CPA Vivek Jain helped launch a football league where fans pick lineups and call plays. Can he change the game?
The Canadian Payroll Association Welcomes New President

Sandra Morrison, CPM, CPHR, Chair of the Board of The Canadian Payroll Association (CPA), is pleased to announce the appointment of Peter Tzanetakis as its new President, effective July 3, 2018. Peter comes to the CPA from The Financial Advisors Association of Canada (Advocis), where he served as Vice-President of Government and Corporate Relations. Peter brings with him more than 25 years of experience in government relations, public policy and business development in both the private and not-for-profit sectors.

In his new role as President of the CPA, Peter will engage CPA members, students, instructors, government stakeholders, key business partners and the academic community to advance the strategic objectives of the organization, ensuring the continued growth and success of the CPA.

During his tenure with Advocis, Peter was responsible for working with government stakeholders to advocate on major public policy issues impacting financial advisors, as well as overseeing membership and business development of the association’s professional development platform.

Peter was previously Director, Economics and Statistics, with PricewaterhouseCoopers, and Senior Manager, Tax Policy Services, at EY. As a consultant, Peter helped clients deal effectively with governments on a wide range of policy and regulatory issues. Other former roles include Director of Policy and Senior Economist at the Canadian Chamber of Commerce, Manager of International Trade Policy for the Federal Government’s International Trade Centre, and Economist at Industry Canada’s Policy Division.

Peter received his Bachelor of Arts, Honours Economics, from the University of Western Ontario in 1989, and earned his Master of Arts in Economics from Queen’s University in 1991.

Peter takes over from the former President of 18 years, Patrick Culhane, due to his planned retirement.

As the national association representing employers’ payroll needs since 1978, the CPA influences more than 500,000 payrolls annually, provides value to more than 41,000 payroll practitioners, and works with federal, provincial and territorial governments to ensure payroll legislation, regulations and administration are efficient and effective for all stakeholders.
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A LIGHT IN DARK PLACES
Canada fights against the flow of dirty money BY JOY THOMAS

In the decade since the 2008 financial crisis, global fraud, money laundering and tax evasion have become top-of-mind concerns for governments, investors and regulators alike. And accountants make a huge difference in the fight against the torrent of dirty money, now estimated to be worth between two and five per cent of global GDP. According to a corruption study published in 2017 by the International Federation of Accountants (IFAC), the more professional accountants there are working in a country, the better it scores on Transparency International’s global integrity index.

“The proportion of professional accountants in the economy—those who have subscribed to robust ethical, educational and oversight requirements—is three times more strongly linked with more favourable scores on international measures of corruption, than for individuals identifying as accountants but who may not have professional qualifications,” the study found.

The report’s key findings are worth noting, too: that corruption and money laundering are less likely to flourish in countries with a strong governance architecture that includes oversight from a range of entities, among them a robust accounting profession bound by ethical and regulatory standards.

CPA Canada is actively engaged with the federal government on potential changes to regulations and legislation aimed at strengthening Canada’s anti-money laundering (AML) efforts. Under federal AML legislation, accountants and accounting firms are reporting entities with specific regulatory requirements when they engage in certain activities.

Canada is not immune when it comes to corruption and money laundering, critical issues that are drawing increasing focus both from Canadian authorities and international forums, such as the G20 and the B20. After all, corruption, fraud, tax evasion and money laundering are international activities that also generate knock-on effects in other countries, including Canada.

Carol Bellringer, British Columbia’s auditor general and a former member of IFAC’s board, knows this well. In this issue, she discusses the so-called “Vancouver Model” of laundering drug profits through casinos, real estate and other investment vehicles, as well as the measures that have been taken in recent years in B.C. to combat this problem.

“I’m a big believer in transparency,” Bellringer told Pivot.

What’s clear is that in order to confront these kinds of problems, we need a highly collaborative approach grounded in an overall strategy that includes improved corporate ownership transparency, creates a framework for whistle-blowing and ultimately protects Canada’s reputation and the integrity of our financial system.

WORLD CONGRESS OF ACCOUNTANTS (WCOA)
CPA Canada was well represented at the 2018 World Congress of Accountants, which took place in Sydney, Australia, in the fall. After four years of planning, WCOA brought together more than 5,000 accountants from around the world to discuss a wide range of economic and practice issues, ranging from the financial instability posed by Brexit to global questions, among them sustainability and rapid developments in technology, such as the use of artificial intelligence in accounting.

