detrimental; after all, we will be the problem, not the solution.

Finally, regardless of designation, I think it is clear that no one will be promoted or demoted as a consequence of the merger. All designations are entry-level qualifications that open doors; they are not guarantors of success. Professionals have always realized their potential based on who they are, their character, dedication, work and creativity, not which designation they hold. The merger will not change that.

We should, of course, honour and respect our pasts and retention of current designations after the merger enables members of all institutes to do so. However, in discussing the merger, we should look forward, not backward. A merger with one set of high standards, in my view, best serves the future interests of both the accounting profession and the public.

John M. Warren, CA
Toronto

I read with interest, and a growing sense of dread, the article “Canada’s three legacy accounting bodies issue Unification Framework” (News from the profession, March). While there was mention that the Quebec ordre was succumbing to pressures from the provincial government, there was no mention that the Institute of Chartered Accountants of Alberta had recently withdrawn from merger talks in Alberta citing that “there were too many unresolved questions and a lack of perceived benefits.”

There are many reasons why this merger has been opposed by many members. There would be a watering down of our profession’s high standards if a three-body merger were to take place and there would be confusion on everyone’s part, including the public’s, if we were to start using a designation that would be very easily confused with an existing American designation.

It has been argued that our status would be enhanced internationally if our numbers are increased. That is to suggest that quantity is more important than quality. The many members of our profession who have made the Canadian CA designation known and respected throughout the world will be disappointed to hear that, as I heard at one meeting, “they’ve been punching above their weight.” I believe that Canadian CAs have been setting the weight classes in the accounting world. We won’t continue to do that if we water down our standards.

There is nothing wrong with having more than one accounting body, just as there is more than one group in the medical world. Competition is a great motivator in improving standards and quality. It should be allowed to benefit all Canadians, as it has for more than 100 years.

I wonder why this issue is not put to a general vote of the members. I understand that proponents of the merger are strongly against doing this. It is a strange position to take in a country with a democratic history such as ours.

Finally, I must comment on how this process has been billed as a transparent, open discussion, yet members' money has been spent telling us that a merger is a wonderful concept, while not 1¢ of our money has been spent putting forth any arguments that are on the side of the positive continuance (not status quo) of the Canadian CA profession. Everything that
has come from the CICA has been worded in such a manner that this is a fait accompli even though there are thousands of members (many in the other accounting bodies) who have never been in favour of this ill-conceived idea.

I have said and will say again that I believe that those who are on the payroll of the institute have a conflict of interest, in that they are pursuing a position that is of benefit to them but not to their employers, the members.

P.S. I have been a member of the institute in Alberta for 40 years. I hope that, although I have taken issue with your employer, CA magazine will be brave enough to allow a contrary opinion to appear in what I like to think is my magazine.

Ken C. Kouri, FCA
Edmonton

CICA president’s reply:
Several CA magazine readers have written in to express their opinions about recently published articles on unification and about the unification initiative itself. You will find two of these letters printed in this section.

We sincerely appreciate all opinions on this subject, both the positive and negative ones, since they form an important part of the crucial dialogue members need to have if we are to ensure a sustainable future for Canada’s accounting profession.

What comes through loud and clear in the letters published here and in other comments we receive about the merger talks is that members have a deep pride in their designation and want to make sure that any changes in its future direction do not in any way compromise the reputation for integrity and high standards we have earned over the years. It is a sentiment that I strongly share. In fact, this was one of my key conditions during the development
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of the Unification Framework and CPA certification process.

I encourage all members to keep the lines of communication open by continuing to post comments on the CPA Canada website, by attending town hall meetings where you can share your views face-to-face and by emailing your opinions to your national and provincial institutes. By taking the time to share your thoughts about unification, you are making an important contribution to securing our profession's future.

Kevin Dancey
President and CEO, CICA

Editor's note:
The March issue, in which the article “Canada's three legacy accounting bodies issue Unification Framework” appeared, was on press before the Institute of Chartered Accountants of Alberta announced its decision to withdraw from the merger talks.

IN POOR TASTE

I do not consider myself a religious fanatic — though I do attend church every Sunday. However, I find the cover of the March issue of the magazine offensive. The term “second coming” has solemn, significant meaning in Christian religions. To make light of it by portraying Paul Beeston in the connotation of being connected with Jesus Christ is in poor taste.

In this age of political correctness, I have seen groups raked through the media for much less. I am very surprised that our editors would let something like this through. I can only hope that Beeston was an unwitting participant.

Marlon Badesso, CA
Victoria

I was surprised at the headline “The second coming” on the cover of the March issue. I wouldn't quite call it offensive, but I thought it was in bad taste. I was surprised that your editorial staff would allow a headline that could even remotely be received as a religious reference.

Perhaps additional screening is in order next time.

Leanne Seel, CA
Ottawa

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CARSWELL ThOMSON REuTERS
ome people rescue pets from the pound. When Lori MacNaughton isn’t working as a tax specialist at Allen, Paquet & Arseneau in Bathurst, NB, the 46-year-old CA spends her time saving horses from dire circumstances and caring for them on the 200-acre hobby farm she shares with her husband, Craig, and their two teenaged kids.

Growing up in Elliot Lake, a mining town in northern Ontario, MacNaughton didn’t know a thing about raising horses when she and her husband bought their farm in Belledune, NB, 12 years ago. But when a neighbour asked them to board his Belgian draft horse, Bud, in their barn, it was love at first neigh. “Horses have these big brown eyes and really connect with you,” she says. “They’re gentle giants — they weigh 2,000 pounds but are so careful about where they put their hooves when we’re around them.”

After Bud joined the family, MacNaughton stepped up whenever she heard about other horses in need of rescuing. She now has a dozen draft horses, a large breed built for hauling and farm work, so the family bought some antique farm equipment and trained them to plow the fields. They also participate in parades and sleigh rides through the wooded paths on their property in the winter.

Caring for the animals is a labour of love, says MacNaughton. “We didn’t need 12 horses but when you have room in the barn, one more doesn’t seem like much.” It was also a stress reliever when she was studying for the UFE. “After hitting the books it was great to go out to the barn to look after the horses. It’s like taking your dog for a walk — you get that physical and emotional connection with the animal.”

Around town, where MacNaughton is known as the “woman with the horses,” the locals are often surprised to learn she’s a CA by day. And her colleagues are equally shocked when they discover her hobby. “They don’t expect someone who sits at a desk all day to do this.”

**Résumé**

- 2000 buys a 200-acre farm (NB)
- 2001 boards her first horse, Bud
- 2008 joins Allen, Paquet & Arseneau
- 2010 obtains CA designation (NB)

**Open season on MP pensions?**

When it comes to pension reform, the federal government missed a chance to lead by example, say two national organizations. The Canadian Taxpayers Federation slammed the 2012 budget for its lack of detail on reforming the current “gold-plated” parliamentary pension scheme, which allows MPs to retire at age 55 with just six years of service. “This budget contains no specific changes to the retirement age for MPs, the number of years they need to work, or the massive pensions they can collect,” says Gregory Thomas, CTF federal director.

Meanwhile, C.D. Howe Institute president and CEO William Robson suggests the MPs’ plan has set aside “essentially no assets” to pay the generous benefits promised.

“Gaining the moral authority to lead Canada’s search for a better retirement income system means MPs must fix their own pensions first,” he says. Tamar Satov
OWNERS MISSING OUT ON GROWTH

Attracting and retaining quality clients is among the top issues facing CA practices. Yet many practices are missing out on simple ways to grow their business, according to a recent CICA survey of 664 partners and sole practitioners of Canadian CA firms.

For example, only half of respondents ask clients for referrals, even though this is the highest rated method of attracting new business by those who use it. Similarly, about one in five firms give presentations to local business associations or community groups and host information seminars for clients and their friends but, of those who use them, 40% and 42%, respectively, rate them as successful.

In terms of media, advertising in the Yellow Pages (43%) tops the list despite just 12% indicating success with it. Use of online advertising is much lower (8%), though it is rated successful by 30%. Even the most common marketing activity, developing relationships with other professionals, is used by only 73% of practices.

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

Promotional activities used by Canadian practice owners

<table>
<thead>
<tr>
<th>Activity</th>
<th>% Use</th>
<th>% Successful (4 or 5 out of 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing relationships with other professionals</td>
<td>73%</td>
<td>55%</td>
</tr>
<tr>
<td>Attending functions at local business or community organizations</td>
<td>60%</td>
<td>28%</td>
</tr>
<tr>
<td>Asking current clients for referrals</td>
<td>52%</td>
<td>63%</td>
</tr>
<tr>
<td>Volunteering with local business or community organizations</td>
<td>52%</td>
<td>33%</td>
</tr>
<tr>
<td>Having a website</td>
<td>48%</td>
<td>24%</td>
</tr>
<tr>
<td>Advertising in Yellow Pages</td>
<td>43%</td>
<td>12%</td>
</tr>
<tr>
<td>Publishing newsletters for clients and their friends</td>
<td>28%</td>
<td>23%</td>
</tr>
<tr>
<td>Print advertising (magazines, newspapers)</td>
<td>24%</td>
<td>16%</td>
</tr>
<tr>
<td>Speaking to local business associations or community groups</td>
<td>22%</td>
<td>40%</td>
</tr>
<tr>
<td>Participating in industry/trade groups</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Hosting information seminars for clients and their friends</td>
<td>19%</td>
<td>42%</td>
</tr>
<tr>
<td>Direct email</td>
<td>13%</td>
<td>25%</td>
</tr>
<tr>
<td>Direct mail</td>
<td>11%</td>
<td>22%</td>
</tr>
<tr>
<td>Writing articles for local publications</td>
<td>11%</td>
<td>29%</td>
</tr>
<tr>
<td>Advertising through the Internet</td>
<td>8%</td>
<td>30%</td>
</tr>
<tr>
<td>Advertising on TV/radio</td>
<td>5%</td>
<td>22%</td>
</tr>
<tr>
<td>Telespyecting</td>
<td>2%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: CICA, 2011

Ask an Expert

HOW CAN I KEEP ONE MEMBER OF MY TEAM FROM DOMINATING GROUP DISCUSSIONS?

Everyone has experienced a “dominator” — the person in the group who seems to take over the discussion. Some are just overzealous talkative types; others talk over everyone else and won’t let them express their opinions or ideas. Here are a few techniques to try to keep a dominator in check:

Thank the dominator for his or her comment, write it down for all to see and ask others to contribute ideas to complete the list.

Take a break and solicit the dominator’s support offline by saying, “Some members of the group are not as assertive as you, but I want to be sure we hear from them.”

Break the group into pairs or triads and let them discuss an issue in those smaller groups before initiating a large group discussion.

Take two minutes at the beginning of the meeting and ask the group to jot down their ideas, issues or recommendations on a Post-it note. Then ask each person to share one of these comments.

Use the round-robin technique. Go around the room asking each person to share a comment and start at the opposite end of the table from the dominator.

Use an object such as a sponge football to balance discussion. The person holding the football has the floor and must toss it to someone else once his or her point has been made.

Dana Brownlee is founder of US corporate training firm Professionalism Matters (www.professionalismmatters.com)
Canada’s rank among G8 nations in its likeliness to be a location for victims of cyber spying, according to private security experts. Estimated costs of economic espionage range up to $100 billion annually.

Billions of dollars in damages sought in a class-action lawsuit on behalf of one million Canadian PlayStation Network and Qriocity users after hackers accessed private records on Sony computers in 2011.

