

CA

magazine

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IT IS STILL A FOGGY CONCEPT to some, but getting on the cloud
will be the computing equivalent of joining the electricity grid P. 26

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Director of Tax

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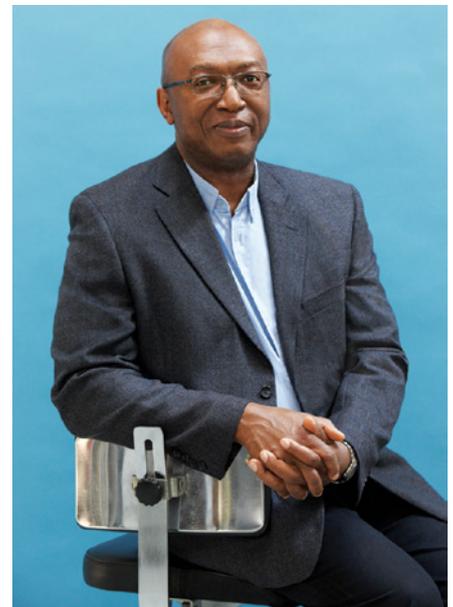


It's not cloudy anymore

What's up with the cloud and 10 other pressing information technology issues facing the profession

When someone talks about joining “the cloud” are you puzzled? If you have seen ads about the cloud on television, you will know that it has something to do with computers, but what? Is it useful for CAs? As part of our annual special issue on IT, CA-IT Dwayne Bragonier answers all the questions a CA might have about the cloud: what it is, what it does and what it means for the future (“Still foggy on cloud computing?” p. 26).

Bragonier believes the cloud is a major step in the evolution of the Internet and compares it to the moment in history when electricity became available to a mass market. “Being connected to the computing grid [via the Internet] and working in the cloud is the equivalent of being connected to the electricity grid and turning on the lights,” he writes. “Cloud service providers, then, are the equivalent of utility companies that provide the service of electricity directly to your doorstep ... allowing the cloud to deliver services puts you in complete control and means you no longer have to purchase traditional servers or operating systems. Instead, you essentially allow cyberspace to deliver the capabilities you want.” Find out in this fascinating piece how CAs can take advantage of the cloud.



What are the most pressing IT issues facing the CA profession? The CICA's Information Technology Advisory Committee conducts an annual survey that looks into this and we publish it as part of our IT issue. Top of the list are matters such as information management and data integrity; legislation, regulations and compliance; new and emerging technologies; and information skills or resources. The survey was made up of 15 questions on a number of issues. The respondents were required to select and rank their top 10. You can examine the report in detail in “The top ten tech issues,” on p. 20.

Your favourite columnists are in this issue, doing what they do best. Jim Carroll writes about his experiences in the cloud in “My journey through the cloud,” (p. 12). “Without a doubt,” he writes, “cloud computing has played a huge role in the design, reliability and speed of my website.”

In Outlook, Marcel Côté examines a political issue: the Harper government's decision to reform the Senate by proposing elections for senators. He doesn't think this is a good idea because elected senators will interfere with the legislative process. “Why do we want to create such problems?” he asks. “Are we that masochistic?”

In this issue we also have regulars on technology, taxation and fraud, and as always, they provide readers with valuable information.

Okey Chigbo, Editor

upfront

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6 PEOPLE

CA Don MacKay blames his eldest son for what he does today. In 1992 while driving to hockey games, his son suggested building a golf course on vacant land along the way. The following year MacKay started the Muskoka Highlands Golf Club. Nineteen years later, he and his three sons are in the golf business

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Every year the CICA's Information Technology Advisory Committee consults with the profession to find out what its greatest technology concerns are. We have the roundup on the priorities facing CAs across the country this year

BY MALIK DATARDINA + ROBERT PARKER

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For many it's an abstract concept. For others it's as tangible as being connected to the electricity grid and turning on the lights. The benefits of cloud computing are clear: cost savings, speed to market and increased functionality. Here's why the cloud is on its way to becoming as common as electricity

BY DWAYNE BRAGONIER

regulars

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Mobile insecurity: the proliferation of mobile computing has brought on a number of challenges, specifically around security issues **By Yan Barcelo**

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Find me the money: locating and recovering assets has always been an integral part of fraud investigations, but today that's the new mantra **By David Malamed**

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Budget 2011 and partnerships: proposed rules aim to impose fairness and equity when it comes to deferring recognition of income in partnership structures **By Byron Beswick + Jennifer Smith**

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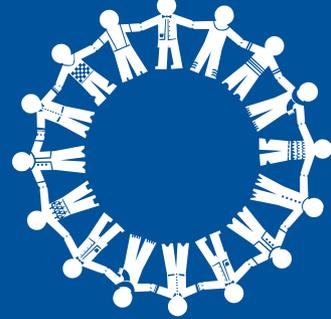
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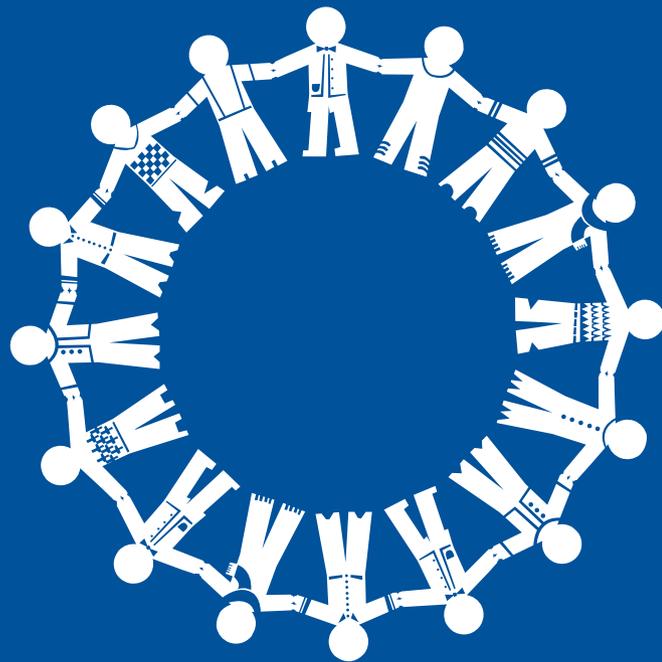


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Mailbox

DISMAYED BY CHANGES

Regarding “A century of *CAMagazine*” (June/July), I would like to have the exact citations for the following quotes appearing on page 40 under the heading “The big issues:”

- Corporate social responsibility arrives. “It can no longer be doubted that ... corporations have become increasingly concerned with the impact of their operations on society,” wrote accountant Steven C. Dilley in November 1974.
- Profit becomes a four-letter word as businesses become “shame-struck” if, heaven

forbid, a positive number is reported to the shareholders (B.M. Grant, CA, March 1973).

I qualified in 1970 and in the early years of my career I was proud to be associated with corporations. Since then, however, I have been dismayed by the changes I have seen. We have now reached the opposite end of the scale, where corporations are only concerned with their shareholders’ interests and have been proudly posting large profits for years (at least prior to 2008).

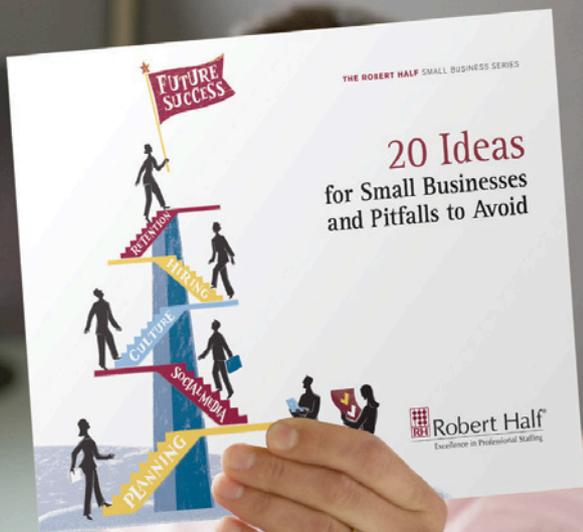
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EDITOR’S REPLY:

Steven C. Dilley’s quote appears in “What is social responsibility: some definitions for doing the corporate social audit,” *CAMagazine* (November 1974), p. 25-27. B.M. Grant’s quote is in “‘Profits’ is a four-letter word,” *CAMagazine* (March 1973), p. 9.

CAMagazine welcomes letters to the Editor. Please write to us at 277 Wellington Street West, Toronto, Ontario M5V 3H2
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Letters may be edited for space and clarity

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UP FRONT

News, people, briefs, trends + tips

In full swing



Don MacKay owns the Muskoka Highlands Golf Club, an 18-hole course both beginner and scratch players can enjoy

It was back in 1992 when Ontario CA Don MacKay first considered getting into the golf business. “I always blame my oldest son. Driving back and forth to hockey, he looked at the land and said we should build a golf course [in Bracebridge],” says MacKay, then CFO at construction and land development company The Evans Group.

He ran some numbers, analyzed the area demographics and determined that Muskoka could support 12 golf courses; there were 10 at the time. So in the summer of 1993, he got financing and started Muskoka Highlands Golf Club. Not surprisingly, he hired The Evans Group to build a nine-hole course. “I built my whole course on less than what most people spend on a hole,” he says. The first player teed up in July 1994. And in 2000, MacKay expanded the course to 18 holes.

Today, 70% of Muskoka Highlands’ business comes from the Golden Horseshoe area in Ontario and club membership has grown to 100. But it’s not an easy business. Golf started to soften around 2001 and is affected by the weather and the economy. Additionally, there are now 31 courses in the area. “It is not what I envisaged when I started it, but

I think we’re in the right niche of the market: affordable, entry level and fun to play,” says MacKay.

With his CA background, MacKay does his own bookkeeping. But more important, his training has given him the ability to analyze problems and come up with the right solution. One of the most rewarding benefits: all three of MacKay’s sons are now working in the golf business and perhaps one of them will be keen to carry on the family tradition when MacKay wants to hand over the reins.

Deena Waisberg

Résumé

- 1970** joins Deloitte Haskins and Sells (Toronto)
- 1975** obtains CA designation (Ontario)
- 1984** hired as CFO of The Evans Group (Bracebridge)
- 1993** starts Muskoka Highlands Golf Club
- 2000** expands course to 18 holes

Mobile banking and purchasing stalls

Wallet makers can breathe a sigh of relief. Smartphone users aren’t quite ready to replace their cash and cards with mobile purchasing technology, according to a report by Javelin Strategy & Research.

Based on surveys conducted with more than 13,000 US consumers, the report shows that despite a surge of about 40% in smartphone ownership since 2010, the rates of mobile purchasing have remained flat. Similarly, the rate of adoption of mobile banking barely budged between 2010 and 2011, even though financial institutions aggressively promoted the service.

One reason why the technology is not catching on is that increasing numbers of smartphone owners perceive mobile banking as less secure. In 2009, one in four smartphone owners considered mobile banking to be unsafe. A year later, 40% of owners felt the same way.

NO CHANGE IN NONAUDIT FEES

Nonaudit fees remain a small percentage of total fees paid to Canadian auditors, according to a CICA analysis of Canada's largest public companies (all included in the *Globe and Mail's* Report on Business 1000). When the study was first completed in 2003, nonaudit fees accounted for about 29% of the total fees paid to auditors. Those fees dropped to 24% in 2004, 21% in 2005, 19% in 2006, and have been hovering around 18% from 2007 to 2010.

The analysis also found that the largest portion of nonaudit fees paid to auditors was related to taxation services, at 62%. The remaining 38% of nonaudit-related services was classified as "other" in most companies' disclosures, so it is not possible to determine what they included.

Nonaudit fees made up an even smaller proportion of total fees paid to auditors for the largest companies included in the analysis. Nonaudit fees accounted for 14% of total fees paid to auditors for the 126 companies with \$2 billion or more in assets,

Nonaudit fees as a percentage of total fees paid to auditors



Base: 2010 = 739, 2009 = 991, 2008 = 887, 2007 & 2006 = 529, 2005 & 2004 = 675, 2003 = 108
Source: CICA, 2011

compared with 19% for those with assets less than \$2 billion. Nonaudit fees accounted for 12% of total fees paid to auditors for the 31 companies with \$20 billion or more in assets. John Tabone is CICA's manager of member value and research services



ASK AN EXPERT

SHOULD I ACCEPT A PROMOTION THAT DOESN'T INCLUDE A RAISE?

Some companies may want to reward employees for taking on heavier workloads but aren't able to offer immediate raises due to budget constraints. In such situations, the intent may be to provide a higher salary as soon as the firm is more financially stable.

Professionals should think carefully about taking on increased responsibilities if a raise isn't in the offing. Before accepting a new role, workers may consider requesting a compensation review in six months or discussing other perks. Here are five incentives you might be able to negotiate, aside from salary, when offered a promotion:

More vacation time. Consider asking for a few extra days or weeks off each year.

Bigger bonuses. It may be possible for your company to increase the percentage of your annual bonus or give you a spot bonus.

Flexible schedules. The ability to work from home or commute during off-hours may save you time and money.

Professional development. Pursuing training or continuing education can increase your marketability, which could pay off in the long run.

An equity stake. Perhaps you can negotiate restricted stock in the company based on your performance.

