

CA

magazine

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November 2012

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GROWING GLOBAL

IFRS

With worldwide demand increasing,
the accounting profession is on the grow

Globalization

Latin America



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What's so great about your town? CAs across the country tell us P. 36

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CAmagazine is published 10 times a year (with combined issues in January/February and June/July) by the Canadian Institute of Chartered Accountants. Opinions expressed are not necessarily endorsed by the CICA. Copyright 2012.

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



The transformation

The global business expansion may be a force for good, but it has also spawned demand for accountants worldwide

Globalization can be a force for good, writes US Nobel Prize winning economist and former Clinton administration economic adviser Joseph Stiglitz. He believes it has the “potential to enrich everyone in the world, particularly the poor.” Globalization — the tighter integration of the world’s national economies — clearly can’t progress without the involvement of accountants. Worldwide demand for accountants has grown as businesses expand overseas, thereby making accountants part of the force for good and improvement that Stiglitz wrote about.

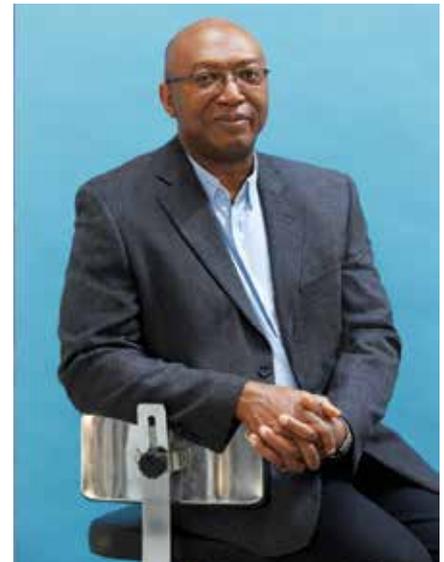
In our lead story this issue, writer John Lorinc profiles the global expansion of the accounting profession (“Growing global,” p. 22). He writes, “The transformation is palpable across Asia, eastern Europe and Latin America as the profession races to build capacity, develop specialty practice areas and expand the clout of large domestic firms.” Lorinc examines the growth of accounting in these areas as well as Africa and the Middle East. He points out that in places such as Kenya, there has been an explosion of demand for forensic auditing services to deal with fraud and money laundering, deleterious activities that are a scourge and drain on the wealth of developing countries.

Speaking of forensics, the next feature is a profile of crime-fighter extraordinaire, CA Jennifer Fiddian-Green (“Forensic hotshot,” p. 32). In this absorbing story, writer Roberta Staley investigates the bad-guy management skills of Fiddian-Green, a natural for the job who created a make-believe Nancy Drew-inspired detective agency when she was a child.

What do CAs think about where they live and work? What is it about the city where they live that keeps them there and makes them think it is the best place to work? CAmagazine conducted an online survey to find out, and writer Lorie Murdoch interviewed people and put the story together in “Cities that move you,” p. 36. From Vancouver to Ottawa to Halifax, CAs tell us what they like about their home city and why it suits their personal and professional lives. Don’t fail to read this very enlightening story.

The ever-interesting Marcel Côté (p. 64) tells us how the revolution in information technology has made it possible for companies to generate huge profits by adjusting just one parameter. The potential for huge abuses, he says, undermines confidence in the free-market system.

There are regulars on fraud (“Truth or lie?” p. 42), standards (“Automating audits,” p. 46), people management (“Extend yourself,” p. 50), taxation (“No way out?” p. 52) and assurance (“Seven steps to success,” p. 55).



PAUL ORENSTEIN

Okey Chigbo, Editor

upfront

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8 PEOPLE

What do soccer and accounting have in common? According to Joe Fletcher, both require performing well, be it at work or play. And Fletcher knows. Just this summer the Ontario CA and FIFA-endorsed soccer referee officiated at the Olympic Games in London, and his next goal is Brazil and the 2014 World Cup

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When scams become business practices



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As the demand for accountants soars, membership in globally minded organizations is rising and student rosters are expanding — especially in the developing world **BY JOHN LORINC**

32 Forensic hotshot

In Canada, about one million corporate frauds are committed annually and money laundering is a multibillion-dollar business. But Jennifer Fiddian-Green and her team are busy slicing through financial frauds **BY ROBERTA STALEY**

36 Cities that move you

CAs have the good fortune of landing a job just about anywhere in this country. So what is it about where you live that makes it the best place to work and play? You talk about your towns **BY LORIE MURDOCH**

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Mailbox

THE TYPICAL FRAUDSTER

I read “Women can con” (Fraud, August) with interest. David Malamed states that the typical fraudster is, among other things, a male in his mid-30s or older who holds a senior position. I would like to know the author’s source, given that I wrote a book, *Certification et contrôle interne des risques* (published by Fides éducation in 2011), which extensively discusses fraud and ways to safeguard against it. In it I note that, according to a 2009 KPMG survey, Profile of a Canadian Fraudster, the typical fraudster would be between the

ages of 30 and 49 and would not hold a senior position.

Paul Gauthier, CPA, CA
Saint-Mathias, Que.

Author’s reply:

Actually, we are both correct. KPMG’s 2011 survey, Who is the Typical Fraudster?, was based on investigations by member firms in 69 countries and the firm’s 2007 publication Profile of a Fraudster Survey was based on information from Europe, South Africa and the Middle East (the number of countries wasn’t given). In both surveys KPMG describes the typical fraud-

ster as a male, in his mid-30s or older, who holds a senior position at a company where he has been a trusted employee for a number of years. The survey you mention focuses solely on Canadian fraudsters and the numbers were taken from responses from executives of large Canadian companies.

Readers, please send more letters to let us know what you like, don’t like and what you want to read about.

MORE TIPS

With regards to Deena Waisberg’s article “Business travel tips” (August), the content and advice in the piece was solid and well supported by fact and by my experience.

That said, I would be remiss not to mention additional tips that have survived the test of time.

- Always ensure your passport has at least six months’ validity remaining. Many countries have a requirement that your passport must be valid beyond your scheduled departure date.
- Whenever possible, avoid booking the last flight of the day. When an airline cancels a flight, it generally protects passengers by putting them on the next flight that day. If the flight is cancelled for mechanical, weather or commercial reasons and you are booked on the last flight of the day, you will have an unscheduled “forced overnight” flight.
- The Foreign Affairs and International Trade Canada website mentioned in the article is excellent for checking visa requirements and contains useful information on health and safety issues in various countries.
- Always make sure the duration of your trip does not extend beyond the validity period of your travel insurance. Travelers often extend their business trip at the request of a client or add a side trip after

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Mailbox

the business component is finished. In a worst-case scenario, if you unintentionally extend your trip beyond your maximum allowable days of coverage and a medical emergency should happen, you may have a denied medical claim on your hands. Insurance coverage can be extended, but this should be done prior to expiry of coverage.

Brad Davies

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SETTING THE RECORD STRAIGHT

It was unfortunate that in the September issue, Jim Carroll was allowed to say that the Netwatch column started 11 years ago. That was not true.

Carroll inherited the column that was created by GeIrald Trites and myself in 1997, I believe (it may go back further). This fact should have been properly acknowledged.

**Don Sheehy, CA•CISA, CRISC, CIPP/C
Toronto**

Editor's reply:

We sincerely apologize for the error.

INQUIRING MINDS WANT JIM

Could we not continue to have Jim Carroll prod our minds in some fashion? The exposure doesn't need to be in the old box/

format of Netwatch — it could be a yearly webcast or quarterly review of industry trends, ideas brewing or a think-tank of sorts. Carroll sees, hears and speaks to many executive levels across a broad spectrum of industries and attends many engagements beyond our borders. We need this type of knowledgeable input/discussion/stimulus as a profession on a regular basis from many sources. We are business-people first and accountants second — roles that are hopefully executed with a broad perspective and an invaluable grasp of current and future key success factors. The value of Carroll's contribution to our mindset, delivered in his unique style, should perhaps be reconsidered.

**M. Smith, CA
Toronto**

Editor's reply:

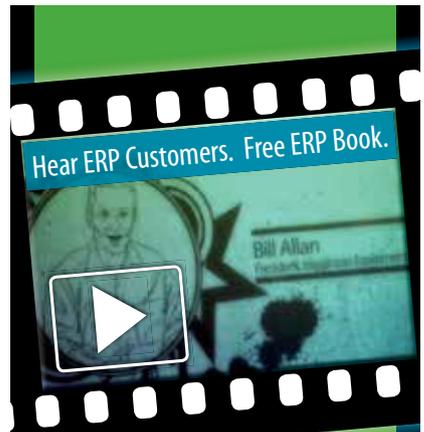
We greatly value Jim Carroll's contributions over the years. We will consider your suggestions as the magazine continues to evolve into the source of information that readers want.

CAmagazine welcomes letters to the Editor. Please write to us at 277 Wellington Street West, Toronto, Ontario M5V 3H2
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UPFRONT

News, people, briefs, trends + tips

The ref

Officiating at the London Olympics would be the pinnacle of most referees' careers. But for CA Joe Fletcher, a soccer official who's done high-level competition since receiving his Fédération Internationale de Football Association (more commonly known as FIFA) assistant referee's badge in 2007, London represented a stepping stone to his ultimate goal: working the pitch in Brazil at the 2014 World Cup.

As one of 16 men's officiating crews in London, Fletcher and his team worked two games: a round-robin match between Japan and Spain and the Japan-Egypt quarter-final tilt held at legendary Old Trafford in Manchester. Both games went well — there were no officiating controversies, a goal for most referees — which Fletcher feels bolster his chances for Brazil. "But there's still a long way to go," the 36-year-old manager at Wormald Masse Keen Lopinski in St. Catharines, Ont., concedes. There are more than 50 refereeing squads competing for highly coveted World Cup spots.

It's been a long journey for Fletcher: from refereeing house league soccer in Niagara Falls, Ont., when he was a teenager — "Instead of a paper route, I refereed" — to working at some of the largest stages in the game, including last year's FIFA Under-20 World Cup final in Colombia, considered the second-largest tournament in international football. In total, Fletcher officiates 20 to 25 games a year, both FIFA matches as well as Major League Soccer games across North America.

He feels fortunate to have a supportive family (a wife and two young sons), employer and clients who allow him to indulge his passion. "Thankfully I can manage my clients electronically when I'm working games on the road," he says.

He sees many parallels between refereeing and his work as a CA: both, after all, require a high degree of professional credibility. "The pressures are very similar," he says, whether it's performing well for your clients in the boardroom or getting the calls right on the playing field. But, he adds, "That's the pleasure of it. I love that pressure."

John Shoesmith

Résumé

- 2001** obtains CA designation (Ont.)
- 2011** becomes second Canadian male to referee in the final of a FIFA-sanctioned game
- 2012** referees at London Olympics



Ontario CA Joe Fletcher officiated two Olympic soccer games in London; now he's set his sights on the 2014 World Cup

JIM ROSS/KLIPX

#NUMBERS Game

Meet the new boss The controversial hiring in July of 37-year-old Marissa Mayer as the new CEO of Yahoo revived debate on how firms select CEOs. On cranking up the search engine:

1 Tenure in days of former Duke Energy CEO Bill Johnson. Johnson was allegedly asked to resign 20 minutes after receiving the title in July. His “retirement” package may total US\$44 million.

20 Number of women CEOs among Fortune 500 companies. A 2007 study found hiring a female CEO can prompt a stock drop of up to 3%.

39 Percentage of mid-sized and large US and Canadian firms claiming to have “zero” viable internal CEO candidates, according to a 2010 survey. Studies show companies choosing internally perform better financially.

40 Percentage of new CEOs who lead their firms for 18 months or less.



46 Percentage of companies that don’t undertake succession planning, according to a 2011 Stanford Graduate School of Business survey. Another 2010 study found the average board spends two hours annually on succession planning.

300 Cost in millions of dollars for firing CEOs at the largest companies, according to a 2010 academic paper. The tally includes severance, replacement of other senior managers and search costs for a new

CEO, among other items.

355 Number of CEOs replaced in 2011 among the world’s 2,500 largest companies. Larger companies are more likely than smaller firms to replace leaders. Steve Brearton

Working File

WHAT SHOULD I DO IF A COLLEAGUE TAKES CREDIT FOR MY WORK?

by Lisa van de Geyn

THE SCENARIO

Dave Singh’s* department at a marketing firm was planning a labour-intensive, time-consuming pitch to nab a new client the top brass had been courting. Singh and a colleague were responsible for the legwork — pull data, crunch numbers and present findings to the executive team and prospective client. Singh tried to split up the work equitably, but when his colleague didn’t meet deadlines or pull his weight, Singh took the reins, doing more than the lion’s share to ensure the job got done.

HOW IT PLAYED OUT

The pitch impressed both management and the client. When the two were congratulated, Singh’s colleague stepped in and accepted accolades for work he didn’t do. “This guy acted like he’d put the entire presentation together. He started taking credit left, right and centre for work I’d done.” Singh didn’t confront him or tell his bosses what had transpired.

*Names have been changed

THE EXPERT WEIGHS IN

Sadly, underperformers who fly under the radar are a reality of today’s workplace. “It’s a fact of working and it can happen anywhere,” says **Yvonne Thompson**, president of HR consulting firm Change Innovators Inc. in Winnipeg.

If you are comfortable being candid with your manager, clarify what your role was in the project and the work you did, she advises. “Talk about you, your work, your commitment; don’t talk about the lack of work your colleague put in. Don’t be emotional, be factual.”

If, on the other hand, your manager doesn’t appreciate candour, you might want to stay mum. The next time you are asked to work on a project with the credit-taker, spend a few days divvying up responsibilities, clarifying roles and making a team agreement so everyone’s on the same page, says Thompson.



Have you faced a tricky situation at work? How did you handle it? Send us your office anecdotes at: tamar.satov@cica.ca

By Tamar Satov

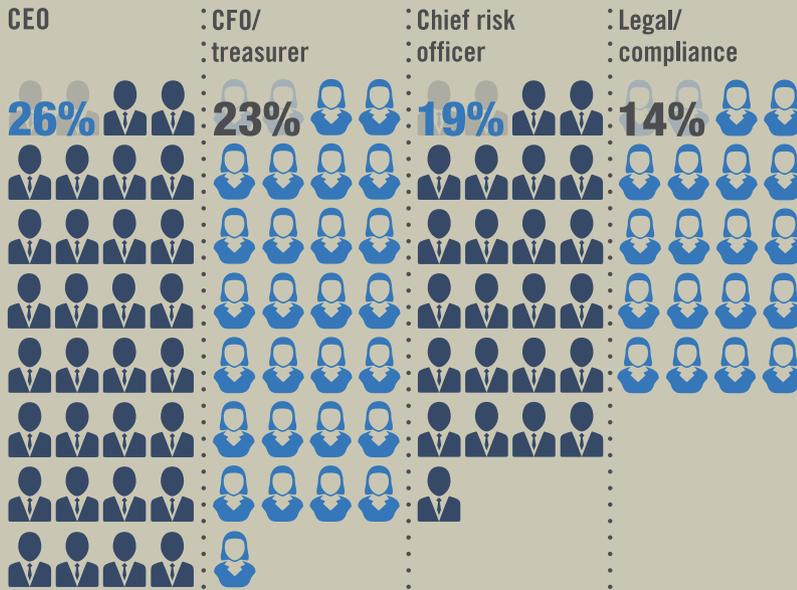


Reassessing risk

A 2012 survey of US executives by Deloitte found 91% of organizations are planning to reorganize their approach to risk management in the coming three years. One important recent trend is oversight of risk management moving into the foremost executive suites.

by Steve Brearton

Primary responsibility for the organization's overall risk management



Less than ¼

Fewer than 25% of organizations continuously monitor for risks, according to respondents

Source: Deloitte, 2012

Smile for the camera

Job seekers may want to get ready for their close-ups. Of more than 500 US human resources managers surveyed for staffing service OfficeTeam, 63% say their company often conducts job interviews by video. And 13% expect their organization to use video more frequently in the next three years. OfficeTeam offers the following tips for job seekers participating in video interviews:

Test the technology. Also, if your computer is prone to problems, have a backup on hand.

Choose the right location. Beware of things such as windows in the background, which can cast dark shadows, or barking dogs that may make it difficult to hear.

Suit up. Dress as you would for a face-to-face interview; don't assume you'll only be visible from the waist up. Avoid bold patterns that don't show up well on video.

Exude confidence. Look at the camera so it appears you're talking directly to the employer. Smile and sit up straight.