Gordon Beal, CPA Canada’s vice-president of research, guidance and support, addressed a packed room of professional accountants eager to contribute and outlined how they can utilize their existing skills to help organizations become more sustainable, strategic and adaptable in the face of mounting climate risk.

Later in the conference, I facilitated a panel discussion about innovation-led finance—a hot topic, given that a survey conducted during the Congress showed that building an innovation culture is a major concern for many delegates. This issue certainly resonates in Canada. As CPAs, we must be future-focused, recognizing that change will continue to disrupt business models and alter the way we work. Yet we must also remember that innovation is creating new opportunities for our clients.
I recently read the article about working remotely, and how it leads to loneliness and potential health problems. (“All the lonely people,” November/December 2018). Our company has 60 fully remote team members today; we don’t have an office and we’ve observed the opposite experience. Most of our team say they’re more engaged socially with colleagues across Canada than they were in the physical offices they left. They also feel better supported.

I think that feeling has a lot to do with how a company approaches culture and well-being (we also pay our team to take “workations” with each other anywhere in the world). Putting employees first, above customers, and doing good work doesn’t have to be a function of remote versus in-person. It comes down to doing the right thing.

—Chad Davis, CPA

Co-founder, LiveCA, Toronto, Ont.

Just wanted to say that the new look and design of the CPA magazine is well-received. The biggest surprise is seeing the contributions of a new writer, Peter Shaw Taylor, whom I’ve read and followed in other publications. Great addition!

—Steve Hong, CPA

Kitchener-Waterloo

I just realized I’ve actually been reading the CPA magazines. Wat.

@mic92

LETTERS

Kudos on the excellent new publication! It’s forward-thinking, relevant and reflective of the multiple dimensions of CPA roles, responsibilities and interests. The articles are lively and varied, providing valuable insight into the challenges—and opportunities—that lie ahead.

—Lynell Anderson, CPA

Coquitlam, B.C.
Taxing the gig economy is trickier than you think. But if the CRA doesn’t figure it out, it risks losing billions. **BY PETER SHAWN TAYLOR**

There’s barely a sector, slice or nook of the business world that hasn’t been disrupted in some way by the app-based sharing economy. From taxis to home repairs to banking to web content—all have felt a squeeze from this tidal wave of digital collaboration. Now it’s the taxman’s turn. As much of the underground economy shifts from under-the-table cash payments to digital income earned beneath-the-screen, the ability of federal and provincial governments to collect taxes owing is also being disrupted. With the global sharing economy predicted to hit $335 billion by 2025, and with Canadians already eager participants, the gig economy tax gap is becoming a problem. How will Canada respond?

Spurred by concerns about the underground economy, the Canada Revenue Agency recently launched a research project to calculate the tax gap—that is, the tax bill Canadians likely owe but haven’t paid. Based on 2014 data, the CRA estimates unpaid taxes at $8.7 billion from domestic personal income, $2.9 billion for GST and up to $3 billion arising from personal income hidden offshore—for a total of $14.6 billion. It’s a big number. But the CRA study readily acknowledges “compliance challenges related to technological change” will push it higher.

“The digitization of the sharing economy means people can now access markets around the world instantly and inexpensively,” observes John Oakey, Collins Barrow’s director of national tax services, based in Halifax. “And as more and more people participate, the possibility of their trades falling into the underground economy becomes a bigger problem.” Once it was a wink and a palm-full of bills for the carpenter who built your deck or the mechanic who changed your oil; today it’s ride-share drivers and web designers plying their trade on Fiverr who may not be handing over their share of taxes.

The people who work in the sharing economy are almost entirely self-employed, and self-employment income is difficult to track since it lacks the web of official reporting requirements that attends employment income. If all 2.2 million self-employed Canadians were fully audited, the CRA has calculated, up to $3 billion more in taxes would be assessed, or $1,224 per person, per year (both figures in 2009 dollars). As the sharing economy lures greater numbers of people into self-employment, this tax gap grows in step. This includes both determined tax evaders as well as those who may simply be unaware of their tax obligations. “We are seeing a bigger ‘ignorance factor’ arising from the sharing economy,” says Bruce Ball, CPA Canada’s vice-president, taxation, and a member of the federal minister of national revenue’s Underground Economy Advisory Committee. “A lot of people participating in these new areas simply don’t understand the tax implications of their activities,” he says.

“Challenges come from an increase in the number of taxpayers engaged in underground economic activities,” admits CRA spokesperson Dany Morin, citing the responsibility of taxpayers to properly report all income they earn, whether digital or tangible. “However, these challenges are easily overcome with the use of technology that enables the CRA to identify those taxpayers engaged in the ‘sharing’ and ‘gig’ economies.”