Robert Hosking is executive director of temporary staffing service OfficeTeam (www.officeteam.com)

#NUMBERS Game

2 Rank of Canada as a beneficiary of outsourced US jobs behind only India, according to *Wired* magazine. “We get more outsourcing from the US than we give out to the rest of the world,” says Information Technology Association of Canada president and CEO Bernard Courtois in 2004.

6.75 Daily rate in US dollars charged by Detroit businessman William Kelly in 1946 to hire out one of his typists to another firm — reportedly the birth of modern temp services and a precursor to outsourcing.

30 - 75 Percentage savings for Canadian lawyers to outsource routine legal transactions to Asia in 2006.

73 Percentage of Canadian companies identified in 1998 as outsourcing some business processes. PricewaterhouseCoopers

Farm it out Outsourcing started in the 1960s when firms “rented” computer time. Today foreign companies are doing the human resource, legal, even accounting work for Canadian firms



found Canadian firms led 13 other nations in the measure.

185 Number of *Fortune* 500 companies outsourcing IT, call centre or other services to India alone in 2000. That year, an MIT professor predicts 50 million jobs will flow to India from the West over the next few years.

1-800 In 1992, New Brunswick eliminates provincial sales tax for call centres as part of a scheme to turn Moncton into the “back-office capital of Canada.”

2007 Year a Statistics Canada study examining 20 years of foreign outsourcing by Canadian firms determined “if foreign outsourcing of services has indeed had an impact on Canadian employment, this impact is likely to have been modest so far.”
Steve Brearton

Going Concern



**BRYAN McLEOD, CA
CEO, STORAGE APPLIANCE CORP.**

COMPANY PROFILE: Manufacturing products under the ClickFree brand, Storage Appliance Corp. has a simple business philosophy: backing up one’s personal computer data should

be as easy as plugging in a computer. Its devices provide automated storage backup simply by connecting via USB to one’s PC or Mac, with no software to install. Formed in 2005, it initially licensed its storage software to other companies including Polaroid before manufacturing its own consumer solutions. Its first retail channel was the home-shopping network QVC, which demonstrated the demand for its products. “We had crazy high sales,” says CEO Bryan McLeod, as the company sold \$70,000 to \$80,000 worth of its products in a minute during one show. Today, the products are available in 35 countries and 25,000 retail locations, including most major North American retailers. It employs more than 100 people in its Richmond Hill, Ont., and Beijing offices.

HOT FACTOR: With its internal studies showing that only 15% of consumers back up their data, the market opportunities are large. Last year it was named the No. 1 fastest-growing company in the Deloitte Technology Fast 50 Canadian companies, with growth of more than 64,000% over the past five years.

COOL PROJECTS: Having secured additional funding in January from Intel Capital — bringing the total venture capital raised by the company to about \$33 million — Storage Appliance aims to evolve its solution to the next stage: namely, online. By next year, says McLeod, ClickFree will be offering storage backup in a cloud computing model.

IN HIS OWN WORDS: “I no longer consider us a startup as we’re competing with some of the biggest names in the storage industry. Our success is based on both the need and ease of our products. You don’t need an IT person standing next to you to back up your system and files using our devices: a five-year-old could do it.” John Shoesmith



Old-school methods work best for job hunt

Online business and social networks may be all the rage, but you can't beat person-to-person networking for scoring a new job, finds a study by human resources firm Right Management.

The firm analyzed job data on the nearly 60,000 individuals throughout North America to whom it provided career transition services over the past three years. Traditional networking was job seekers' most successful tool, as the source of new career opportunities for 41% of job candidates last year. Internet job boards accounted for 25% of new positions obtained. About one in 10 (11%) used agencies, recruiters and search firms to land their job, while another 10% attributed their success to other means, such as direct referral or serendipity.

"From year to year the data say that traditional networking is nearly twice as successful as any other search method," says Carly McVey, Right Management's vice-president of career management. "People tend to trust people they meet."

How did you get your new job?
(59,133 job seekers)

	2010	2009	2008
Networking	41%	45%	41%
Internet job board	25%	19%	19%
Agency/search firm	11%	9%	11%
Direct approach	8%	8%	8%
Online network (2010)	4%	n/a	n/a
Advertisement	2%	7%	7%
Other	10%	12%	14%

Source: Right Management

You are in demand

One in three employers around the world is having a hard time finding qualified talent — including accounting and finance staff — according to a survey by US-based global staffing service ManpowerGroup. Of the employers polled, 90% say available job candidates do not have the necessary skills and experience, have insufficient qualifications or lack soft skills.

The hardest jobs to fill globally this year are:

1. Technicians
2. Sales representatives
3. Skilled trades workers
4. Engineers
5. Labourers
6. Management/executives
7. Accounting and finance staff
8. IT staff
9. Production operators
10. Secretaries, administrative assistants and office support staff.

TIME FOR AN UPGRADE?

Companies should consider investing more money in their IT systems, according to a KPMG survey of CFOs and finance executives. Nearly half (48%) of respondents globally believe dated information technology systems are a significant barrier to success, while 45% of Canadian respondents share a similar view.

SOME TWEETS ALLOWED

The business case for social media is growing, a Robert Half Technology survey suggests. More than half (51%) of chief information officers polled permit employees to use sites such as Twitter and Facebook on the job as long as it's for business purposes, up from 19% in 2009. One in three still bans social networking entirely.

PAPER NOT PREFERRED

The number of Canadians who file their income tax returns electronically has increased compared with the same time last year. Of the 24.5 million returns received by the Canada Revenue Agency as of May 31, 15.9 million were filed using Efile, Netfile, or Telefile, compared with 15.2 million last year.

Canadian companies move to the clouds

Just two years ago, Canada was one of the slowest adopters of cloud computing. But now it is one of the top three globally, according to a survey from Avanade.

The survey was conducted by research firm Kelton Research and included 573 C-level executives, IT decision-makers and business unit leaders at top companies in 18 countries across North and South America, Europe and Asia Pacific. It showed that the use of cloud services is going mainstream, with 74% of companies saying they use some form of cloud services.

“Our 2011 survey shows the barrier to entry for many cloud capabilities continues to lower,” says Benoit Bertrand, vice-president and chief technology officer at Avanade Canada. “In fact, our research shows some cloud services are so easy to use, they are outpacing IT’s ability to manage and control them.”

It’s true that this rapid adoption is causing growing pains for many companies. One in five executives says it’s impossible to manage the disparate cloud services within their organization, while another 60% globally and 71% in Canada are worried about cloud sprawl — the

unmanaged adoption of public cloud services within an organization.

One-fifth of respondents say they have personally purchased a cloud service without the IT department’s knowledge. While 60% of companies globally and 77% in Canada report they have policies in place that prohibit such actions, respondents say there are no real deterrents for purchasing cloud services by stealth. In fact, nearly one-third of global respondents report there are no ramifications whatsoever, while another 48% say it is little more than a warning. Executives also report they are investing in security solutions as well as people to ensure successful cloud deployments. In fact, 64% say they are investing in training for new and current employees to increase expertise in cloud technologies. This figure increases to 80% in Canada.

The survey also shows that 43% of companies are now using private clouds. Another 34% say they will begin to do so in the next six to 12 months.

For an expanded article, please visit www.camagazine.com/cloudsurvey2011.

Online insurance purchases on the rise

There was a time when if you were buying insurance, an agent was the only way to go. But if trends revealed in a recent Accenture survey hold true, the Internet could one day become a serious rival.

The survey, which polled 2,502 consumers in the US and Canada, showed 64% are planning to renew or purchase individual insurance products through an agent in the next 12 months. But although 59% of younger consumers also favour agent networks, almost a third plan to do their purchasing online.

The Internet is also attractive to consumers who like to compare prices. More than half of respondents (55%) said they would be interested in using insurance aggregators — websites that compare quotes between insurance companies. The proportion was even higher for younger consumers, with 75% of 25- to 34-year-old respondents expressing interest in doing so.

Only 21% of respondents said they were using or considering using social media to do research on insurance products. But again, younger respondents

showed much greater interest in this channel. More than a third (36%) of the under-34 group would consider using social media for this purpose.

“With the rise of Internet usage, new purchasing behaviours have emerged that insurers cannot ignore,” says Erik Sandquist, a senior executive in Accenture’s insurance practice. “Before buying, more and more consumers perform their own research online, compare options and seek recommendations from others using social media sites or referral sources. This is very common in sectors like travel and electronics, but our survey demonstrates that insurers should expect similar purchasing behaviours from their customers.”

Whatever distribution channel they use, consumers seek consistency. A high proportion of respondents (84%) said it is important that insurance products and services be identical across available channels.

For an expanded article by Stephen Gardiner and Arnab Kundu of Accenture’s financial services practice, please visit www.camagazine.com/insurance2011.

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has been designed for accounting and human resource professionals who have a functional responsibility to oversee the payroll function, but who are not processing an actual payroll. This seminar provides an overall introduction and overview perspective of the payroll function where participants learn about processing and reporting requirements and the responsibilities of payroll practitioners' in government statutory withholding and remittance.

- September 21, 2011 – London, ON
- September 22, 2011 – Ottawa, ON
- September 23, 2011 – Vancouver, BC
- September 23, 2011 – Halifax, NS
- September 28, 2011 – Thunder Bay, ON
- October 6, 2011 – Sudbury, ON
- October 28, 2011 – Mississauga, ON
- October 29, 2011 – Hamilton, ON

Employment Standards is a comprehensive introduction to the standards of employment across the country, including a jurisdiction-by-jurisdiction review of: hours of work; statutory/public holidays; paid and unpaid leaves; vacation; pay frequency and statement of wages.

- September 30, 2011 – Burlington, ON
- October 14, 2011 – Halifax, NS
- October 20, 2011 – Saskatoon, SK
- October 20, 2011 – St. John's, NL
- November 10, 2011 – Mississauga, ON

Special Payments & Completing the ROE is designed to provide a comprehensive overview of the payroll implications of special payments that fall outside of the norm in processing payroll. The program also deals with the intricacies of the correct completion of the Record of Employment (ROE).

- September 30, 2011 – Prince George, BC
- September 22, 2011 – London, ON
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Taxable Benefits and Allowances is designed to provide you with a comprehensive overview of the payroll implications for a full range of taxable and non-taxable benefits and allowances. The program provides legislative details on a number of common benefits and allowances, their statutory withholding treatment, and year-end reporting requirements.

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- October 14, 2011 – Toronto, ON
- October 19, 2011 – Barrie, ON
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Netwatch

BY JIM CARROLL

YOUR GUIDE TO BUSINESS & ACCOUNTING ON THE INTERNET

My journey through the cloud

With one of this month's feature articles on cloud computing, I thought it might be useful to provide an example from my own experience. I've had a presence on the Internet since at least 1995 and have had six or seven major website designs. My site has become quite a significant tool in continuing to grow my business, so it's critical that the site is responsive, fast, quick to load and can be easily recovered.

Just two years ago, my site ran as a slow blog, based on MovableType on a single server that was shared by countless other people and companies. Today, my site is out on the cloud, utilizing some fascinating cutting-edge technology, and is scalable and flexible enough to meet the demands placed upon it.

The core of my current site, which runs on a WordPress blog platform, is served up from a dedicated virtual server at a company called Media Temple; it's as though I've got my own dedicated computer that provides access to my website and nothing else. This provides much of the speed and reliability of the site (which rarely has gone down).

Yet there's much more to running a fast, scalable website than simply having a good web host. Domain name reliability is critical and all my domain hosting for this (and other domains) is handled by EasyDNS. I've been with it for more than 15 years and it is likely one of the most dependable tech companies on the planet.

Then there is the real cloud computing aspect of my site. One of the key concepts of having a fast web server is that any images, documents, Acrobat files or other information should be served up by a computer that is closest to the user. If I've got someone in Singapore looking at my site, it will be faster if the images are pulled up from a local server rather than from one on the other side of the world.

Another key concept is that users shouldn't have to pull down the same images and other site design files each time they look at a web page; the files should be cached to their own hard drive so that any repeat page views will happen lightning fast.

To do this, many of the files from my site aren't served up by my own host at Media Temple but are pulled down

from the cloud using Amazon's CloudFront service. (That's why you'll see some images listed as coming from media.jimcarroll.com or media3.jimcarroll.com.) This results in some pretty dramatic speed improvements in web page loading. The location the files come from depends on where you are on the planet; Amazon does a fair bit of magic to instantly send the files from the closest place in the cloud.

My site also uses a lot of video. Rather than having it come from my web server, it comes to you straight from YouTube or Vimeo — both of which are reliable and fast.

I'm a nut about backup and to ensure that I can quickly recover my website should things go wrong, I utilize two services called BlogVault and VaultPress. They automatically back up my site to the cloud every few minutes so that recovery would be a simple process.

My site is constantly tested for performance using the great service from GTmetrix, which does a series of daily tests for page-loading times, architecture and design. There's lots of work still to do to tweak the site, but the insight GTmetrix provides is fabulous — you can test your own page for performance. Because the design of my site is based on cloud computing principles, some pages now load in less than two seconds, whereas before they used to take eight, 10 or more seconds.