Be heard. Speak loudly and clearly into the microphone.

BULLY TACTICS

Being falsely accused of mistakes is the most common way workers are bullied, according to a study by US recruiter CareerBuilder. Four in 10 (42%) bullied workers polled say they get blamed for errors they didn't make, 39% say they are ignored, 36% complain of double standards and 33% face constant criticism.

DODGING THE DUDS

Inept leaders are what workers most want to avoid in their next job, a survey by HR firm Right Management finds. A majority (51%) of the 559 North Americans polled hope to steer clear of incompetent leadership even more than a rigid work setting (22%), high workplace stress (16%) or poor compensation (7%).

SALARY BUDGETS RISE

The average Canadian will get a 3.2% raise in base pay in 2013 — the same as the average actual salary increase in 2012 — according to Mercer's compensation planning survey. Top performers, however, can expect higher increases as companies strive to balance salary budgets with retention of critical talent, the survey predicts.

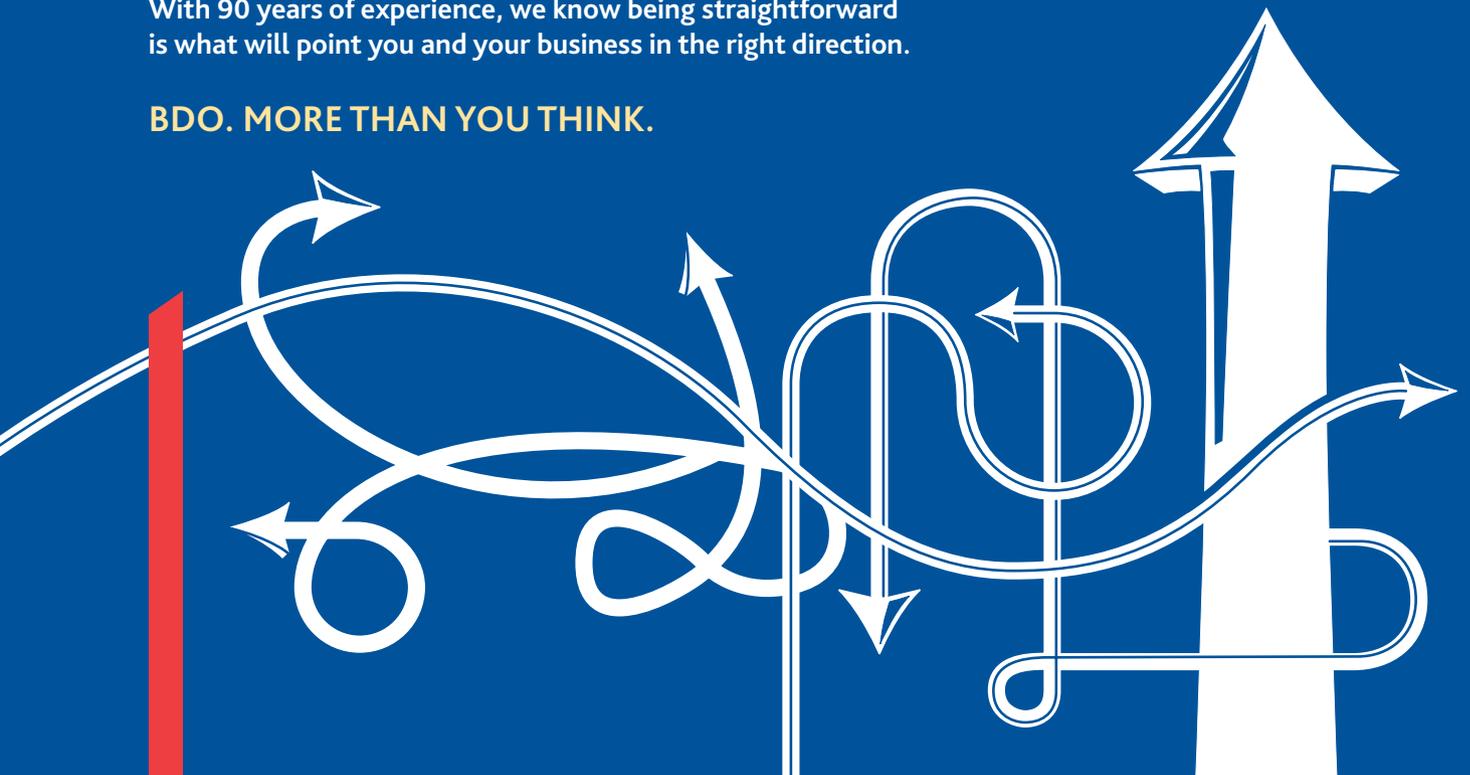
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PERSONAL ACCOUNTS

My night in Dieppe: Aug. 19, 1942

Lt. Col. (ret.) David Hart, FCA, World War II vet

As told to Deena Waisberg

“As a sergeant assigned to communications for the 4th Canadian Infantry Brigade, I was on the tank landing craft, working a wireless radio. We had planned to come out at 11 p.m., but [the battle] was such a disaster [head-quarters] decided to send the boats in at

10 p.m. or they wouldn't get anybody out. I passed that message to the Essex Scottish Regiment and the Royal Hamilton Light Infantry [battalions]. And I heard the head ship try in vain to contact the South Saskatchewan Regiment and the Queen's Own Cameron Highlanders of Canada. I had a frequency on my set that could reach them, so I asked permission to go off the air. In 30 seconds I gave them the order to come out and got back on the air.

I was in the midst of heavy, heavy fire. Our motor was shot out and our rudder was gone; every time the Germans saw us drift back and forth we were raked with machine-gun fire and mortar shells. I was expecting to be taken prisoner or shot. Fortunately, two navy motor launches got on either side of our tank landing craft and began to tow us back to England.

I finally got back about 1 a.m., and [HQ] told me that when I sent that message, I was instrumental in saving 100 or more lives. That was a good feeling. A couple of months later, my captain says, ‘Sergeant Hart, you're going to Buckingham Palace. You got the Military Medal for bravery and the king is going to pin it on your chest.’ That was a very wonderful thing for me.”

QUOTABLE

Taxation gone bad?

“Comprehensive tax reform in Canada seems to take place once a generation, and the current tax system is well past its ‘best before’ date. Our tax system has lost sight of the basic principles of efficiency, neutrality and transparency ... and is adding to business and personal costs”

Conference Board of Canada economist
Glen Hodgson, in a call for corporate and personal
tax reform earlier this year

Findings

SEEING RISK IN SOCIAL MEDIA

Social media is now viewed as a top source of risk to businesses, according to a Deloitte/Forbes Insights survey of US executives. More than one-quarter (27%) of respondents cite social media as the top source of risk over the next three years, on par with financial risk (see chart).

The report indicates social media can magnify the threat of other risks, including reputational risk. As one respondent states, “It is important to understand what is out there about your company and coworkers. The impact of technology trends and managing data will be key.”

A majority of executives surveyed expect more risk volatility over the next three years, with financial, strategic and operational risks considered those most likely to become more volatile.

Top sources of business risk



Source: Deloitte/Forbes Insights survey, 2012

Although the survey found the ultimate responsibility for risk resides in the C-suite, with CEOs and CFOs most likely to be accountable, costs and budgetary constraints are still seen as impediments to more effective risk management.

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

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35 YEARS AGO THIS MONTH

Compiled by Steve Brearton

From the November 1977 edition of *CAmagazine*

Good riddance

“The death knell of the secretary is the best thing that could possibly happen to women in the business world. Any woman who has applied for a job after graduation from university, full of enthusiasm and confidence in what she can offer a company (as I have), and was then asked ‘What’s your typing speed?’ and handed a filing test (as I was), can only shout ‘hurray’ to the end of this dead-end, unsatisfying job ghetto.”

Lynn McFadgen, business and promotion manager, *Canadian Theatre Review*, in a letter responding to an August editorial, “The Fall of Friday’s Child”

More time to play

“Even though it may have been a long time coming, close to 160,000 Canadians became eligible for a six-week paid vacation during 1976. To qualify, however, they had to spend 25 years or more with the same employer. Roughly 18% of the three million office and non-office employees are entitled to the six-week vacation. Tire factories, breweries and railways are the industries most likely to offer extended holidays.”

Report on the federal labour department’s 1977 Working Conditions in Canada survey



The Bermuda formula: 1977 annual conference of the CICA

“Canada must come to terms with economic reality. If we are frank with ourselves we must recognize we are becoming less and less competitive on the world scene — both in terms of costs and productivity... We are facing growing vulnerability in energy ... and prospects of higher unemployment ... government spending is still not under control ... nor is inflation beaten. We are going to need three to five years to re-establish our former position in the world — if we start now.”

Former Liberal finance minister John Turner’s keynote address at a CICA plenary in Bermuda

Going Concern



**GLENN HOLMES, CA
CEO, NSGOLD CORP.**

COMPANY PROFILE: Mineral exploration company NSGold Corp. was formed in 2010 with the primary purpose of finding gold in Nova Scotia. With six properties under

exploration in the area, its main site is at Mooseland, where gold was first discovered in the province back in 1858. With a nominal staff and a board of directors, the company contracts employees seasonally as needed. Its shares are listed on the TSX Venture Exchange.

HOT FACTOR: Although prices for precious metals have taken a dip in the past few years, gold and silver are still trading at high levels. In fact, a declining number of large discoveries globally means gold reserves are dwindling and prices are expected to keep rising. This presents an opportunity for junior gold-mining companies

such as NSGold to fuel that next big discovery. Canada has the largest number of mineral exploration companies worldwide and there are at least a dozen exploring for gold in Nova Scotia alone.

COOL PROJECTS: While its primary target is Nova Scotia, the company is also looking for other gold assets by acquiring properties in mining-friendly jurisdictions in Mexico and the US. In 2011, it formed subsidiary NSX Silver to focus solely on silver exploration in Mexico.

IN HIS OWN WORDS: “With enormous risks, this is not an industry for the faint of heart. But on the flipside, there are enormous returns to be had if successful. We think Nova Scotia is going to have its day again in terms of gold and we’re looking forward to being a part of that. Our goal is for gold mining to become an important economic driver for this province.”
Rosalind Stefanac

“We’re better as One” campaign and microsite support fall recruiting

A new promotion and information program is under way to raise awareness among members, registered candidates and those considering a career in accounting or business of the benefits of a unified accounting profession under the CPA banner.

Timed to integrate with fall provincial recruiting efforts, the program includes a microsite that provides the latest information on the CPA certification program and highlights of how and when the new program will be introduced across Canada.

Called “CPA One,” the promotion supports the vision of CPA as the pre-eminent internationally recognized Canadian accounting and business credential that best protects and serves the public interest.

The CPA One program:

- communicates that CPA professionals will carry the shared values, diverse skills, exceptional talents, management disciplines and innovative thinking derived from the best of Canada’s current accounting designations — CA, CMA and CGA;
- demonstrates the strength and breadth of the new profession;
- provides a strong, positive message that the CPA and unification benefits our members, Canadian business and the public; and
- reflects that the majority of Canadian accounting bodies (27 in total) are working together to realize the vision of a united profession under the CPA.

The program includes a variety of materials for use by the national and provincial bodies participating in the unification process. Banners, postcards, posters and brochures invite members, candidates and those considering a career in accounting or business to visit the CPA One microsite to learn more.

To further explore why we say, “We’re better as One,” visit www.cpaone.ca.



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Canada needs a single, unified accounting profession, with a common set of ethical and practice standards. One pre-eminent designation will be good for business, good for the public and good for all of us. We're better as one.

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MANY STREAMS. ONE PATH.

Together, we will strengthen the integrity and influence of the Canadian accounting profession, by building ourselves to the highest ethical and practice standards in the world. We're better as one.

CA CMA CGA CPA INDEPENDENT
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Learn more at cpaone.ca

Managing your personal brand

In today's fiercely competitive marketplace, establishing a strong personal brand can hold the key to a successful career. A new book, *The Power of Personal Branding for Career Success*, proposes an eight-step process, complete with real-world anecdotes, examples and worksheets to help you establish your personal brand and successfully market your skills and expertise.

"CAs have been asking for this type of valuable career resource," says Cairine Wilson, vice-president, member services, CICA. "In a results-oriented organization, you want to be seen as making a difference. CAs and others need creative and strategic ways to be recognized to advance their careers."

According to the book's author, Karen Wensley, a former partner and national human resource leader at Ernst & Young, everyone should pay attention to his or her personal brand. "Your brand says a lot about who you are and the real value you can bring to an organization," Wensley says. "You must invest in it if you want to succeed."

The Power of Personal Branding for Career Success is published



Author Karen Wensley speaks at the launch of her book *The Power of Personal Branding for Career Success*

by the CICA in conjunction with Ernst & Young and is available in French and English. More information, including how to order a copy, can be obtained online at www.CAstore.ca/personalbranding-wb.



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News from the profession

A SUMMARY OF CURRENT CICA PROJECTS AND INITIATIVES

CPA Quebec launches first ad campaign

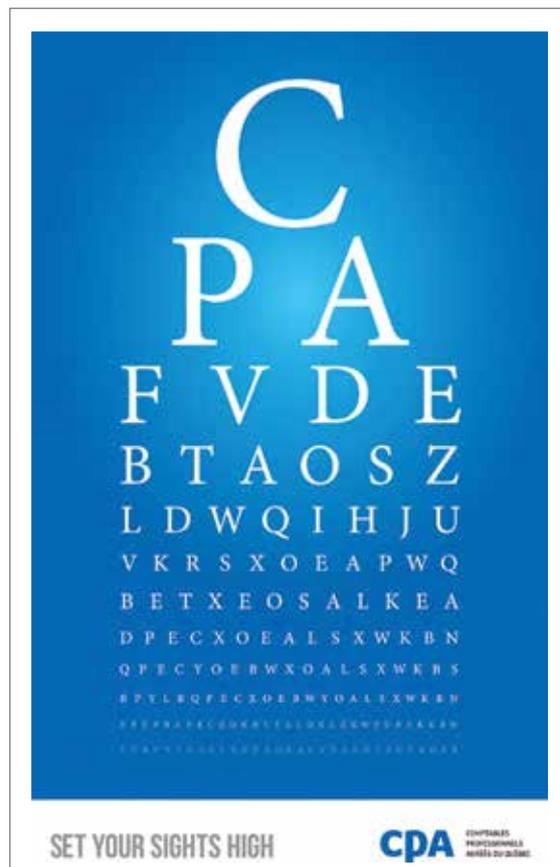
As of October 1, the province of Quebec has been awash in the colours of the Quebec CPA Ordre's very first advertising campaign," says Lyne Lortie, vice-president of public affairs and communications, Ordre des comptables professionnels agréés du Québec.

The provincial ad campaign is designed to build recognition of the new CPA brand, influence the public's perception of the accounting profession and ensure that the CPA profession stands out from others.

"In the context of the unification of the accounting profession, it was critical to quickly position the profession in the business and student markets," Lortie says. "We are certain that this first campaign will help us achieve these objectives."

Highly visible ads have been placed in Montreal metro stations, city buses and in outdoor displays, as well as around university campuses. Following this first wave of advertising, a second phase is planned for February 2013.

To find out more information about the Quebec CPA Ordre's initiatives, go to cpa-quebec.com or follow the ordre on social networks.



Year one of IFRS: what the Canadian mining industry has learned

The adoption of IFRS created some unique challenges for the Canadian mining industry and left some companies uncertain as to how to interpret and apply the new standards. In addition, there are concerns about the diversity in practice across the industry.

In December, participants at the CICA's Financial Reporting Conference for the Mining Industry will have an opportunity to learn firsthand about the thinking behind the development of these standards and to address the challenges and issues of implementing them directly with Michael Stewart, director of implementation activities, International Accounting Standards Board (IASB).

In his role with the IASB, Stewart works closely with standards impacting the mining industry and investigates implementation issues that arise. "Sometimes resolving these situations is just a matter of providing additional training," Stewart

says. "However, if certain issues are shared around the world, then an interpretation providing guidance could be issued, or maybe the standard causing the issues could be changed."

One of the key topics for discussion at what promises to be a lively session is the practical challenges associated with applying IFRS 11 Joint Arrangements and IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine that will become effective in 2013. For example:

- how facts and circumstances affect the classification as joint operations or joint ventures;
- how to identify components of the ore body; and
- how to apply the amortization requirements to capitalized stripping costs.