Canada’s global rank for hosting cybercrime, according to a 2011 Websense report. “About 80% of [Internet scams] are on compromised legitimate web servers,” noted a senior manager of security research at Websense.

Years Chinese hackers had access to sensitive Nortel Network Inc. documents, including research reports and business plans, according to a February 2012 report.

Percentage of Canadian senior executives annually reviewing cybercrime risk, according to PwC last year. The firm suggests the results demonstrate a “reactive culture” to the issue.

Percentage of companies experiencing an increase in malware attacks — malicious software designed to disturb computers or data — in 2011 due to employee use of social media. Canadian companies are among the most likely worldwide to take this threat seriously.

Millions of private records disclosed by a computer hack at Heartland Payment Systems in the US in 2009. Between 2005 and 2010, 3,765 data breaches were recorded globally.

In 1994, Canadians began to see the Internet was not a crime-free jurisdiction. Today, cybercrime in its various forms has become a major headache for Canadian business.
Engaged workers immune to commuter stress

Long commutes to and from work have long been thought to increase workers’ daily stress levels. But a Gallup poll of US workers shows that a long commute only makes matters worse for employees who are already “actively disengaged,” meaning they are emotionally disconnected from their work and workplace.

The percentage of actively disengaged workers who report a lot of stress and worry in their lives without a lot of happiness and enjoyment increases from 15.5% for those with short commutes (less than 15 minutes) to 27.1% for those with commutes of 45 minutes or more. In contrast, engaged workers maintain low worry and stress levels regardless of commute time (see chart).

Engagement at work may buffer the effects of stress because engaged employees are more likely to look forward to their work and feel good after a day’s work, which can make a long commute more tolerable, the study suggests. Conversely, disengaged employees tend to think of work as a burden, which is likely to influence their mood during their trip to and from their workplace.

<table>
<thead>
<tr>
<th>Daily mood and commute time</th>
<th>Less than 15 minutes</th>
<th>15 to 29</th>
<th>30 to 44</th>
<th>45+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engaged</td>
<td>2.9</td>
<td>1.8</td>
<td>2.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Not engaged</td>
<td>8.2</td>
<td>8.3</td>
<td>9.3</td>
<td>16.3</td>
</tr>
<tr>
<td>Actively disengaged</td>
<td>15.5</td>
<td>20.7</td>
<td>20.1</td>
<td>27.1</td>
</tr>
<tr>
<td>US adults</td>
<td>8.9</td>
<td>10.3</td>
<td>10.7</td>
<td>15.2</td>
</tr>
</tbody>
</table>

GALLUP, Jan. 2-Dec. 31, 2011

Don’t count on that inheritance

Nearly half (45%) of Canadians aged 60 or older are concerned they will need their savings to fund their retirement and won’t have money left to give their survivors, finds a survey by Investors Group. Furthermore, only 25% of respondents are willing to make personal sacrifices to ensure an inheritance for their family.

“As people live longer and have higher expectations for their retirement, younger generations may have to adjust their expectations about the anticipated transfer of wealth,” says Christine Van Cauwenberge, director of tax and estate planning at Investors Group.

Indeed, it’s the younger generations who are most likely to expect an inheritance — 80% of Canadians aged 18 to 29 think they will receive an inheritance but only 62% of those who are 30 to 44 years old, and less than half (48%) of 45- to 64-year-olds see an inheritance in their future.

RANK-AND-FILE ADVICE

More than three-quarters of employees regularly propose ideas to their boss, finds a survey by human resources firm Right Management. In the poll of nearly 500 North American workers, 54% said they offer more than 20 suggestions per year, while 24% said their annual number of proposals was 10 to 20.

FRAUD FACTS

About $1.7 million of attempted fraud activity was detected daily across Canada in 2011, according to data from Equifax Canada. Mortgage- and loan-application fraud represented the largest amounts annually, at $400 million and $160 million, followed by fraudulent bank account applications ($48 million).

APP HAPPY

Nearly half of US businesses will offer a mobile application before the end of 2012, according to a Robert Half Technology survey of more than 1,400 chief information officers. About one in three (27%) says his or her company already has an app for customers and clients, and 22% plan to offer one this year.
Cashing in on big data

Have you ever noticed how, all of a sudden, a new phrase enters our lexicon and becomes the next big thing? So it is with “big data.” If you haven’t heard this term yet, you will. What is it? By analyzing and tying together massive amounts of information, we can change the way we conduct business, manage healthcare, work in the world of agriculture or manage energy consumption.

As everything around us plugs into the Internet — thermostats, fridges, washers, dryers, industrial HVAC equipment — we are generating huge amounts of information. Companies can examine this information through powerful analytical software to look for unique patterns and insight, which might then help to drive key business decisions.

Consider the energy industry, for example. The Nest thermostat, created by one of the original iPod designers, can recognize you when you walk in the room and adjust the heat to your favourite temperature. It’s also plugged into the Internet — and that’s where the potential for big data comes in.

Imagine the possibilities for an energy company using such thermostats to easily gather data on the energy use of millions of customers — then link that data with a deep analysis of upcoming weather patterns. Suddenly, it can predict and manage upcoming spikes in energy consumption, which could have a direct impact on the purchase of natural gas or other sources of energy. Through this analysis, it can do a far better job of managing its costs.

IBM expects big data to be a large driver of future growth, noting that “there are upwards of a trillion interconnected and intelligent objects and organisms ... all of this is generating vast stores of information. It is estimated that there will be 44 times as much data and content coming over the next decade ... reaching 35 zettabytes in 2020. A zettabyte is a 1 followed by 21 zeros.”

In the field of agriculture, people have been talking for years about “precision agriculture.” A farmer would use a system that knows, for each square yard of ground, how much fertilizer and seed to apply, based on real-time data insight and GPS information. That world is arriving pretty quickly. Kenna, a data-analytics firm in Mississauga, Ont., has put together a system that cross-references customer purchase data to weather patterns to real-time tractor position based on GPS to do just that, with the goal of helping a farmer get the best yield possible.

Las Vegas is said to be using the idea of deep analytical research to offer a free lunch to a slot player who is marginally closer to a payout — thereby reducing its risk.

Of course, there are big opportunities in big data. The data and analytics market is already worth an estimated US$64 billion, according to global management consultants McKinsey & Co. The firm also predicts there will be a shortfall of 140,000 to 190,000 graduates with deep analytical talent by 2018. Similarly, a survey by data giant EMC suggests that 65% of data professionals expect a significant shortage in big data expertise in just five years.

Accountants are, of course, supposed to be the folks with deep analytical insight. Do we have the capability to step up to the big opportunity that is unfolding here?

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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System selection, done right — Part 3

One of the first steps in any project is to define the roles and responsibilities of the participants as well as to estimate the amount of time needed. So now that we’ve looked at how to select a software system (see January/February at www.camagazine.com/selection1 and March at www.camagazine.com/selection2), let’s turn to the people side of the equation.

In an ERP selection project, the following roles are typical: project sponsor, steering committee, business-process owners, project manager, subject-matter experts, technical lead and, in some cases, an external consultant. A good way to communicate these roles is to draw up a few charts. On the first you would list various responsibilities on the left side — such as acquiring funding, managing scope, budget and timing, etc. Across the top of the chart you would have a separate column for each role, where you would check the one responsible for each task.

The deliverables chart would set out those responsible for different reports. For each role it would specify whether the responsibility was to prepare, review, advise on or approve the report (see chart above). Some organizations prefer to use a similar chart called a RACI (responsible, accountable, consulted and informed). In a third chart, you might assign names to each role for each department involved in the project — for example, under project sponsor you might have Brian; under steering committee you might have Joe, Jane, John and Bill, etc.

It is usually easy to determine who the project sponsor is and who should be on the steering committee. The project sponsor holds a senior position and is able to allocate resources to a project. The steering committee is also a senior group that is responsible for the project at a high level. It reports to the sponsor (who is usually on the committee) and must include people who can represent all business processes included in the project scope. The steering committee will spend about 3% of its time on the project from start to finish.

The project manager’s role is often difficult to fill because few people in the organization have enough experience to handle the many challenges it presents. In theory, the responsibilities sound fairly straightforward — keeping track of the budget as well as all the tasks, when they are to be completed and by whom. But things can get complicated when there are requests for changes or when resources are not available as planned. Moreover, project managers often become product experts and all communication to vendors is filtered through them. They can spend 50% to 100% of their time on an ERP project during implementation and about 10% during the selection process. Ideally, they have good business knowledge and organization and communication skills as well as some project-management experience.

Business-process owners are primarily responsible for a business process and/or a department in an organization. In some smaller organizations, they can also be subject-matter experts. If not sitting on the steering committee...
or acting as subject-matter experts, they review and approve work done by others. They could spend 3% to 5% of their time on the project.

Subject-matter experts know the existing business processes in detail and therefore can help design the new processes and test the new system. Their involvement is minimal during the selection phase, but they contribute up to 25% of their time during the implementation for training, design and testing. The time spent depends on how fast the implementation needs to be completed. Most small and mid-sized organizations can’t afford to have the subject-matter experts dedicated to the implementation, so the trick is to balance their time so they can get their usual day jobs done.

The role of the technical lead is to make sure the computer and network infrastructure is adequate for the new system. He or she will also help ensure the new system meets the more technical requirements, such as security, integration features and customization capabilities. The technical lead might also be asked to help in the implementation by writing reports for the new system, among other tasks. He or she will spend about the same amount of time on the project as the subject-matter experts.

Finally, there is the consultant, who should be facilitating the process based on experience in software selection and implementation as well as knowledge of the industry. How much time depends on the complexity of the business processes. Usually the most time-consuming task is to interview the subject-matter experts, then document the existing business processes and define requirements. If there are 10 business processes in scope, it would take about 40 hours to complete this review and documentation. Once all the other tasks are added, the total amount of consultant time for an organization with 10 business processes in scope would be about 120 hours.

As with any project, picking the right team is the most important factor in predicting the success of an ERP project. Your objective should be to find the people in the organization who have the necessary motivation, skills and respect from their peers to make a valuable contribution to the project. Managers must make allowances in their daily schedule to make sure they have time to do it right.

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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Merger update: Quebec National Assembly to establish new CPA Ordre

The accounting profession in Quebec took an important step toward a new future in March with the tabling of a bill to establish the new Ordre des CPA du Québec. Once the legislation is enacted, the three bodies will move forward to unite their organizations under the CPA designation, bringing together 35,000 professional accountants in Quebec.

In other parts of Canada, the unification talks have been steadily evolving since January, when the Unification Framework and the CPA Certification Program were circulated to members across the country. While the most up-to-date information is always available online on the CPA Canada website, a snapshot of some of the recent developments in the unification discussions is provided below:

- A vote by CA and CMA Manitoba members on the merger proposal issued by their bodies in January resulted in a majority of respondents of both bodies supporting the proposal. Overall, 1,414 CAs cast ballots representing 48.7% of the entire membership of ICAM. Of those CAs who voted, 59.5% indicated their support of the merger of CA and CMA Manitoba.
- By the end of the first quarter of 2012, three three-way merger proposals were put forward by CAs, CMAs and CGAs in the provinces of British Columbia, Saskatchewan and Newfoundland and Labrador.
- The leadership of the Alberta CGAs and CMAs resolved to move ahead with two-party unification planning in that province following a decision by the Institute of Chartered Accountants of Alberta to discontinue its participation in the talks. While Alberta CAs are not part of the current discussions, the other two bodies remain open to their return.