Without a doubt, cloud computing has played a huge role in the design, reliability and speed of my website.

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

RELIABLE RESOURCES

Media Temple <http://mediatemple.net>

VaultPress www.vaultpress.com

BlogVault www.blogvault.net

EasyDNS www.easydns.com

Amazon CloudFront <http://aws.amazon.com/cloudfront>

GTmetrix <http://gtmetrix.com>

*"The software is easy to understand,
and we don't need a whole team
of people to run it."*

Ron Campitelli, IT Manager, Swissmar Imports

Swissmar Imports & SYSPRO ERP

For the last quarter century, from its headquarters in Richmond Hill, Ontario, Swissmar Imports Ltd. has been importing and distributing European gourmet housewares and active outdoor products. Currently employing over 60 people, Swissmar has forged markets throughout Canada, the US, and internationally. The company was founded by president Daniel Oehy, who came to Canada from Switzerland in 1979. "We distribute high-end European products," says Oehy, "including 'Genuine Swiss Army Knives' and 'Swiss Military Watches' from Wenger of Switzerland; finely crafted pepper, salt and spice mills and wine accessories from Peugeot of France; and gourmet kitchen tools from European manufacturers such as Börner, Mauviel and Dalla Piazza." Swissmar has also developed its own line of gourmet items, such as fondues, raclettes, and cheese, wine and bar accessories.

According to Ron Campitelli, Swissmar's IT Manager, Swissmar has been running its business on SYSPRO ERP (Enterprise Resource Planning) software for over a decade. "SYSPRO has been here in two different flavours," says Campitelli. "Before 2006 we used the old Unix system, but since then we've been running SYSPRO in its modern Windows environment."

"Swissmar," says Campitelli, "needs an ERP system to conduct, track and report on sales, inventory, and financial movements. Being able to take orders, get them pushed into the warehouse and sent out to our customers on a timely basis, is crucial to the success of our business. In addition, as an importer/distributor, we have to be able to keep accurate track of our inventory."

According to Campitelli, Swissmar has integrated SYSPRO on a comprehensive scale, "...from the order desk to the warehouse..." relying heavily on modules such as General Ledger, Accounts Receivable, Accounts Payable, Cash Book, Inventory, Sales Orders, Return Merchandise Authorization, Counter Sales, Purchase Order and Report Writer.

Relative to its importance within the corporation, says Campitelli, SYSPRO places very little burden on Swissmar's IT department. "We spend most of our time writing reports, and processing daily and monthly jobs," says Campitelli. "We do not spend much time on re-running or re-building or restoring files. If we were using one of the other standard ERP systems, we'd probably be running system checks on a daily basis. With SYSPRO, we don't have to do that, and we haven't had any major disasters. From the software side it just runs, using excellent back-end processes. It's rock solid, very reliable, and we don't get a lot of issues. That makes my department's job easier, and lets me concentrate on other things."

Campitelli also notes that SYSPRO has not required extensive or ongoing education. "We haven't needed formalized training for a long time," says Campitelli. "We received initial training from our SYSPRO VAR, but haven't felt the need to expand on that. The product is very intuitive, and if you've ever worked on an ERP before you'll be able to find your way around. The software is easy to understand, and we don't need a whole team of people to run it."

SYSPRO's ease-of-use has led to additional economies. "We have been very well supported by our SYSPRO VAR," says Campitelli, "but the fact that SYSPRO is easy-to-use and reliable has allowed us, over the years, to reduce our support requirements. Most of the time, we fix any problems internally."

For a seasoned IT professional like Campitelli, SYSPRO brings a long list of important benefits to both the company and the IT Department. "Personally, I've seen and worked on many ERP systems. In my opinion, Swissmar made an excellent decision in choosing SYSPRO."

For more information on Swissmar, please visit: www.swissmar.com.

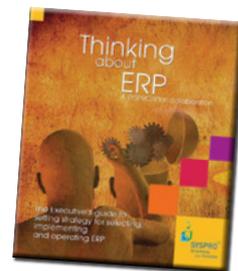
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Work in process

BY MICHAEL BURNS

USING TECHNOLOGY TO IMPROVE THE WAY YOU DO BUSINESS

ERP software survey 2011

We are now in our 13th year of conducting *CAMagazine's* annual enterprise resource planning software survey. That is a long time in software years. But while other programs come and go, ERP keeps getting bigger, sweeping up more and more functions. This year, we added budgeting and forecasting, asset management and document management.

The survey includes 62 systems, up from 40 last year. Vendors have come to realize that CAs are often the decision-makers for ERP. Most of the major firms that develop software for small, midsized and large organizations are on our list, as are some representing specific industries. We have also included products that are licence-based and others that are available as software as a service (SaaS), where you don't install the system on the premises but just pay as you use it. The one notable missing vendor is Oracle. We are not sure why Oracle chose not to participate.

As always, we have segregated the ERP products into tiers based on customer revenue and employees and product cost. This is a convenient, albeit not perfect, means of differentiation. Be cautious if you're trying to calculate the costs for a system, since these numbers are just averages.

Now for the big trends. As with other types of software, the clouds have been gathering over ERP this year. Major vendors have announced their products are now available in the cloud or will be soon. For example, on April 11, 2011, Microsoft announced that in 2012 it would be releasing a cloud version of Dynamic ERP solutions using multitenant architecture.

Cloud computing refers to accessing your data and programs over the Internet or having computing delivered like a utility. (For more info, visit www.camagazine.com/Still_foggy_on_cloud_computing?) Multitenant architecture allows multiple organizations to use one instance of the software. This is a requirement for SaaS—a type of cloud

computing where you can access the software service or application (such as ERP or CRM) and store your data on the cloud (i.e., at the service provider's). Cloud computing includes accessing any program and storing any data in the clouds and does not require multitenant architecture. Cloud computing could provide a software system for just one organization—a private cloud.

If you're confused by cloud computing, you're not alone. In 1969, Joni Mitchell prophetically wrote *Both Sides Now*: "I've looked at clouds from both sides now From up and down, and still somehow It's cloud illusions I recall I really don't know clouds at all."

Criteria	Tier 1	Tier 2	Tier 3
Customer revenue	>\$200 M	\$10 M - \$200 M	<\$10 M
Customer employees	>500	50 - 500	<50
Licence fees	>\$300 K	\$50 K - \$300 K	<\$50 K
Implementation fees: Licence fees	>2:1	1:1 - 2:1	<1:1

To understand clouds, it might help to look at the pros and cons. On the plus side, clouds eliminate:

- investing in computer/network infrastructure to support the system;
- investing in people to support the infrastructure;
- upgrading the software, as you are always using the current version;
- installing the software on your PC, because you only need a browser and a high-speed connection;
- ramping up for a busy time that is just temporary. Instead, you can get instant access to computing power as needed; and
- securing financing for the acquisition of the software.

On the negative side, some organizations are concerned about:

- having their data hosted in another country where the laws of the land might not provide sufficient security and confidentiality. Others do not want to have their data/crown jewels stored off site;
- having fewer systems to choose from, as a substantial

investment will be required to make existing systems cloud ready;

- whether the Internet will be available;
- slowing down some memory-intensive processes;
- being unable to customize the software inside of source code if other organizations are using the same system; and
- seeing costs accumulate over a period of time to the point where they exceed a licence-based, on-premises approach.

Another big ERP story this year is really just another chapter from the ongoing saga about consolidation. Infor announced plans to acquire Lawson for about US\$2 billion and Apax Partners announced its intention to acquire both Activant and Epicor for the same amount. It makes perfect sense to acquire ERP systems because of customers' reluctance to change systems and because of the annual maintenance fees — 16% to 22% of licence cost.

Yet another ERP trend is to have business intelligence embedded in ERP. In the past you needed to acquire a business intelligence system and build the integration. Today business intelligence is often built in and could include dashboards and online analytical processing.

Also, ERP is now becoming available in the palm of your

hand on a handheld device. You will soon be able to approve purchase orders or review reports right from your cellphone. And document management is starting to attract attention from ERP vendors. In the past, the best you could hope for was to attach a document such as a scanned supplier invoice to an invoice transaction or include a picture of an item in the inventory master file. But organizations also want to create documents that include data from the ERP system. You can expect to see ERP tools to create, control and share documents in the near future.

The survey results are available in the form of an interactive chart as well as a pdf. You can also have 180 Systems select the top 10 ERP systems that meet your requirements based on percentage fit calculations. For all of these options, along with an expanded article, visit www.camagazine.com/ERPSurvey11.

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



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CA-CMA consultation update

It has been more than three months since the CA and CMA organizations entered into exploratory merger discussions and launched their inclusive consultation process about the future of the Canadian accounting profession.

Many CAs and CMAs have taken time out of their busy summer schedules to join the conversation about this important initiative and share their points of view, either online at www.cpaCanada.ca, at town halls hosted by CA and CMA organizations in almost every province or at conferences and other face-to-face meetings. Participants clearly have been interested and engaged in the discussion and have presented thoughtful questions and comments.

In addition to talking with members, candidates and students, the CA and CMA provincial and national bodies are reaching out to other stakeholders such as governments, regulators and the business community to talk about the concepts being explored and why they are important to the future of Canada and the accounting profession.

The cooperation and support of the national and provincial bodies has been crucial to ensuring that the profession-wide consultation is nationally aligned, and also representative of the regional differences in accounting regulations, legislation and practice areas.

Recently, members of the three accounting bodies in Quebec were informed that progress has been made in those discussions under the leadership of their organizations and with input from the Office des professions. As a result, they are now working on a concrete proposal to unify the profession in Quebec through a merger of the provincial CA, CMA and CGA bodies that is based on the full recognition of all the fields of expertise of professional accountants. The boards of directors of those three bodies have presented the proposal to their respective members in Quebec and are seeking member input through a province-wide consultation tour from August 15 to September 16. Feedback from the memberships will

guide the three organizations, leading to the recommended formal proposal being submitted to the government this fall to assist the Office des professions in determining the future direction of the profession in Quebec.

The developments in Quebec underscore the need for both the national and provincial bodies representing the accounting profession in Canada to proactively consider what the future of the profession should be. Without question, the Quebec consultations will inform the ongoing discussions between the CA and CMA organizations in the rest of Canada.

The strong member participation in the consultation process has generated valuable insights that will help both organizations determine their future course. For example, we

The strong member participation in the consultation process has generated valuable insights

know from feedback that members want more information on three main subjects:

- why we are considering a merger when similar talks failed in 2004;
- the choice of chartered professional accountant (CPA) as the unifying designation;
- how the new CPA designation and supporting qualifying program will be structured to maintain the value of their current designation.

A number of fact-based communications called Topics Of Interest that address these and other elements of the business case have been added to the CPA Canada website to help members better understand these issues.

After the conclusion of the consultation period, the leadership of both organizations will carefully review all the input received from their members. If it is decided that the two bodies should proceed with a merger, a concrete proposal would be developed for the members' further consideration and support.

Stay tuned for information about further developments as they occur.

FRAC conference explores post-transition issues

Now that IFRS has become Canadian GAAP for most publicly accountable enterprises, organizations with December 31 year-ends have already filed their first interim reports under IFRS. We now have early experiences to learn from, both in terms of the practical application of IFRS and the impact of embedding a new financial reporting framework into our organizations.

IFRS and the new world of global accounting standards will be a continuous journey of learning. Issues such as how far we can go with Canadian guidance while still being true to our commitment to adopt IFRS without country-specific interpretations will constantly challenge us. And there will always be the need to keep up to date technically on new and proposed standards as they emerge.

Many of these important issues will be the subjects

of discussion and debate at CICA's first post-transition Financial Reporting and Accounting Conference (FRAC), which runs September 26 to 28, 2011, at the Metro Toronto Convention Centre in Toronto. The robust agenda of this year's conference includes a CFO panel discussion on lessons learned from their organizations' transition, another panel discussion entitled IFRS — Walking the Tightrope between Canadian Guidance and Interpretation — How Far Can We Go? and a third on the application and implications of the New World of Fair Value Measurement. The conference also includes several technical IFRS updates, including revenue recognition, leases, joint arrangements and consolidations, and post-employment benefits.

For the detailed agenda and to register visit www.cpd.cica.ca/FRAC.