CICA's Financial Reporting Conference for the Mining Industry takes place December 5 to 6, 2012, in Toronto. For more information and to register, visit www.cpd.cica.ca/Mining.



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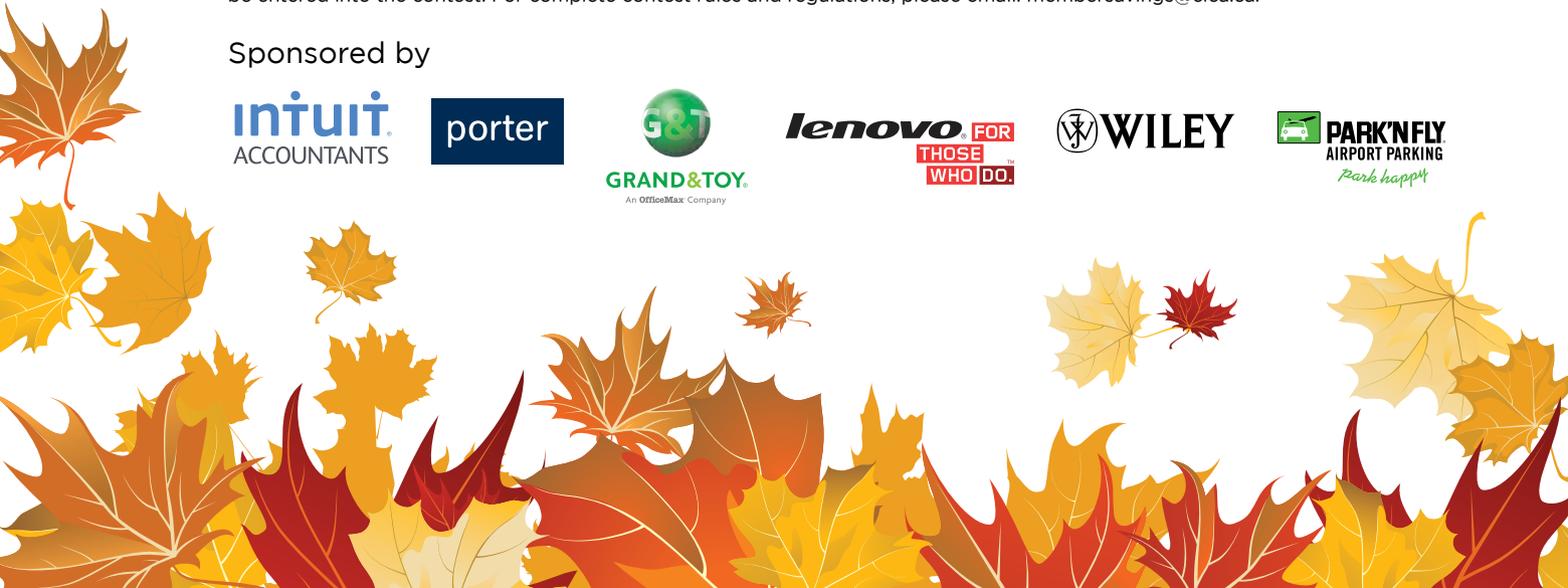
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*Chartered Accountants subscribed to the Member Savings Update and the Member Savings Alert will automatically be entered into the contest. For complete contest rules and regulations, please email: membersavings@cica.ca.

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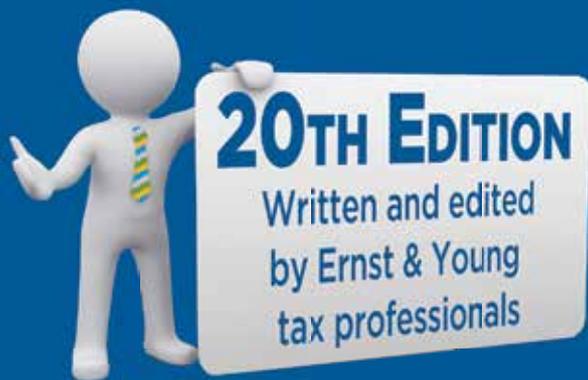
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RECENTLY ISSUED PRONOUNCEMENTS

CICA Handbook – Accounting

Date issued†

Part I

Amendment Regarding the IFRS Changeover Date for Rate-regulated Enterprises	October 2012
Amendments to IFRS 10, IFRS 11 and IFRS 12 Regarding Transition Guidance	September 2012

Part II

2012 Annual Improvements	October 2012
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CICA Handbook – Assurance

Amendments to the Preface	September 2012
Amendments Regarding Authority of Guidelines	September 2012
CSAE 3410, Assurance Engagements on Greenhouse Gas Statements	September 2012

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

Accounting

Comment deadline

ED Discontinued Operations	October 31, 2012
ITC Post-implementation Review of IFRS 8 Operating Segments	November 16, 2012
DII Put Options Written on Non-controlling Interests	October 1, 2012

Public Sector

ED Financial Instruments: Income on Externally Restricted Assets	October 16, 2012
CP Measuring Financial Performance in Public Sector Financial Statements	January 31, 2013
ED Related Party Transactions	November 21, 2012
ED Use of Appropriations	November 28, 2012

WATCH FOR

New or amended Standards

Amendments to IFRS 9 Regarding Hedge Accounting
Amendments to IFRS 10 Regarding Investment Entities
Section 7150, Auditor’s Consent to the Use of a Report of the Auditor Included in an Offering Document

Documents for Comment

Annual Improvements to IFRSs 2011—2013 Cycle (AcSB Exposure Draft)
Amendments to Introduction (PSAB Exposure Draft)

Legend

CP – Task Force Consultation Paper
ED – Exposure Draft

DII – IASB Draft Interpretation
ITC – Invitation to Comment

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



AS THE DEMAND FOR ACCOUNTANTS SOARS, membership in globally minded organizations is rising and student rosters are expanding – especially in the developing world

Growing GLOBAL

by John Lorinc

IN 2009, DANIEL RICICA, A SENIOR MANAGER IN KPMG'S TORONTO-based mining practice, embarked on a two-year stint at the firm's Rio de Janeiro office, which had been handling a steadily growing volume of business involving publicly traded Canadian firms operating in Brazil's booming resource sector.

While he learned some Portuguese in advance of his transfer, Ricica wasn't fully prepared for what he encountered in the Latin American superpower. The country's accounting industry was running as hard as it could to keep abreast of the surging demand for its services. Accounting overseers had just adopted international finan-

illustration by DAN PAIGE



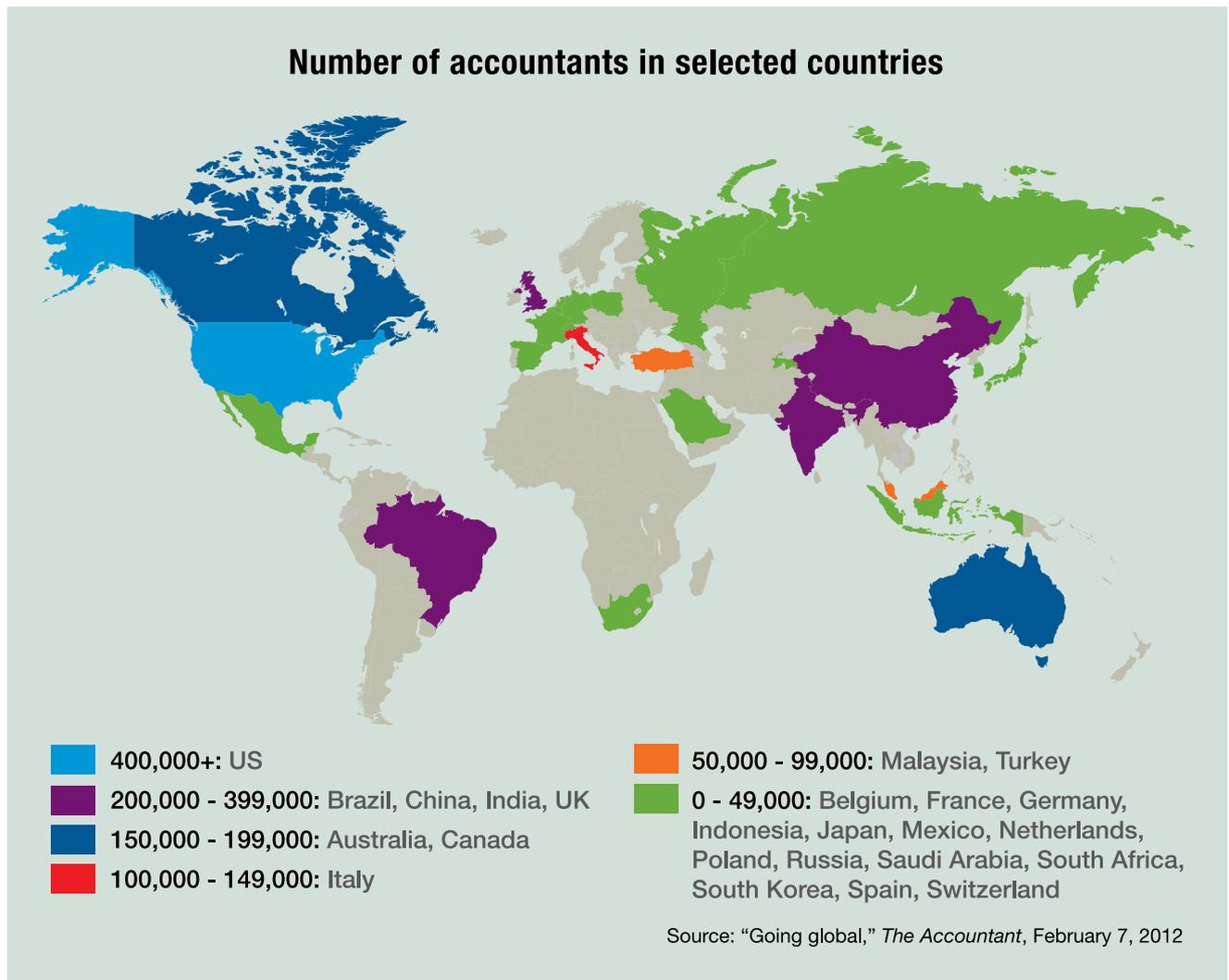
THE ACCOUNTING INDUSTRY’S EXPANSION IN CHINA MAY BE UNPRECEDENTED ON A GLOBAL SCALE, says Lionel Goldman, a Montreal CA with Collins Barrow. He notes that China’s “o to 60” approach is “much more dramatic than anything the world of international finance has seen before”

cial reporting standards (IFRS), but the growth was coming mainly from Brazil’s mining industry, offshore oil and an avalanche of foreign investment. Local firms were scrambling to recruit, train and retain talent. “They’re undergoing a huge amount of change,” says Ricica.

The situation in Brazil is not unique. Even as much of the global economy continues to lurch precariously — from Europe’s sovereign-debt crisis to the housing bust in China and the stalled US consumer-goods market — the profession has been riding a wave of growth like never before. This is due mainly to increased regulatory scrutiny, globalization and the ongoing transition to IFRS.

As *The Accountant* noted earlier this year, the globalization of the profession has “accelerated in the past two years as [Western accounting] institutes expand abroad and accountants become increasingly mobile.” The transformation is palpable across Asia, eastern Europe and Latin America as the profession races to build capacity, develop specialty practice areas and expand the clout of large domestic firms. Meanwhile, accountants have become increasingly respected and sought after, especially in fast-developing nations where for years they did little more than prepare taxes or do basic bookkeeping tasks for state-controlled enterprises. (That said, regional data show that while the locus of global economic growth has shifted to the emerging BRIC

Number of accountants in selected countries



CHARTS: BAIBA BLACK

economies, the bulk of accounting revenue and personnel is still located in North America and Europe.)

Membership in some globally minded professional associations has surged, as bodies such as the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants, a large British accreditation group, sign up new members in emerging economies, especially Asia. “These are exciting times in the profession, not just in the G7 but in the emerging markets,” says Marcia Annisette, associate professor of accounting at York University’s Schulich School of Business in Toronto.

The US and the UK still have the world’s largest accounting professions — with more than 414,000 and 304,000, respectively — while the Australian sector has jumped by 19% since 2010. In Canada, the Canadian Institute of Chartered Accountants (CICA) has more than 81,000 members and the Certified General Accountants Association (CGA-Canada) and Certified Management Accountants (CMA Canada) have another 97,000 combined. At the time of writing the three bodies had united in Quebec under the new chartered professional accountant (CPA) designation and unification discussions were underway in other provinces. CICA and CMA Canada had also started work to establish a new national organization, CPA Canada.

Globally, all this growth has translated into rising student rosters in developed economies. However, the big gains are in the developing world. In China, more than half a million accounting students took their exams in 2009, according to CPA2Biz. Indeed, as reported in *The Accountant*, Asia, India and Latin America today account for the lion’s share of students looking to join the profession.

Herewith, dispatches from the globalization of the profession.

CHINA

Not surprisingly, the rocket-like trajectory of China’s accounting sector — and its ability to deliver reliable results — has riveted the profession’s attention globally. The country now has upwards of 228,000 qualified accountants and another 120,000 students, according to *The Accountant*. “We find China fascinating,” says Lionel Goldman, a Montreal CA with Collins Barrow and a member of the international board of Baker Tilly, a network of independently owned and managed accounting and business advisory firms. “I think everybody does.”

For years, the Big Four dominated the Chinese accounting sector, serving Western firms with operations there. But the Chinese government wants the domestic sector to gain significant market share, with Chinese citizens dominating the partnership structures in all licensed firms by 2017. That means they have had

to recruit aggressively and promote Chinese accountants to leading partnership positions. Mark Robinson, Deloitte’s global leader for its country services group, says the Chinese authorities “have a point” in pushing this transition and have allowed a reasonable amount of time for Big Four firms to make the transition. “They’re giving us a good runway to get ourselves going.”

Robinson points out that the Chinese accounting profession is still in the throes of a dramatic cultural shift. Until fairly recently, most of the auditing work was done by government accountants working on the books of state-owned firms, although the Big Four firms had taken on a large chunk of that business in recent years. “It was more about filling out forms than providing advice.” But the government moved to allow auditors to be more independent in the early 2000s, says Yasheng Chen, assistant professor of accounting at Simon Fraser University.

That change triggered the emergence of some large domestic firms in Hong Kong, Beijing and Shanghai, some of which have more than a thousand accountants and 30 to 50 branches across China. Meanwhile, international firms have focused on transferring partners into China or sending Chinese accountants abroad so the profession can develop expertise in dealing with global public companies and also create a network of Chinese partners who will be authorized to act on behalf of major foreign clients.

Deloitte, Robinson says, is now recruiting thousands of young Chinese accountants every year (accounting programs are offered at universities and the exams are administered by the Chinese



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BRAZIL, LATIN AMERICA'S STRONGEST ECONOMY, IS HOSTING BOTH THE FIFA WORLD CUP IN 2014 and the Summer Olympics in 2016. It also has plans to spend half a trillion dollars on infrastructure and is home to a red-hot resource sector that has attracted billions in foreign investment

Institute of Certified Public Accountants [CICPA]). At the same time, it faces huge challenges in retaining talent. The numbers tell the tale. Guoping Liu, an associate professor of accounting at Ryerson University who worked for the CICPA from 1996 to 2001, says there were a few more than 96,000 practising CPAs in China as of June 2011, and about 87,000 more who weren't practising. Beijing's latest five-year plan calls for 120,000 practising CAs by 2015, Liu says. Almost 560,000 students wrote the CICPA's exams last year, she adds. "These numbers tell you this is a very attractive profession."

Indeed, the industry's expansion may be unprecedented on a global scale, Goldman says. He notes that China's "0 to 60" approach "is much more dramatic than anything the world of international finance has seen before."

INDIA/SOUTHEAST ASIA

In India, the world's other developing economic superpower, demand for accountants has exploded. India's two accounting bodies — the Institute of Chartered Accountants of India (ICAI) and the Institute of Cost and Works Accountants of India (ICWAI) — have 220,000-plus members, and student membership has shot up to more than a million from less than 200,000 in the mid-2000s. Those figures place India's accounting profession as the world's fourth largest behind the US, UK and Brazil.

Unlike China, which maintains its own standards, India adopted IFRS in 2011. And both professional organizations are now

developing more detailed standards in areas such as cost accounting. In addition, the ICAI has signed a memorandum of understanding with the CICA on reciprocal membership arrangements.