To follow the latest developments in the unification talks, watch for CPA Canada Updates in your email and visit www.CPACanada.ca.

CA now qualify for Schulich’s accelerated MBA program

Following a detailed review of the CA qualification process, the Schulich School of Business at York University in Toronto announced that Canadian CAs will now receive automatic qualification for the school’s accelerated MBA program. CAs who take part in the program will be able to complete their MBA at Schulich in half the time and at half the cost — a significant savings in time and money.

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To be eligible for automatic acceptance into the accelerated program, candidates must have qualified as a CA within 10 years of applying for admission and must be in good standing with their provincial institute. For further details, please contact Krista Larson, director of admissions and recruitment at Schulich, at klarson@schulich.yorku.ca or (416) 736-5060.
CICA Talking Tax

A NEW E-NEWSLETTER called CICA Talking Tax provides CAs who specialize in tax with valuable updates, tools, resources and activities. Focusing on Canadian tax policy, practices and learning, CICA Talking Tax provides:

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- information about the important work CICA does through its tax committees to advance Canadian tax policy and improve its administration for the benefit of all taxpayers;
- briefs about CA tax-learning programs to help improve knowledge and advance careers; and
- updates on some of the unique, high-quality tax thought leadership produced by Canada's CA firms.

Indirect taxes — Canada’s transformation

Indirect taxes, also known as HST/GST/ PST/QST, remain one of the hottest topics for CAs and other professionals as the Canadian taxation landscape continues to transform. Ontario is finally settling in to the new HST rules, but indirect tax professionals in BC and Quebec are grappling with either a transition back to a PST/GST system or with a new set of harmonization guidelines.

Businesses across Canada are recognizing their risk exposure to these intricate tax rules. Many are trying to recruit indirect tax experts in-house or are turning to professional accounting firms for assistance.

The CICA's In-Depth HST/GST Course is helping meet the demand for high-calibre technical experts by building the competency level of your team to equip you for today's challenging indirect tax environment. To learn more about the CICA’s In-Depth HST/GST Course, or to register, please visit www.cpd.cica.ca/idgst.

To check out or subscribe to CICA Talking Tax go to the CICA website under Focus on Practice areas, Taxation, www.cica.ca/talkingtax.
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WATCH FOR

New or revised standards

CSAE 3410, Assurance Engagements on Greenhouse Gas Statements
Revisions to CAS 315 and 610 Regarding Use of the Work of Internal Auditors
Improvements to IFRSs (2010-2012)
Auditor’s Consent to the Use of the Auditor’s Report in an Offering Document

Documents for Comment

Legend

ED – Exposure Draft
ITC – Invitation to Comment

† Refer to each Handbook pronunciation for the effective date and transitional provisions. The information published above reflects best estimates at press time. Please visit our website for the most recent information.
Finding online accounting publications, research, and professional development information has become easier, thanks to the launch of CICA’s updated website.

Along with a fresh new look, several helpful design features have been added to make it easier for users to quickly find what they need. Publications, career and professional development opportunities, as well as member benefits and resources, are readily accessible with just a few clicks.

One section called “Applying the standards” offers numerous links to tools and information to assist members with:

- applying new and existing requirements;
- providing answers to frequently asked questions;
- explaining changes to clients, financiers or investors; and
- finding information on applicable e-learning modules, webinars and events.

The “Focus on practice areas” section provides a gateway to all of CICA’s national practice area resources. A one-stop topic-driven section, it is a rich source of valuable information in the areas of:

- audit and assurance
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- finance and management
- financial literacy
- forensic accounting
- governance strategy and risk management
- reporting and capital markets
- small and medium practitioners
- sustainability
- taxation

For those seeking resources specific to the standards boards and oversight councils, there is a direct link to the Financial Reporting and Assurance Standards Canada website in the upper right-hand corner of every page.

To experience the new CICA website, go to www.cica.ca. Tell us what you think at webmaster@cica.ca.
As auditors general, these CAs have seen their roles grow dramatically as they patrol the effectiveness of our government programs.

By John Lorinc

**Waste Watchers**

In early 2005, Ontario's Liberal government embarked on a hard-nosed negotiation with Bruce Power, an energy consortium, over a proposed deal to refurbish an aging nuclear plant on the shores of Lake Huron. The consortium had pitched an ambitious and largely unprecedented quid pro quo: it would spend $4.25 billion to fix the reactors and Ontario's energy authority, in exchange, would pledge to buy power from the facility for 6.3¢ per kilowatt hour.

“The government said they got a great deal and the opposition said they were taken to the cleaners,” muses Ontario's long-serving auditor general.

photograph by LYNNE FOX/KLIXPIX
In the process of safeguarding against corruption, Ontario AG JIM McCARTER has become a recognizable figure.
general Jim McCarter with a worldly chuckle. With the controversy burning brightly in the legislature, energy minister Dwight Duncan asked McCarter to review the contract.

While McCarter’s office has handled all manner of audits in the past nine years, including politically contentious ones focusing on eHealth Ontario and the Liberals’ vaunted renewable energy strategy, this request was unusual, he recounts. Duncan hadn’t asked McCarter, who once worked as the auditor general in St. Kitts on a CIDA contract, to merely fact-check the numbers or even conduct a value-for-money (VFM) audit on a deal that had already been vetted by the bureaucrats and approved by the cabinet. Rather, he wanted McCarter “to opine on the contract” and report back with the results of what was essentially a review engagement.

McCarter retained a retired nuclear engineer and an investment banker and set to work taking the contract apart clause by clause to determine the sources of hidden risk. “We did a fair amount of research,” he says. “It was a more technically complex area than one we normally look at.” The upshot of the AG’s 32-page report, released in 2007: that the government’s energy authority was going to end up paying 7.14¢ per kWh, almost 13% more than initially estimated.

Such episodes certainly explain the steadily growing public profile of many of Canada’s auditors general, who are, as a group, some of Canada’s most prominent and influential CAs. In an era when private sector auditors have seen their role grow dramatically, these legislative officers have come to wield tremendous clout as they funnel more resources to VFM audits (also known as performance audits) designed to patrol the effectiveness of government programs. In fact, as the public service becomes increasingly complex, AGs and their audit teams have pushed to expand the scope of their duties while recruiting from a range of professions, besides accounting, to round out their in-house expertise. Nor is the trend limited to Ottawa and the provinces: since the early 2000s, several large Canadian municipalities, including Toronto, Halifax and Montreal, have also moved to establish their own AGs as a safeguard against corruption and wasteful spending.

In the process, some AGs — notably McCarter and former federal auditor general Sheila Fraser — have also turned into highly recognizable figures. Indeed, it’s not an overstatement to suggest that the famously plain-spoken Fraser, a former senior partner at Ernst & Young, became Ottawa’s most visible public official after she blew the whistle on the sponsorship scandal, which involved bureaucrats kicking back millions to Liberal ad firms hired to promote the federal government in the wake of the 1995 referendum in Quebec. Her findings and evident personal outrage — “Senior servants,” she said when she outlined the findings to the media, “broke just about every rule in the book” — felled Paul Martin’s Liberals and set the stage for a sea-change in the face of widespread public protest.

The AGs’ growing influence has not gone unnoticed. Carleton University journalism and communication director and professor Christopher Waddell, a former Globe and Mail Ottawa bureau chief, says some critics, including politicians, grumble that the AGs now venture too far into the realm of policy-making. “The further they go in terms of talking about value-for-money, the more they tread on political turf.”

Some politicians, however, specifically seek out this kind of feedback. Former Ontario cabinet minister Dianne Cunningham recalls that when she took over the education and training portfolio, she solicited the input of then Ontario AG Erik Peters before proceeding with reforms to the province’s antiquated apprenticeship program. “Many of my colleagues said, ‘Meet the AG. You’ll learn something.’”

Indeed, as many current and former AGs stress, the process AGs oversee not only reduces waste, but also helps fortify public institutions, even if their findings do send shockwaves through the bureaucratic establishment.

The governments of the day did not always react favourably to this kind of embarrassment and sometimes even fought back. Pierre Trudeau’s Liberal cabinet attempted to limit the powers of the federal auditor general in the mid-1970s, but backed down in the face of widespread public protest. The AG appointed in 1974, J.J. Macdonell, upped the ante, warning Parliament in 1976 that the Trudeau government was “close to losing control of the public purse.” Not long afterwards, the Liberals ceded even more political turf to the AG, passing a new act that allowed Macdonell to conduct VFM audits — a much more muscular form of review more akin to a management con-
sultant’s assessment than a traditional attest audit of a department’s books. He was also invited by the House of Commons to perform an audit that found, in Franks’ description, “severe problems” with the institution responsible for administering the legislative branch. (Sheila Fraser got a less friendly response from the Harper government when she tried to audit the House of Commons towards the end of her tenure.)

When Denis Desautels stepped into the job in 1991, succeeding Kenneth Dye, he found an office with a firm sense of its mandate. But he oversaw a number of critical changes. In 1993 the Liberals had pledged to establish a federal environmental commissioner and they eventually decided to situate that position in the Office of the Auditor General of Canada (OAG). Desautels also began reporting to Parliament several times a year, as opposed to annually — a change that Waddell says has diluted the media’s interest in the OAG’s findings. And he established a system for tracking how ministries respond to audit reports.

But when then finance minister Paul Martin embarked on his historic campaign to eliminate the federal deficit, Desautels, who served until 2001 and now serves on several corporate and institutional boards, felt it was necessary to signal the government that his department, with about 600 employees, didn’t want to be treated differently from other branches of the public service. “I felt we needed to be able to say we’d done our share,” he says. But it was a tough call. “You could argue that when the government cuts back, the risk of error goes up and therefore you could put more into auditing. But we chose not to make that case.”

When New Brunswick’s auditor general Kim MacPherson, a CA and career public servant, runs into a wall, she taps the extended network of Canada’s legislative auditors and the federal OAG for help in assessing programs and policies that crop up in multiple jurisdictions.

After the federal OAG shifted to focus on VFM auditing in the 1970s, its provincial counterparts gradually followed suit. MacPherson, who has held the position since late 2010, observes that VFM audits require far more professional judgment and new skill sets than standardized attest audits. “You have to learn as much as you can about the organization,” she says. “You have to decide where you’re going to zero in.” The biggest challenge, MacPherson adds, “is not being able to do what I want to do” because the New Brunswick government, particularly at this point in time, is short of funds.

Other provinces have experimented with variations on the
theme and also grapple with the problem of stretching available audit budgets as far as possible. Bonnie Lysyk, Saskatchewan’s provincial auditor, says her 62-person team dedicates 90% of its resources to annual “integrated audits” that combine traditional attest reviews with internal control opinions about whether programs and departments are complying with government policy and legislation; VFM audits account for the other 10%. “That is unique in Canada, including at the federal level,” says Lysyk, a CA and MBA whose career includes stints in Crown corporations in Manitoba’s public sector as well as a post as vice-president, internal audit at the giant Ontario Municipal Employees Retirement System.

The integrated audits, Lysyk says, not only allow her team to readily identify programs that require more scrutiny, but also to complete those reviews quickly: 300 to 500 hours, compared with 1,000 to 5,000 hours required for more typical VFMs. “The majority of our recommendations are based on that 10%,” she says. “We’re picking areas with more risk.”

Risk is the obvious analytical focus for auditors general. But given scarce resources, how to determine what should be audited is part of the art of running a strong and independent office. After eight years on the job, McCarter is acutely aware of the minefield that awaits an audit work plan. “I try to pick audits that will be of interest to the guy on the street,” McCarter says, echoing Fraser’s famous edict that her reports must be comprehensible to “Harry in Saskatchewan.”