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RECENTLY ISSUED PRONOUNCEMENTS

CICA Handbook – Accounting	Date issued†
2012 Edition of International Financial Reporting Standards (Part I)	July 2011
IFRS 10, Consolidated Financial Statements	September 2011
IFRS 11, Joint Arrangements	September 2011
IFRS 12, Disclosure of Interests in Other Entities	September 2011
IAS 27, Separate Financial Statements (revised)	September 2011
IAS 28, Investments in Associates and Joint Ventures (revised)	September 2011
Amendments to IAS 1 Regarding Presentation of Items of Other Comprehensive Income	September 2011

CICA Public Sector Accounting Handbook

Section PS 1201, Financial Statement Presentation	June 2011
Section PS 2601, Foreign Currency Translation	June 2011
Section PS 3450, Financial Instruments	June 2011

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

Accounting	Comment deadline
EDI Consolidation — Investment Entities	October 27, 2011
RVI IASB Agenda Consultation 2011	November 30, 2011
EDI Improvements to IFRSs	October 21, 2011

Public Sector

ED Amendments Resulting from Section PS 3450	October 14, 2011
ED Handbook Improvements	October 28, 2011
ED Update of Terminology	September 30, 2011

WATCH FOR

New or Revised Standards	IFRSs on Fair Value Measurement and Post-Employment Benefits 2011 Improvements to Accounting Standards for Private Enterprises
Documents for Comment	IASB Re-exposure Drafts Regarding Leases and Revenue Recognition

Legend

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

† Refer to each Handbook pronouncement for the effective date and transitional provisions.
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ITAC annually consults with the profession to learn what its greatest IT concerns are. Here's a roundup of priorities facing CAs this year

By Malik Datardina & Robert Parker

The top ten TECH issues

THE CICA'S INFORMATION TECHNOLOGY ADVISORY COMMITTEE conducts an annual survey of the most important IT issues facing the profession, which provides interesting insight into the prevalence and impact that technology has on businesses. While some topics come up every year, the relative importance of several issues changes from survey to survey. And this year was no different: information management rose to the top spot from No. 3, pushing last year's No. 1 issue, legislation

Illustration by FRANK VIVA



“Cloud computing is the use of the Internet and virtualization concepts to create an environment in which individuals can place storage and processing capacity into the cloud and to which users can transmit, process and store information”

and regulatory compliance, to second place. The impact of the recession, No. 2 last year, fell to No. 10 in this year's survey, while new and emerging technologies rose to No. 3 from No. 5.

The 2011 survey provides perspective on issues and concerns of management, users and IT professionals. It comprised 15 questions, each on a specific issue. Respondents were asked to select and rank their 10 most important issues. Next, they selected and ranked their five most important concerns within the selected issues.

1. Information management and data integrity

The categorization of information as a resource with business value to the organization

Within this category the overwhelming concern was maintaining data integrity; in other words, ensuring that data was complete, accurate, authorized, relevant and timely. The next three concerns were closely grouped. The second most important concern was the need for encryption to protect against unauthorized access, theft or use of data. Third was information overload, as people are increasingly besieged with information from all sources — email, BlackBerry, cellphone, iPad. Fourth was the need for a better understanding of the value of information to the business.

Respondents also identified the need for more suitability or better data loss prevention policies, procedures and techniques to protect against unauthorized access to and release of information. In addition, data retrieval — ensuring all data is correctly categorized and available when needed — was identified as a concern, as was the need to address data redundancy, including issues of maintenance and synchronization, particularly where personal information was concerned.

2. Legislation, regulations and compliance

Establishing, maintaining and managing legislative compliance, such as privacy requirements

Organizations are concerned with the plethora of legislation, regulations and other compliance requirements, just slightly behind the No. 1 concern. Specifically, the number of pieces of legislation that must be complied with and the more recent changes to regulatory requirements have increased the need for more information and consequentially additional changes in systems, applications, documentation and training.

Many groups achieve compliance through the use of ad hoc end-user-developed applications such as spreadsheets. However,

the use of such tools may lack the development, quality assurance and operational rigours necessary to ensure information integrity. While meeting compliance requirements in the short term, they may prove to be less efficient and more costly over time.

3. New and emerging technologies

Dealing with the acquisition, implementation, use and impact of new and emerging technologies on business culture, practices, channel and service delivery, as well as meeting customer expectations

Within this category, cloud computing (storage, infrastructure and application processing) evoked concerns over security, control, privacy, availability and continuity risks. This was closely followed by the use for business activities of personal devices, such as personal BlackBerrys, cellphones, PlayBooks and “iEverything” that the organization does not own and therefore has little or no control over. The impact of cloud computing, service-oriented architecture and software as a service on the entity's control framework ranked third in this category.

Cloud computing is defined by the US-based National Institute of Standards and Technology as “the provision of computational resources on demand via a computer network.” A more complete definition might include: “cloud computing is the use of the Internet and virtualization concepts to create an environment in which individuals and organizations can place storage and processing capacity, supported by communications, into the cloud and to which users can transmit, process and store information.” Cloud computing offers advantages in terms of flexibility and scalability; it also creates increased risks in terms of security, privacy, availability and continuity. For more information on cloud computing, see the ITAC Brief Cloud Computing: A Primer available on the CICA's website.

The impact of social networks on business culture and communications, including their impact on an entity's policies and procedures, garnered a score of 11 and the impact and use of social communication on enterprise technology indicates the impact that social networks have on both business and technology issues.

It appears that the impact of noninvasive/nonparticipatory data-acquisition techniques such as the use of radio frequency identification, proximity cards or other embedded data-gathering techniques may not have reached the radar screens of many organizations. That being said, smartphone manufacturers (e.g. Samsung's Google Nexus S and RIM's BlackBerry Bold 9900/9930) are including near field communication (NFC) technology within

their devices. At the 2011 Google I/O Developer Conference Intuit demonstrated its GoPayment service, which uses NFC “to let consumers wirelessly pay for items on the go through just a touch of an NFC-enabled cellphone.”

4. Information skills or resources

Acquiring, training, retaining and managing career expectations of professionals in IT and IT-related areas and the loss of knowledge and skills due to outsourcing, departures and retirement

In selecting this category respondents indicated that loss of knowledge or skills due to transfers, retirement or layoffs without an adequate knowledge-management program was the most important concern. Difficulty in retaining skilled resources, primarily due to a perceived or actual lack of career opportunities, inability to offer potential recruits a leading-edge technology environment, or the lack of career path within the entity was second, ranked by 19% of respondents. Difficulty in obtaining suitably skilled personnel ranked third amongst 16% of respondents. They cited a lack of suitable candidates or candidates lacking appropriate and relevant knowledge, skills or experience.

A somewhat surprising fourth was a concern that financial accounting staff who deal with IT do not have sufficient IT knowledge or skill to provide meaningful and timely input. This becomes problematic if the lack of appropriate and timely direction impairs the design, development and implementation of information system solutions for time-sensitive issues, required changes and emergency issues. Similar to last year, concern was also expressed over the increased reliance on a limited number of long-term employees and outsourcing.

5. IT governance

Oversight responsibility for the strategic and tactical management for the planning and organization, acquisition and implementation, delivery and support, and monitoring and evaluation of the information technology environment

There was a modest grouping of the top four concerns: limited awareness of IT issues; risks and undertakings at the board level; poor alignment of IT initiatives with organizational strat-

egy; undefined or unclear responsibility and/or accountability; and lack of timely and effective reporting to management and the board of IT issues once identified.

The fifth concern is reflected in a cluster of governance-related responses. Lack of an effective IT governance program, lack of funding for IT governance initiatives, lack of support from management or board for IT governance, lack of effective monitoring and followup of IT issues and concerns and a lack of interest in or awareness of IT issues at the board level. This clustering highlights common impediments to the adoption of an effective IT governance program.



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6. Outsourcing

Dealing with issues when a portion or all of the provision of technology services is performed outside of the entity's normal service delivery envelope

Respondents indicated that the loss of control and additional security risk was their primary concern, followed by a concern over the inadequacy of IT governance procedures and the risk that contract terms and service-level agreements are not consistently met. There were also concerns over re-outsourcing of services to another third party, leaving the entity worried about the security, integrity, confidentiality and availability of their data as well as the risks to proprietary intellectual property and other entity information. Ranked equally was vendor lock-in that makes it difficult and costly to move from an existing vendor.

Ranking lower was contingency planning. Recent surveys indicated organizations feel they have addressed contingency planning and disaster recovery planning to an appropriate level. However, the evidence is not convincing, as there have been a number of high-profile disasters where the plans have failed to prevent major business disruptions.

7. Public trust

With warnings about viruses, worms, Trojan horses, phishing, identity theft, hackers, and an ever-increasing prevalence of malware, users of information technology have expressed legitimate concerns. With the business need to reduce costs, technology provides an enticing opportunity for e-billing, payments, distribution of newsletters, product information and any number of product-support scenarios. Users want assurance that their information is safe and that they are dealing with a legitimate business

The benefits gained through technology have served businesses well. Technology has increased an entity's ability to efficiently and effectively perform routine tasks as well as undertake sophisticated planning and analyses initiatives. Unfortunately, there have also been data breaches, data-integrity compromises, privacy violations and breakdowns in security procedures that have undermined customer and stakeholder confidence in the protection of their information.

Major concerns expressed by respondents in this area include the risks that their technology and system may be attacked with viruses, Trojans and key loggers, closely followed by identity theft, phishing and pharming. Concerns over data theft and the confidentiality of personally identifiable or other information, such as e-health records, ranked equally, followed closely by identity management, credit-card fraud and unauthorized access to or sharing of electronic information.

A recent survey undertaken by Websense Inc. noted that Canada's involvement in information and cyber crime has risen 319% since last year. In the period from January to April, Canada ranked second in countries that hosted phishing sites and ranked sixth in countries that hosted cyber crime. When the public reads such headlines, it only fuels its distrust of large information bases. This should be a wake-up call to businesses and professionals that cyber risks must be taken seriously and appropriately and rigorously protected against in order to meet the public's expectations.

8. Management and operation of technology infrastructure

Dealing with changing infrastructure environments and the new technologies that are driving business changes and creating risks and management issues

Technology infrastructure is rapidly changing. More organizations are reassessing their technology infrastructure and either adopting or assessing the new technologies, such as cloud computing, as a means of providing scalability, to control costs and manage resources and capacity. An InformationWeek Analytics study of 280 strategic IT managers revealed that 40% were using the cloud, 20% planned to use it within 24 months and 22% were in the process of evaluating it. Of the remaining 18%, 6% decided not to use it and 12% had no plans to evaluate it.

Concerns associated with infrastructure management included control of data handling systems operating outside the enterprise's formal system, such as the use of spreadsheets and user managed data locally developed and processed within business units. Such system processes may lack rigorous processes typically associated with IT-developed solutions such as quality reviews, testing, change management and access controls. This concern was closely followed by production problems and errors and security of data that is or can be stored on portable devices or easily moved among stakeholders. Ensuring currency of software (ensuring vendor support and maintenance); lack of encrypted and registered USB drives; and production capacity (including scheduling and the scarcity of resources) tied in their rankings.

The increase in self-service reporting capabilities through which end-users can access, download and manipulate data for reporting and decision-making has introduced increased risks in data and reporting quality.

9. Business continuity and pandemic awareness

IT departments have an obligation to provide services throughout the enterprise. However, they are frequently challenged in developing and testing effective technology disaster recovery plans due to lack of enterprise planning, lack of funding or denial of the potential severity of the risks.

While this ranked low, some significant concerns were expressed. After the pandemic scare with the H1N1 virus, organizations realized that, despite their previous planning efforts, they were not well prepared. Concerns that disaster recovery plans and business continuity plans do not consider pandemic preparedness, and that supply chain availability, particularly with key service providers, has not been addressed are revealing. The significance of this was recently highlighted by the supply chain issues experienced by Japanese automakers at their North American plants following the Fukushima nuclear power disaster in the aftermath of the earthquake earlier this year.

The difficulty in identifying risks to business continuity was cited as a concern, as was the fact the enterprise-level business continuity plans are of poor quality or do not exist. If business-level continuity plans are not in place with the well-defined technology resource requirements necessary to support key business processes, it is difficult for the technology-based disaster recovery plans to be fully aligned with the business requirement. Perhaps

more disturbing is the fact that the comment “disaster recovery planning has not been suitably tested” received a score of nine.

Until recently, many business continuity and disaster recovery plans were entity-centric and did not address the growing interdependence of businesses. The comment “business continuity plans do not contemplate disasters at key suppliers or loss of key infrastructures such as third-party network or communications provider” identifies a significant deficiency for business processes that rely on just-in-time inventory management or that rely on communications and networks for cloud storage and computing.

10. Impact of the economy on information technology

The financial crisis and following recession resulted in the restructuring of many organizations, including, for many, their IT departments. With the recession waning, concern has been expressed over increasing IT departments to their previous staffing levels.

As the effects of the recession fade, business plans for IT are again being addressed and are reflected in this issue — the economy, a significant slide from its second-place ranking in last year’s survey.

The most frequently cited concern was the inability to maintain an adequate and effective control framework in times of economic constraint and afterward. A concern exists that doing more with less will become the norm. For example, concerns were expressed with the use of virtualization and cloud computing in an effort to meet growing IT needs while avoiding the cost of new software and hardware. Specific concerns include loss of control over maintenance and development, availability of resources and access management as well as continuing to meet security and privacy requirements. Concern was also expressed over risks of increased fraud or malicious activity against the company, for example from disgruntled or desperate employees, or a lack of effective control.

Other concerns included not replacing workers who leave or retire in an effort to further economize and insufficient resources to adequately manage outsourcing services. While not attracting many respondents, management of outsourcing contracts is critical in ensuring adequate control over the organization’s intellectual capital, customer information and other information assets, as well as ensuring that processing schedules and capacity requirements are met.

Summary

Although there was some shifting of rank, too much should not be read into the reshuffling. All these issues are im-

portant. All must be monitored and managed to ensure that the organization is provided with the level of service, availability, data integrity and confidence in the information provided. New demands, new compliance requirements, changes in business priorities and in the business environment impact the provision of IT services. New risks are also evident. The importance of information as a corporate asset is becoming well recognized, as are concerns over brand and image, as witnessed with recent security breaches, embedded code that collects user information and compromises of personal information, which have increased the public’s concern over its information. Governance, risk and compliance are increasing in importance.