KPMG audit partner Gurdev Narula, who worked for the firm's Indian operations until moving to Toronto in 2004, says that country's accounting profession has changed dramatically in the past decade, a period when GDP growth rates of 8% and more were the norm. The growth, he adds, isn't restricted to the big firms. "The graduates out of universities are getting hired instantly by the accounting firms," he says. And it's a constant scramble: "The supply is not there."

But economic growth hasn't been the sole driver of the profession's expansion. The national government has pushed ahead with a new tax code and tougher accountability laws in the wake of a 2009 corporate fraud scandal involving more than US\$1 billion. Satyam Computer Services, a large outsourcing firm with numerous Fortune 500 customers, was found to have inflated its revenue and assets over several years, triggering high-level resignations. Not coincidentally, India's profession has seen some robust growth among forensic accountants and fraud examiners.

Other populous South and southeast Asian countries are experiencing similar upswings in accounting services. In the Philippines, a few large domestic firms have emerged alongside the growth of the business process outsourcing sector. Indonesia, for its part, has passed a new public accountants law to allow practitioners educated by foreign private accreditation organizations to gain professional status. Like China, Indonesia is seeking to push the development of domestic firms with new rules that will require partnerships between foreign firms and Indonesian partners.

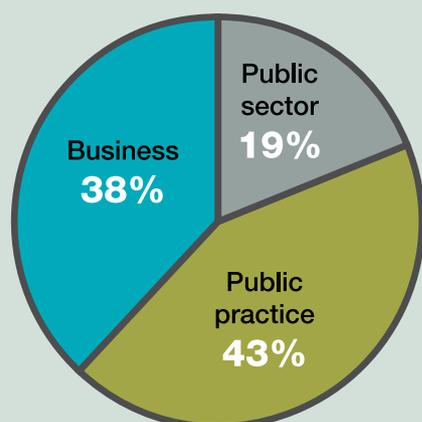
Despite these changes, IFRS conversion in the region has not been uniform. South Korea, for example, has come relatively late to the game, with voluntary adoption in 2009 and a mandatory changeover in 2011. With firms racing to establish IFRS training programs, the Big Four in coming years are expected to win more business among South Korea's listed firms.

LATIN AMERICA

At a time of economic gloom in many parts of the world, business confidence in Latin America is soaring and exceeds that in all other regions, according to a 2011 Grant Thornton study. "If the economic story of the last decade was about the BRICs, these results suggest the next decade will be about Latin America," GT International CEO Ed Nusbaum told the *International Accounting Bulletin* last year.

Brazil, the continent's strongest economy, is hosting both the FIFA World Cup in 2014 and the Summer Olympics in 2016

**Sector breakdown of members at work
(combined institutes worldwide)**



Source: *The Accountant*, February 7, 2012



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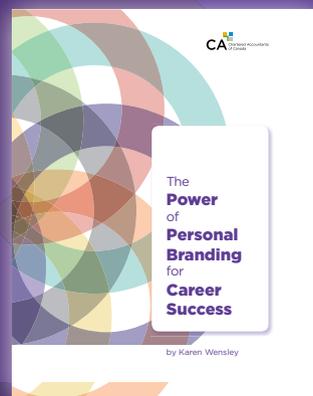
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and has plans to spend more than half a trillion dollars on infrastructure. It is also home to a red-hot resource sector that has attracted billions in foreign direct investment. So it's not surprising that Latin America's powerhouse — with 2.7% growth in 2011, it is now the world's sixth-largest economy — is experiencing unprecedented demand for accounting services. The country's two accounting institutes — Instituto dos Auditores Independentes do Brasil (IBRACON) and Conselho Federal de Contabilidade (CFC) — currently have more than 290,000 members and almost 900 accounting programs are offered at Brazilian universities at the undergraduate and graduate levels. Salary scales have shot up, with two- to three-fold increases not uncommon. Retention is also a big issue. "There are severe shortages down there," says John Gravelle, PricewaterhouseCoopers' mining leader, Americas. "[Accountants] can work as many hours a day as they can on chargeable work."

Like a growing number of CAs working with Bay Street resource firms, KPMG's Ricica has spent a significant amount of time in Brazil, working with his counterparts in KPMG's local operation. Indeed, Ricica recently completed his two-year rotation in Rio de Janeiro, where he was advising Toronto-based mining companies and training Brazilian accountants to service local firms that trade on international exchanges. With the influx of foreign capital, he says, many Brazilian accountants are now acquiring the knowledge and experience to deal with international reporting standards required of major issuers.

Those apprenticeship relations have become a two-way street, with young Latin American accountants coming to work in the Toronto-based mining groups of Big Four firms to learn how to provide services to large publicly traded companies. And they're not just coming from Brazil. Ricica says two Colombian accountants are currently doing a Canadian tour, reflecting the rapid economic growth in a country that was, until just a decade ago, considered one of the world's most dangerous places.

Despite the growth, some Latin American countries are still struggling to reform their legal structures and improve transparency after decades of dictatorships, says Goldman, who points out that Baker Tilly has established strong relationships in Latin America. Brazil adopted IFRS in 2010 and made other key changes in its regulatory framework, such as requiring all firms, both private and public, to submit audited financial statements. According to *The Accountant*, new training opportunities for auditors, especially those serving small and medium-sized firms, were introduced in 2010.

The IFRS transition, and the promulgation of these new rules, has also fed the demand for assurance and audit services, as well as industry accountants. "If you're a highly qualified financial controller," says Ricica, "your market value is extremely high in Brazil right now."

RUSSIA/EASTERN EUROPE

As in Latin America, Canada and Australia, the resources boom in Russia, parts of eastern Europe and central Asian republics such as Kazakhstan has attracted billions in capital investment and spurred the accounting sector. In 2011, according to the *International Accounting Bulletin*, Ernst & Young boosted its recruitment in those regions by a third over the previous year.

Portrait of top two accounting professions

Professional density

US: 0.14%

UK: 0.5%

Student density

US: 0.003%

UK: 0.3%

Gender split

US: 22% F, 78% M

UK: 34% F, 66% M

Student gender split

US: 44% F, 56% M

UK: 46% F, 54% M

Source: *The Accountant*, February 7, 2012

There's plenty of M&A activity and greater demand for consulting services. In Russia, which saw accounting revenue grow by 11% in 2010-2011, second-tier independent firms such as ICG 2K Audit-Business Consulting/Morison International and Mazars have seen their billings jump significantly, even though KPMG, PwC and BDO Russia still dominate.

Despite the growth, eastern Europe's accounting industry continues to be hampered by the lack of a strong capital markets infrastructure. Eastern Europe's only significant stock exchange is in Budapest. The Moscow MICEX exchange, with about 1,400 securities, dominates Russia's capital, derivatives and futures markets, and plans to go public in 2013.

The region's challenges date back to the conversion of state-controlled economies to market systems. After the collapse of the Soviet Bloc in the early 1990s, most central and eastern European countries began pressing for membership in the European Union, a heavily politicized process that involved choosing among various European or even Anglo-American accounting traditions, says Annisette. In some cases, the move away from Soviet-style bookkeeping was driven by aid and monetary requirements imposed by the World Bank and the International Monetary Fund. The EU required IFRS as a condition of membership and most of the former communist states now have professional accounting bodies. Nevertheless, the degree of adoption still varies from country to country, according to a standards scan by PricewaterhouseCoopers.

With the move to market economies and EU membership, the accounting education system began to expand as well, but growth was hampered not only by a lack of experienced instructors but by a dearth of Russian-language accounting textbooks and even translations of international accounting standards. To date, Russia

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still has one of the lowest concentrations of accountants in all the major global economies and has fewer accounting students than does Poland, its much smaller central European neighbour.

The translation issues aren't limited to Russia. Annisette also points out that in countries such as Romania, certain widely accepted principles in Western accounting — e.g., “true and fair view” — didn't translate because of the political baggage of the communist years. In Russia, accountants spent years doing little more than matching output to state planning targets.

In recent years, Russia's audit sector has struggled. According to data collected by the *International Accounting Bulletin*, the post-2008 market for audit services has been “bleak,” with other advisory services picking up the slack. “Although this is positive news,” the bulletin notes, “there is still [a] loss-leading mentality that continues to be a serious and systemic problem.”

AFRICA/MIDDLE EAST

While China's vast demand for raw materials is fueling investment in Africa, the region's emerging economies remain somewhat risky from the perspective of good governance. Goldman says Baker Tilly has recruited many new African practices to its network in the past four or five years, many of them Big Four spin-offs. But they remain careful about expanding into less-stable jurisdictions. “Ideally, we want our footprint to be wherever our clients are,” he says. “But we don't want to be in the Wild West.” Robinson agrees: while Africa is a priority market, “it is still a continent that is seen as more risky than other places.”

Yet the profession has seen growth in many African nations, and some recent developments suggest that sub-Saharan Africa's accounting profession is looking to raise the sector's game. In 2011, the International Federation of Accountants, the World Bank and the African Development Bank assisted in the creation of the Pan African Federation of Accountants, the first regional body, which includes representation from 37 accounting associations. Said to be the first such effort, the federation is meant to promote professional development and raise the sector's visibility.

Some African nations, such as Ghana, have longstanding, well-established accounting institutes, while others, such as Botswana, have moved recently to establish education and certification programs in partnership with international bodies. In Kenya, new accounting laws have sought to bring reform and modernization to the profession, with registration and quality requirements. There's also been a surge in demand for internal auditors, as Kenyan firms promote more such reviews. Financial institutions are also using more forensic auditing services to deal with fraud and money laundering.

In the Middle East and Asia, meanwhile, the rapid (10% to 15%) annual growth of the Sharia-compliant banking sector has become a focus of debate about how to resolve this approach to finance with IFRS standards.

But overall, student enrolments in Africa and the Middle East are just a fraction of those found in Asia and Latin America. South Africa leads the continent, with almost 14,000 student members enrolled in 2012 in programs administered by various accounting certification bodies.

John Lorinc is a freelance writer in Toronto

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As a child, **Jennifer Fiddian-Green** created a detective agency inspired by Nancy Drew. Now she's got the career she was aiming for, leading an 11-person crime-fighting team

By Roberta Staley

Forensic hotshot

JENNIFER FIDDIAN-GREEN SITS ON THE EDGE OF THE FRONT PASSENGER

seat of an unmarked police car while armed officers in bulletproof vests stalk the perimeter of the unlit building. It is just coming up to 6 a.m. In the world of crime, predawn is golden — even crooks are ensconced in sleep, giving police the chance to swoop in for a quick arrest. The men enter the building. At their signal, Fiddian-Green will join them, armed with her own brand of firepower: pencils, clipboard and, most daunting, the calculating intellect of the forensic accountant.

Fiddian-Green has been helping get the bad guys since 1996 when she was seconded for two years to a Royal Canadian Mounted Police Proceeds of Crime unit, probing the schemes of

criminal biker gangs and seemingly ordinary citizens, from executives to fishing-lodge owners. She hasn't looked back. Today, Fiddian-Green leads the 11-member Forensic Accounting Investigative Services Group at Grant Thornton LLP in Toronto, where she is also a partner. It is a prestigious but demanding position and one that is even more impressive when you consider that forensic accounting is still largely a man's game. At a time when half of all graduating CAs are women, there are only 82 women CA-IFA specialists across Canada, compared with 187 men.

Fiddian-Green was recognized for her accomplishments in 2006, one of several young accoun-

photography by LOUIE PALU



About one million corporate frauds are committed in Canada each year. Someone has to slice through this Gordian knot of financial fraud, and few are better than Fiddian-Green

tants under the age of 40 to receive the Institute of Chartered Accountants of Ontario's (ICAO) inaugural Award of Distinction. She was a standout even in this stellar group, says ICAO executive vice-president and chief operating officer Nora Murrant. "There is a whole next set of skills that you have to hone to do this work. You have to pay attention to details, you have to have the personality and you definitely have to be curious."

A keen independence and can-do attitude also fuelled her rise to the top. Growing up in Mississauga, Ont., the oldest of three children, Fiddian-Green watched as her mother struggled to support the family after their father died in a car accident. It pushed Fiddian-Green into the workforce at age 14 as a Zellers cashier and started her thinking about a career with stability. Juxtaposed with this need for security was a precocious inquisitiveness. As a child, Fiddian-Green joined forces with a fellow Nancy Drew detective series fan to create their own sleuthing agency. "I can remember walking around and looking for suspicious activity. It was hours and hours of delight."

After gaining auditing experience and achieving her CA and CMA designations, Fiddian-Green put her sleuthing instincts to work and became one of only a handful of forensic accountants in the RCMP at the time. The landscape changed significantly with the creation of federal legislation such as the Proceeds of Crime (Money Laundering) and Terrorist Financing Act in 2000, which created new information that gave the police and justice system the means to go after criminal profits and helped make forensic accounting a critical part of the anti-fraud toolbox.

Today forensic accountants investigate everything from identity theft, drug smuggling and money laundering to Ponzi schemes, tax evasion and human trafficking, as well as insurance, mortgage, occupational and security fraud. They unravel convoluted financial trails, interview suspects, resolve disputes

and serve as expert witnesses in both civil and criminal court. Fiddian-Green's report for the courts is "often one of the pieces of the puzzle that helps the justice system reach its decision," says the 41-year-old mother of two young boys from her 19th-floor office in Toronto's financial centre.

A forensic accountant can succeed where police have failed. It was accountant Frank Wilson who compiled the evidence to finally put 1920s mobster Alphonse "Scarface" Capone behind bars on the charge of income-tax evasion. The financial scandals of the past few decades — from Livent's cooked books to Bernie Madoff's Ponzi scheme — prove that little has changed in the past 100 years. People still cheat and forensic accountants still put cheats away. The difference is, paper trails and documents have gone digital, crime is international and tools such as Photoshop re-create virtually perfect documents — the red herrings of white-collar crime.

In Canada, about one million corporate frauds are committed each year and money laundering is a multibillion-dollar business. It's impossible to determine an exact number, but the International Monetary Fund estimates the total amount of money being laundered worldwide every year is from 2% to 5% of global gross domestic product — or from \$900 billion to \$2.25 trillion.

Someone has to slice through this Gordian knot of financial fraud — and there are few in Canada better than Fiddian-Green. "Jennifer is a problem solver," says Sandy Boucher, a senior investigator at Grant Thornton in Toronto and a former detective chief inspector with the Royal Hong Kong Police Force, where he investigated murders, burglaries and triad narcotics cases for 12 years. "Her mind looks at problems as puzzles to be solved."

Boucher says the combination of his police skills and Fiddian-Green's accounting smarts makes for a crack investigation team — one that helps fill the gap left by strained police-force budgets. "Take the Toronto Police Service: the average fraud unit has two or three years' worth of backlog of cases. If you take a case to them, the possibility of them having the time to investigate it is quite remote."

This means forensic accountants have become the frontline soldiers in the war against white-collar crime. Recently Fiddian-Green and Boucher looked into a complex case of IT procurement fraud — an increasingly common crime. The corporate scam came to light thanks to a whistleblower. Boucher put his detective skills to work to gain the informant's trust, gleaning enough intelligence for

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Fiddian-Green to follow a spiderweb of company purchase records and uncloak the crime. “In all these millions of megabytes of data, boxes of records and hundreds of people, we’re trying to find the hot spots,” says Boucher. “We’ll interview people and look at accounting records and start to see patterns.” The average case takes six months to a year to complete.

According to Fiddian-Green there are at least two types of fraudsters: those who steal because they need the cash and those who steal for the thrill, thinking they can get away with it. For the latter, the interview is part of a pathological strategy to outwit the system and the forensic expert on the other side of the table. “It’s a game to try to ask the right questions and ask them fairly so that we really get to the truth of what happened. It can be really frustrating and really exhilarating.”

In some cases, hubris will steer a straight path to damning evidence. Fiddian-Green recalls one “substantial fraud” where the majority owner of a hotel chain was being cheated by the minority owner’s family. The alleged fraudster had set up a web page posting pictures of his collection of luxury cars, which ended up being part of the settlement to reimburse the victim.