Morin’s optimism arises from the one essential aspect of the entire app-based sharing economy—a centralized digital platform that brings buyers and sellers together. Whether you’re staying at an Airbnb apartment or hiring someone to hang a big screen TV via TaskRabbit, there’s going to be an electronic record of that exchange. “The ability to track what people are earning has become significantly easier,” says Oakey, pointing to a series of court cases that forced eBay to turn over data on their biggest Canadian sellers for tax compliance purposes. The same technology that’s facilitating the growth in the underground economy may thus hold the key to reining it in.
That, of course, assumes buyers and sellers don’t decide to settle accounts privately and in cash, outside the app, once they’ve made contact. As well, since most apps resist giving up any crucial data voluntarily, extracting all the necessary evidence one platform at a time can be a daunting task. Determined tax cheats may also try to avoid justice simply by moving from app to app. Given all this, Oakey suggests, it’s likely the CRA will eventually abandon its current ad hoc approach in favour of something more efficient and comprehensive.

In the long run, he figures participants in the sharing economy will face some sort of federally legislated pay-as-you-go system in which personal income tax is deducted from every transaction on every app, not unlike how income tax is withheld at source for the more traditionally employed workforce. “It might take decades,” he says. “But eventually it’s going to get much simpler for the CRA to figure out who’s earning what.”

The same scenario will likely hold true for sales taxes, suggests Mitch LaBuick, partner in indirect taxes at BDO Canada in Edmonton. Anyone who’s not declaring income from the digital sharing economy is unlikely to register for HST/GST or provincial sales tax. But then again, the CRA has the ability to follow those transactions by accessing the platform data. Governments have also acted swiftly to close potential loopholes.

In the 2017 federal budget, for example, Ottawa settled the question of whether Uber was responsible for collecting HST/GST by amending the definition of a taxi business. All this leads inevitably to the problem in taxing not just sharing-economy platforms, but any digital-only service operating across borders. “If you don’t have a physical presence in the province, how does the government collect that tax?” asks LaBuick. While the federal government has so far resisted demands for a so-called “Netflix tax” imposed on all digital and intangible goods and services, Quebec is breaking new ground.

Starting this January, foreign firms selling “intangible” products and services to Quebec consumers will be required to collect and remit the province’s sales tax—covering Netflix subscriptions as well as sales made on foreign-based digital platforms. “This is the way things are going,” says Maryse Janelle, tax partner at Raymond Chabot Grant Thornton in Montreal. She notes the new system is largely modelled on the European Union VAT system that features a simplified registration procedure for digital platforms. “It is easy, convenient and not an unfair burden on suppliers,” says Janelle. “And it allows government to avoid a loss of taxes.”

Transplanting the European VAT system to Canada and the U.S. is obviously complicated by politics. But a recent court ruling is pushing the U.S. in that direction, and Canada would certainly benefit from being inside any continent-wide system. “Ultimately, the complications [of sales tax collection in the sharing economy] will reach a tipping point and everyone—business and government together—will want a centralized, simplified solution,” says LaBuick.

A simple solution, that is, until the anonymous world of cryptocurrency takes over everywhere and upends tax collection all over again. •

THOUGHT WHEELS

How an odd habit sparks brilliant ideas

BY JASON KIRBY

Like most CEOs, Sara Blakely struggles to find time to think, what with heading up shape-wear company Spanx, co-owning the Atlanta Hawks and raising four children. Which is why you’ll find her driving around Atlanta alone every morning. “I’ve identified where my best thinking happens, and it’s in the car,” Blakely told the Masters of Scale podcast. She lives near her office and doesn’t need to commute. But she “fake” commutes anyway. “I get up an hour early and drive around aimlessly so my thoughts can come to me.”

Blakely is just one example of how far business leaders go in search of think time. Bill Gates, who also hails the benefits of pondering problems behind the wheel, is known for sealing himself in a cottage for an annual “think week.” Shigeru Miyamoto, a top game producer at Nintendo, credited soaking in a bathtub—at work—for helping him design Donkey Kong. Another Japanese innovator, floppy disk inventor Yoshiro Nakamatsu, also appreciates a good dip—to the point of nearly drowning. “If you have too much oxygen in your brain, inspiration will not strike,” he told Smithsonian Magazine in 2012. “Zero-point-five seconds before death, I visualize an invention.”