He makes a point of talking to MPPs and various stakeholders about how programs are functioning, or not, at the local level. Sometimes, brown envelopes come over the transom and go into a “possible VFM” file. But McCarter knows that opposition parties love to use a spending scandal revealed by the AG to bludgeon the government, so he doesn’t proceed with a full-scale VFM unless he’s got majority support at the legislature’s public accounts committee, to which he reports, or if requested by a minister of the Crown.

McCarter’s nose and his even-handedness have served him well. In his boardroom, located in a downtown office building strategically situated several subway stops away from Queen’s Park, he has hung dry-mounted posters of his past nine annual reports, which represent a range of the provincial government’s activities. His office has conducted VFM audits on everything from commuter-rail service to the control of C. difficile in hos-
pitals and long-term care homes and the scandal involving the province’s quasi-public air ambulance service, Ornge.

Despite the diversity and complexity of the policy areas that cross McCarter’s radar, he runs a shop largely dominated by CAs whose analytical skills, he notes, “are pretty transferable.” When the Ontario AG’s office needs to draw on the more specialized skills of experts, it hires outside consultants, often from outside Ontario to mitigate the risk of conflicts of interest.

In Saskatchewan, Lysyk sees her office — which is also comprised of people with nonaccounting designations — as something of a training ground for the civil service and runs a large articling program for young accountants and audit professionals whose graduates can now be found in senior positions in the province’s Crown corporations and ministries.

But other AGs have adopted a different approach to the in-house staffing resources. Ottawa’s deputy auditor general Ray Kostuch, who is a CA as well as a civil engineer, says his team includes other engineers who have helped analyze why the city was dumping untreated sewage into the Ottawa River. Jeff Griffiths, a CA who has served as the City of Toronto’s auditor general since 2002, prefers to populate his office with other professionals, public health nurses and even lawyers. “I think it gives my department a better diversity of skills,” says Griffiths, whose claim to fame is unearthing evidence in 2001 of a multimillion-dollar computer leasing scandal that involved senior city officials, lobbyists and politicians. “There’s more to what we do than just numbers.”

After the number crunchers, policy analysts and expert consultants have applied their collective insight to a VFM audit, there’s one more crucial step in the due-diligence process before the AGs take their findings out to the public: passing draft reports by senior officials with the organization audited. For McCarter, this kind of vetting represents the most demanding form of peer review and fact-checking. “They’re pretty vociferous if they feel any of our facts are wrong,” he says. “They don’t hesitate to go through on a sentence-by-sentence basis.”

In May 2010, the City of Montreal’s auditor general Jacques Bergeron publicly accused senior civil servants of committing a serious transgression by revealing a confidential report on an $87-million contract to Telus. As the scandal unfolded, it transpired that city officials had also intercepted Bergeron’s emails. That deal wasn’t his only radioactive file: his office had vetted some of Montreal’s notorious construction contracts, and so perhaps it wasn’t a surprise that the city received anonymous allegations accusing him of hiring family members. Bergeron survived even as the city manager left amidst controversy.

Most AGs eventually end up with such battle scars; and, if they don’t, they’re probably not doing their jobs properly. Griffiths, who served as the auditor for Metro Toronto and the post-amalgamation city, recalls battling one notorious city councilor and a few senior officials who pressured him not to look into certain types of transactions — a suspicion-inducing dynamic...
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that eventually prompted him to ask council to provide him the sort of bulletproof independence senior AGs enjoy.

In other cases, the response from officialdom is more forthright, and comes in the form of phone calls from the prime minister's office, premiers' offices or their proxies (e.g., clerk of the privy council, cabinet secretary). "Yes, it happens," Desautels says. "It's part of the game. People know your phone number. You will get reactions." McCarter agrees: "I will get a call saying, 'Jim, have you thought this through?'" But, he adds, the feedback is important. "I want to know their concerns. The benefit I have is that I can't be fired. I can call it the way I see it."

The attention comes, in large measure, because the AGs are highly visible public figures whose findings generate not only news but political controversy, regardless of the size of the jurisdiction. For newcomers, that revelation can come as something of a shock: "I am surprised at the media attention that takes place following a report," says MacPherson. So, indeed, was Fraser, who became a media star very soon after taking office and eventually received media training, according to Waddell. In fact, Desautels, a cool, buttoned-down figure, says he found the sudden celebrity to be "the toughest part of the job. As accountants, it's not something we do a lot of." He adds, "You learn that what you say to the media can find its way back to you pretty quickly."

McCarter, for his part, has learned to deal with reporters and makes a point of returning calls promptly and giving good quotes. But he understands the temptations and is keenly aware of the need to dial down any kind of publicity that suggests attention-seeking as opposed to dispassionate analysis. He recalls how he was once watching a debate in the legislature over a study his office did on the GO Transit commuter service. As the politicians argued, a pair of Toronto Star reporters approached McCarter and asked him to pose for a photo in front of a locomotive at Union Station, with a pledge of page 1 coverage. "I said to them, 'I'm not going to do it.' That, to me, would have been going too far."

For those AGs who don't fly too close to the sun, the reward comes from watching public-accounts committees and senior officials act on their advice. Increasingly, AGs say, bureaucrats view their recommendations as constructive criticism. "We're not out to get anybody," says Lysyk. "We're here to do a job."

Kostuch says the crispest measure of buy-in from the municipality's civil service is that 95% of the AG's recommendations to date have been implemented, with identified savings exceeding $40 million between 2004 and 2009.

"I think the fundamental role of the auditor general is to help our democratic system function better by providing information to elected officials and to hold the government accountable," adds Desautels. "It's an essential part of the government we've put in place and if done properly, it can make quite a contribution to the quality of our institutions. Ultimately, you end up with a better country."

John Lorinc is a freelance writer based in Toronto

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Forget the weather. What really draws many internationally trained accountants to this country is the prospect of a better life

By Mary Teresa Bitti

Vincent Valentine knew almost nothing about Canada when he boarded a 30-hour flight to this country in September 2010. As a resident of the small coastal town of Richard’s Bay, South Africa, he had been used to sandy beaches, year-round sunshine and 40°C summer days. But now he was bound for the polar opposite — Calgary, with its stunning mountain vistas and -40°C lows.

“I had watched a movie when I was younger called Cool Runnings about the Jamaican bobsled team that competed in the 1988 Winter Olympics in Calgary and I was told, ‘That’s where you’re going.’ So I figured it would be snowy. I didn’t appreciate just how cold it would be. In South Africa 10°C is considered cold. Here it’s an awesome day.” But Valentine was just 24 years old and eager to experience life beyond Richard’s Bay, where he was working in audit for Deloitte. So when the opportunity arose to take part in the firm’s international mobility program, he jumped at
it, saying goodbye — temporarily — to his family and fiancée. Apart from the initial climatic shock (he’s adapted now and has even taken up snowboarding), Valentine says adjusting to life in Calgary has been relatively easy. “Both cities are equally active — people are always walking and cycling and running. And they are both very multicultural. There are 11 official languages in South Africa. There are so many different cultures here, too.”

After getting his CA designation (registered in South Africa) in 2011, Valentine passed the CA Reciprocity Exam last December. He also returned to South Africa to marry his fiancée, Marelize, who has now joined him in Calgary and will be writing her own exams in June to requalify as a registered nurse. The couple is in the process of applying for permanent residency status. “I’d like to see what this opportunity holds for me now that I have both CA designations in place.”

That quest for opportunity is a key driver for many foreign-trained professionals making their way to Canada. In fact, in their decision to seek new vistas, the Valentines are in keeping with a few key trends taking hold around the world: internationalization of business, standardization of regulations and an increasingly mobile workforce that embraces change. As Tom Warner, vice-president and registrar of the Institute of Chartered Accountants of Ontario, points out, “The CA profession has been very international for several decades now.”

This internationalism is part of a larger trend toward diversity — a diversity that is reflected in the makeup of the Big Four firms. As Alodie Brew, audit partner and human capital leader for the GTA audit and assurance group at PricewaterhouseCoopers (PwC), who transferred from Belgium to Canada in 1997, notes, “Our customers are diverse and if we are all made from the same cloth we are not going to bring that same richness to the conversation and the solutions we propose. So more and more it’s a business imperative to encourage diversity. We promote mobility. Just as we bring people in, we send people out to other regions.”

Of course, not all internationally trained accountants who come to Canada are on secondment or take a transfer from within the same organization. Their destinations are as diverse as their origins. Also, some come from countries that share a reciprocity agreement with Canada and some do not. (For a complete listing, please visit www.cica.ca/become-a-ca.) While it is difficult to pin down exact numbers, CAMagazine conducted a small, informal web survey to understand more about these professionals and their experience before and after they arrived (see “The Canadian way” on p. 36 for a snapshot of the findings). Here’s what we learned: almost half the respondents to the English survey (45.2%) are between the ages of 30 and 39, while slightly more than a quarter, 26%, are between the ages of 40 and 54. More than 70% are men. Meanwhile, all respondents to the French survey are between the ages of 30 and 39 and 60% are women.

Where are they coming from? In the French survey, most respondents are from Africa (60%), France (30%) and Europe (10%), while in the English survey, most are from Asia (42%), including India (10.6%), Pakistan (11.5%), Hong Kong (1.9%) and other countries (16.3%). This is in line with the applications the Institute of Chartered Accountants of Ontario consistently sees. In fact, as a result of strong demand from India, in particular, the CICA signed a Memorandum of Understanding with the Institute of Chartered Accountants of India in February 2011.
to help fast-track CA candidates from India to the Uniform Evaluation (UFE). A Memorandum of Understanding with the Institute of Chartered Accountants of Pakistan is also in the works. Next in line are England and Wales at 14.4%, South Africa at 12.5% and the US at 11.5%. This makes sense because these countries are among the 14 international accounting bodies that have agreements with Canada. Other countries mentioned include Egypt, Russia, the Philippines, Japan and Romania.

To go by our survey, the most popular destinations for those who make the leap to Canada are Ontario (49.5%), BC (21.4%) and Alberta (18.4%). In fact, Alberta’s booming resource industry is proving to be a particularly effective calling card. “In the past five years we’ve seen a marked increase in foreign-trained candidates from accounting boards with a Mutual Recognition Agreement (MRA). From six or seven a year to upwards of 30 today,” says Brenda McKenzie, registrar of the Institute of Chartered Accountants of Alberta. Another interesting uptick: the institute is seeing more applicants from Nigeria.

Given that many of the respondents to the French survey are originally from francophone countries, it’s not surprising they all call Quebec home. Simila
The path to becoming a CA

For foreign-trained accountants coming from an accounting body that shares a reciprocity agreement with Canada, the path to a CA designation here is straightforward. Candidates write the CA Reciprocity Examination to ensure they have an appreciation of the tax, business law and regulatory environment in Canada and once they pass, assuming they meet the work experience requirements — which they typically do — they are eligible for membership. It’s more complicated for those accountants from accounting bodies whose qualification processes are not deemed equivalent or have not been assessed. They may have to go to a provincial and professional education program and may even be required to take university courses — a process that can take up to four years.