This year in addition to the survey results, the authors reviewed relevant technical and professional literature and comparable surveys for use in further exploring the issues raised by the survey responses. For an expanded article that includes this additional information, please go to www.camagazine.com/topten2011.

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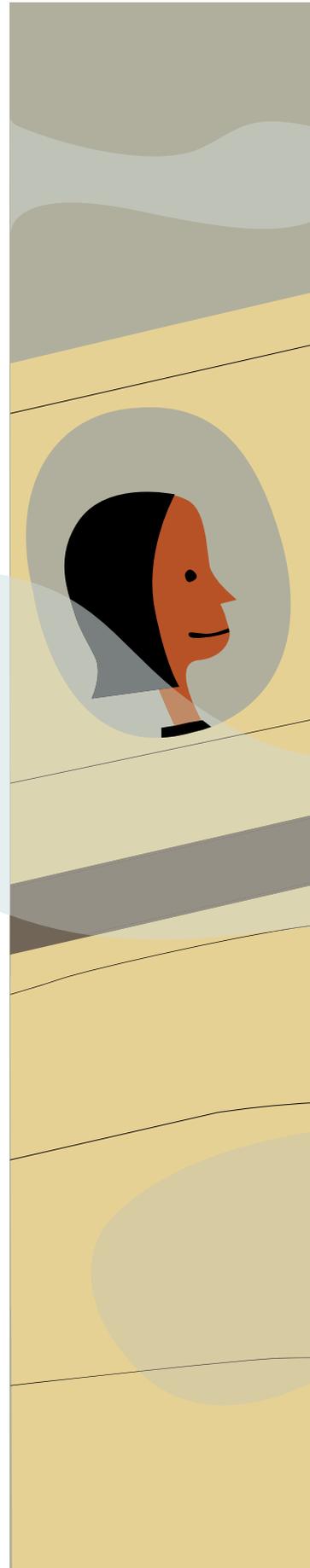
To some it's an abstract concept, for others it's tangible. Here's the lowdown on the cloud and what it can do for your business

By Dwayne Bragonier

Still foggy on **cloud** computing?

TECHNOLOGY HAS ALWAYS BEEN FRONT AND CENTRE FOR Goebelle MacAdam Alexander LLP, a public accounting firm with two offices in southern Ontario, four partners and 30 staff all particularly strong in their computing skills. For years, the firm maintained its own on-site servers, purchased server software licences and looked after its data security and backup. It even had an uninterruptible power supply unit to protect itself in the event of a blackout.

Illustration by FRANK VIVA





“We’ve been in the cloud several years now,” says one convert. **“There is no question that this is the only way to go. The poor little guy who is out there in the middle of nowhere has no clue of any of this. Without question it is the way of the future, delivered today”**

About five or six years ago, the partners took stock, decided they were not in the computer infrastructure business and started to look for a viable alternative. Cloud computing, which is a set of services delivered via the Internet, was still in its infancy and none of its capabilities was being marketed. So the firm did the next best thing. It decided to work with a company that would host the firm’s servers remotely. It would also perform software installation, set security, run backup protocols, and so on — all services now readily provided in the cloud.

Today, Goebelle MacAdam Alexander runs and controls its practice entirely in the cloud. David Alexander, a partner in the firm, wouldn’t have it any other way. “We’ve been in the cloud several years now,” he says. “There is no question that this is the only way to go. The poor little guy who is out there in the middle of nowhere has no clue of any of this. Without question it is the way of the future, delivered today.”

While Goebelle MacAdam Alexander was clearly able to move

into the world of cloud computing early, the fact is, we are well on our way to the mass adoption of a utility grid for computing purposes — the cloud computing grid, so to speak. Within the next five to six years, most computing services will be delivered from the cloud as we need them.

Still, for many small business enterprises, cloud computing is as abstract a concept as electricity was until Michael Faraday discovered how to reliably produce and deliver it in 1831. In fact, it took more than 100 years before electricity was widely accepted. Still, there is no question that electricity propelled the evolution of mankind, providing light, heat and power and leading to previously unimaginable applications. An article that appeared in the May 1931 edition of *Popular Mechanics* magazine made the argument that “it wasn’t until the discovery of electricity that man really set forth upon the new highroad of freedom.” It is certainly the great-grandfather of our computing age.

But it wasn’t until the convergence of three critical develop-

CLOUD COMPUTING — IT’S ALL ABOUT SERVICES

Cloud resources fall into four service categories:

SaaS — software as a service

The service delivered is the use of software at the supplier’s remote site. SaaS offerings range from a single application to a suite of applications. It can be free — think Google Gmail or Microsoft Live — or it can be pay-for-use — think Microsoft Office 365. SaaS providers do not allow the user to have control over the application offering and the provider manages the software offering: upgrades, uptime usage, backups, etc.

PaaS — platform as a service

In this case, the service is the use of a predefined integrated platform (servers, operating systems, applications, databases, etc.). PaaS can be free or pay-for-use. Examples include social application platforms such as Facebook and web platforms that host websites. PaaS providers do not allow the user to have control over the platform offering. For example, Facebook allows you to read messages, look at pictures, watch videos, update or upload new content — all in the way the platform defines. The PaaS provider manages the entire platform offer-

ing: hardware updates, operating system updates, application updates, data protection, etc.

IaaS — infrastructure as a service

Think servers, operating systems, applications, databases, etc. IaaS is pay-for-use. The difference between IaaS and PaaS is that the user controls all aspects of the infrastructure. If the server needs an upgrade or a security patch needs to be installed, it’s the user’s responsibility. Need a new application to be installed? Go ahead. It’s your server. The IaaS provider does not manage the complete infrastructure offering; however, IaaS is normally partnered with managed services offerings.

Managed services

The managed services provider manages some or all of the components of your infrastructure — both hardware and software. Managed services are pay-for-use and are bundled into different product offerings. They can include virtual servers configuration, monitoring, updating and adjustment; operating system and application installation, configuration and updating; data disaster recovery and much more. — DB

ments that electricity became the mainstay it is to this day: the ability to mass produce it efficiently and ensure its reliability; an infrastructure (the electricity grid) to deliver it to points near and far; and applications that provide advantages to everyone. Cloud computing is now at the same point of convergence — a perfect storm, so to speak — of these three key developments. It is poised for mass acceptance.

The cloud equals delivered services

Before we get too far ahead of ourselves, let's take a closer look at cloud computing, an advancement that is increasingly part of the lexicon but still little understood. Being connected to the computing grid (via the Internet) and working in the cloud is the equivalent of being connected to the electricity grid and turning on the lights. Cloud service providers, then, are the equivalent of utility companies that provide the service of electricity directly to your doorstep.

The convenience of electricity as a service is undeniable. The fact is, how you use electricity is completely in your control. You decide which devices to plug into this service, when to turn them on, how long they run and when to turn them off. You also decide when, how and who maintains them and when to throw them out. However, you would not consider actually producing your own electricity. The cost of maintaining all the knowledge, systems and the redundancy required to satisfy your fluctuating requirements for electricity is simply too great.

Similarly, allowing the cloud to deliver services puts you in complete control and means you no longer have to purchase traditional servers or operating systems. Instead, you essentially allow cyberspace to deliver the capabilities you want, when you want them. Software as a service (SaaS), platform as a service (PaaS) and infrastructure as a service (IaaS) are all delivered from the cloud (see "Cloud computing — it's all about services," p. 28). The benefits are clear: cost savings, speed to market and increased functionality.

The perfect storm

Now, back to the reason cloud computing is possible and why it is on its way to becoming as accepted as electricity. "Over the past couple of years, three technologies have emerged to create the perfect storm — the critical elements that make cloud computing possible," says Greg Onoprijenko, president of e-ternity Business Continuity Consultants Inc., a firm that offers IaaS to firms that then combine the IaaS with managed services and deliver this bundled service product to the public.

The analogy is particularly apt. In October 1991, a storm stronger than any in recorded history hit the coast off Gloucester, Mass. It is now universally known as the perfect storm. Many of you may know of it from a Hollywood movie of the same name. What made this storm so extraordinary was the fact that the energy from three distinct systems — a New England frontal system, Hurricane Grace and a storm off the Great Lakes — combined

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By sharing computing hardware infrastructure, servers can communicate more efficiently and the quality is improved. It's like opening the door between two apartments and two tenants talking directly to each other. There's no street-level background noise

to create an energy system of apocalyptic proportions in the Atlantic Ocean. The outcome was an energy system that greatly exceeded the sum of the energy from each of the storms.

The perfect storm that Onoprijenko refers to is the simultaneous appearance and convergence of three major evolutionary steps in the computational world: virtualization, storage area network (SAN) technology and reliable Internet speed and availability. Together, they are game-changers.

Virtualization

Virtualization is the true catalyst that has enabled cloud computing in general and IaaS specifically to exist. It has been stated on these pages before but it bears repeating: virtualization is the second-most significant step in the evolutionary ladder of desktop computing. While many people have heard of virtualization most could not describe what it is. If you have performed a Google search, updated your Facebook page, or even visited a website you are already experiencing the benefits of this powerful yet behind-the-scenes technology.

Virtualization is as fundamental a building block to the computational grid as the first time a second floor was added to a building. Just think of the impact the multifloor concept has had on mankind. Someone at some time in our history must have thought, why not build that room above and not beside the rest of the structure? This was truly evolutionary. It created a multitude of advantages, from shared resources (you only need

one connection to the electricity grid) to the military security of taking the high ground. Could you imagine a city skyline without apartment buildings and soaring office towers?

Before multifloor buildings, the words “home” and “office” referred to separate, stand-alone structures. No more. Now, due to virtualization, the meaning of the words “server” and “computer” have transitioned from referring to a stand-alone physical structure to a software structure.

There was a time when one server was contained in one computer hardware machine. The servers would be lined up and each one had its own network card, hard disks, memory, power supply, processors, fans and so on. Virtualization means several servers can be housed in one hardware structure and share the power connection, network card, hard disks, etc., with each other, thereby maximizing the efficiency of integrated resources deployed to provide computational services.

By sharing the same computing hardware infrastructure, servers can communicate faster and more efficiently and the quality of communication is improved. It's like opening the door between two apartments and two tenants talking directly to each other. There is no street-level background noise — just simple, clear communication between two people. In much the same way, virtualizing all of one firm's servers within a vastly superior hardware structure leads to improved performance, as servers can talk directly to each other, and cost savings because of shared resources.

TYPES OF CLOUDS

Hybrid cloud

A hybrid cloud is both off-site (third party) and on-site (company assets). It is the equivalent of a manufacturer supplementing electricity delivered by the local utility with an on-site generator. You pay the third-party provider a fee for the computing resources used plus the initial investment and maintenance costs for the on-site resources.

Private cloud*

A private cloud is yours. You own the computing resources that are located on-site and can be accessed by remote users. This is simply a terminal services or virtual private

network connection to your in-house wide area network (WAN). It is the equivalent of someone generating his or her own electricity on-site and avoiding the public grid.

Public cloud

A public cloud is owned by a third party and the computing resources are off-site. It is similar to electricity delivered by a public power utility. You pay the third-party provider a fee for use of the public computing resources.

*Author's note: Purists use “cloud” to indicate an outside resource delivered by a third party. While a local area network or WAN with remote connections does not fit this definition, “private cloud” will likely endure in the marketplace. —DB

SAN technology

A SAN is an intelligent device that is dedicated to writing or retrieving data transferred from multiple servers. It is the most significant infrastructure advancement for storage technology.

Prior to SAN devices, data resided on your server hardware. The individual server controlled writing and retrieving data but it also performed all of its other computational responsibilities. This would be analogous to a single-window toll booth with one person multitasking from the booth, granting one-by-one gated access on and off the highway; providing directions to drivers; and taking orders for, preparing and serving fast food. Travelling from point A to point B is painfully slow because you are always being queued for processing.

Now imagine an electronic toll highway. The constraints of the toll booth are removed. You simply travel on and off the highway without delay. The processing of all vehicle traffic from all on and off ramps is simultaneously handled. You can now travel from point A to point B much faster and at a lower cost.

The processing efficiencies of the SAN now effectively utilize the vast and inexpensive disk storage available in today's world. It allows for enhanced redundant array of independent disks — a way of storing data redundantly on multiple hard disks — to provide ever-increasing levels of confidence on the future availability and accuracy of our data while accelerating processing speeds.

As SANs continue to get smarter and work with inexpensive hard disk space approaching almost unlimited capacity, they are laying the foundation for further evolutionary advancements to take place.

Reliable Internet speed and availability

While Canada is not among the top 10 countries for Internet speed — at least not yet — we are experiencing improved Internet transmission speed from all Internet infrastructures: telephone, cable, wireless and cellular. Internet speed indicates how much information can be transmitted. Some refer to it as bandwidth. And most communities across the country support bandwidth speeds that provide smooth YouTube playback — even via 3G cellular networks.

In an IaaS environment, keyboard keystrokes are sent to the virtual workstation, processing is done at the virtual site, then video display is sent back to the user.