The car seems safer. Lynne Pearce, a Lancaster University prof and author of DriveTime, praises the dreaded commute. “The 20th-century automobile has provided drivers and passengers with a personalized refuge and thought-space in which to touch base with matters pushed to one side in the frantic hustle of everyday life.” Let’s hope driverless cars don’t turn it into a second office.
SHAM, WOW
A catalogue of recent cons

10 YEARS
The prison sentence recently handed to Robert Boston, a North Carolina entrepreneur who stole more than US$25 million from investors, lenders and franchisees of his now-defunct recycling start-up, Zloop. He used the money to bankroll the NASCAR career of his son, Justin (“I spend $5 million a year so he can play race-car driver,” he once wrote), and purchase real estate, luxury cars, a private plane and NFL box seats. Boston, who was also ordered to pay restitution to his victims, has appealed the decision.

BACCHUS MOTORCYCLE CLUB
The biker gang to which former Canada Revenue Agency employee Christopher Casola belonged. Casola, from Sudbury, Ont., pleaded guilty to illegally accessing the personal information of police officers and rival biker gang members, including Hells Angel and one-time Olympic boxer Phil Boudreault.

$45K
Approximate amount that Arizona CPA Robert M. Purinton will pay to cover his own prison stay. The septuagenarian was sentenced to 366 days in prison after pleading guilty to under-reporting his income on his 2009 tax return.

$0
Income taxes that Jersey Shore star Mike “The Situation” Sorrentino paid in 2011, despite making more than US$2.5 million. He was sentenced to eight months in prison in October.

NIGERIAN PRINCE SCAM
What former Saskatchewan premier Brad Wall recently likened the federal carbon tax to, writing on Twitter, “Usually when someone tells you to send in money but you’ll get more money back in return, it’s a Nigerian prince. #carbonTAX.” Wall later apologized and deleted the tweet.

$12,500,000
Largest jackpot redeemed by the Chung family, the owners of a Burlington, Ont., convenience store, who for years stole winning lottery tickets by telling customers they’d lost. The father, son and daughter used their pilfered winnings, stored in South Korean bank accounts, to purchase homes, cars, jewellery and electronics. The trio received nearly 12 years of cumulative jail time in September (the father has appealed), while the province paid the rightful jackpot winner nearly $15 million, to account for interest.

“My Heart Will Go On”
The Céline Dion song that Kitchener, Ont., resident Greg McBride sang to a CRA scam caller (who eventually joined in). McBride became an online hero this year when he posted a video of himself toying with the fraudsters, feeding them bizarre information (for example, “my cat got a call and said there was an audit”) to waste their time.

“A Business Beginner’s Guide to Tried and Tested Swindles”
The title of a fraud-spotting guide that Luke Johnson, chairman of British café chain Patisserie Holdings, wrote in The Sunday Times—mere weeks before his CFO was arrested in an accounting scandal that left the company owing $1.9 million in back taxes.
How are you measuring your company’s footprint?

As a business leader, you’re responsible for ensuring that your company is in compliance with regulatory requirements on greenhouse gas emissions.

A Primer for CPAs on Greenhouse Gas Emissions Management Systems provides you with information on carbon pricing systems in use across Canada, as well as the greenhouse gas emissions reporting criteria and requirements. It’s the first step in making informed, legal decisions for your business.

DOWNLOAD THE GUIDE: cpacanada.ca/GHGprimer
At a conference in 2017, an Australian criminologist coined the term “Vancouver Model” to refer to an illicit flow of money across the Pacific Ocean. It goes like this: criminals profit from the sale of opioids, like fentanyl, that are produced in China and sold in North America. They then, with the help of Asian tourists and immigrants, circumvent Chinese capital controls and launder the proceeds by making large bets in B.C. casinos, or by buying real estate and luxury goods. Peter German, a former deputy commissioner of the RCMP, wrote a damning report on the problem—focused on casinos—early last year. He is working on a second report examining real estate, luxury cars and horse racing. One highly interested observer is the province’s auditor general, Carol Bellringer, who served on an international task force on combating corruption. Here, she shares her take on this, and other issues, with Pivot’s Michael McCullough.

In addition to your duties as auditor general of B.C., you’ve been on the board of the International Federation of Accountants (IFAC) and other bodies focused on fighting international corruption. Can you tell me about that?

I was nominated by CPA Canada and sat on the IFAC board for the last six years. I just ended my term with them. IFAC serves the public interest internationally, strengthening the accounting profession, and it also has a mission to contribute to the development of strong international economies—so something quite consistent with my day job.