This is a situation the federal government, the Canadian Institute of Chartered Accountants (CICA) and the provincial institutes and ordre are working to change. Thanks to the demographic shift taking place as boomers retire, it is anticipated that Canada will have one million fewer people of working age by 2020. Not surprisingly, the provincial institutes and ordre anticipate that the demand for senior people will grow. “CA firms are looking for people with six to seven years of experience who can take charge of a team and this is proving difficult to find,” says Diane Messier, FCA, vice-president, education and recruitment at the Ordre des Comptables Agréés du Québec.

To encourage more foreign-trained accountants to make Canada home, the federal government has promised $1.4 million to help the CICA with its latest initiatives designed to streamline their path to a CA while ensuring the profession’s standards are maintained (see “Federal funding to help internationally trained accountants become CAs,” News from the profession, January/February, p. 16: www.camagazine.com/internationallytrained).

To that end, in April 2011, the CICA launched a web portal, www.becomeacaincanada.ca, which clearly identifies the steps required to become a CA in Canada. It has an interactive tool that identifies the accounting bodies that have mutual recognition agreements and provides application forms that now reflect a harmonized application process from province to province. Feedback has been good. Since the site went live, it has had more than 19,000 unique visitors — half from inside Canada and half outside. Currently, the most frequent foreign visitors accessing the site are from India, Pakistan, the US, the UK, United Arab Emirates, Nigeria, Ireland, China and France.

“Our past 10 years, we’ve recognized immigration is coming from very different places and that we had to do things a little differently,” says CICA’s Jylan Khalil, director, CA qualification. “We weren’t assessing the actual competence the individual was bringing and looking at all the different learnings an individual might have.”

As a result, the CICA is looking at developing a prior learning assessment tool that will assess experiential learning as well as traditional academic and professional credentials for credit against the profession’s competency map. It is also developing an executive CA program that will in effect allow accountants from countries that do not have a mutual recognition agreement with the CICA to fast-track and cut the amount of time it now takes to qualify to write the UFE from about two years to eight to 12 months. As well, the CICA is working on an online CA Reciprocity Education Program to replace the CA Reciprocity Examination for membership only; the exam would still be required for licensure. International accountants would be able to complete the education program before coming to Canada.

A pilot Evaluation of Experiences program is also being tested. It is intended for very senior accounting professionals with 12 years of experience, including five years performing in a senior-level role. Modeled on a similar program in the UK that has proven successful, the evaluation of experience will enable candidates to demonstrate those competencies by providing examples from their actual work experience instead of requiring them to write the UFE. Their responses will be assessed by a board of evaluators using the same competency standards as the UFE. — MTB

tiply their career opportunities is the main reason why most respondents have gone on to obtain their Canadian CA designation. That is certainly the case for Nalika Abeysinghe, who left Colombo, Sri Lanka, for Toronto in 2005. She had worked as an audit manager for two years at Ernst & Young in Colombo and her goal was to get a taste for Canada and add that level of experience to her résumé before returning to Colombo. “I was already a CA in Sri Lanka but I knew I wanted to get my CA in Canada as well,” she says. “I felt it would add to my skill set and marketability.” She achieved that goal in 2009, but instead of returning home, she had her first child and is building her life and raising her family in Toronto. “I realized I really liked the culture, which is so open and relaxed,” says Abeysinghe, who is now working as a tax auditor with the Canada Revenue Agency. “My life is here now. We are comfortable and our kids are happy.”

Abeysinghe’s sense of calm and contentment is echoed by other respondents, who cited opportunities for their children, career opportunities and work environment as Canada’s top drawing cards. These themes were certainly uppermost in Ben Asante-Yirenkyi’s mind when he decided in 2007 to make the life-changing move from Ghana, Africa, to Brampton, Ont., where his sister-in-law was already settled. “I was a CA in Ghana and left my role as controller of the investment banking division of a financial services institution because I was looking for more opportunity for my children and career-wise,” he says. “The Canadian economy is much bigger than that of Ghana and
Before Franz Hargo Muljo came to Canada from Jakarta, he thought Western cultures would be more uptight. “But instead, it’s similar to back home.”

Your banking institutions are also much bigger. We sell similar products but our capital markets are not as sophisticated.

Five years after arriving, however, Asante-Yirenkyi’s career isn’t where he had hoped it would be at this stage. That is largely because he is writing the UFE for the third time this year. “The UFE combines all the competencies in one exam and I’ve struggled with the time limits.” Still, he is confident he will pass this year. “I have no regrets,” he says. And he certainly hasn’t stood still in the meantime. He has set up shop as an accounting-services consultant while his wife returns to school to become a social worker. Their family has also grown to three children — all of whom are enjoying Canada. “My oldest children were just seven and four when we moved and their transition has been smooth. They are growing up with their cousins and I think that has been a big help,” he says. From a business perspective, Asante-Yirenkyi likes the convenience and transparency of the systems here. “I can sit in my home and bank online or even register a business. In Ghana, if you want something done, you have to deal with a lot of bureaucracy. That’s how most things work.”

For those who come from other countries, the ability to adapt seems to be connected to a few key factors: time in Canada (upwards of 40% of all respondents have been here from five to 10 years), whether they studied here and whether their accounting body was viewed as equivalent.

Franz Hargo Muljo credits his relatively smooth transition to his decision as a teenager to take his undergraduate studies in Canada rather than in Jakarta, Indonesia. “If I had done my undergraduate back home it would have been much harder because our accounting systems are different,” he says. He also thinks studying at the University of New Brunswick made it easier to adjust because of the built-in community. “I learned a lot about Canadian culture living in residence and meeting so many people. Before I came, my thought about Western countries was that they would be more uptight [and] more formal but instead it’s similar to back home.” Hargo Muljo graduated with honours in accounting finance and is an associate in PwC’s audit and assurance group in Halifax. He is preparing to write the UFE this year. He also has a five-year plan that will see him stay in Atlantic Canada for the next two to three years until he gets his CA designation before moving on to a bigger city or possibly overseas to get his MBA. “I really want to go back home but Indonesia is famous for corruption. There is a stronger work ethic in Canada, more integrity and I like that.”

Unlike Hargo Muljo, David Pain did his first degree at home in France, graduating from the École Supérieure de Commerce de Paris. He then worked for three years in Deloitte’s Paris office before transferring to the Montreal office, where he is now a senior manager in audit. In an ironic or perhaps just a modern-day twist, Pain left the City of Light and love and followed his heart to Montreal to join his girlfriend (now wife) Adjoke Vieyra, whom he originally met in her native Senegal. “She wanted to make her home in Canada, so I have made Canada my home,” he says.

As fate would have it, Vieyra was also studying to become a CA at the time (although she changed course after obtaining her designation). She gathered all the information and helped Pain understand what would be required to complete the program as a foreign-trained professional. “When I was looking into coming here, there was no one place to find all the information,” he says.

Even though Pain hit the ground running and immediately started the process, it would take him four years to complete it. Because he did not earn his designation in France — “It is not necessary to have a designation to practise in France,” he says — he was required to retake seven undergraduate or prerequisite courses before moving on to the CA program, another two-year process, ultimately writing and passing the UFE in 2007. “I had provided my transcripts. I had worked three years in Paris. To my mind it just doesn’t make sense,” he says. “I’m not saying I would have been able to write the UFE the first time and pass without any type of accounting or auditing updates based on Canadian principles, but there is a balance between asking someone to take everything again and going straight to the UFE.” (The UFE was also mentioned by other respondents, with about half of English respondents and 62.5% of French respondents citing the qualification process as the most difficult part of their experience in adjusting to Canada. However, things are changing quickly. The CICA is in the second phase of a series of initiatives aimed at making the process for internationally trained accountants clearer and smoother: see “The path to becoming a CA,” p. 34.)

Whatever the hurdles, Pain is happy with his decision to stay and enjoys the environment, both at work and away from it. “I’m in audit and the core is the same, but the differences are more related to the culture. It’s less formal in the Montreal office in terms of the hierarchy and much easier to have access to your boss. In France, it’s more conservative and formal,” says Pain. He also finds day-to-day life in Montreal easier and appreciates the inclusive nature of the city and the proximity to the countryside. “I like the kindness of people in Quebec and their openness to different cultures. Paris was multicultural too, but here people make an effort to help you integrate and become part of the culture. I miss my family much more than my home country. Quebec is a nice combination of the French and North American cultures.”

Pain acknowledges that his experience has been quite different from that of many new immigrants because he was already with a Big Four firm. In fact, many respondents said they were struggling to find work and have their qualifications recognized. Moreover, slightly more than half of respondents to the English survey — and 60% of French respondents — said their international work experience and education were viewed by employers.
How do internationally trained accountants’ experiences of Canada compare with the vision they held before their arrival? What do they like most and least about this country? CAMagazine decided to find out. We ran an online survey (French and English) and at the time of writing had received 114 responses, as well as dozens of emails from respondents agreeing to be interviewed. While not statistically relevant, the responses allowed us to draw an interesting sketch of those who come to this country, either on assignment or with the intention of settling here. The survey also gave us an opportunity to turn the mirror on ourselves as a country — an interesting exercise in itself. (NB: Not all respondents answered all questions. Also, because of multiple answers and rounding, percentages do not always add up to 100. For open-ended questions, we have included only a sample of responses.)

### THE CANADIAN WAY

#### AGE

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#### LENGTH OF TIME IN CANADA

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<tr>
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#### MEMBER OF ACCOUNTING BODY IN COUNTRY OF ORIGIN

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<th>Member</th>
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#### WHERE LIVING NOW

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<tr>
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#### CURRENTLY ENROLLED AS CA STUDENT

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#### HAVE CA DESIGNATION

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<td>40.4</td>
<td>20</td>
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#### REASONS FOR OBTAINING CA DESIGNATION

<table>
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<tr>
<th>Reason</th>
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<tbody>
<tr>
<td>Self-motivated: gain more experience than could have had elsewhere</td>
<td>62.6</td>
<td>66.7</td>
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#### HOW INTERNATIONAL EXPERIENCE HAS BEEN VIEWED BY EMPLOYERS

- As a lack of equivalent Canadian experience: 50% English, 60% French
- As a value add for the organization: 50% English, 40% French

Other: a mix, depends on position, “international exposure appreciated, work experience ignored”

#### LIKE MOST ABOUT LIVING IN CANADA

- Career opportunities: 54.8% English, 60% French
- Opportunities for children: 55.9% English, 60% French
- Work environment: 43% English, 70% French
- Type of work: 20.4% English, 40% French
- Opportunity for travel: 20.4% English, 20% French
- Sports and outdoor activities: 24.7% English, 30% French
- Other leisure activities: 19.4% English, 30% French
- New friends and colleagues: 25.8% English, 20% French

Other: stability and direction of economy, standard of living, social policies, peace, safety, security, respect for human rights, “life opportunities”

#### MOST DIFFICULT ASPECTS OF ADJUSTING TO CANADA

- Preparation and paperwork before leaving for Canada: 29.2% English, 37.5% French
- Climate: 41.6% English, 25% French
- Culture shock: 23.6% English, 25% French
- Qualification process: 48.3% English, 62.5% French
- Work environment and practices: 21.3% English, 25% French
- Work hours: 12.4% English, 25% French

Other: separation from family, finding a training office, language barriers, “political correctness nonsense,” “lack of work opportunities”
“Being alone here is very difficult,” says Pascale Chimi. “Most people go to work and do their own things. In Africa it’s not like that. You always have people around.”

as lacking the equivalency of Canadian experience.