Therefore only keystrokes and video require Internet bandwidth and video changes take up the bulk of the bandwidth. One of the most demanding bandwidth applications is to watch smooth video playback.

Most small to medium-sized enterprises (SME) can now get affordable Internet bandwidth to watch videos, which means they are also able to support IaaS-delivered applications such as CaseWare, Taxprep, Microsoft Word and Microsoft Outlook, as these applications only refresh their displays sporadically.

Much more is just around the corner. Across the country the existing copper or cable infrastructure is being replaced

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Subject	Excellent	Good	Fair	Poor
Non-resident taxation (Sections 119, 216, 217)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Foreign tax credits	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Optimal pension-splitting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
First Nations taxation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Self-employment & partnerships	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Moving expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flow-through shares	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overseas employment tax credits	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bankruptcies (pre, post & trustee)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Multiple Jurisdictions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employment expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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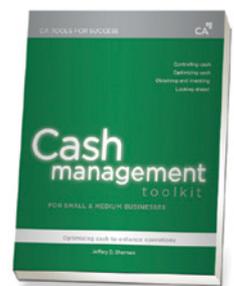
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“I had to go to Mongolia for a week,” says one CA. “But I had two audits that had to get done. One client was skeptical. But there I was reviewing his file over 10,000 miles away. I could access his information from the company digital archive with ease and work the file”

with fiber, which will allow for Internet bandwidths that are a hundred times faster than currently possible. Already, in many places you can receive or transmit video as fast as your eye can process it with sound as fast as you want to hear it.

It's all about the money

Combine these three independent evolutionary technology advancements and you have a perfect storm that is changing the landscape of computing forever. Now the SME can benefit from the shared computing power, data storage and delivery systems that would otherwise be outside of its affordability. You now have reliable access to and delivery of these services through your IaaS provider. You can benefit from being dynamically scalable, agile, fault tolerant and most importantly you can have all of this with no true capital investment — only a simple pay-for-use cash outlay model.

With IaaS all investment costs are borne by the provider of the service. These services are run in state-of-the-art data centres with full 24/7, 99.99% uptime. They supply complete business continuity and disaster recovery solutions. You truly have a fully scalable service. Your practice simply buys the server power you need now and as your processing needs increase the provider upgrades the virtual servers with the click of a button. This includes everything from hardware to software licences for your services to many of your applications. You receive an invoice for the monthly IaaS services used and delivered.

“Not only do we now have an even, easy-to-budget, monthly cash commitment, we have considerable cost savings as well,” says Paul Grossi, a partner from Cziraky Grossi, Chartered Accountants, a four-partner, 12-staff public accounting firm in Mississauga, Ont. It signed with a provider that offers a combined IaaS with managed services solution. The complete offering means that Cziraky Grossi has access to the technology it needs and the expertise necessary to manage it without having to purchase the technology or hire employees to maintain it. Instead, the firm pays a prescheduled monthly fee based on usage.

“In the past, one of our professionals would spend up to 50% of his or her time managing our infrastructure. Now our IaaS provider manages most of those functions for us,” says Grossi. “It looks after our virus protection and our backup routines. If we need a new version of Taxprep installed, I simply create a ticket and by the next day I receive an email stating that it's done.”

Peter Sutherland from ThinDesk Inc., a firm that offers IaaS and managed services, says that the advantages are clear and immediate. “Reliable, secure computing at a fraction of the cost to manage IT on your own.”

Sutherland's clients benefit from economies of scale on several fronts. ThinDesk's infrastructure has the horsepower required for hundreds of servers. Its expert team includes computer engineers who are passionate about their specialized careers. They purchase thousands of licences for software applications such as Microsoft Office. They stay on top of software upgrades, not for the SME's team of 20, but for the hundreds and hundreds of users that benefit from ThinDesk's combined IaaS/managed services offering. “Even the capital costs the client pays for any on-site equipment are minimized,” he says.

The basic on-site equipment required is a thin client desktop, plus your printers, scanners and Internet connection equipment. “The first two or three days on thin client equipment is strange because there are no fans and no hard drives running on any of these computers,” says David Alexander of Goebelle MacAdam Alexander. “You don't have any of that white noise in your office. It is really freaky.”

In addition to being quiet, the new equipment complements your existing equipment. “When we are working in the field, we are still using the notebooks that we purchased years ago,” says Grossi. “None of our notebooks require any software to be loaded on them and we don't require any upgrades on our processing power. We simply need to connect to the Internet and away we go.” The IaaS provider supplies all processing power and applications required to work from anywhere, anytime.

Anywhere, anytime with data security in mind

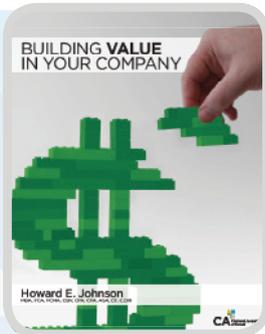
Marco Simone, a partner at Parker Simone LLP, a four-partner, 18-staff public accounting firm, says the benefits of connecting to the computing grid are evident almost immediately. “I had to go to Mongolia for a week. But I also had two audits that just had to get done in my absence. And one of my clients was extremely skeptical, saying ‘how could you desert me at such an important time?’ But there I was, reviewing his file over 10,000 miles away,” says Simone. “I could access his information from the company digital archive with ease, work the file and when finished, I just signed it off. I got an email back from my client saying, ‘Wow, you really weren't kidding when you said you could work from Mongolia.’ From that perspective, it's a major benefit to the efficiency and marketability of our firm.”

Even better, Simone didn't have to worry about his notebook going missing during his trip, which included stops in several countries. His entire client data physically stayed in and was protected by the laws of Canada. He didn't have to have any client data directly on the notebook.

It's a benefit Alexander appreciates. “It's been years since

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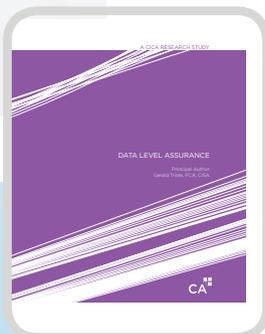
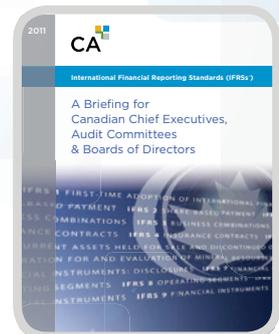
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we have been concerned with losing client data. I don't have to worry about somebody losing a USB memory key or someone's laptop being stolen out of a trunk." Instead, staff simply shows up to a client's site or starts a computer up at home or the cottage, connects to the firm's cloud service provider via a secure virtual private network and voilà — it is working on the firm's secure server. The client data never leaves the firm's secure site.

The advantages of never moving client data off-site are easily apparent. That said, by working in the cloud, you no longer have ownership of the physical hardware that your firm's data resides on. So how do you protect your firm's No. 1 asset — your data?

"Sadly, there's more than a grain of truth to the complaint that once you get things into the cloud, it's a chore and a half to get them out again," says Onoprijenko. For this reason, he believes the discussion of migrating a client's data out of one IaaS provider's domain into another's should be addressed up front. Still, given that an IaaS client owns its data, this should not be an issue. Where concerns might arise is with SaaS or PaaS solutions such as Facebook or LinkedIn, which control what their users can do with the data.

All of e-ternity's clients, on the other hand, can back up their data to their own site or to a third-party backup solution just as if they maintained their servers on-site. As a result, Onoprijenko does not see the issue of data ownership, access or control as a major one. "We keep a backup of our data within our control,"

says Grossi. "We receive a regularly scheduled copy of our backup from our IaaS provider. This way we have no real concerns about the ownership, accessibility or value of our data."

Is now the time to connect to the grid?

The delivery of the computing grid via IaaS providers is available now. It is no longer a bleeding edge approach and it is as easy to connect to as it is to connect to the electricity grid. So is now the time for your firm to connect to the computing grid?

There was a time when all of sudden the electricity grid took over from on-site generators. People probably hooked up as they were faced with investing in new generators. In the same way, if you are investing in new computing infrastructure or you are going to change the supplier that currently manages your technology, at the very least, consider looking to the cloud and IaaS and managed services, which will give you the greatest benefit.

"It's basically the service you are buying. That's all you really have to look at. You have to spend it one way or the other," says Alexander. "It's the quality of the managed services that count. I simply have to remember that if all I have to get is one or two more billable hours a month and they'll manage all of the services then I'm definitely OK with that."

Dwayne Bragonier, CA, CA-IT, is president of BAI Bragonier & Associates Inc. in Mississauga, Ont.

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Mobile insecurity

The proliferation of mobile computing has brought on a number of challenges, specifically around security issues



Life in the mobile lane can be quite unsettling. Take the case of an accounting firm in Quebec City that was in the process of buying out another firm. In the midst of the negotiations, exchanging countless emails with senior management and discussing the strategy of this acquisition, the firm's president lost his iPhone.

However, there were questions of whether the iPhone was lost or stolen. Regardless, there was concern that the sensitive and confidential information could land in the hands of the president of the firm they were looking to buy. Or perhaps it could be passed on to a competing accounting firm that could beat them to the punch? In either case, would the president now have to negotiate with a counterparty that holds key information and knows what hand he intends to play? Understandably, this would be an uncomfortable position to be in for anyone.

Since he couldn't find his iPhone, the president was

anxious to know if the information on his phone had been extracted or at least read. So, he called on experts at Victrix, Montreal-based IT consultants that specialize in allowing mobile workers to work together as virtual teams. "There was no way for us to know if any strategic information or data concerning prices and evaluation had been looked at and, even less, who could have looked," says Stéphan Gariépy, Victrix vice-president, eastern Quebec.

It's likely the accounting firm's president had nothing to worry about, as most mobile devices are stolen for their cash value, not their information value, says Yves Godbout, CA-IT, CISA and chair of the CICA's Alliance for Excellence in Information Technology (and *CAmagazine's* technical editor for technology). But the possibility of espionage was real and must have given him a few sleepless nights.

His plight is symptomatic of a problem that is rampant in organizations today: the use of email as a storing system. "Most organizations are witnessing an explosion in email," says Claudiu Popa, president of Informatica Corp., a Toronto consulting firm that specializes in information

BOB DALY

security and privacy compliance. “These emails often have very sensitive information in attachments that users keep forever. If it’s on a desktop at the office, that’s a relatively secure environment. But inside a mobile device, on the road?”

Handheld mainframes

People are surprisingly careless with their smartphones and mobile devices, especially considering that processing power on most of them surpasses that of mainframes of 30 years ago, says Barry Lewis, president and CEO of Cerberus ISC Inc., a computer consulting firm in Brampton, Ont. But it’s not just a question of raw processing power; the massive amounts of data on a mainframe were often not as sensitive and strategic as the few emails a company president can carry around in his smartphone.

A key security problem with mobile devices is that they are on their own, so to speak. Often they are not in contact with a company’s central IT department, which can detect when a computer is attacked by spies or hackers. And within an office, it’s easy to notice when a computer disappears. An iPhone or Android phone in an executive’s pocket doesn’t have such safeguards.

On a laptop, centralized control is more often implemented, so data safety is greater, but laptops too are lost or stolen in alarming quantities. According to Lewis, in 2008, 600,000 laptops were lost or stolen in US airports alone. As for mobile phones, a recent survey reported that in 2009, 60,000 were left by their owners in London taxis. “We don’t know what data is on the device,”

Lewis says. “If we don’t know that, then we don’t always know that we’ve lost it. So we end up with data that we don’t know we’ve lost and devices that we don’t know we’ve lost.” Troubling.

It’s the sort of trouble another Quebec firm experienced. Gariépy recalls an incident when a construction company lost a tender offer to a competitor by a margin of just 1%. A few days before the offer, the company’s president could not find his iPhone and was convinced it had been stolen, not misplaced. He believes that the competitor got access to the information on the phone and was able to make a more attractive submission.

Mobile anarchy

Industry veterans believe we are now into the third wave of computing. First there were mainframes, then the client-server model and now everything is going mobile. “Give this another five years and you’ll see smartphones acting as servers,” Lewis says.

And for information security officers, this third wave is starting to look like a futurist version of the Wild West. People are carrying highly sensitive data in their pockets, connecting to company systems from anywhere through the Internet, over cellular and Wi-Fi connections whose security is questionable.

In the laptop segment of the mobility universe, security issues have somewhat been brought to heel: central IT management has the tools to control the devices and large suppliers such as IBM, Hewlett-Packard and Toshiba sell portable computers that integrate state-of-the-art security measures.

Security essentials

None of our computer experts felt comfortable saying that most security issues concerning mobile computing, especially smartphones, have been resolved. Many shortcomings can be compensated by third-party products, for example Sophos Mobile Control or Sybase iAnywhere, but it is not clear if they adequately cover all the bases. Each client must thoroughly analyze and test them to see if they fit his or her specific needs.