For many years we’ve been communicating to the G20 about matters that are of particular interest to IFAC, everything from introducing international standards for audit assurance and accounting, to public sector management. As part of that, IFAC participated on a “B20” committee—the B stands for business—that was an advisory committee to the G20. I helped IFAC with one of the task forces of the B20, working on anti-corruption. We also moved, as IFAC, from being at the task force meeting, to being what’s called a network partner.
but they can also touch on things that can become fraud-related. When I was auditor general in Manitoba, before I was here in B.C., we did quite a lot of forensic accounting-type fraud investigations, as well as performance audits.

**What’s your perspective on the headlines we’ve seen in B.C. around money laundering and the so-called Vancouver Model?**

When I started hearing about it, I wondered what work our office had done. In 2005, the office issued a report: "Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos." It was quite a comprehensive review of what was going on in the casinos and brought a number of risks to the attention of the legislature. Our reports go directly through the Speaker to the members of the legislature and the public. The organization we audit is then required to answer to the Public Accounts Committee of the legislature, and provide information as to how they’ve addressed any of the concerns that we’ve raised.

"ANYONE WHO IDENTIFIES WRONGDOING NEEDS TO KNOW THEY ARE PROTECTED AS WHISTLE-BLOWERS"

So that was an issue that we brought forward in 2005, and [B.C. Lottery Corp.] would have made a presentation to the Public Accounts Committee since then. While there were reports to the legislature that the risks had been addressed, it’s rather clear that that’s not been the case—certainly not fully.

Some think the Vancouver Model actually appeals to various political constituencies in that it explains several of the province’s ills at once: the opioid crisis, the astronomical cost of housing, gang violence. Is it almost too perfect a conspiracy theory?

Yes, it is too perfect a conspiracy theory. Every single one of those issues has multiple dimensions. I mean, the opioid crisis, for example—it’s a complex issue. It involves mental health services. It involves vulnerable populations. A few years ago, there was a commission of inquiry into missing and murdered women in British Columbia. We took a look and wrote a report in 2016 on the progress the province had made on some of the key recommendations. So every single issue’s got multiple dimensions.

Looking at some steps that have been taken so far—for example, there are now requirements for high-stakes casino gamblers to disclose their source of funds—will they go a ways to addressing the issue?

I’m a big believer in transparency, so I would say more reporting will definitely contribute to part of the solution. When I was involved with the IFAC task force, I became more aware of some of the work of Transparency International, which does regular reporting on global corruption. One of the recommendations of the task force was to require, internationally, a beneficial ownership system, where you could find out who are the actual owners of various assets, like real estate, or who’s transacting and spending money in large amounts. It is part of the battle against corruption, to have that kind of transparency. [For more on beneficial ownership, see Bruce Ball’s column on page 16.]

Has that been implemented effectively in other jurisdictions?

It’s been implemented in other jurisdictions. I’d say there are some limitations to its effectiveness, in particular that there’s no global communication of some of those systems—you can obtain [the information] in one jurisdiction but it is not necessarily available somewhere else. In a Transparency International report, Canada unfortunately ranked quite low on the adoption scale and therefore we rate quite low on how well we’re battling corruption. However, the steps that B.C. has taken and recent action by the federal government are definitely moving things in the right direction.

The money-laundering problem obviously goes far beyond B.C. and even Canada. How much can one province do to stop it?

Let me come at it from another direction. I’d say there’s a certain complacency in Canada: the idea that we’re a developed nation, we’re in the G7, we don’t have a problem. I don’t think that’s the case. We can’t control everything that everybody else is doing but we can control what we’re doing here. That can only be a positive. I feel the same way about [corruption] as I do about climate change: “Well, what’s the point of putting a drink bottle into the recycling bin if I’m not going to make a difference?” But if we all thought that way, nothing would ever improve. There is definitely something that can be done locally that will have a global impact.

An IFAC study, “The Accountancy Profession—Playing a Positive Role in Tackling Corruption,”
reinforces the role professional accountants play worldwide in fighting corruption. How specifically do they help?

It’s a good study, and filled with examples of the crucial role that professional accountants play. First, they are a key part of the governance architecture that serves to tackle corruption; their contribution is amplified where the rest of the architecture is strong. Second, there is a strong link, from research, between the percentage of professional accountants in the workforce and more favourable scores on main global measures of corruption. And third, there are core qualities that make accountancy a global profession: a robust international ethics code, comprehensive educational requirements, and ongoing monitoring and oversight mechanisms are what enable us to help.

Battling corruption must require a lot of collaboration, though. Who else has a significant role to play?