One person who came up against this double hurdle is Muhammad Ahsan. Born and raised in Pakistan, Ahsan earned his CA designation from the Institute of Chartered Accountants of Pakistan. Among other positions, he worked with Ernst & Young for four years in Bucharest, Romania, as an audit supervisor and later as an audit manager. Still, like Asante-Yirenkyi and so many of the survey respondents, he decided to move to Canada for more career opportunities and a better quality of life for his young son. But since immigrating in 2010, he finds himself underemployed, preparing financial statements and doing data entry. “I thought my 10 to 12 years of working with IFRS would be recognized, especially since the audit profession globally is increasingly standardized,” he says. So far, it hasn’t been, even though he has met with more than 10 recruiters. Ahsan is trying to improve his prospects by earning his Canadian CA designation — something he hopes will become more straightforward as Canada and Pakistan move toward signing a Memorandum of Understanding.

Diana Silva’s experience was the mirror opposite. She moved from PwC’s office in San Luis Potosi, Mexico, on an 18-month secondment to the firm’s Vancouver office in February 2006. The fact that she speaks Spanish and has experience in the mining sector and working with Mexican companies proved to be a real asset in her new city — so much so that instead of returning to Mexico when her secondment was over, she landed a position as assistant controller with Capstone Mining Corp. in Vancouver.

“In my company I am an asset because we have an operating mine in Mexico and acquired a company with exploration projects in Chile. I’ve been there twice now.” A CPA in Mexico, Silva recently wrote the CA Reciprocity Exam, putting her on the path to becoming a CA and, as she sees it, achieving the career of her dreams and a lifestyle she had not anticipated. “I wasn’t expecting to enjoy living here as much as I have,” she says. However, she had to get used to speaking English all day. “English is my second language and the constant translation was straining — I used to go home with headaches.” She also had to learn to be less direct. “When I first arrived, my manager took me aside and told me my emails were too abrupt, not friendly enough,” she says. “So I’ve had to get used to different business practices.”

Business practices are just one component of a whole way of life that for new arrivals can prove downright scary. Pascale Chimi knows this all too well. “I remember crying so much on the plane, feeling that a page of my life was closed and another opened,” she says. “[The] excitement of the journey gave way to apprehension.” Originally from Cameroon, a francophone country in Central Africa, Chimi came to Canada when she was just 20 years old to study business administration at HEC in Montreal. Her husband was already studying here. Even though she found many similarities between Cameroon and Canada, including the fact that each has 10 provinces and English and French are the official languages, she found many differences as well. There are no shopping malls, major highways or subways in Cameroon, she says. “And even though my first language is French, when I arrived, the Québécois French accent was hard to follow. Today I laugh because a newcomer would say the same about me.”

Eleven years later, Chimi is a CA working in audit with a firm in Montreal and her clients include government agencies and entrepreneurs across northern Quebec. She loves her job. “I was very touched by how seriously people take their work,” she says. “They are serving the population, which is not the case in Cameroon, where administrative procedures are cumbersome. This is where I learned the term ‘customer service’ and what it means in practice. It is a concept still misunderstood in Cameroon, where to be well served you must offer bribes. I know I would not have had the opportunities I have here in Cameroon.”

Still, Chimi has had her trials. Like a quarter of respondents from Quebec and almost 42% of respondents from the rest of Canada, she says it’s been difficult to adjust to the climate. But her toughest challenge is being a single mother of a seven-year-old and 10-year-old with no family nearby for support. “Being alone here is very difficult. I grew up in a polygamous family, which is very common in Cameroon, and I was always with family. Here, I was just with my husband. When we divorced, I was alone. Making friends was a challenge. Most people go to work and do their own things. In Africa, it’s not like that. You always have people around. Here people call you. In Africa they just come over.”

Chimi isn’t the only person who mentioned the opposition between “I” and “we.” As Asante-Yirenkyi put it, “People are more independent here. They keep to themselves and do their own thing. There is more of a community feeling in Ghana.” Silva also said she had to get used to figuring things out on her own. “In Mexico, the manager is always giving you specific direction. In Canada, it’s up to you how [you] deliver. You do a lot more on your own.”

For Chimi and others, however, the flip side of individualism may well be the freedom — the “live and let live” philosophy — that Canada offers. As Chimi puts it, “I like the ability I have here to express myself. It’s more open here. I can converse with my children about anything. There are no taboo subjects. I have a good life.”

If there is one message that came through loud and clear in the survey, it was that Canada holds a place of promise in the hearts and minds of accountants who choose to come here — promise of opportunity, better quality of life, strong social systems, peace, freedom, safety and stability. Perhaps the most telling sentiment about what building a life in Canada can mean came in one respondent’s simple two-word answer: “a future.”

Mary Teresa Bitti is a freelance writer based in Oakville, Ont.
Don’t jump to conclusions

A partnership, like a marriage, sometimes has secrets and uncovering them is an important part of any investigation.

Several years ago a forensic accountant received an unusual request from an elderly member of a prominent business family. “I need you to investigate the finances of a very successful porn site,” the man said during a meeting in the bar of an upscale hotel in Toronto. “I am a 50% silent partner in the business, which is run by a longtime associate of mine. I’ve made a lot of money from it, but I believe I’ve not received my fair share of the revenue over the years. My shareholder agreement allows me to have an audit conducted at any time. I want you to do it.”

The man — let’s call him Max — sipped expensive single malt as he gave the background to his involvement in the porn industry. In 1996, Max ran into a university acquaintance — let’s call him Cliff — at the Los Angeles airport. After catching up on old times, Cliff presented Max with an idea to make money. “He told me about the Internet, which I had no clue about at the time,” Max said. “I was fascinated as he went through what he thought it could become in a very short time. He said it was the new frontier and people who got involved early could become extremely wealthy.”

The way to accomplish financial success, Cliff said, was through pornography. “Have you any idea how many porn videos are sold and rented in North America every year?” Cliff asked. “Imagine now that we could not only provide porn through the Internet, which people will be able to get in their homes, but we will be able to sell to people in every part of the world. It’s called the World Wide Web, Max. Think about it!”

Cliff needed startup money for the business, which at the time was primarily offering pictures on the web of naked people. He also wanted to locate the company in Canada, because its legal system was more liberal than that in the US.

After giving the matter considerable thought, Max called Cliff to say he was interested. “I told him I had to be a silent partner and that I’d watch him like a hawk,” Max told the forensic accountant. “It proved to be the most lucrative deal I’ve ever been involved in.”

True to his word, Max kept a very close eye on the business, which at the time was primarily offering pictures on the web of naked people. He also wanted to locate the company in Canada, because its legal system was more liberal than that in the US.

Although competitors entered the market, Max’s porn site was well established by the time they did. The avalanche of new sites did not hurt its position in the marketplace over the years, mostly because consumer appetite for the product also kept growing. As the industry ballooned, so too did Max and Cliff’s venture. “We have countless sites now, with countless names,” Max said. “My only rules for Cliff: we never go near anything underage or get
in bed with organized crime. He agreed and I believe he has kept his word on that.”

Max mentioned reading an article that said 12% of all Internet sites offer porn. “It’s a multibillion-dollar business. And I was there virtually from the outset.”

The forensic accountant asked what had triggered Max’s suspicions about his partner. In his experience with shareholder disputes, in about half the cases, especially those involving silent, uninvolving partners, someone had blown the whistle. That would prove true again.

Max said that three years ago he had undergone triple-bypass heart surgery. It took a lot out of him and made him question the way he was living. “I’d been working too much and this was a wake-up call to slow down,” he said. As a result, he stopped conducting diligent oversight of the porn enterprise.

A few weeks ago, however, he received a phone call from a young woman who worked at the company’s head office. Max had helped get her the administrative job after she told him she was down on her luck. He said he knew someone who knew someone involved in the business, but soon after getting the job she figured out he was the silent partner.

“You saved me from disaster by getting me that job,” she said. “I want to pay you back. I’m not certain about this because I’m no bookkeeper but I think your partner is not being honest with you. I saw some bank letters on his desk from a place called the Channel Islands. We don’t have business there, do we? It looked like he had a lot of money stashed there. Cliff came in as I was starting to look at the letters and he grabbed them away from me fast.”

The call disturbed Max but he knew what the woman saw might have nothing to do with money coming from the business. Cliff was wealthy and dealing with an offshore haven such as the Channel Islands could have no connection to revenue from their porn business. Still, it had made him suspicious; the nagging doubt wouldn’t abate. Thus the meeting with the forensic accountant.

The forensic accountant asked if Max had asked Cliff about the account. Max said he didn’t because he felt it could cost the young woman her job. He also didn’t want to confront Cliff. If it turned out to be a personal account, unrelated to their venture, it could end their business relationship and friendship. “But I can send you in to do what I’ll call a general audit,” Max said.

The forensic accountant knew his assignment was not going to be easy. Max had made it clear the audit needed to be conducted in a manner that suggested it was a routine examination. To that end, the forensic accountant was going to use a business card that didn’t identify him as the head of his forensic unit nor did it have his fraud specialization designation. It had no false information on it, just an absence of anything that identified him as a forensic accountant.

He also was aware that a cursory look at the company’s books might show nothing of value. There were numerous ways Cliff could be under-reporting revenue and if the porn site owner had any level of financial sophistication, detecting those methods could take a lot more investigation to uncover than the forensic accountant’s mandate warranted.

He decided that if Cliff were indeed hiding revenue he would likely do it through one primary scheme. In a business driven almost exclusively by credit-card payments, the easiest way to divert revenue is by setting up an alternative credit-card system to record some of the transactions. Another method is to charge the company for false fees and expenses and send the payments to dummy accounts controlled by Cliff.

A nagging question underlying these pre-audit thoughts was the question of motive. Based on what Max had been reaping

In the forensic accountant’s experience with shareholder disputes, in about half the cases, especially those involving silent partners, someone had blown the whistle

provide extensive free content could be so lucrative. He discovered that the free content was a classic bait-and-switch tactic. Once at the free site, users were enticed to pay for live webcam interactions with models. They offered so-called “dating sites” that hooked up deluded customers with women who were often professional escorts. And they provided premium services that had content of a type, quality and duration not available on the free site. Many of these catered to very specific tastes. They were incredibly popular with customers the forensic accountant perceived to be sex addicts.

Max and Cliff’s sites received a per-click fee from other sites visited by their users and a fee if the users ordered any services. The premium sites usually offered products for sale, such as toys and pills and creams that purported to enhance a user’s physical prowess. Another revenue generator were online porn games that were free at first but soon cost a lot to keep playing. Hidden costs seemed to be rampant.

By the time the forensic accountant had finished his research he felt capable of examining the company’s books at an informed level. “Don’t rush into a file too soon,” a mentor had told him. “It’s a terrible mistake. You can’t ask the right questions or decipher a morass of documents if you don’t know how a business operates. That’s often the key to our work: research, educating yourself and knowing how things are supposed to work, not just in theory, but also in practice.”

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from the business over the years, Cliff would hardly be in need of money unless something else was happening in his life that required substantially more finances than in previous years. Max had watched his partner carefully until recently and had never come across any red flags. Max had also indicated that the reported revenue over the years had fluctuated in a small and reasonable way.

“We went down a bit when the recession hit in ‘08 and ‘09,” Max told the forensic accountant. “We went back up a bit in 2010, but not quite to pre-recession levels. Maybe Cliff used the recession and my ill health as an opportunity to skim a bit.”

The day before the audit the forensic accountant called Max to ask something he had not raised so far. “Max, in your gut, do you think Cliff is scamming you?”

“I'm not really sure,” Max said. “In truth, I hardly know the man. We don't socialize. We run in different circles.”