A few notes of caution, however, and a few essentials of mobile security one should be on the lookout for include:

Passwords: they are the most crucial component. The login password of a smartphone needs to be rock solid. If it isn’t, a hacker who cracks it has access not only to all data, even encrypted data, but will also gain access to all other passwords held in a password manager on the device — bank accounts, company access codes, confidential websites, etc. And specialized tools that can easily crack passwords abound, says Michel Kabay, professor of computer sciences and information assurance at Vermont’s Norwich University. One example is Elcomsoft’s Phone Password Breaker that boasts the capacity to break password routines on any mobile phone, BlackBerry included.

Backup: if the integrity of the data on your mobile apparatus has been compromised, access to backup files should restore

it. Kabay says such backups should be carried out automatically and not depend on the user’s goodwill.

Encryption: if a device can’t encrypt every bit of data it carries, don’t even look at it. Make sure it can establish an encrypted VPN tunnel for communications with corporate systems.

Anti-hacking tools: like any computer, a mobile device must respond only to its legitimate user. That’s why filters such as firewalls, anti-virus and anti-spam software are essential.

Remote wipe: if a device is lost or stolen, it is crucial to be able to lock it from a distance or, better still, to wipe off everything that is in it. LoJack Corp. offers such a service for laptops, and Sophos for smartphones.

Network access control and log management: after passwords, these are the crucial security measures needed by a company to make sure all its devices implement uniform policies and procedures, to ensure passwords are strong enough, and to allow access to the company network only to authorized devices.

For a more detailed treatment of these issues, please consult Claudiu Popa and CICA principal, practitioner support Nicholas Cheung’s The Canadian Privacy and Data Security Toolkit for Small and Medium Enterprises, which is part of CICA’s CA Tools for Success series.

But in the smartphone segment there prevails a joyful and trendy anarchy. Because most of the popular devices have been designed with the general consumer in mind, not the businessperson, they lack many essential security components. One notable exception is RIM's BlackBerry, in which corporate-grade security is built-in, not added piecemeal as an afterthought.

Executive urges

Smartphones are repeating a pattern witnessed in the 1980s with desktop computers. They flood into the corporate fold without any rational plan. And very often, Gariépy points out, they are introduced from the top through executives who can't resist the status statement these devices make.

And the greatest obstacle to security with these devices is the users themselves. "People believe nothing of value resides on their device, yet much can be used for identity theft, intellectual property theft or espionage," says Phil Smith, HP Canada category manager, business notebooks. Furthermore, they like these devices for the immediacy and convenience and don't want to be bothered with security barriers, especially passwords. This is why many users deactivate the password protection, which to begin with is very rudimentary. "The majority of phones out there only require a four-digit PIN identification," says Smith. "In a regular notebook, that would never be accepted as security."

Letting mobility spread anarchically is not the ideal way to

go. It poses too many threats to companies, especially accounting firms that have a fiduciary duty to preserve client information. It's not just security that mobility challenges. It also challenges the bottom line, says Lewis. Because these devices have so little security embedded in them, it must be added by purchasing third-party software that can become costly. Also, because the variety of devices is great, companies cannot allow them to proliferate and must standardize, says Popa, to avoid the cost of bridging the differences between competing operating systems and applications.

But most of all, companies need to be wary of the future cost of communications these devices might impose. Until now, companies had relatively modest communications expenses because they owned their networks. But mobile devices, especially smartphones, operate over cellular networks that companies don't own, and the cost of synchronizing them with the corporate IT department could become prohibitive, warns Lewis. This is an important aspect accountants and the corporate world must keep in mind, and it forces them to carefully plan their mobile deployment. Better safe than sorry.

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Find me the money

Locating and recovering assets has always been an integral part of fraud investigations, but today that's the new mantra

Although the amount of money involved was quite significant — approximately \$8 million — it was not a complicated scheme to unravel. Nothing much about it was noteworthy, with one exception: the client's reaction.

The victim was a significant credit facilitator. It had discovered, through a random audit, that one of its top loan managers at a branch in Alberta had been colluding with a customer. By sheer chance, the audit took place on a day when the loan manager had called in sick. He had a serious cold, he said, and could be off for several days, if not longer. As a result, he had no idea the audit had occurred, or of the findings.

The audit revealed that the customer had applied for a \$15-million loan to purchase inventory for his growing manufacturing business. The documents supporting the application had been audited by a reputable firm and seemed perfect. The ratios were exactly what a lending institution would be looking for before making such a

loan. Paperwork showed that previous loans, obtained in Europe where the customer had started his business, had been promptly repaid.

It was as if the customer knew exactly what the credit facilitator needed to see. That was thanks to the colluding manager, it was later learned, who made sure his customer's documents met all the loan-issuing standards.

When the loan manager approached his boss to get her sign-off on the agreement, he recommended the institution lend only \$8 million. "Let's start him off a bit smaller," he suggested. "His paperwork looks impeccable but it doesn't quite justify \$15 million at this point. We can increase the amount once he's proved himself with us, not just to other institutions."

The branch manager liked his way of thinking. "That's a very sensible approach," she said, as she approved the transaction.

Unfortunately, she had just been duped by one of the oldest tricks in the false-loan racket: ask for much more than you think will be acceptable to the lending institution and then settle for a lower amount.

When the forensic accountant was called in by the credit facilitator he assumed his primary tasks would be to determine how the scheme worked, identify everyone involved, ensure there were no other frauds at the branch, recommend ways to prevent the scheme from recurring and, if possible, recover some or all of the \$8 million.

He was right on only one count.

"We are pretty sure we know who did it and how they did it," the client said. "All we're interested in at this point is getting some of our money back. We don't expect to recover all of it. That would be unreasonable. But we need enough to justify the cost of retaining your firm. Unless you can assure us that a reasonable amount of the money we lost is recoverable, your services will not be required."

The forensic accountant wanted to say there could be a world of difference between being pretty sure who did it and how it was perpetrated and knowing for a fact. He also wanted to point out that where there's some fraud often there is more fraud and a thorough investigation was the only way to find out if other schemes had taken place.



SARA TYSON

But he held his tongue.

It was not the first time the forensic accountant had encountered a client that had only one objective in mind. He also doubted anything he said would dissuade the client from focusing exclusively on recovery. In the past few years, he had noticed a change in purpose for many companies victimized by fraud. A growing number of companies made it absolutely clear that recovery was their only objective when retaining him.

There were still files that required a traditional, full-scale forensic investigation but they were increasingly becoming the exception rather than the rule.

Several months earlier, for example, a potential client had made a similar demand to that of the credit facilitator: find me the money. The client had been in a partnership with his brother-in-law, whom he trusted implicitly. So much so that he allowed his sister's husband to have virtual control over the company's finances, including sole signing authority. This turned out to be as bad a decision as the one his sister made when she took her wedding vows.

One day the brother-in-law disappeared, as did the company's secretary, along with almost \$1 million from the partnership's bank account.

The forensic accountant's investigative research team quickly discovered the missing money had been wire-transferred to an account in the Cayman Islands. "It might still be there or it could be somewhere else by now," he told the victimized partner. "Either way, it's going to be very hard to find it because of the Cayman's strict banking regulations. They generally don't provide any details about their customers."

"What are my chances of recovery?"

"Slim," the forensic accountant replied. "Very slim."

"Thanks for your efforts," the partner said. "Send me a bill for whatever hours you worked on this today. I won't be pursuing it any further."

The false-loan scam, however, showed more promise for recovery. The perpetrators hadn't been very clever beyond the creation of the false documents. They didn't cover their tracks in any meaningful way, making it easy to figure out what they had done.

A preliminary analysis of the evidence showed that the loan manager and the customer came from the same European country and could be related. A call to the legitimate audit firm revealed that it had never heard of the company whose statements it had allegedly audited.

"The loan manager was nearing retirement," the forensic accountant noted, "and likely did this to supplement his pension. He doesn't seem like the type to run off to Brazil. If he's planning a trip he didn't book it through your company's travel agency. There's a good chance we can find his assets. Probably those of his accomplice, too."

The forensic accountant directed his investigative research unit to conduct a source and use of funds analysis. This procedure involves a review of an individual's entire sources of revenue, if possible, and tracks how the money was spent.

Because the unit had access to all the client's documentation, including direct-deposit information, it was fairly straightforward to ascertain several key points: the phony customer and the loan manager used the same bank. The \$8-million cheque had been deposited there. Was it possible some or all the money was in their accounts? "My gut says yes," the forensic accountant told the client. "These guys are not as smart as they think they are."

The client agreed and engaged the forensic accountant to conduct a full-scale investigation to recover as much of the money as possible. Working under the direction of the credit facilitator's external counsel, the forensic team moved quickly to assemble and analyze every possible piece of financial evidence at the facilitator. Because they didn't know when the loan manager might return to work, they first made copies of all electronic and paper files and maintained them offsite in a secure location. This procedure was videotaped and conducted in a manner that ensured an unquestionable chain of custody was followed.

It was evident the team needed access to the banking information of the two suspects and as quickly as possible. "Perhaps the loan manager's illness was a godsend," legal counsel surmised. "Perhaps that's delayed them moving the funds somewhere

The false-loan scam, however, showed much more promise for recovery. The perpetrators hadn't been very clever beyond the creation of the false documents

else. The only way to find out is to get their banking records."

Negotiations with the bank, however, proved fruitless. It refused to cooperate with the client's legal counsel for privacy reasons.

Initially stymied, the forensic accountant suggested they apply for a Norwich Pharmacal order, a somewhat arcane tool investigators use to obtain banking information. "One of its great qualities," the forensic accountant said, "is that, if granted, the information is provided in secret. The suspects are not informed."

The history of the order goes back to the 1970s when Norwich Pharmacal, a UK pharmaceutical company, discovered Hong Kong counterfeiters were producing unsafe knockoffs of their products and selling them in Britain and elsewhere under the Norwich label. As part of the company's initiative to stop this happening, it asked Her Majesty's Customs & Excise Commission to release shipping records connected to the alleged patent infringement. The commission denied the request, citing the Official Secrecy Act and common-law confidentiality with respect to taxpayers' records.

Norwich appealed the decision to the House of Lords, which ruled in the company's favour. It was greatly influenced by an obscure 17th-century principle called an Equitable Bill of Discovery, which said that under certain strict conditions, a third party to a wrongdoing had an obligation to disclose information to the victim, even if the third party was in possession of this information through no fault of its own.

About a decade later, this principle was applied to another landmark case before the English Court of Appeal called *Bankers Trust Co. v. Shapira*. In this matter, two fraudsters had conned Bankers Trust into cashing about US\$1 million of worthless cheques. The fraudsters had deposited their illicit gains in a branch of Barclays Bank in London. Barclays refused to cooperate with Bankers Trust, saying it had a duty of confidence not to provide customer information, even if they were scoundrels.

The judge thought otherwise. Citing *Norwich*, Lord Denning informed Barclays it had an obligation to cooperate, which it did.

Since then a *Norwich Pharmacal* order has been used to obtain banking information that normally would be out of an investigator's reach. Legal counsel has to establish a prima facie case of fraud, that a significant amount of money is at stake and show evidence that the alleged wrongdoer would likely move the funds to another location, where it may never be located or recovered, if informed of the legal undertaking.

The credit facilitator's legal counsel, with the assistance of the forensic accountant, prepared its case and was granted a *Norwich Pharmacal* order. Once in possession of the banking information, they saw that the loan manager had received \$2 million in a series of large payments from the phony customer. All the money was still in his account.

The customer, however, had transferred \$6 million to a bank in Europe where he lived. Fortunately, Canada had signed a Mutual Legal Assistance Treaty with this country. Under this treaty, signatories agree to provide various forms of jurisdictional cooperation in criminal matters, including fraud.

Legal counsel acted quickly to obtain a Mareva Injunction that would freeze the fraudster's assets in the overseas bank. Although speed is essential, a Mareva has to be carefully prepared. If the injunction is set aside, a defendant could possibly be awarded substantial costs.

The injunction was granted and, as a result, the fraudster's bank account was frozen. Eventually, a substantial amount of the \$6 million was recovered. It turned out, however, that the fraudster had transferred some of the money to a bank in the Channel Islands, off the coast of Normandy, France. Comprised

of the Bailiwick of Guernsey and the Bailiwick of Jersey, the islands are British Crown dependencies and not part of the UK. As a result, the treaty between Canada and the UK doesn't apply, which is fine with the Channel Islands and their many banking customers who do business there because of its devotion to banking secrecy.

"We could apply for a Letter Rogatory [a formal request from one court to a foreign court to obtain judicial assistance]," legal counsel said, "but it could be years before it's even answered and we have no idea if it will ultimately help us."

The client declined to pursue that option and was more than satisfied with the outcome of the recovery process. It discovered that the manager had terminal cancer and had become ensnared in the scam to provide a nest egg for his wife and children after he was gone. Sadly, the opposite took place. The loan manager was terminated with cause but his employer chose not to prosecute him. An agreement was reached that the manager would lose his pension and other benefits accrued over his career.

In his final report, the forensic accountant included a disclaimer that noted the scope of the investigation had been limited to the one transaction in question. "Is it possible the manager had tried a smaller scheme beforehand to see if it would work?" he wrote. "This is a common pattern with people who have been honest and trustworthy during their career but, for whatever reason, become engaged in a fraudulent scheme. They are understandably nervous as to whether it will succeed and therefore do a dry run, sometimes more than one, to test the waters."