The complex and interconnected world means that we must work collaboratively with the other players. Regulators, members of governing bodies, government and elected officials, as well as other professions, all play a part in what IFAC identifies as the governance architecture. IFAC signed a joint statement with the legal profession in 2016 ahead of the Anti-Corruption Summit in London deploring corruption. And when our members identify fraud and corruption, they need to speak out within an ethical governance framework. We need confidence that when we speak out, those responsible for fixing the problem will take appropriate action. And anyone in the organization who suspects or identifies wrongdoing needs clarity about what steps they should take, and know they are protected as whistle-blowers.

How does your experience with IFAC help you with your role here in Canada?

I have to admit that I didn’t know as much about the global profession before I joined the IFAC board as I do now. I have a greater appreciation for diversity, especially in terms of how people with different views of the world can come together and agree on basic principles. My work with IFAC for the B20 has reminded me that even though we live in a developed country that is well respected globally, we cannot be complacent. The world is changing rapidly around us, we have to stay ahead of those changes—and there is more that Canada can do to fight corruption.

The federal government has a number of efforts underway to fight money laundering. For more see cpacanada.ca/news

DISCLOSURE

WASTE NOT, WANT NOT

As the founder of a non-profit that turns excrement into energy, Toronto CPA Fahad Tariq isn’t afraid to get his hands dirty

While I was studying to get my MBA, I entered a social-enterprise competition. The goal was to improve incomes in developing countries—a very big challenge. In my research, I stumbled upon a United Nations environment report on the energy potential of human waste—you know, the stuff we literally flush down the toilet. The paper showed that it was possible to convert waste into electricity, heat or fertilizer. It seemed like the ultimate form of recycling. I immediately thought, ‘Why isn’t anyone doing this on a massive scale?’ So, with some of my classmates at Western University’s Ivey Business School, we pitched a company that would turn poo into power. We made it to the finals but didn’t win the competition, so I put the idea in a drawer and went back to reality.

About a year later, after I’d graduated, I received an email from a former professor with a letter we had once been asked to write to our future selves. ‘I hope you’re doing something to make the world a better place,’ I’d written, ‘because I know it means a lot to you.’ That hit me hard. I enjoyed my job: I was an equity research analyst (then at BMO, now at Credit Suisse), which means I researched stocks, wrote reports and talked to investors about what they should buy or sell. It’s intellectually stimulating and it allowed me to support my family, but something was missing.

The next day, I registered our theoretical company as a non-profit called Shift.

In the fall of 2017, I hired project managers and an advisory board of four scientific experts via cold-call. We quickly realized it wasn’t realistic to work with human waste—in many parts of the world, that wouldn’t work for cultural reasons—so we set our sights on animal waste, which people, especially farmers, are more comfortable with.

It was an easier way to get into the market.

We ran a crowdfunding campaign on Indiegogo, which raised more than $30,000 in three weeks. I think having my CPA designation helped give
Shift credibility, inspired people to trust me and made them more willing to donate. We had polished revenue forecasts, and backers trusted that I was qualified and had a certain kind of financial understanding.

We decided to start Shift in Pakistan, not only because my family is from there, but also because many people there lack a sustainable source of energy to cook with. When I visited, I got to meet people who live in remote villages and talk to them about their problems. Many of them were using firewood to prepare meals, which can be really hazardous to the lungs and eyes, especially because they live in small huts that fill up with smoke.

We offered Shift as a cleaner, safer alternative. We install what we call an ‘energy dome,’ a concrete cylinder that farmers can dump cow manure into. Inside the sealed dome, natural bacteria break down the waste over the course of about a week, creating ‘bio-gas.’ That gas is then piped to homes, where it can be used for heating and cooking meals, much like a natural-gas stove.

It was difficult to get buy-in from the community to use their land and animals, but our project managers already had good relationships with community leaders—plus the system has a lot of advantages. It runs on waste they already have, so it’s of no cost to them and requires almost no maintenance. Plus, it captures methane emissions that would otherwise go into the atmosphere and prevents the deforestation that comes with chopping firewood.

We started with a single project and have since installed 10 domes, which afford clean energy to about 500 people.

Maintaining a non-profit on top of a full-time job can be difficult. In the early days, it wasn’t uncommon for me to wake up before sunrise for a conference call with our advisory board or to send emails to donors at 2 a.m. on a Sunday. My schedule is more flexible now that we’re up and running, but I still devote considerable free time to Shift, making calls to Pakistan on weeknights to talk about new locations or to troubleshoot contractor delays. Our advisory board helps with strategy, safety and execution, and our team in Pakistan is really passionate about development and relief work. My wife has also been really supportive, letting me off-load other things so I can spend time working on this.