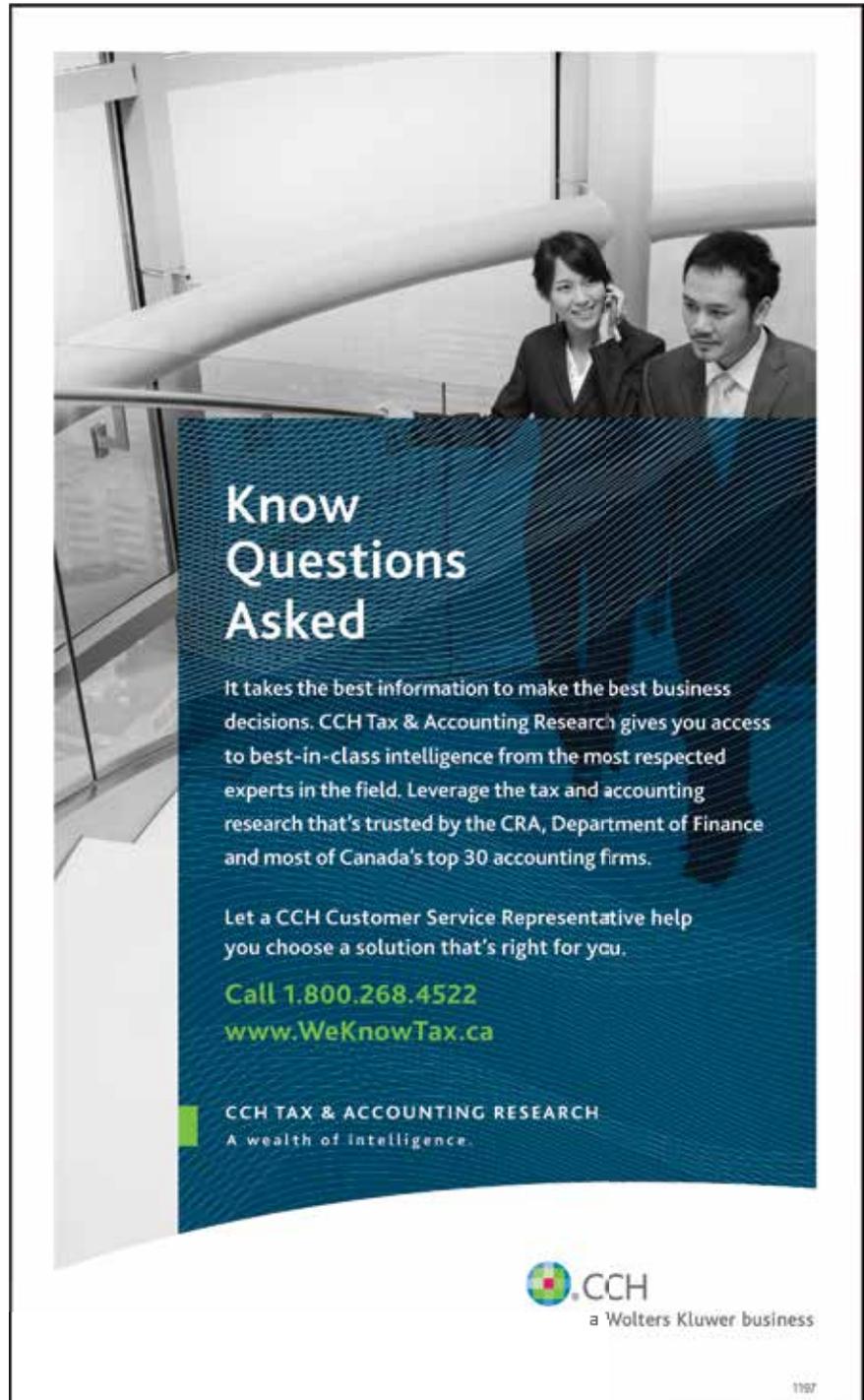
While that fraud was committed out of greed, Fiddian-Green has also dealt with cases based on need. A nonprofit daycare brought her in when \$25,000 went missing and all evidence pointed to an administrator — a cash-strapped single mother. The interview ended with the woman in tears. Remembering the financial struggles her own mom went through, Fiddian-Green helped work out a resolution that allowed the woman to repay the stolen money.

In other cases, justice in any form can be elusive. Fiddian-Green recalls a multi-million-dollar cigarette and liquor smuggling case from 1998. It involved individuals in Ontario and New York State allegedly laundering money on Vancouver Island through a legitimate business. An accountant made two deposits of \$100,000 in cash — delivered in a brown paper bag — at a local bank branch for his client, who owned a deluxe fishing lodge. The bank refused to take a third deposit. (This was shortly before federal legislation made it mandatory for all deposits of \$10,000 and more to be reported to the Financial Transactions and Reports Analysis Centre of Canada.) Both the accountant and the fishing-lodge owner professed ignorance and walked free. “I took professional affront that an accountant would involve

himself in that kind of activity,” says Fiddian-Green. “I do not know whether he had an understanding of the criminal source of the funds. But, if you’re a professional accountant, you’d better be asking the questions to find out.”

It is this overriding sense of fairness and justice that fuels her drive to be a crime fighter with heart. “To be able to contribute to some of these cases; to say that these are the kind of activities we don’t want in society — I feel good about that,” says Fiddian-Green. “People’s lives turn on this.”

Roberta Staley is a freelance writer based in Vancouver



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CAs HAVE THE GOOD LUCK
OF BEING ABLE TO FIND WORK
JUST ABOUT ANYWHERE IN
CANADA. SO WHAT IS IT ABOUT
YOUR TOWN THAT MAKES IT
THE BEST FOR WORK AND PLAY?

Cities

By Lorie Murdoch

that MOVE YOU

Chartered accountants are in the fortunate position of being able to work

in their profession in almost any city or town across the country. Different locations, however, have their own, distinct claims to fame and CAs seek them out according to their interests, expertise and lifestyle expectations. We talked to many in the profession and, accompanied by an online, anonymous, informal survey we prepared, found out what it is about your city that makes you think it's the best place to work, live and play. Our poll asked respondents to tell us in what area they work, whether they believe their compensation is fair and what makes their city outstanding for family, life, entertainment and the profession. Here's what you, the participants, had to say about your urban centres coast to coast.

illustration by MAURICE VELLECOOP

factory. Wood-Tweel admits that many CAs could make more elsewhere and clients may not be as numerous as in larger cities but she stresses that dedicated Haligonians wouldn't trade having their sailboat anchored a mere half-hour from the office for anything.

MONTREAL

Population: 1.6 million; CAs: 2,575

In Montreal, the attraction is culture and proximity to amenities, with 100% saying the city is outstanding for family and for life; 50% praise career-path variety. Both housing and recreation were approved by 80%; compensation was rated to be satisfactory by 60%.

"A diverse cultural and business community attracts CAs here," says Michael O'Leary, regional vice-president at Robert Half International. And, he adds, some of the biggest employers in the city are financial institutions and public auditors.

For Lyne Breton, at Breton Carvalho Accounting Services, it's the mix of European and North American cultures that sets Montreal apart in the business world. "Montreal has a unique vibe in North America," she says. "People here see work as something they should enjoy, and that gives me the opportunity to build strong, lasting relationships with my clients." Plus, one never gets bored living in the city, she says, rhyming off events such as the jazz festival, Just For Laughs Festival and the Grand Prix, not to mention the theaters, visual arts, music and dance centres and of course the outstanding cuisine.

The downside to the city may be the language barrier. "I can see how hard it must be for someone who is not bilingual to move to the city," Breton says. "Although we are known to be very friendly, a lot of people will expect expats to learn French."

OTTAWA

Population: 883,391; CAs: 947

Career options make the nation's capital an outstanding city professionally with a score of 55.6%, and 88.9% said a positive economic outlook makes it best for life.

The city boasts of opportunities in public accounting, public and private businesses, educational institutions, charities, non-

profit organizations and startups. Forty percent of you said you work in the public sector; 40% in public practice at a local firm.

The contrast of government and high technology gives the city two more career dimensions and make it desirable. "It really sets Ottawa apart," says Sarwar Qureshi, staff accountant at Ginsberg Gluzman Fage & Levitz LLP. "It makes Ottawa the political and technology centre of Canada."

Recreation, according to 90% of respondents, makes it outstanding for family living with its many festivals year round, the established arts, theatre and music scenes — plus ice skating on the Rideau Canal in winter.

While Qureshi enjoys the elegant atmosphere of the events put on by the many embassies, the lack of nightlife is a minus. "The downtown core isn't usually very lively in the evenings," he says. "When comparing experiences with Toronto or Montreal, the nightlife in Ottawa is a bit of a drawback."

International culture didn't score very high either, with only 22.2% saying it adds to their professional life.

TORONTO

Population: 2.6 million; CAs: 5,285

In the largest city in our survey, home to the headquarters of the Big Four firms, plus head offices for most banks, many life insurance companies and retailers, nearly half of you — 48.1% — said career paths make Toronto the place to be professionally; 75% said proximity to amenities makes it great for life.

"For the accounting profession as a whole, the most important city in the country is still Toronto," says Perry Jensen, ICAO's director of media relations. "Ontario's capital is always going to be a magnet for CAs looking for career opportunities."

It also offers superior opportunities for independents, such as Phil Cowperthwaite, who want to specialize. Because of the size of the city, "I have more clients here than I could find elsewhere," says Cowperthwaite, a partner in Cowperthwaite Mehta. His firm provides audit services and accounting advice to small businesses, not-for-profits, and about 120 childcare centres in the Greater Toronto Area, and that's when he isn't abroad coaching accountants on the new auditing standards.

The city has "no lack of culture" and "the best" international

More outstanding attractions

HALIFAX

For family: housing 85.7%
Entertainment: restaurants 85.7%

MONTREAL

For work: international culture 50%
Entertainment: events 80%

OTTAWA

For family: culture 80%
Entertainment: galleries & museums 80%

TORONTO

For family: recreation 63%
For life: positive economic outlook 64.3%

WINNIPEG

For family: housing 83.3%
Entertainment: sports 89.5%

SASKATOON

For family: housing 75%
Entertainment: events 75%

EDMONTON

For family: schools 75%
Entertainment: events 85.7%

CALGARY

For family: proximity to amenities 57.1%
Entertainment: events 81.5%

VANCOUVER

For family: culture 68%
For life: proximity to amenities 69.2%

cuisine, he says. However, the city is expensive and difficult to get around in. “The cost of housing is tough and driving in the city sucks,” Cowperthwaite says. “I ride my bike to work.”

WINNIPEG

Population: 663,617; CAs: 1,443

A positive economic outlook was cited by 83.3% of Winnipeg survey respondents as making it the best city for CA life; 62.5% of you think career options make it exceptional professionally, and 57.9% find the compensation competitive.

The “Peg” appears to be going through a re-energization, which is driving the bright outlook. The Winnipeg Jets have returned, the Canadian Museum for Human Rights is under construction; Assiniboine Park — one of the largest urban parks in Canada — is being redeveloped, and there’s a vibrant arts community. A ribbon-cutting ceremony opened a glass-and-steel airport terminal in October 2011, and a new bus corridor that opened in April is the beginning of a more efficient transit system.

“Right now, Winnipeg is experiencing a bit of a renaissance and there is an excitement that the community has not seen in more than 20 years,” says Gary Hannaford, CEO of ICAM.

He explains the city has a very diverse economy with few highs and lows, so the job market is quite stable.

While the area isn’t drawing newly designated CAs from other parts of the country, Hannaford says many are returning from Vancouver, Calgary and Toronto because of the lifestyle it has to offer.

Winnipeg’s worst characteristic may be its bone-chilling windy winters. The average daily temperature in January ranges from -13C to -23C, with an average wind speed of 17km/hour.

SASKATOON

Population: 236,600; CAs: 609

Competitive compensation, a positive economic outlook, schools and restaurants are Saskatoon’s claims to fame for work and play. You said so, giving an unprecedented 100% score to all.

Industries driving the economic optimism in Saskatchewan’s largest city are grains, livestock, and oil and gas. It is headquarters to the world’s largest publicly traded uranium company, Cameco Corp., and the world’s largest potash producer, PotashCorp. Innovation Place, on 80 acres beside the University of Saskatchewan, is one of the most successful university-related research parks in North America, with 130 clients in Saskatoon employing more than 3,300.

Saskatoon may be small, but it offers all the facilities and infrastructure of larger urban areas without the long commute time, says Sue James, ICAS’s communications coordinator. Recently the mining

industry has attracted CAs — BHP Billiton, the international mining, oil and gas giant, is one of the province’s newest CA training offices.

The Big Four — including Ernst & Young, which has been moving to expand its entrepreneurial services practice — all have downtown offices.

However, there can be a downside to the small-town benefits.

“In our business, confidentiality is key and it can sometimes be more difficult [to maintain that] in a small, close-knit business community where everyone knows each other,” says Deloitte partner Shelley Brown. “The annual cold snap in January can be a challenge, too.”

EDMONTON

Population: 812,201; CAs: 1,826

The economic outlook was cited by 87.5% of Edmontonians who responded to the survey as making this the best place to live as a CA. Housing got full marks at 100%, making the Alberta capital exceptional for family life.

Edmonton’s economy is driven by oil and gas services and there aren’t enough people to fill the demand in many areas, says Robert Half International Executive Search managing director Larry Brownoff, who is a chartered accountant. Other evidence that the city is thriving is the continuous improvement and expansion of roads and public transportation.

“The price of a home is dependent on where in the city you

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live,” says Leeann Lim, finance manager of Capital Power Corp. Lim estimates a family home in the city with three bedrooms and two baths is about \$300,000; downtown condos, about \$350,000. “If you choose to live farther away from the core,” she says, “you’ll likely get more bang for your buck.”

Edmonton’s biggest drawback may be its physical size.

“For every 10 people we meet,” says Brownoff, “one of them says he or she isn’t interested in a big city like Edmonton. They want to be 20 minutes from a lake.”

CALGARY

Population: 1,096,833; CAs: 4,558

Canada’s oil and gas capital boasts North America’s fastest growing economy so it is no surprise 89.3% cited the positive economic outlook for making it the best for life; 75% say their competitive compensation makes it a go-to destination for work; recreation got an 83.3% score in the family department.

“Oil and gas, and the energy sector’s growth, ripples through all of their services to all sectors of the economy,” says Brownoff, who spends about three days a month in Calgary.

As far as compensation goes, he says, companies got competitive in 2006 and 2007, and moving from public practice to industry will bump up pay. Of our survey respondents, 40.7% work in industry for an international company.

The five largest industry employers for CAs are Nexen Inc., Talisman Energy Inc., Enbridge Inc., TransCanada Corp. and Suncor Energy Inc., according to the Institute of Chartered Accountants of Alberta’s Oscar Barzilay-Lamers. “Calgary is known for its entrepreneurial nature so there are opportunities in accounting firms, large and small,” he says. “On average, ICAA membership has grown 4% over the past five years.” The Big Four firms employ the most CAs in Calgary overall.

Hundreds of kilometres of river walkways, bike paths, 3,000 parks, the Calgary zoo and a wide variety of events such as the Calgary Stampede and the Calgary International Blues Festival offer families an almost infinite variety of recreation.

The biggest drawback for this city may be its long, cold winter and its isolated location in the middle of a vast prairie.

VANCOUVER

Population: 603,502; CAs: 2,903

Vancouver is all about location: it’s a gateway to Asia, supports a flourishing film industry that contributes more than \$1 billion annually to the provincial economy and employs about 50,000 people, it’s a ferryboat ride from Vancouver Island, and skiers, hikers, bikers, boaters and golfers have access to the best hills, trails, waterways and tees anywhere.

Recreation, at 84%, was the second favourite Vancouver feature — behind restaurants at 88.9%; 80.8% of Vancouverites who answered our survey loved the climate; international culture came in at 60%. Compensation was considered competitive by 48.1%.

“It’s a city that many businesses from the China area come through due to its proximity and because it’s a hub for the mining industry,” says Beverley Pao, audit partner and co-national leader of Deloitte’s Chinese services group.

“I’m able to work with many marketplace players in both the public and private sectors who are actively working with Asia on a daily basis,” she says and points out that the active business centre, with a focus on mining, allows accountants to specialize. Large companies such as Goldcorp Inc., Eldorado Gold Corp., Teck Mining Co. and Pan American Silver Corp. need chartered accountants to do financial analysis and reporting. “We also have huge opportunities for entrepreneurial growth — startups may not need full-time CFOs so [CAs] can take that role for a number of companies,” she says, citing the high-tech and alternative energy companies, junior mining companies and the many retail head offices.

Housing is the city’s biggest detriment, with average prices hovering above \$700,000. At 16%, housing got the lowest score of all the cities in our survey.

Lorie Murdoch is a freelance writer based in Hamilton

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Truth or lie?