When the forensic accountant arrived at the porn site’s head office the next day he decided to take a velvet glove approach to his work. His instincts told him to get a sense of Cliff as a person before progressing with an examination of the books. He deliberately arrived just before lunch (having called to explain he was caught up in something and running late) and, upon meeting Cliff, suggested they have lunch together.

It turned out Cliff liked to drink and over the two-hour meal he drank most of a bottle of red wine and two glasses of port. The majority of the conversation involved Cliff telling crazy stories about the business, a routine the forensic accountant sensed was well polished. As the lunch progressed, however, Cliff, now somewhat refreshed, admitted in a bragging manner that it was sometimes difficult for a man his age (early 60s) to resist all the beautiful women he encountered in his job.

“You know what it's like, right?” he asked.

“Of course,” the accountant replied. Then, quite intentionally, he added: “But women are expensive, aren't they?”

“You're telling me,” Cliff said.

“My experience,” the forensic accountant said, in a man-to-man conspiratorial voice, “is that hiding an extra woman from the wife is not easy.”

Cliff stared at him. “What do you mean?”

The forensic accountant explained that in some files he audited he had come across good guys who had needed to find a way to keep their wife, who often oversaw their personal and business expenses, from knowing they were making payments to finance an extra relationship or two.

“Yeah?”

“It's normal,” the forensic accountant said. “Nothing wrong with it.”

As the meal was ending, the forensic accountant made a bold move. “Any chance I might come across something in the audit I should know about? You know, something I might not understand? I wouldn’t want to jump to any wrong conclusions.”

Cliff slowly sipped the last dregs of his port before answering. He then confided that he might come across information about an account in an offshore location where he kept money to fund a relationship he had with a woman in Europe, where he often went on business. “It's all my money, not anything that belongs to Max. I would never do that.”

When the forensic accountant examined the books he found nothing indicating Cliff was scamming his partner. He told Max about his lunch with Cliff and how having a few glasses of alcohol turned out to be an effective interviewing method. Max was grateful and relieved. And the forensic accountant had another reminder that it's important not to jump to conclusions, especially in shareholder disputes. A partnership, like a marriage, sometimes has secrets and uncovering the secrets is often the most important part of the investigation.

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One size doesn’t fit all

An implementation strategy for quality control must be tailored to each firm if controls are to be efficient and effective.

Compliance with quality-control requirements is an essential ingredient in any assurance engagement. Every firm in Canada must comply with all the requirements in the Canadian Standard on Quality Control for Firms (CSQC1) that are relevant to its assurance engagements.

However, for the smallest of firms, a one-size-fits-all approach to compliance is probably not efficient. On the contrary — if the controls adopted are to be efficient and effective, the implementation strategy needs to be tailored to each firm.

A very small firm, one with a single partner and one or two professionals on staff, that complies with quality-control requirements at the engagement level (i.e., those specified in CAS 220, Quality control for an audit of financial statements) will also be complying efficiently with almost all the firm-level quality-control requirements. In a much larger office it is more efficient for engagement partners to rely on firm-wide controls. Firms with characteristics of both very small and large firms can look to a hybrid model for efficient quality control.

If, at the same time as complying with engagement quality-control requirements, a small firm is also able to meet the firm’s quality-control requirements, then that firm will have, in part, achieved proportionate implementation of firm-wide quality-control standards.

The exception to proportional implementation of firm-wide controls is engagement partner file inspection. This control provides an important independent check of the quality of work regardless of the characteristics of the firm.

So what factors are essential to a quality audit and how can a very small firm implement controls differently from a large firm, but achieve the same result?

Quality audits: two essential factors

1. Auditor compliance with professional ethical standards — including independence

Auditor compliance with professional ethical standards, including independence, is a cornerstone of the profession and is required in every audit. CSQC1 requires that every firm have policies and procedures to provide it with reasonable assurance that its auditors comply with the relevant ethical and independence requirements. At the engagement level, Canadian auditing standards require that the engagement partner both comply with relevant ethical requirements and be alert for evidence of non-compliance.

In a very small firm, the public accountant is the firm. On every engagement, the practitioner must personally be in compliance with the ethical requirements. Assuming there are only one or two assistants, the practitioner should be able to personally assess the independence of the team through an annual confirmation of independence and regular observation. In short, where the practitioner is

Since characteristics of professional accounting firms vary, it just makes sense to implement firm-wide controls in a way to achieve control objectives efficiently

the firm, compliance with ethical requirements in every engagement will result in compliance with ethical requirements at the firm level.

Contrast this with a large firm that has many partners and staff and possibly multiple locations. It would be very inefficient to require every engagement partner to comply with all aspects of the ethical requirements on every engagement without the benefit of a firm-wide system of quality control. On every engagement, the engagement partner would have to evaluate circumstances and relationships that create threats to independence on a firm-wide basis, as well as remain alert for evidence that members of the team did not comply with ethical requirements. It is, therefore, not only more efficient but also essential to have a firm-wide system that the engagement partners can rely on for compliance with ethical requirements.

2. Auditor competence and capabilities

Every engagement partner has ultimate responsibility
for bringing the necessary competence and capabilities to the table for every engagement he or she performs. No one else can assume that responsibility. In a large firm, new clients are often assigned to engagement partners by the firm’s senior management. Engagement partners can also have staff they do not know assigned to them.

In this environment, it is important to establish policies and procedures at the firm level to ensure that engagements are always run by partners and staff that have the appropriate competence and capabilities.

But in a very small firm, there is little need to adopt a personnel-competence policy at the firm level. This is because the engagement partner, who is the firm, is personally responsible for ensuring every engagement is staffed with competent and capable personnel. Again, compliance with engagement-level competence and capability requirements in a very small firm will result in compliance at the firm level.

The same arguments apply to other quality-control requirements in CSQC1 and CAS 220 in the areas of firm leadership, acceptance and continuance of client relationships, human resources, review responsibilities and the remaining engagement performance requirements.

In a very small firm, compliance with these requirements at the engagement level will often result in compliance with firm-wide requirements.

Proportionate implementation of firm-wide quality-control requirements

Assess the characteristics of the firm

But what should be done if a firm falls in size between the very small (where separate quality-control requirements for the firm and individual engagements would seem artificial) and the large firm (where two layers of control are essential)?

At the outset, it is important to decide whether the characteristics of the firm are closer to those at one end of the size spectrum or the other and then devise a suitably proportioned response.

Firms exhibiting the characteristics of a very small firm include those where:
• firm management is horizontal, with all partners having a meaningful say in firm management;
• the partners each have their own clients and only share or exchange clients in exceptional circumstances;
• the partners select and hire their own staff who work exclusively for that partner; and
• the partners are in frequent contact with each other and are likely to become aware of any issues affecting firm-wide quality control.

Many two- and three-partner and even some larger firms exhibit many of the characteristics of a very small firm. In these cases, it may be a good idea to focus on quality control on an engagement level when appropriate if that is where controls can
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be implemented most efficiently.

Firms exhibiting the characteristics of a large firm include those where:

- firm management is hierarchical, with one or more partners having responsibility for firm management;
- partners are frequently assigned clients by the firm (i.e., when a partner retires or in order to comply with mandatory rotation requirements);
- partners do not hire their own professional staff and the staff may not work exclusively for any one partner; and
- partners may not all be in frequent contact with one another and therefore may not be aware of ongoing issues affecting quality control at the firm level.

For firms with many large-firm characteristics, it is essential to focus on quality control at both the firm and engagement levels. This allows partnership management to deal with firm-wide issues, such as compliance with ethical standards, hiring and assignment of competent and capable personnel and resolution of disagreements. Engagement partners can then concentrate on engagement quality-control requirements on their individual assignments.

Since the characteristics of professional accounting firms vary, it just makes sense to implement firm-wide controls in a proportionate manner to achieve control objectives efficiently.

Exception to proportional implementation of firm-wide controls: file inspection

This brings us to file-inspection requirements, which must always be applied at a firm level and play a vital role in quality control in every practice.

Auditors are in the business of obtaining evidence and expressing a professional opinion on someone else's work. It is in the public interest that they periodically subject their work to scrutiny to ensure it is conducted in accordance with professional standards. The old adage “What's sauce for the goose is sauce for the gander” applies perfectly in this situation.

Every assurance engagement is ultimately the responsibility of an individual, regardless of whether that person belongs to a one-person or a 10,000-person firm. Periodic review of an engagement partner’s performance by a qualified partner, assisted by an independent professional, is one of the most effective ways to keep an engagement partner’s performance at a high level. Since every engagement partner is required to undergo at least a minimum degree of review, with CSQC 1 suggesting inspection of at least one file for every engagement partner every three years as a minimum. For many firms annual inspection is much more effective in achieving the goal of the requirements and reducing firm risk.

Pulling it together

An implementation strategy for quality control must be tailored to each firm if the resulting controls are to be both efficient and effective. Proportionate implementation of controls can be achieved in a very small firm where, if the engagement-level quality-control requirements are met, so too are the firm-wide requirements.

This, combined with the suggestions for a proportional approach explicitly stated in CSQC 1 for performance evaluation and documentation of firm-wide systems of control, offers an approach to quality control that is both effective and efficient.

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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To fight or not to fight?

The decision to appeal a tax assessment should be driven by a number of factors, economics being the top one.

Deciding whether to proceed or concede in any dispute is difficult as all disagreements have many variables and unpredictable outcomes. However, deciding whether and how to appeal a tax assessment is particularly precarious and depends on numerous factors, including the amount of tax at issue, the estimated professional fees associated with proceeding and the anticipated result. The amount of tax is easy to determine, and some degree of certainty can be achieved for professional fees — for example, an outcome-based fee structure. But predicting the likelihood of success in a dispute is difficult for a number of reasons.

First, assuming both parties are rational, only contentious matters should be litigated and the outcome of truly contentious matters is inherently uncertain. Contentious matters may involve novel questions of law, incomplete or unascertainable facts and/or a combination of favourable and unfavourable facts. Second, there may be multiple issues in any dispute, each susceptible to varying prospects of success or risk of failure, which compounds the difficulty of estimating the overall result. Third, some issues, such as valuation, might be settled with only partial success. Fourth, conventional wisdom dictates that the Crown must resolve tax appeals on a principled basis in accordance with the taxing statute, and not based on “litigation risk.” While the case for compromise settlements has been advanced, and some Tax Court of Canada judges emphasize pragmatism over principle in an effort to encourage settlements, it is generally accepted that settlements must be in accordance with the taxing statute. Finally, it may be argued that although judges are learned and impartial arbiters, the knowledge, background, experience and personal views of a judge are wild cards, the impact of which cannot be predicted.

Estimating professional fees is also potentially unpredictable to the extent that they are determined on an hourly rate model, since events occur during the course of disputes that are unforeseen and consume additional time and pro-
fessional fees. Taxpayers may seek greater certainty by engaging advisers other than on a strictly hourly rate basis. However, taxpayers seeking to insure themselves against uncertain fees can expect to pay a premium for that certainty if a successful result is achieved. Finally, the bottom-line cost of professional fees associated with a tax appeal can be mitigated by two rules. First, the cost of seeking to resolve a tax dispute is deductible from income pursuant to para. 60(o) of the Income Tax Act, which obviously mitigates the cost of proceeding with a tax dispute, depending on the taxpayer's marginal tax rate and the extent to which the taxpayer can utilize the deduction. It is difficult to generalize the estimated impact of para. 60(o); however, individual taxpayers with direct knowledge of their tax position would be able to estimate the benefit of the para. 60(o) deduction, assuming they were able to predict the amount of their professional fees. Second, the option of appealing a case to the Tax Court of Canada may be more affordable to taxpayers by virtue of the court's established and proposed costs rules. Section 147 of the Tax Court of Canada Rules (General Procedure) provides judges with discretion to determine cost awards. Further, as of January 31, 2011, unless the tax court orders otherwise, where a party makes a written offer to settle and meets or beats the terms of the offer, that party is entitled to partial cost indemnity for costs incurred before the offer and substantial indemnity for costs incurred after the offer was made. It is generally recommended to make a settlement offer as early in the litigation process as possible to engage the substantial indemnity cost consequences at an early stage.