My personal philosophy is, ‘If you’re trying to go fast, go alone. If you’re trying to go far, go together.’ It shocks me that no one has implemented something like Shift on a huge scale. The technology has been around for a long time; it just needs to be brought to the world. We want people to talk about waste as an energy source, just as they talk about solar or wind energy. For that to happen, this technology needs to be widely adopted in North America. As we continue to grow in the developing world, I want to work with a North American city to implement this technology. What if Toronto could turn itself into a generator using the waste its population is producing?

On days when I’m tired or that grand vision seems far off, I think about the impact our work is having. I can spew stats, but I’d rather talk about the women who no longer have to inhale smoke all day. What keeps me going is talking to our contacts in Pakistan, receiving pictures from overseas and hearing what people are saying about Shift in the villages. That really recharges my batteries. I think, “This is why I’m doing this.” It’s like day one again.”

—As told to Katie Underwood
It’s dark, it’s cold, and tax season already feels overwhelming. It must be time for a vacation. And when Canadians holiday in the winter, we head south. Canadians made nearly 1.5 million trips to Mexico, Cuba and the Dominican Republic in the first quarter of 2018; the amount of travel to those beachy destinations has more than doubled over the past 25 years. Here, a guide to the destinations Canucks love—and the traveller faux pas they loathe. —Steve Brearton

**HOT SPOTS**
Canadians’ favourite warm-weather destinations in 2017

- **MEXICO**
  - 2,240,000 trips
  - (+15.5% from 2013)

- **CUBA**
  - 881,000 trips
  - (+10.5% from 2013)

- **NEVADA**
  - 1,484,000 trips
  - (+10.5% from 2013)

- **HAWAII**
  - 882,000 trips
  - (+13.7% from 2013)

- **BAHAMAS**
  - 314,000 trips
  - (-12% from 2013)

**BAD TRIPS**
Canadian travellers’ top pet peeves

**AT THE HOTEL**
- 10% Lovebirds in the public hot tub
- 28% Rude guests
- 46% Misbehaving children
- 47% Noisy neighbours

**ON THE PLANE**
- 10% Baggage carousel bullies
- 14% Queue jumpers
- 48% Perfume abusers
- 53% Seat kickers
- 96% Barefoot passengers

**ON THE BEACH**
- 54% Music blasters
- 58% Sand flingers
- 73% Litterers

Sources: Allianz Global Assistance, Canadian Tourism Research Institute, Conference Board of Canada, Expedia, RBC, Statistics Canada, United Nations World Tourism Organization
85,800,000
Days that Canadians spent on sun holidays in 2017

41%
Percentage of Canadians who took a sun holiday in winter 2017/2018

$2,673
Estimated amount spent on that vacation per household

<table>
<thead>
<tr>
<th>Destination</th>
<th>Trips</th>
<th>Change from 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>3,448,000</td>
<td>-15.4%</td>
</tr>
<tr>
<td>California</td>
<td>1,739,000</td>
<td>+9.7%</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>557,000</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Jamaica</td>
<td>288,000</td>
<td>+10.3%</td>
</tr>
<tr>
<td>Arizona</td>
<td>829,000</td>
<td>-2.5%</td>
</tr>
</tbody>
</table>

Per capita spending on international tourism in 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>$1,839</td>
</tr>
<tr>
<td>Germany</td>
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</tr>
<tr>
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<td>United States</td>
<td>$546</td>
</tr>
<tr>
<td>China</td>
<td>$239</td>
</tr>
</tbody>
</table>

Why Canadians take beach vacations

- Relaxation: 85%
- Forgetting daily routines: 52%
- Escaping winter: 50%
TAX WATCH
THE DEVIL IN THE DETAILS

Ottawa is about to overhaul corporate reporting requirements, but CPAs are still waiting on specifics. It’s time for answers.

In the annals of Canadian corporate record-keeping, the changes proposed to take effect July 1 may be among the most far-reaching in years. Strange, then, that the looming overhaul of Canada’s corporate ownership record-keeping requirements to recognize “beneficial ownership” of corporations is getting so little attention.

During the past few years, governments around the world, Canada included, have moved to clamp down on money laundering, aggressive tax avoidance or outright evasion, and the financing of terrorist and other criminal activities. The 2016 Panama Papers investigation, which revealed a vast network of hidden and offshore financial activity, prompted many governments to address gaps and other issues. There’s a lot of money at stake: estimates of Canada’s so-called “tax gap”—the difference between the tax revenue governments expect to bring in, and what they actually receive—vary from $6 billion to $47 billion per year.