Needless to say, the client never responded to the forensic accountant's cautionary coda in his report. He knew it wouldn't. He also knew his practice had changed. Locating and recovering assets, which had always been an integral part of it, was now for most clients the only real objective. "Find me the money" was the new mantra in fraud investigations, one he was certain he'd be hearing a lot more of in the years ahead.

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Budget 2011 and partnerships

Proposed rules aim to impose fairness and equity when it comes to deferring recognition of income in partnership structures

The most significant corporate tax measure contained in the 2011 federal budget — introduced on March 22, 2011, and reissued June 6, following the Harper government's re-election — is a proposal to eliminate the deferral of tax on partnership income allocated to a corporate partner. The proposed rules are complex, have a broad application and apply to corporate taxation years ending after March 22, 2011. Corporations that are members of partnerships should review the impact of the rules from both tax and financial reporting standpoints, identify which elections and designations should be made under the rules and consider various strategies to mitigate the impact of the rules.

Background

The government's concern with the use of partnerships to achieve tax deferral is not new. The 1995 federal budget

represented the government's first sortie; it effectively eliminated the use of a noncalendar fiscal year in calculating business income earned by individuals and partnerships that had at least one member that was an individual. At the time, it was standard tax planning for professional partnerships to select a year-end early in the calendar year (often January 31). Since income is calculated at the partnership level then allocated to the partners on the last day of the fiscal period of the partnership, this allowed individuals to perpetually defer up to a year's worth of income earned by a partnership.

The implications of the 1995 changes were significant for many individuals who were forced to report two years' partnership income in one year. However, the vast majority of these taxpayers were eligible to report this additional income for tax purposes over the next 10 years via a transitional reserve.

Interestingly, the 1995 changes did not touch partnerships whose members consisted solely of corporations.



RYAN SNOOK

As a result, the rules in the Income Tax Act prior to 2011's budget continued to allow for a tax deferral of up to one year for income allocated by a partnership to a corporate partner. As was the case with partnerships composed of individuals, this deferral was accomplished by setting the partnership's fiscal year-end shortly after the corporate partner's taxation year-end. It was possible to multiply the deferral advantage in some cases using tiered partnership structures.

The Canada Revenue Agency attempted to apply the general antiavoidance rule to such arrangements in the case of *Fredette v. The Queen*, 2001 DTC 621. The Tax Court of Canada held that the use of a partnership to defer tax for one year did not constitute abusive tax avoidance because the tax act specifically contemplates such an arrangement by permitting a partnership to have a different fiscal-period end from its corporate partners' taxation year-end. However, the court held that deferring tax for more than one year using tiered partnerships did constitute abusive tax avoidance, violating the spirit, if not the letter, of the act.

Following the Fredette decision, corporate partnership deferral planning became increasingly popular. Such planning was perceived by the government to have had a significant impact on fiscal revenues, not only because of the income deferral but also because of absolute tax savings arising from the phase-in of lower corporate tax rates. Although the 2011 federal budget measures were not generally anticipated, there was some expectation that the government would eventually take action.

Summary of proposed rules

(Note: at the time of writing, draft legislation had not been released by the Department of Finance. All comments are based on the 2011 federal budget. The rules that are ultimately enacted may differ from those described in the budget proposals.)

Application of rules

The proposed rules are intended to apply to a corporate partner that has a significant interest in a partnership. In general, a corporation will have a significant interest if it, together with related and affiliated parties, is entitled to more than 10% of the partnership's income (or assets in the case of a windup). There are two additional conditions: the corporation must be a member of a partnership at the end of the corporation's taxation year, and the partnership must have a fiscal-period end that is different from the corporation's taxation year-end.

Stub period accrual

If the above conditions are met, the corporate partner will be required to accrue notional partnership income for the portion of the corporation's taxation year that falls after the partnership's last fiscal-period end (the stub period). Unless the corporation designates otherwise, the income accrual (the stub period accrual) is computed formulaically based on the corporation's actual partnership allocation for the partnership's fiscal year that ended

in the corporation's taxation year and prorated for the remaining number of days in the corporation's tax year.

For example, if the corporation has a December 31 taxation year-end, the partnership has a January 31 fiscal-period end and the partnership's income for its fiscal period ending January 31, 2011, is \$100, the formulaic stub period accrual will be $334/365 \times \$100$, or \$92. The corporation may deduct the prior year's stub period accrual in the next tax year when it reports the partnership's income for the next fiscal period. The partner may also be entitled to deduct its share of resource expenditures incurred by the partnership in the stub period in computing the stub period accrual, provided certain conditions are met. A stub period accrual cannot be negative, such that a corporate partner cannot accrue a loss with respect to a particular partnership, even if the corporation earns income from other partnerships for which stub period income must be accrued.

As an alternative to the formulaic stub period accrual, the partner may designate any amount of stub period accrual (but not less than zero) for a particular stub period. However, if the designated accrual is later determined to be less than the lesser of the formulaic accrual and the partnership's actual stub period

In a letter to Finance, the Tax Executives Institute

wrote that the penalty income inclusion for the under-designation of stub period income was overly harsh

income, the partner will be subject to a penalty income inclusion for its following taxation year. The penalty income is computed generally as the amount of the deficiency multiplied by the average prescribed interest rate applicable for underpayments of tax. The penalty is increased by 50% if the deficiency exceeds 25% of the lesser of the formulaic accrual and the partnership's actual stub period income. The effect of the penalty income inclusion can be substantial and is a strong deterrent for the underdesignation of stub period income.

The Tax Executives Institute, in its June 6 letter to the Minister of Finance, commented that the penalty income inclusion for the underdesignation of stub period income was overly harsh, given the many events outside a corporate partner's control that could cause a shortfall in the designated amount. It recommended that this rule be dropped and replaced by one that requires the use of the formulaic approach in subsequent years whenever a corporation's designated stub period accrual estimate results in a shortfall in excess of 25% of the actual prorated income amount.

Continued deferral in certain circumstances

The stub period accrual rules do not entirely eliminate the potential for deferring tax on income earned by a partnership. Where a partnership's business is expanding and its income increasing year over year, corporate partners will continue to enjoy a partial deferral each year for the partnership's incremental income (since the formulaic stub period accrual is based on the partnership's prior year income). In addition, where a corporation becomes

a partner of a new or existing partnership in the stub period, there will be no stub period accrual for the first year in which the partnership interest is held.

However, where the partnership's business is in decline and its income decreasing year over year, the formulaic stub period accrual rules may cause premature taxation of the partnership's income. In such a case, it may be advantageous for corporate partners to designate a lower stub period accrual (being careful not to accrue less than the partnership's actual expected income for the stub period) or elect to change the partnership's fiscal year-end to coincide with the corporate partner.

Uncertainties regarding stub period accrual income

The stub period accrual rules described in the 2011 budget are in many respects unclear. For example, the source of stub period accrual income is not addressed. In particular, if the partnership has earned income from multiple sources, such as Canadian and foreign-source business and investment income, in its most recently completed fiscal period, it is unclear whether the source of the stub period accrual income will correspond to one or more of those sources of income. The sourcing of the stub period accrual income would have significant implications for the computation of a corporate partner's foreign tax credits, resource pool claims, refundable-dividend-tax-on-hand balances, and other tax-related amounts. Implications of the stub period accrual rules for foreign affiliates and provincial income allocations are also not addressed in the 2011 budget.

Election to change fiscal year-end

Provided certain conditions are met, the proposed rules allow (but do not require) a one-time election for a partnership to change its fiscal-period end; for example to align such a fiscal year-end with that of one or more of the partnership's members. Where a partnership's and a corporate partner's year-ends are aligned, no stub period accrual would be reported by the corporate partner.

In addition to the obvious advantage of eliminating the administrative burden of computing annual stub period accruals, aligning a partnership's and a corporate partner's year-ends may alleviate some of the concerns associated with the stub period accrual described above. However, an alignment election may not be beneficial where corporate partners do not all have the same taxation year-end.

Transitional relief

In the first year of application of the proposed rules, a corporate partner may realize a significant amount of incremental partnership income resulting from a stub period accrual, a change in the partnership's period end, or both. Transitional relief is available for incremental income arising from both circumstances. In particular, where the required conditions are met, the corporate partner will be allowed to report the incremental income arising in the partner's first taxation year ending after March 22, 2011, gradually over six years (0% in 2011, 15% in 2012, 20% in 2013 through 2015 and 25% in 2016). This reserve must be adjusted in the second reserve year to the extent the actual

income eligible for transitional relief is different from the initial estimated reserve.

Taxpayers should be aware that availability of the transitional relief may be tainted where a corporate partner has had a deemed taxation year-end in 2011 prior to the effective date of the proposals (March 22, 2011). It is unclear whether this anomaly will be addressed in the proposed legislation, when released.

Representations have been made to Finance by the Tax Executives Institute and others that the transitional relief should be extended to 10 years, similar to the transitional relief provided when the deferral available to individuals was eliminated.

Multitiered partnership structures

The federal budget proposed that partnerships in a tiered partnership structure be required to adopt a common fiscal-period end. Income accrual and transitional relief rules similar to those for single-tier partnerships will also apply in a multitiered partnership context.

Implications for joint ventures

Canada Revenue has indicated that, in light of the proposed rules, taxpayers who enter into joint venture arrangements will not be eligible to compute income as if the joint venture had a separate fiscal-period end. In this regard, transitional relief for joint ventures may be provided similar to the transitional relief described above.

Conclusion

It is difficult to disagree with the policy goals of the proposed rules. The concepts of fairness and equity in taxation dictate that corporations should not be able to utilize partnership structures to defer the recognition of income. That being said, the proposals present significant challenges from a timing perspective. For example, they apply to corporate taxation years ending after March 22, 2011, at a time when there is no final legislation, no designated forms and little time for affected taxpayers to analyze the rules and make informed decisions. Further, the five-year transition period is short, given the tenuous nature of the economic recovery in Canada. The additional tax burden on corporations could have an adverse effect on their ability to hire and expand operations. It is hoped that Finance will give serious consideration to these issues before it finalizes the implementing legislation. Meantime, detailed analysis and planning should be considered by corporate partners to determine the impact on cash flow, financial reporting, the deferral opportunities that remain and whether a reorganization of a corporate or partnership structure would be advisable.

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Political nearsightedness

I do not often write about political issues in this column. However, the Harper government's decision to "reform" the Senate by encouraging elections for senators justifies an exception. Such a change carries the risk of creating unwarranted tensions in the country and could very well undermine the effectiveness of the federal government. What is Ottawa thinking?

The Senate plays a secondary role in Ottawa, largely symbolic. The senators make up a fairly heterogeneous group that includes former politicians, former political organizers, an ex-hockey coach and a few local and national personalities. But these 105 government-appointed senators have little political legitimacy.

They do perform several useful functions. Constitutionally speaking, the Senate is required to approve bills adopted by the House of Commons. It also acts as a legislative watchdog, proposing improvements to bills adopted by the House. Its standing committees examine major Canadian political issues, from the environment and the war in Afghanistan to our financial system. Their reports are well drafted, though rarely read. However, one of the perverse effects of the Senate's parliamentary function is that it slows down the legislative process. Every 10 or 20 years, the Senate flexes its muscles and rejects an Act of Parliament, providing fodder for the media, but without actually having much of a political impact.

The Senate is in fact an anachronism, and like all anachronisms it isn't very threatening. When the Canadian Constitution was drafted in 1867, it was believed this institution would play a key role, and it was granted, in theory, extensive powers. In reality, the upper chamber proved to be superfluous, except for those constitutional zealots who still hold onto illusions about how the Canadian government works.

All that would change if its members were elected. Elected senators, having made promises to their elec-

tors, will arrive in Ottawa primed and ready to make changes. They'll interfere with the legislative process by using vested powers they haven't dared exercise thus far. Current senators will never attempt to do this, as they lack the democratic legitimacy. This is what the Harper government wants to change with their election. But there would still be legitimacy issues.

An elected Senate would remain nonrepresentative. The breakdown of Senate seats by province is based on 1867 demographics. The Atlantic provinces hold 30 seats, which gives them one senator for 77,000 residents. Alberta and BC combined have a total of 12 seats, or one senator for 683,000 people. In Ontario and Quebec, the ratios are, respectively, 546,000 and 329,000 citizens per senator. This

Giving electoral legitimacy to an unrepresentative

Senate will simply create major constitutional tensions

distribution is set out in the Constitution and can only be amended by a unanimous vote of the provinces, a level of approval that is unlikely in this country.

We've been there before. The Meech Lake Accord was held up and tossed aside by the opposition of one provincial MLA, one among thousands of elected federal and provincial representatives. There is no way all provincial legislatures will accept a change in their province's Senate representation. Regardless how its members are appointed, the Senate is likely never to be representative.

There are many other reasons for opposing a stronger Senate. Our British-style parliamentary system works best with a single effective legislative chamber. Furthermore, it is not made for the American-style congressional politics. Giving electoral legitimacy to an unrepresentative Senate will simply create major permanent constitutional tensions that will pit East against West and will slow down the federal parliament even further. Why do we want to create such problems? Are we that masochistic?

Marcel Côté is founding partner at SECOR Consulting in Montreal

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