Other relevant factors to deciding whether to appeal a tax assessment include:
- the extent to which the taxpayer wants to devote the time and effort required to appeal;
- the public nature of litigation;
- effect on future taxation years; and
- a taxpayer’s appetite for risk.

A taxpayer’s time devoted to working to resolve a tax dispute may be quantifiable and valued, and the value of work performed by the taxpayer in bringing forward a tax appeal should be factored into the decision-making process.

A tax appeal is a public undertaking. Pursuant to the tax court rules, anyone can obtain a copy of the materials in the court’s files, subject to any confidentiality order issued by the tax court. Further, specific details of taxpayers’ lives and finances may be revealed in published reasons for judgment. If a tax appeal touches on family issues, proceeds of alleged crime or sensitive or secretive business issues, a taxpayer may be reluctant to appeal, depending on the taxpayer’s particular values.

In many instances, a taxpayer will have adopted a consistent filing position over a number of years, with only some of those years subject to a disputed reassessment. The outcome of a case concerning a disputed reassessment may give the Minister a clear-cut basis to reassess other taxation years, which amplifies the risks associated with appealing. On the other hand, the Crown may be reluctant to proceed with a case that would set an unfavourable precedent.

In terms of evaluating litigation risk, tax appeals are different from civil cases and the Crown’s appetite for risk may differ from a taxpayer's appetite for risk, for the following reasons. First, the Crown may be litigating a CRA “project” file and may not be readily dissuaded from proceeding with litigation. Second, in some cases the CRA may wish to test its interpretation of the law and may proceed with a case regardless of the associated financial risk. Third, since the amount of tax in issue is not paid personally by the CRA employees who decide whether to proceed or concede in a dispute (unlike the taxpayers who are subject to a reassessment), it is easy to imagine that the CRA’s appetite for risk and taxpayers’ appetites for risk would be markedly different. The same point can be made for aggressive litigation tactics — while such tactics may result in an enhanced cost award against a litigant, such cost is borne directly by a taxpayer, but not borne directly by a CRA officer or Crown counsel. Thus, there is a stronger disincentive for a taxpayer to
Taxpayers may also need to decide whether to pursue the CRA’s administrative appeal process or appeal a tax assessment directly to the tax court. Bypassing the administrative appeal process means that the taxpayer forgoes an opportunity to persuade a decision-maker. Further, an early resolution of a dispute at the CRA appeals level avoids the professional fees associated with pursuing an appeal to the tax court. However, in some cases bypassing the CRA and appealing directly to the tax court may be preferable.

For example, if the taxpayer’s advisors conclude that the CRA is unlikely to be persuaded by way of an administrative appeal, spending time dealing with the CRA’s appeals division would be time and money wasted. Further, in situations where the taxpayer has paid the reassessed amount (willingly, or pursuant to a statutory obligation), there is an opportunity cost associated with not having possession of the reassessed amount. Since the prescribed interest rate on refunds is low, it may be preferable to seek a faster recovery of reassessed amounts and use the proceeds for business purposes — which may mean bypassing the CRA’s appeals division.

The financial impact of waiting for the CRA appeals division to consider and respond to a notice of objection is exacerbated by delay on the CRA’s part in resolving issues. In the CRA’s 2009-2010 Annual Report to Parliament, the CRA stated it met its timing standards for dealing with appeals most of the time. However, the CRA also stated that on average it took 187 “workable days” to resolve an income tax dispute at the appeals level in the 2009-2010 year and 250 such days to resolve commodity tax disputes. Unfortunately, these numbers are steadily rising, indicating progressively greater logjams in the CRA appeals division.

To pay or not to pay
Once the decision has been made to appeal a tax assessment, a taxpayer may have to decide whether to immediately pay the amount reassessed or wait until the dispute is resolved. Depending on the matter under appeal, the reassessed amount may be immediately payable, which eliminates any need for decision-making. Reassessed amounts are immediately payable if the:

- amounts were reassessed under the taxpayer relief provisions or pursuant to the resolution of an appeal with a taxpayer’s consent;
- taxpayer is a “large corporation” (50% of the amount reassessed by the CRA is immediately collectible);
- amount is required to be deducted or immediately collectible);
- amounts are required to be paid under ss. 215(4) of the ITA; or
- reassessment is made under the Excise Tax Act (GST portions).

In other instances, such as ITA appeals by individuals or Canadian-controlled private corporations, there is a statutory stay on collections as long as a tax assessment is in dispute. However, notwithstanding the statutory stay on collection actions under the ITA, the Minister may exercise his or her collection powers if authorized by a judge.

The primary motivating factor to pay an assessment is to avoid interest accruing on the outstanding tax and penalties. Statutory interest is a problem for at least two reasons. First, it is compounded daily and, unsurprisingly, interest accrues on unpaid interest. Second, although interest on refunded tax is taxable, interest paid on unpaid tax and penalties is not deductible.

Once a taxpayer has received a notice of assessment or reassessment, most tax practitioners recommend paying the reassessed amount if the taxpayer is able to pay, even if the Minister’s position will be challenged on appeal. However, this conventional wisdom should be analyzed to confirm whether it applies in all cases.

The following factors militate towards immediately paying a reassessed amount (assuming deferral is an option, which is not always the case for reasons cited above). First, depending on the situation, substantial time may pass between the date of an assessment or reassessment and the ultimate resolution of a tax dispute. When interest rates are high (unlike today), the effect of long-term daily compounding can become crippling. In some cases, interest can easily more than double a taxpayer’s total debt to the Crown if interest is allowed to accrue during the course of a protracted dispute. Second, the fact that interest on outstanding tax is not deductible from income militates towards paying, if the taxpayer carries on business, for the following reason. If operating funds are used to immediately pay an assessment, those funds can be replaced with borrowed funds, which would generate a deductible interest expense. Third, further to the last point, if a taxpayer can borrow at a rate that is lower than the pre-

If a tax appeal touches on family issues, proceeds of alleged crime or sensitive or secretive business issues, a taxpayer may be reluctant to appeal

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scribed rate, it would be cheaper to pay any outstanding amount with borrowed funds and pay the associated commercial rate of interest rather than the enhanced rate on unpaid tax. Fourth, if the taxpayer’s case against the reassessment is not strongly arguable, the risk associated with not paying the reassessed amount and remaining exposed to significant accrued interest militates towards paying rather than deferring payment. Fifth, interest is payable on refunded amounts, so if the taxpayer is successful, the amount paid to the Minister is repaid with interest (note that the refund interest is taxable).

The following factors militate against immediately paying a reassessed amount. First, a taxpayer may have cash-flow and/or creditworthiness issues that make it difficult or impossible to secure the funds needed to pay the reassessed amount. Second, a dollar in the hand today is worth more than a dollar received in the future, given the time value of money. The same logic would apply to paying a tax debt today then seeking a refund. In some cases, a taxpayer may be fortunate enough to be in a position to be able to earn rates of return on money that exceed the prescribed rate of interest under the ITA. In such a case, it would be preferable to keep and use the funds rather than pay the reassessed amount. Third, if a case is strongly arguable, a taxpayer may prefer not to incur interest expense to borrow money to pay the reassessed amount nor give up present-day use and control of income-earning funds, since the perceived risk of future loss is low.

Conclusion
Deciding whether to appeal a tax assessment should be driven by economics, unlike other forms of dispute resolution which may have different objectives. An astute adviser will complete an economic analysis comparing the anticipated recovery of tax with the associated costs, bearing in mind that the dispute resolution process is inherently uncertain. The decision of whether to pay an assessed amount, if the taxing statute allows for payment to be deferred, is also economic, taking into account interest on unpaid tax, interest deductibility and nondeductibility, cash flow, creditworthiness, the time value of money, other productive uses for funds and the strength of the taxpayer’s case. In any case, an economic analysis should guide the decision-making processes.

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How Walmart is good for Canada

In anticipation of Target’s arrival in Canada, Walmart is undertaking a major offensive. With its 150,000-sq.-ft. Supercentres offering 140,000 items, half of which are food products, Walmart is creating significant competitive pressure in each market it enters. With these investments, however, Walmart is also inadvertently contributing a great deal more to innovation in Canada than many of our governments’ policies. Indeed, Sobeys, Metro and Loblaws didn’t leave the field free for Walmart: they are countering by focusing on innovation.

As a board member of Empire Co. Ltd., the owner of Sobeys, I can closely observe the counterattack of Canada’s second-largest food retailer, which includes many innovations. In Ontario’s discount market, Sobeys launched a new type of store that promotes greater accessibility while offering prices as low as Walmart’s. Sobeys also innovated in the full-service grocery market by banking on fresh produce and prepared meals. It is rolling out a new concept of small stores catering to downtown markets. Finally, by next year, it will operate two new fully automated warehouses (capable of operating with the lights out), significantly reducing costs and improving service. Loblaws and Metro are pursuing similar strategies. As a result, the competition fuelled by Walmart’s actions has become a big driver of innovation in Canada’s retail food sector, and Canadian consumers are the clear winners.

I recently wrote a book called Innovation Reinvented in collaboration with Roger Miller, a colleague from SECOR. The book delves into the theories of innovation, based on a global survey of about 1,000 cutting-edge companies. The findings show that the vast majority of innovation comes from continuous improvements in product features and business processes.

In some markets, products evolve so rapidly that companies have no other choice but to innovate. For instance, in the smartphone market, Research in Motion has to introduce several new models each year just to stay afloat. In most sectors of the economy, however, innovation is not obligatory. Most markets are mature, from food retail to aircraft, and the dynamics of innovation are much slower. In fact, according to a recent survey, about half of large companies do not factor innovation into their business strategies.

Innovation Reinvented also points out that the factors behind successful innovation strategies vary greatly by industry (emerging or mature) and product. For instance, the innovation dynamics of platform-based products such as smartphones are substantially different from those of stand-alone products such as soap or prescription drugs. We identify six patterns of innovation in our book, each one with its own characteristics and success factors.

One of the most striking conclusions in the book is that research and development (R&D) is not at the core of the innovation process. It is only one of many means to successfully innovate. Facebook, arguably the most innovative service of the past decade, was created without R&D. Most innovations are created in the marketplace, not in laboratories. Not surprisingly, trying to stimulate innovation by encouraging R&D, either through tax credits or subsidies, is often ineffective. Indeed, for most companies, investing in organizational change and a corporate culture that fosters innovation is more important than R&D.

Innovative companies last longer. Their determination to continuously improve their offerings and the way they do business is in their DNA and stands out in their business plans. They are always on the lookout for new ideas and they respond to new sources of competition through innovation. Our public policies should aim to encourage this willingness to innovate. That’s what is helping Sobeys, Loblaws and Metro to hold their own against Walmart.

Marcel Côté is founding partner, SECOR Consulting, Montreal.
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