When sussing out psychopaths in fraud cases, investigators must remember they are master manipulators

Ontario Court Justice Lesley Baldwin was scathingly blunt when she sentenced Roman Kaziuk to 10 years in prison for fraud, three times the length the Crown had requested. “[He] would rip off the wings of all the angels in heaven and sell them to the devil for his own gain if he could,” she said in January as she admonished the 57-year-old Hamilton native.

Kaziuk, she declared, was “an out-and-out psychopath,” a character assessment the facts seemed to justify. A career fraudster with 69 previous convictions, Kaziuk was in court for having cruelly swindled his 88-year-old mother, Feliksa.

A Type-2 diabetic, Feliksa Kaziuk and her now dead husband had adopted Kaziuk when he was four. They were a hardworking couple who had come to Canada

from Poland not long after the Second World War; he was their only child.

His repayment?

He robbed her of a bountiful nest egg worth more than \$1 million, which included the loss of two condominiums she had owned free and clear of debt. It was a heartless crime that resulted in his mother ending up in a Salvation Army homeless shelter.

“Police report that when they visited her, they had to buy her batteries for her hearing aid so they could communicate with her,” *Sympatico.ca* reported. “She has a hard time eating the right foods to deal with her diabetes. [Kaziuk’s] ability to dupe others even extended to his own lawyer. Peter McPhie reportedly loaned Kaziuk \$20,000 to bury his [supposedly] dead mother and later found out that was a lie. There’s no indication where the money went.”

Kaziuk, who had power of attorney over his moth-



er, was found guilty of fraud over \$5,000 and theft over \$5,000. Those charges don't do justice to the havoc he caused.

The court heard that the son "put unauthorized mortgages on her property for his own use," the *Oakville Beaver* reported. "At the sentencing hearing, Kaziuk agreed that he fraudulently...put a \$98,000 mortgage on her property...in April 2007. He also agreed that in September 2008, he used the power of attorney to place a \$65,000 mortgage against her property."

The consequences for Feliksa were devastating.

"According to the statement she provided to the police on Sept. 17, 2009, she had significant monies in her bank account [over \$1 million]; she had a car and credit cards," Justice Baldwin said in her judgment.

"Due to the actions of the offender, she no longer has a car because he took it. She has no money in her bank account because he took it. She has no credit cards because he took them. As of Sept. 12, 2011, Mrs. Kaziuk was evicted from her Oakville, Ont., condo because of the fraudulent mortgages put on her properties without her consent or knowledge. The banks have seized her condominium units. She has lost everything."

To add insult to injury, Feliksa lost even more after she went into the shelter — some of her clothing was stolen. "She has nothing anymore," said Det. Const. Jeff Springstead, who investigated the case. "[Roman] was directly responsible for driving his mother to being literally penniless."

In her ruling, the *Oakville Beaver* reported, Justice Baldwin noted Kaziuk had previously served jail time in several US states. She found his actions to be worse than those of infamous corporate fraudsters.

"Not even the notorious fraudster Bernie Madoff was guilty of destroying his own mother as Mr. Kaziuk has repeatedly done," she wrote in her report. "I do not need a psychiatric report to conclude that this offender has the characteristics of a psychopath. [He] is incapable of feeling empathy and has no conscience. He has devastated everyone around him."

The accuracy of this nonclinical assessment seems apparent in Kaziuk's response to his crimes. "Kaziuk said he is not responsible for the situation his mother is now in and had enjoyed a great relationship with his adoptive parents who, he said, treated him as though he were their own," the *Oakville Beaver* reported.

In handing down what is likely the longest sentence in Canadian history for fraud and theft over \$5,000, Justice Baldwin wryly remarked, "In jail, this offender will be better off physically than his own mother. He will be sheltered, fed regularly, and kept warm."

Similar to Justice Baldwin's situation, fraud investigators rarely, if ever, have access to psychiatric reports about the suspects and perpetrators they deal with. But many have encountered individuals who seem to warrant being categorized as psychopaths or sociopaths. Because such individuals often operate



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so far outside the boundaries most others take for granted — callously destroying their mother’s life, for example — a fraud investigator needs to understand the signs of psychopathy. If investigators can’t fathom the kind of behaviour displayed by Kaziuk and others like him, they might focus on other suspects. “We can rule out the son because no child would ever do that to his mother,” the thinking might be. If only that were true.

Fraud investigators, of course, are not trained clinicians. Therefore, any amateur assessment of a person’s psychological state should be done with caution and used only as a potentially helpful indicator. Perhaps the greatest advantages of knowing such types of people exist are that it might broaden a list of suspects and help explain behaviour that otherwise might defy explanation.

Generally speaking, psychopaths and sociopaths have somewhat similar traits. There is disagreement as to just how similar they actually are. But for a fraud investigator’s purposes both types of individuals seem to lack a conscience or feelings of guilt or remorse about their negative actions.

Robert D. Hare, coauthor of *Snakes In Suits: When Psychopaths Go To Work*, is an expert on psychopathic characteristics. An emeritus professor of psychology at the University of British Columbia, he is also the president of Darkstone Research Group Ltd., a forensic research and consulting firm. He lists 20 traits of psychopaths, which include: callousness and lack of empathy; glib and superficial charm; pathological lying; cunning and manipulateness; shallow affect (a favourite term of detective Bobby Goren in *Law and Order: Criminal Intent*, it means superficial emotional responsiveness, such as not being upset in situations where most others would be); sexual promiscuity; juvenile delinquency and failure to accept responsibility for actions.

Sociopathy, Hare says, is not a formal psychiatric condition. “It refers to patterns of attitudes and behaviors that are considered antisocial and criminal by society at large, but are seen as normal or necessary by the subculture or social environment in which they developed,” he writes. “Sociopaths may have a well-developed conscience and a normal capacity for empathy, guilt and loyalty, but their sense of right and wrong is based on the norms and expectations of their subculture or group. Many criminals might be described as sociopaths.”

Psychopaths, on the other hand, suffer from a personality disorder, he says. “They are without conscience and incapable of empathy, guilt or loyalty to anyone but themselves.”

Or, as one joke tackles the difference between the two: a psychopath thinks $2+2=5$ rather than $2+2=4$. A sociopath knows $2+2=4$, but hates to admit it.

Obviously, not all fraudsters are psychopaths. Those who are, however, can be difficult to detect, especially when being considered for employment. “Psychopaths invest energy in creating and maintaining a façade that facilitates their careers,” Hare told *Fraud Magazine*, a publication of the Association of Certified Fraud Examiners. “During the hiring process they convince

decision-makers of their unique talents and abilities — albeit based upon lies and distortion. Executives are always looking for the best and brightest ... but there are not that many from which to choose. As times goes on, the psychopath will continue to manage this positive reputation for as long as it is useful to him or her. Executives view themselves as good judges of people, and few want to be told that they were wrong about something as basic as honesty and integrity. This aspect of human nature works in favor of the psychopath.”

Because fraud investigators are not experts on psychopathy, they need to rely on gut instincts when interviewing a suspect who could have a psychopathic personality disorder. Like detective Goren, they should not just review the facts of a case but the emotional responses, or lack thereof, of a person of interest.

“The emotional life of psychopaths lacks the range and depth found in most individuals,” Hare told *Fraud*. “It often is described as shallow and barren, consisting mostly of ‘proto-emotions,’ somewhat primitive responses associated with their own needs and experiences. Their displays of anger, hostility, envy and response to frustration are likely to be much more intense and genuine than their feelings of empathy, love, shame and sorrow.

Psychopaths and sociopaths have somewhat similar traits.

For a fraud investigator’s purposes both seem to lack a conscience or guilt or remorse about their actions

While at times they may appear cold and unemotional, they are prone to dramatic, shallow, and short-lived displays of feeling. They are able to mimic emotions rather convincingly, but an astute observer may be left with the impression that they are playacting and that little is going on below the surface.”

This information can be helpful during an interview. If investigators wonder if the person across the desk could potentially be a psychopath then it might influence some of their questions. In addition to asking factual-based questions, they might include some to elicit emotional responses, to assess whether they seem genuine. Questions such as, what did you feel when you heard the company had been defrauded? What kind of a person do you think could defraud his or her company? What do you think should be done to the fraudster when caught?

During an interview it’s important to pay attention to how a person is communicating, not just his or her words. “Traditionally, experts tend to agree that nonverbal communication itself carries the impact of a message,” writes Roy Berko in his 2007 book, *Communicating: A Social and Career Focus*. “The figure most cited to support this claim is the estimate that 93% of all meaning in a social situation comes from nonverbal information, while only 7% comes from verbal information. The figure is deceiving, however. It is based on two 1976 studies that compared vocal cues with facial cues. While other studies have not supported the 93%, it is agreed that both children and adults rely more on nonverbal cues than on verbal cues in interpreting the messages of others.”

This means that a person's affect probably tells you a lot more than his or her words. If, for example, someone says "I was really upset" in a monotone voice that displays no genuine emotion, it should catch your attention. It's critical, however, to emphasize that there could be reasons for the tone of the response that have nothing to do with the question or the matter at hand. The person could be distracted by personal issues that dwarf the importance of the fraud investigation. A red flag? Yes. Evidence he or she is possibly a psychopath? That's a big leap.

Justice Baldwin found Kaziuk more contemptible than Madoff, who ran a US\$50-billion Ponzi scheme. Madoff, too, has been psychologically assessed, including by Gregg McCrary, a former special agent with the FBI who spent years constructing criminal behavioural profiles.

"Mr. McCrary cautions that he has never met Mr. Madoff, so he can't make a diagnosis," the *New York Times* reported, "but he says Mr. Madoff appears to share many of the destructive traits typically seen in a psychopath. That is why, he says, so many who came into contact with Mr. Madoff have been left reeling and in confusion about his motives. 'People like him become sort of like chameleons. They are very good at impression management,' Mr. McCrary says. 'They manage the impression you receive of them. They know what people want, and they give it to them.'"

Although it can be helpful to try to suss out psychopaths in a fraud investigation, it's important to keep in mind that many of these individuals are incredibly adept at manipulation. Paul Babiak, coauthor of *Snakes in Suits*, cautions against putting too much emphasis on the diagnosis. "If the client is highly psychopathic, the odds are that some form of corporate misbehavior, perhaps fraud, is underway, but hidden from view," he told *Fraud*. "If inconsistencies and improprieties begin to surface, it is important that the examiner's focus remain on the facts of each case, as the psychopath will try to distract him or her through flattery, misdirection, questioning the examiner's competence or authority to investigate, and so forth."

Like magicians, most psychopaths have learned the art of distraction. That's another trait to add to the list. If you enter an interview convinced the person is guilty and leave wanting to take the person out to dinner, maybe that's another red flag to consider.

Are psychopathic liars that good? Just ask *Seinfeld's* George Costanza: "It's not a lie if you believe it."

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Automating audits

When it comes to automation, there are some pitfalls to the process, but in the long run there is a payoff



With reformatted audit standards and changes in accounting frameworks to contend with, auditors of small and medium-sized entities (SME) in Canada are facing some challenging times. These changes are occurring at the same time as those happening in sales tax, personal and corporate income tax rules, along with sweeping reviews of those in the charity and not-for-profit sectors in Canada.

Many see this increase in complexity weighing disproportionately on smaller accounting practices, making it more expensive and less efficient for auditors to add credibility to their SME clients' financial statements.

However, there have been significant advances in technology that make coping with change easier — social networking, cloud computing and powerful yet affordable application software can all make audits more efficient. These tools reduce file assembly time, increase

compliance with firm and engagement level quality control, and make the change-management process easier.

Boosting engagement efficiency

Much of the physical output of auditing is very similar in a firm from file to file.

- The same checklists are often used.
- Each practitioner typically uses a common file structure for their engagements.
- Auditors' love of checklists means files typically contain many forms.

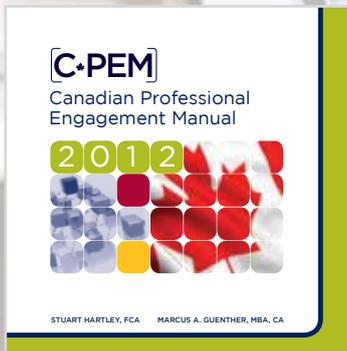
In addition, common spreadsheet, word processing and database platforms allow for seamless data sharing. This can make rapid data sharing between auditors and clients, and between audit files, painless.

None of these features is new, but many auditors are not using them to maximum advantage. Just a few easy-to-implement suggestions can significantly increase the efficiency of every audit of a micro-entity.

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Example: engagement management and planning

For each month's upcoming micro-entity engagements, use commercially available software to do the following:

- roll forward last year's electronic file (usually takes two minutes or less for each file);
- call or email the client to discuss timing and if there were significant events/changes over the past year (takes approximately 10 minutes);
- if there were no significant events/changes, email an engagement letter, an audit strategy letter and a list of the material you will need when you visit the client to do the audit (all these documents should have been already prepared as part of the file roll forward); this takes approximately 10 minutes.

Total time: about 20 minutes, plus two minutes per electronic file roll forward.

Example: engagement processing and assembly

Once your audit working paper file has been rolled forward electronically ask your client to email you a trial balance in a format that you can import into your file; and import the data and prepare a draft statement for the client.

Assuming you have already mapped the trial balance in the prior year and the client has no wholesale changes in his or her account numbers and composition, this process should not be time consuming.

In this case, mapping refers to establishing a code whereby each client account is assigned one set of standardized numbers that, in turn, can be used to group like accounts for financial statement preparation and other purposes. Mapping enables the practitioner to standardize preparation of documents such as lead-sheets, analytical review schedules and, most importantly, financial statements.

Total time: about 30 minutes or less.

If any changes to note disclosure are required copy and paste new notes from pre-written notes saved in your master file; email proposed drafts to the client; and note that statements at this stage are solely the client's, as they are based on unaudited numbers.

Only a minimal amount of up-front time is needed to prepare for the audit engagement.

Fieldwork phase

An automated audit of a micro-entity might go as follows: arrive at the client's with the rolled-forward audit file and draft statements on your notebook. After an initial discussion, update your rolled-forward schedules documenting your knowledge of the client's business for any industry, environment and entity changes, and your documentation of controls relevant to financial reporting.

If you use pre-established engagement and performance materiality levels numbers (e.g., a fixed percentage of revenue), have the calculations programmed based on the imported trial balance.

Review the preliminary analytical review based on the draft statements. The numerical analysis should be automatically generated in a preprogrammed working paper based on the mapping in the file and developed in prior years.

Review account analyses (e.g., yield and other key ratio analytics, such as gross profit percentage), all of which should also

be in a preprogrammed working paper developed in a prior year.

Print all confirmations required (bank accounts, investments, receivables, grants, loans) at your client's office and have him or her sign them on the spot for mailing back at the office.

Complete this year's engagement checklists, which should be in the file in electronic form as part of the file roll-forward process.

Write management letter points as they arise in this year's template (e.g., general observations, potential issues, recommendations). Review comments with the client on site.

Forming an opinion phase

Automation benefits continue after the fieldwork has been completed, making communication with your clients, among other tasks, lightning quick.

- Review the post-fieldwork analytical review. The numerical analysis should again be automatically generated in a preprogrammed working paper developed in prior years.
- Email the adjusted trial balance, audit adjustments, amended draft statements and the management letter to your client.
- Email the letter of representation and an updated audit summary document, both of which have been previously prepared as part of the file roll-forward.
- Email the interim fee billing.
- Email or mail a copy of the final financial statements and a bill once the appropriate person has accepted responsibility for the statements.

The above assumes you are using an audit file application program and have taken time up front to standardize data fields across all your client files. Client names and address fields, year-end, and other dates and standard documentation can be programmed into a master file containing individual master copies of correspondence, planning lists and other items.

These master documents can then be copied into specific engagement files year after year. No more needs to be done unless client-specific changes are required to comply with professional standards. Firm-wide standardization is essential if you want to maximize efficiency with automation.

Increasing audit quality

Automating your micro-entity audit practice is an opportunity to improve audit quality at both individual engagement and firm-wide levels. If you set up a firm-wide standard engagement template for every phase of the audit, you can then help ensure that all phases have been completed in every audit. Checklists customized by your firm can be updated as needed and rolled into individual engagement files at the beginning of every engagement. This will make the process of change as painless and efficient as possible.

File automation can significantly increase quality at the engagement level. If you import data from one application program to another, manual data-conversion errors will be eliminated. Grouping and arithmetical errors can also be minimized if you aggressively use the mapping feature available in most automated audit software programs.

However, be cautious — ensure that schedules programmed in prior years are updated for this year's inevitable changes in accounts. As every audit is unique, every file needs to be custom-

ized. The generic firm template is a good start, but it's only a start. Customization for industry peculiarities, internal control specifics and the changes required for unique client characteristics are as essential as fully automating the underlying file structure.

Be smart about automation

There are a number of cautions to heed before embarking on even a modest automation project.

Be realistic. The initial automation process will likely take longer than you think. Patience and understanding that once complete the rewards far outweigh the costs are required. Choose a method that fits your firm. For example, while many practitioners use in-house resources to automate, many outsource a total firm automation overhaul. Regardless of how the project is executed, the result of automation is always worth the effort.

Spend time up front to get it right. One gram of planning is worth a kilo in back-end effort. A tiny error in your template may require you to re-import everything to fix each engagement file. It is hard to get it entirely right the first time in any mass change project. However, getting it as correct as you can is essential.

Aim for consistency. While every audit is unique, standardized templates for analytical schedules, financial statements, statement mapping and file indexing all negate the need to reinvent the wheel for every micro-entity audit engagement. To determine if a standardized template is possible, consider this

guideline: if you have to do something twice, you can probably save time by preparing a programmable template the first time.

Know more about the technology you use than your staff. This is more than just a lofty goal. What if your designated audit-software guru leaves? Who will fix the sort table that no longer works? Who will fix the addition check function so you don't have to spend hours adding multicolumn statements? If you run a small office and are going to pick up some new software, you owe it to yourself and your staff to figure out its capabilities and drawbacks. Only then can you fully understand how best to use it in a manner that suits you and your client base. Direct knowledge is essential when crafting efficient micro-entity audits.

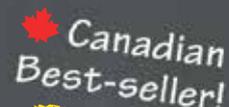
Summary

Automation of your practice is an exacting process. It requires organization, a significant time commitment from senior members of your firm and project-management skills. You need to be persistent and willing to focus intensely during the conversion period. If you have the patience and discipline to make it happen, automation will pay off over the long term many times over.

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

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

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Extend yourself

If meeting and greeting new contacts sends you cowering in fear, remember — it's all about the relationship



Donna was thrilled to be promoted to the position of manager at her accounting firm. She was eager to take on the responsibilities and challenges her new role presented, except for one — the business development expectations of Donna's new position would require her to do more networking. And although she had readily agreed to this task, the idea of putting herself on the line to look for and make contacts filled her with dread.

Many of us can relate to Donna. The mere mention of a networking event can cause some people to break out in a cold sweat. And let's be honest, it can be daunting to approach a stranger when we don't know how. Even the most confident and seasoned businessperson can be intimidated when he or she enters the arena unprepared.

Despite our fears, networking remains a fundamental and necessary skill for those in business. Certainly, tech-

nology has altered the way we network. Facebook, Twitter, LinkedIn and other social-networking sites are excellent vehicles to connect personally and professionally. But the fact remains that nothing can, or should, replace a firm handshake and face-to-face interaction. Traditional networking has the potential to build personal rapport in a way that social networking cannot.

Donna was a savvy businesswoman. Despite her initial reluctance, with practical help and guidance from her coach, she developed key points to keep her networking goals on track.

Here are a number of tactics that emboldened Donna.

Make it about them, not about you

Donna learned that networking, at its essence, is not about selling. It is about figuring out what you can do for others and not about what they can do for you. The more you give, the stronger your network.

Although Donna's ultimate goal for her networking

was professional in nature, she first had to connect on a human level. That was something she could do well.

When she met someone at a networking event, rather than talk about herself and what she does, Donna asked that person questions about what he or she does. This allowed her space to listen and identify that person's interests, passions, what excites and drives him or her. It also gave her the information she needed to determine if she might be able to help. She also freely gave advice in response to their accounting concerns and issues. Yes — free advice. She found that most people she met eventually asked about her. Donna then could discuss where their interests and objectives aligned or intersected.

Have a concise elevator pitch ready

Previously, Donna had thought of networking as an arm-twisting exercise. She envisioned that she would need to get out there and make backslapping sales pitches. However, the foundation of good networking is building relationships. The better the quality of the relationships, the more leverage you'll receive from your networks.

Donna's coach reminded her that she is a technically deep accountant who provides excellent client service and that people like her and trust her. Now, when people ask what she does she tells them that, through a well-thought-out pitch.

It is essential to have an answer to the simple question, "What do you do?" The answer is your elevator speech, a short and interesting statement (no more than 15 to 20 seconds) that captures the essence of what you do and invites a followup question.

With the coach's help, Donna developed a simple elevator speech and rehearsed it so it was on the tip of her tongue: "I am a manager at a large accounting firm. I am a trusted adviser to my clients and provide them with solutions to their technical accounting issues."

When she went to a dinner party and the man in the seat next to her asked her what she did, her elevator speech was ready.

Ask great questions

Most of us dread "dead air," or silence. But creating engaging conversations becomes easier when you ask great open-ended questions. Donna was nervous about coming up with questions on the spot, so she spent one session working on how to ask powerful questions — ones that began with "how," "why" or "tell me more about." These types of questions were designed to elicit meaningful answers. She had open-ended questions prepared ahead of time, which took a lot of pressure off her.

Take a break if you need one

Even the most gregarious extrovert might find endless conversations with people they've just met a little exhausting. In such instances, Donna gave herself permission to take a break when she needed one.

If you're talking with a new contact and find your interest waning, excuse yourself politely and get a drink or go for a walk.

If need be, you can catch up with that individual later on with renewed vigour.

Be organized

With her networking activity on the rise, Donna found she was having a hard time keeping her connections straight. But a few organizational techniques and tools helped her with this: she carried up-to-date business cards to hand out; she developed a tracking system for people she met; she wrote notes as memory joggers on the back of cards she received; and she kept a diary, making reference notes, of the events she attended.

Follow up

Always follow up with new contacts and referrals. It demonstrates interest and professionalism. After the initial followup, schedule a meeting over coffee or lunch. Donna used her outlook calendar to remind her to follow up and set up coffee meetings.

Connect online

In addition, Donna explored alternative ways to connect.

Once a relationship is established, liaise with your contact

The potential to network is all around you. Events designed to make connections are useful, but they aren't the only opportunities. It doesn't matter where you are

via business-related online networks such as LinkedIn. These sites are excellent tools to help develop and maintain the connections made through traditional networking means.

Get involved in the community

Consider joining a charitable organization's board, where you will be required to fundraise and attend events. That will naturally expand your network and can be more comfortable for people since the networking has a purpose.

Network building can happen anywhere. It's important to realize that the potential to network is all around you. Although events specifically designed to make connections are useful, they aren't the only networking opportunities out there. It doesn't really matter where you are — work functions, sports organizations, on an airplane or at a coffee shop, anywhere you have the opportunity to interact and connect with another human being is an opportunity to grow your network.

With an established and extensive network, Donna now helps others at her firm develop their own networks. She has even branched out to join the board of a charitable organization.

"Don't make it more complicated than it needs to be," she says. "And most importantly, develop the skills that will conquer your fears."

Sandra Oliver is an executive coach and owner of IMPACT, a global coaching firm. She is also *CAMagazine's* technical editor for People Management (sandra@impactconsultinginc.com)

No way out?

When it comes to tax matters and mistakes, the question is, can a taxpayer fix the error?

Under Canadian law, taxpayers are taxed on their actual legal relationships and transactions, not on what they intend those to be. In an appeal of a tax assessment, the tax court determines the correctness of the assessment and not its fairness or appropriateness.

However, because taxpayers make mistakes, a question arises as to how, if at all, a taxpayer can fix mistakes that have produced an unintended tax result.

One solution is to seek a rectification order, which is an equitable remedy granted by a provincial superior court that can retroactively correct mistakes in documents that don't accord with the parties' agreement. However, a court will generally only grant rectification where the applicant can show that the parties to an agreement had a common and continuing intention, and that the written instrument does not reflect the true agreement of the parties.

A document rectified by the court must be respected by the Canada Revenue Agency (CRA) and the Tax Court for tax purposes (see *Dale v. The Queen* [2000 DTC 6579] and *Sussex Square Apartments Ltd. v. The Queen* [2000 DTC 6548]).

The use of rectification orders to correct mistakes in tax matters has become more common since the groundbreaking decision in *Juliar v. Canada* (A.G.) (2000 D.T.C. 6589 (Ont. C.A.), aff'g 99 DTC 5743 (Ont. S.C.), leave to appeal to Supreme Court denied), in which the court rectified a share-transfer document that had resulted in unintended and adverse tax consequences (see Lewy et al., "Making amends," *CAmagazine*, January-February 2002).

In the decade since *Juliar*, court decisions have yielded fair and helpful results for fixing mistakes.

General principles

The general principles that arise from *Juliar* and subsequent cases are:

- the courts may rectify where satisfied that a document does not reflect the parties' intentions;
- the parties may enter into transactions to avoid tax if they legitimately can;
- a mistake in a document legitimately designed to avoid tax can be rectified;
- a court will not refuse rectification because tax authorities would thereby be deprived of an accidental or unexpected windfall;
- rectification need not be refused because the sole purpose of seeking it is to enable parties to obtain a legitimate tax advantage, which was intended when the document was executed; and
- the courts must use their power to order rectification with great caution and only where the parties have adduced convincing proof of the parties' intentions. However, the courts will not apply rectification if the taxpayer is attempting retroactive tax planning (see *771225 Ontario Inc. et al. v. Bramco Holdings Co. Ltd. et al.* (1994), 17 O.R. (3d) 571 (General Division); aff'd (1995), 21 O.R. (3d) 739 (C.A.)).

Since *Juliar*, the courts in common-law provinces have rectified various documents, including articles of amalgamation, articles of amendment, an arrangement under the Companies'



Creditors Arrangement Act, corporate resolutions, share transfers, a retirement plan under a collective agreement and trust deeds.

Examples of rectification

In *Snow White Productions Inc. v. PMP Entertainment, Inc. et al* (2004 BCSC 604), the taxpayer sought to rectify a movie production agreement after the CRA ruled that the taxpayer was not eligible for certain federal and provincial film-production tax credits on the basis that the taxpayer did not have copyright in the production and had not contracted directly with the copyright owner. The court found that the parties shared an intention that a certain party was the copyright owner, and that the parties sought to obtain benefits under the applicable tax legislation in respect of the film-production tax credits. The court was satisfied that the agreement should be rectified because it did not reflect the contract that was formed between the parties.

In *Balaz v. Balaz* (Court File No. 05-25/09, 2009 CanLII 17973 (ON SC)), the issue was whether a will created a valid spousal trust for income-tax purposes. It alleged that the trust did not qualify because it included provisions that could confer a benefit on someone other than the spouse. The Ontario Superior Court of Justice found that the deceased taxpayer intended to create a spousal trust that met the requirements of the Income Tax Act. The court held that the problematic language was inserted into the will inadvertently and rectified the will by deleting the impugned language, replacing it with appropriate language.

In *McPeake v. Canada* (A.G.) (2012 BCSC 132), the applicants sought to rectify a trust deed — twice. The taxpayer had established a trust to hold shares of a family computer software company. The CRA had reassessed under subsection 75(2) of the Income Tax Act (attribution of income to the settlor in certain circumstances) to include in his income amounts the taxpayer contended were to be taxed in the hands of the beneficiaries of the trust. After the first successful rectification of the trust deed in 2009, the CRA maintained its assessments against the taxpayer on the basis that there were two additional errors in the trust deed.

In the second rectification application, the court held that there was a specific intention to reduce the tax payable on a share sale by utilizing the capital gains exemption available to each beneficiary. The court was not concerned that the parties were seeking a second rectification. It rectified the trust deed a second time to make it accord with the parties' intentions, namely to correct the trust so that subsection 75(2) did not apply.

Another way to unwind

Additionally, there are recent examples of the courts applying rectification principles to rescind agreements or unwind corporate actions. A common example is where a company has made an excessive capital dividend election resulting from an incorrect calculation or a distribution before an amount is added to the capital dividend account at year-end under paragraph 14(1)(b). In these cases the court may rescind the resolutions declar-

ing the capital dividend or amend the amount of the capital dividend declared.

In respect of corporate combinations, in *TCR Holding Corp. v. Ontario* ((2009), 64 B.L.R. (4th) 139, aff'd 2010 ONCA 233), the unintended result was the potential liability of an amalgamated company because a predecessor company had guaranteed the debt of a bankrupt company. This became a guarantee of the amalgamated company and significant assets were available to satisfy the guarantee. TCR asked the court to apply rectification principles to set aside the amalgamation. The court stated that the parties' intention was to incorporate into the amalgamation a corporation with no liabilities. Accordingly, the court ordered the amalgamation of TCR and the three other companies set aside and authorized and directed the director under the Ontario Business Corporations Act to cancel the certificate of amalgamation.

In the case of *1756215 Ontario Inc. v. 2095417 Ontario Inc.* (2011 ONSC 6597), a dissolution of a company would have had the effect of preventing a civil dispute from being heard on the merits. The parties sought to have the dissolved company revived. The court was satisfied that the dissolution was a mistake and revived the dissolved company.

Since Juliar, the courts in common-law provinces have rectified various documents, including articles of amalgamation and amendment and an arrangement under CCAA

In *Stone's Jewellery Ltd. v. Arora* (2009 ABQB 656), the taxpayers sought to rectify or rescind two transactions involving transfers of land on a taxable basis that resulted in assessments of more than \$6 million in income taxes against them. The court stated that what the parties were seeking was actually a declaration that the contract was void or could be rescinded (in equity). The court was satisfied that the parties had a mistaken belief that the transaction (the land transfer) could be done on a tax-free basis pursuant to section 85 of the Income Tax Act. The court described this as a fundamental mistake that went to the root of the contract, and thus at common law the transfer agreement was *void ab initio*. Consequently, the court stated that title to the land should have been registered in the name of Stone's Jewellery and directed the Registrar of the Land Titles Office to reissue title accordingly.

Obtaining a rectification order

An application for rectification is made to a provincial superior court and it must be accompanied by affidavit evidence from the key parties in the matter. The affidavit must explain the parties' intentions, the mistake, how it was made and by whom. The application should also include a draft court order specifying the relief that is sought.

Typically, the CRA is notified of the rectification application and served with a copy of the materials (although there is some debate about whether such notice is strictly required — see the analysis and decision in *Aim Funds Management Inc. v. Aim Trimark*

Corporate Class Inc., Court File No. 07-CV-346058PD3 (June 10, 2009)). In such situations, the CRA's general policy is to not oppose the application, provided that the amendments are integral to achieving the original intentions of the parties and there is no aggressive or retroactive tax planning. Commonly, regardless of its position, the CRA may seek to be added as a party to the matter (where it has not already been named). Where the CRA does not oppose, it typically provides a letter stating this position, and this "nonopposition" letter is provided to the court. If the CRA does oppose, it will appear at the court hearing and will argue against granting the relief the taxpayer seeks (see *Income Tax Technical News* No. 22, "Rectification Orders" (11 January 2002)).

Rectification in Quebec

Rectification is a common law remedy, and thus it is not known in the French civil law. Yet rectification principles may operate in the interpretation of the Quebec Civil Code. A leading case on rectification in Quebec is a decision of the Quebec Court of Appeal in *Services Environnementaux AES Inc. v. Québec* (2011 QCCA 394). In the case, AES had reorganized its shareholdings in a subsidiary, purportedly on a tax-deferred basis. AES and its professional advisers believed the adjusted cost base of the subject shares was \$1.2 million. However, they later discovered that the actual cost base was \$96,000, with the result that AES was assessed for a taxable capital gain of \$840,000 on the shares.

AES sought to rectify the share exchange documents to show the correct adjusted cost base. The parties intended that the share exchange be completed on a rollover basis with no immediate tax consequences. The Quebec Court of Appeal stated that rectification is not a doctrine known in Quebec law. However, the court said the Quebec Civil Code contains all the tools required to allow a Quebec superior court to give effect to the parties' intention where a written document does not reflect that intention. The court held that the agreement did not reflect the parties' intent, and it rectified the agreement to reflect the correct adjusted cost base.

The Quebec Court of Appeal also applied this reasoning in the subsequent case of *Riopel v. Canada Revenue Agency* (2011 QCCA 954).

The Supreme Court of Canada has granted leave to appeal in both AES and Riopel and the hearing of these matters has been tentatively scheduled for November 2012.

Other relief

In addition to rectification and rescission, taxpayers who suffer unintended tax consequences may seek declaratory relief from a superior court of justice.

In *Alan Orman and Gerald L. Freed v. Marnat Inc. et al.* (2012 ONSC 549), the applicants sought to rectify the financial statements and tax returns of two companies that had invested (and lost) money in a US Ponzi scheme. From 1998 to 2004, the applicants, Orman and Freed (via two companies owned by them), unwittingly invested more than \$2.2 million each in the scheme. The applicants received what they believed were amounts on

account of interest from the investments. The Ponzi scheme was discovered in 2005.

Orman lost approximately US\$512,000 in capital and also paid approximately \$551,000 in income taxes on the Ponzi scheme distributions. Freed lost approximately US\$388,000 in capital and paid approximately \$654,000 in income taxes on the Ponzi scheme distributions.

The Ontario Superior Court of Justice dismissed the application for rectification on the basis that the applicants' intent at the time of preparing the financial statements and tax returns was that the corporations were in receipt of investment income and Orman and Freed were in receipt of salary and investment income from their respective companies. According to the court, the parties' intent was correctly recorded in the written documents, and, in fact, the applicants were merely mistaken in their belief that they were obligated to pay tax on the Ponzi scheme distributions (there are conflicting authorities on whether distributions from a Ponzi scheme are taxable income).

Interestingly, the court went on to consider the applicants' alternative request for relief, namely for a declaration by the court that the Ponzi scheme distributions were not investment income. On this issue, the court stated that the uncontested evi-

Rectification is a common law remedy and is not known in French civil law. Yet rectification principles may operate in the interpretation of the Quebec Civil Code

dence established, as a fact, that the Ponzi scheme distributions were not investment income but were a return of capital to the unwitting investors. The court was careful to add that it was not pronouncing on the correctness of the CRA's assessment of the tax treatment of the Ponzi scheme distributions. It is unclear at this time how the CRA will give effect, if at all, to the court's declaration on this point. Both parties have appealed this decision to the Ontario Court of Appeal.

Conclusion

It is obvious from the cases in the past decade that it is of paramount importance to make the parties' intentions clear in respect of the intended tax results. That will make it significantly easier to obtain relief from unintended tax consequences, should such results arise.

Since Juliar, the doctrines of rectification and rescission have provided a useful method to deal with the CRA when there are unintended tax consequences to transactions. The doctrines are also useful methods to help tax professionals (and their insurers) when the adviser makes an error that produces unintended tax results.

Timothy Fitzsimmons is an associate and Jules Lewy is partner with Fraser Milner Casgrain LLP in Toronto

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

Seven steps to success

Project management requires certain skills and resources that are crucial to the success of a project

Success factors	
FACTORS	OBJECTIVE
1 Comprehensive assessment of the project's scope	Help control costs and deadlines
2 Sound risk management	Anticipate new issues and implement corrective actions
3 Thorough resource evaluation	Prepare a realistic budget and determine the material and human resources required for the project
4 Support from management	Obtain the required funds and meet the business needs of the organization
5 Accountability and governance	Empower project stakeholders and key participants
6 Project manager selection	Orchestrate the project's execution from start to finish and ensure effective communication
7 Change management	Operationalize deliverables

Project management might be defined as prioritizing, scheduling, performing and supervising activities within resource constraints to produce deliverables by agreed deadlines. To some this type of management may appear to be no different than day-to-day management. But this perception is wrong and can cause many projects in progress to derail or be abandoned.

First, unlike operations management, project management is subject to a predetermined time frame and requires specific human and material resources. Second, carrying out a project and managing operations involve different risks. And third, the deployment of new solutions requires change-management skills that are crucial to the success of a project. These skills make it possible to implement and operationalize solutions, processes and tools, and help users manage them.

To ensure a successful project, seven project management factors are recommended.

Comprehensive assessment of the project's scope

When identifying needs and determining the scope of the project, control mechanisms must be implemented to ensure the project runs efficiently. Changes have a direct impact on costs and schedule. Generally, project managers control costs and schedules effectively, but assessment of the project's scope is often incorrect from the outset. All too often, changes are allowed during the project's execution, which result in the delivery of incomplete solutions or solutions that no longer meet the organization's needs.

Sound risk management

This consists of detecting potential project risks and analyzing how they affect various stakeholders. Risk analysis should cover both qualitative and quantitative aspects.

During the qualitative analysis, risk-prevention priorities are ranked in order of criticality so preventive actions can be implemented. This ranking is based on probabilities and their impact, in the event the identified risk materializes. The risk analysis should be updated regularly to reflect project developments as accurately as possible.

The quantitative analysis supports the qualitative analysis by recommending the rating scales that should be used. This analysis focuses more on technical aspects and uses tools such as decision trees to simulate and quantify the results of risk analyses. Similar to the qualitative analysis, the quantitative analysis factors in such elements as the organizational process, knowledge of technologies used, the success of similar projects, and the amounts set aside for contingencies, etc. Sound risk management will strengthen project control by making it easier to foresee potential issues and problems and the action plans required to mitigate risks.

Thorough resource evaluation

A thorough evaluation of the resources that will be assigned to the project is another key success factor. When evaluating human, material and financial resources, special consideration should be given to the following:

- the environmental analysis: this covers an organization's cultural and structural elements, its regulatory environment, and collective agreements, etc. It is used to better plan the resources needed to complete the project, while considering regulations, the context in which the project is to be carried out, resource performance and past projects completed in similar environments.
- the list of activities: this identifies all planned activities, tasks and milestones tied to the project. Indirect activities should be excluded from this list, so the various activities can be effectively assigned to project-related resources based on their availability.
- human resource management: this defines the roles and responsibilities of each key team member and the project stakeholders. It explains each role, prevents confusion and promotes greater accountability. Some elements that should be considered include the organizational units that will be involved in the project; the expertise and skills required for each key position; the appropriate structure for effectively managing interpersonal problems to create a working atmosphere conducive to individual development; and monitoring the project team's performance in order to react quickly and make corrections aimed at sustaining or increasing the productivity level.
- material resource management: feasibility studies also need to be planned so required equipment can be purchased. Often equipment and materials are purchased too early, resulting in expensive tools being mothballed for failing to meet needs.
- financial resource management: this is often a major constraint because it does not meet the expectations of internal or external clients. Setting up a thorough budget-estimation process based on resource evaluation, time frames, and all internal and external factors and constraints that could impede the project is highly recommended. The budget and any changes to it must be duly approved by management. Furthermore, changes should only be accepted if they do not jeopardize the scope of the project or the resources required for its viability.

Support from management

Projects are rarely completed without management and stakeholder support. Support helps justify the decisions made during the project and fosters acceptance by all stakeholders. Without a

formal decision-making process, it may be difficult to establish priorities and a lack of resources or budget cuts may ensue.

Accountability and governance

Communication with all stakeholders about developments is a must. Accountability means collecting data and describing the issues, risks and problems inherent in delivering a project. Data and information must be analyzed so performance indicators can be created and sent to executives on various corporate committees in the form of scorecards and progress reports. These indicators show the resource-productivity levels required to reach set targets and must include information about the project's scope, schedule, cost, quality, risks and issues. Monitoring performance indicators is essential, since the project is not carried out on a linear basis.

Performance indicators are warning signs that quickly pinpoint risk areas that may prevent achieving the project's objectives. In addition to performance indicators, scorecards and progress reports, setting up a committee to monitor project developments and align itself on the organization's existing governance structure is also recommended.

Project-manager selection

A cornerstone of success, project managers must be skilled in project management, human resource management, financial control and technology, depending on the type of engagement, which can involve anything from engineering and software to technology and more. Project managers must also have excellent communication and leadership skills.

Change management

A project should not be considered completed until the processes, tools and solutions have been integrated into the organization. The change-management approach that seeks to coordinate the deployment and operationalization of deliverables in the organization's business sectors is garnering more attention. Project managers must ensure that a change-management plan is developed in collaboration with stakeholders so new tools and processes, as well as the organizational structure and the solutions to be delivered to users, can be implemented.

Sound change management is based on the principle that users expect and not fear changes inherent in the deployment of deliverables. It is the product of active participation by users and stakeholders throughout the project-development cycle. Their participation is important because it must also result in regular communication with all employees affected by the project. Also, the change-management plan should include a training component and the transfer of knowledge to the enterprise in case the involvement of a large number of external resources is needed.

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AND FINALLY...

HOW THEY DO IT IN...



AUSTRALIA

Like other countries, Australia has had to contend with many factors that are changing the face of the workplace. The continent's aging population, shortage of skilled talent and shrinking number of people entering the labour market have created a perfect storm of challenges for companies that want to nab and hang onto skilled employees.

According to a ManpowerGroup study released this spring, half of Australian employers are having trouble filling important positions in their organizations, and the country is ranked No. 4 out of 41 countries for talent shortages. And of the top 10 jobs most in demand, accounting and finance positions ranked No. 4. With such numbers, it's no wonder the approaching retirement of baby boomers strikes fear in the hearts of employers.

So it should be no surprise that in the land Down Under, it's the "mature" employees who are getting special attention.



The Western Australian government, for example, has come up with one solution: phased retirement. Instead of taking their leftover retirement-party cake and saluting their coworkers before heading out the door forever, older employees in the public sector have the option of gradually reducing their work hours — effectively going into semi-retirement — or changing positions.

Not only does this option stave off a mass exodus, leaving desks empty and seats cold, but it's meant to retain more seasoned employees who can pass on their corporate knowledge and skills to younger employees.

It's all part of the flexible workplace strategy that is increasingly being seen as a cure for the retirement blues (blues, that is, on the employers' part), and which the government is encouraging other employers to adopt as well. Job sharing, working from home and negotiating core hours are all part of a more open retention strategy. Flexible work arrangements aren't just for the young: the government, at least, hopes mature Aussies like it, too.

Yvette Trancoso

Where are they now?



FRESH MOVES

When *CA* magazine first met with Elliot Craig five years ago ("The last hurdle," December 2007), he was at PricewaterhouseCoopers' Hamilton office preparing to write the UFE. He was a little worried about the timing of a move into a new house with his girlfriend two weeks before the exam. The move went

well, he got his designation, and the couple married in 2009.

In January 2010, he left PwC for the internal audit group at Loblaw Cos. Ltd. "I joined the group because I knew it would give me exposure to all areas of the business," says the 28-year-old from his office in a renovated carpet factory in Toronto's trendy Liberty Village. "As part of the

internal audit group I was given the opportunity to manage audits in all aspects of the Loblaw business, ranging from supply chain, pharmacy operations, PC Financial, vendor management and, of course, apparel."

That exposure has paid off. In April, he was appointed director, Joe Fresh finance at the Toronto-based clothing brand that was launched in 2008. "I'm responsible for the financial operations of our US business — all six stores that opened in 2011 and now the J.C. Penney wholesale business," says Craig, who got his CIA and MBA in the past two years. In July, J.C. Penney agreed to carry Joe Fresh apparel in nearly 700 of its stores next spring.

In August, Craig was off to Dallas for the day to meet with the J.C. Penney team. "I've had the opportunity to lead the implementation project," he says. "Usually, I go to New York to visit our locations there. Four are in Manhattan."

During his downtime, Craig can be found on the links. "There is nothing better than a 6:30 tee off on a Saturday morning when the course is empty!"

Lorie Murdoch



STEPHEN BROOKS

Senior vice-president of business operations for the Toronto Blue Jays Baseball Club and the Rogers Centre, Brooks was a huge baseball fan as a kid. “I played and loved the game,” he says. “I didn’t set out to get a job in professional sports, but I liked to think that if I made the right career decisions, luck would work itself out.” Of course, it takes more than luck to become right-hand man to team president Paul Beeston. A University of British Columbia grad, Brooks became a CA in 1997. Prior to working for the Jays, he was a senior manager at Deloitte & Touche, where he gained telecom experience that led to a job at wireless giant — and Jays owner — Rogers. Now, Brooks oversees business operations for the Jays and Rogers Centre, including finances, marketing, human resources, corporate partnerships and the team’s Florida operations. Here’s what’s on and around his desk.

BASEBALLS

“I’ve got a collection of autographed baseballs I’m quite proud of. One of those is Pete Rose. One is Jose Bautista. One is Roberto Alomar. And I have a baseball signed by Paul Beeston, Cito Gaston, Pat Gillick and Robbie Alomar — that’s the most unique. The significance is that it’s the president, manager, only Hall of Fame general manager and only Hall of Fame player of the World Series Championship team.”

CLOCK

“In 1997, I worked with a company in Vancouver called Samoth [a client], and it was the first public offering prospectus deal I’d ever worked on. It was a great learning experience and a fun, interesting client. This clock was a gift at the closing dinner, and I’ve kept that with me over the course of my career.”

BASEBALL BAT

“I have a bat autographed by Omar Vizquel. He plays for us, and I think he’s going to be a Hall of Famer, given the length of his career.”



AUTOGRAPHED PHOTOS

“I have a collection of autographed pictures I’m kind of proud of: one of Gordie Howe and myself — he was a big hero when I was growing up — and a picture with Charlie Sheen. I also have a picture taken in January in

the prime minister’s office, when we took our players on a winter tour. That’s a neat keepsake for me.”

FAMILY PHOTOS

“If there were a fire, I’d grab the picture of my 2 1/2-year-old son, Charlie, in his Blue

Jays gear. He was down on the Blue Jays field on an off day, throwing the ball around, pitching like he’s done it for years. My wife would want to know there’s a picture of me and her on my desk as well — it was taken in the Jays’ dugout with Charlie.”



When scams become business practices

Bankers who artificially set the London Inter-bank Offered Rate, or LIBOR, affecting the value of hundreds of billions of dollars in loans around the world; Visa and MasterCard fined \$7 billion for abusing their dominant position over merchants; HSBC, one of the largest banks in the world, turning out to be a major money-laundering vehicle for drug traffickers in the US; large long-distance charges for calls made abroad appearing on your telephone bill, much to your great surprise — these are events noted this year that have undermined my confidence, and probably yours, in our so-called “free market” system.

The revolution in information technology has led to the spread of massive computerized systems for delivering goods and services on a global scale. Commerce, the delivery of goods and services, is increasingly being managed by these large systems whose configuration and control create huge opportunities for abuse. By adjusting just one parameter, a company or one of its employees can rake in enormous unjustified profits without clients or customers knowing it.

This one is hard to believe. Many of you are familiar with the currency conversion systems that allow you to pay for your purchases in your currency when traveling outside Canada. “In Canadian or American dollars?” the card machine asks you. These systems, known as Dynamic Currency Conversion, are gold mines. When you choose the currency conversion option, a charge varying from 2% to 3.5% is added to your bill, in addition to the usual foreign-exchange conversion charge. There is no reason for that charge, as no other costs but the foreign-exchange charges are incurred. Why don't merchants tell us that it costs up to 3.5% to convert a purchase into Canadian dollars on the spot instead of doing it at the end of the month when statements are prepared?

But it is not a surprise for all the middlemen who are much in the know and take advantage of the scam, since the 3.5% is ultimately divided up between the merchant, the bank and the credit-card company, which all abuse

our good faith. Will it take a class-action suit to get them to drop the charges?

It is easy to tweak these systems and add a 1% here or a dollar charge there, or to close your eyes to suspicious deals. But most of these systemic abuses are eventually discovered and they can entail significant penalties. The proliferation of these systems and their accompanying risks impose significant governance responsibilities on companies, because they are responsible for the systems they control. Yet, most companies are not well equipped to detect abuses. The president of HSBC probably didn't realize his bank was laundering drug money in the US, a criminal activity.

Small abuses add up. They inflate profits and bonuses and inevitably cheat clients

Ultimately, the board of directors is responsible for ensuring a company's business practices are free of such abuses. Indeed, the complex task of supervising internal governance is one of its main responsibilities.

Directors have to ensure a company's culture and policies set the tone for irreproachable market conduct. In fact, that is the only way to prevent systemic abuse, whether it involves a penny here, 3% there, little secrets left and right. Small abuses add up. They inflate profits and bonuses and inevitably cheat clients.

Systemic abuse can be a major problem. If companies do not establish strict rules, they will multiply, bringing governments to intervene by creating more regulations. Companies will only have themselves to blame. Directors have a duty to make sure companies take steps to maintain the integrity of their business practices, that clients are always well informed and that their interests take priority. As for the auditors who review a company's systems, they too are responsible for informing directors of the weaknesses that may create opportunities for abuses.

Marcel Côté is strategic adviser, KPMG SECOR, Montreal

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