A federal government discussion paper released in February 2018 on improving Canada’s anti-money laundering and terrorist financing regime identified a range of proposals, among them beneficial ownership information that would require recording and maintenance of precisely who has beneficial ownership of private corporations. This followed an agreement among federal and provincial finance ministers in December 2017 to pursue legislative amendments to their corporate statutes to ensure corporations hold accurate and current information on beneficial owners that will be available to law enforcement, tax and other authorities.

According to the paper, beneficial ownership refers to “the identity of the natural person who ultimately controls the corporation or entity, which cannot be another corporation or another entity.” With such a reference, it’s all about giving tax and other authorities the tools to see through layers of corporations, or other entities such as trusts, in order to track down those people who ultimately control and benefit from these corporations.

More recently, federal Bill C-86 was released in November 2018 and it contains changes to the Canadian Business Corporations Act to mandate the collection of beneficial ownership information. The key rule is a corporate requirement to maintain a registry of information on individuals who have interests, rights—or a combination of the two—in respect of a significant number of shares of the corporation. The number is deemed “significant” when an individual’s interests or rights amount to 25 per cent or more of the voting rights, or 25 per cent or more of the fair market value of shares, when compared with all of the corporation’s outstanding shares. The reference to fair market value may create concerns for many corporations. For example, it is common for private corporations to issue both common and fixed-value preferred shares. If determining the exact relative value of shares owned by each shareholder is required, this process could be both onerous and expensive if it is necessary to value the corporation as a whole to determine these values.

The draft legislation also had significant penalties that could apply if the corporation knowingly fails to maintain the register or if false information is provided or recorded. Shareholders themselves can also be liable if they knowingly fail to provide information or provide false information.

In another significant development in November 2018, the House of Commons Standing Committee on Finance made a number of recommendations, including the creation of a pan-Canadian beneficial ownership registry for all legal persons and entities, including trusts, who have significant control over corporations. It also recommended that the proposed registry should not be available to the public. If the recommendation is adopted and filings must be made to disclose the beneficial ownership information for collection in a registry, common sense would dictate that corporations should be

FOR CANADIAN CPAS, THE REALITY IS THAT BIG CHANGES AIN’T VERY FAR AWAY. YET THERE’S STILL A GREAT DEAL THAT NEEDS TO BE DONE.
CYBER ATTACKS COST MORE THAN YOU THINK

Cyber attacks are expensive to fix, but they can also slow down growth and cause customers to stay away. Protect yourself before you have to pay up.

In late November, Marriott International announced that 500 million customers may have had their data stolen, including passport and credit card numbers, as a result of a breach that lasted for four years. Within days a class action lawsuit was filed and there’s no doubt the company is spending money on public relations and ensuring the business is safe from further intrusions.

As embarrassing as a breach is for Marriott, it’s also going to be costly. Target, which experienced a breach in 2013, spent an estimated $300 million to revamp its cyber-security measures and pay settlements to credit card companies and customers. The cost of a 2017 cyber attack on FedEx was also estimated to be around $300 million.

While Marriott may be the most recent company to announce a data breach, it won’t be the last. Businesses around the world regularly get compromised, and it’s often up to a company’s finance team to manage the cost of a security risk.

Risks are rising: In the first half of 2018, 4.5 billion records were stolen globally, up 133 per cent from a year earlier, according to digital security firm Gemalto. It’s not just large companies that get attacked either. According to Statistics Canada, about 20 per cent of cyber attacks that occurred in 2017 targeted businesses with 10 to 49 employees.

Battling an attack can get pricey, with Canadian companies spending on average $6.1 million on breach-related expenses, up 5.6 per cent from 2016, according to the Ponemon Institute. In 2017, about half of Canadian businesses reported an impact to employee productivity as a result of a cyber-security incident, according to Statistics Canada.

What’s worse, though, is that a cyber attack can slow down growth, says Jason Bero, Global Black Belt, Modern Workplace at Microsoft. “A CEO once told me, ‘I can’t quantify the total amount of a breach, but it impacted the total cost of progress,’” he says.

While more executives are aware of how costly a breach can be, many businesses aren’t prepared enough. It’s often hard for a chief financial officer to allocate funds to something that may not happen. A breach, though, can be more expensive than the cost of taking appropriate steps to prevent one. “Executives need to understand the overall cost of not being prepared,” says John Hewie, National Security Officer with Microsoft Canada. “The cost to clean up the IT environment can be expensive but the loss of trust in your brand can be more damaging.”

REAL-TIME REACTIONS

Today, cyber security is about more than just protecting against a breach. With the bad guys constantly adjusting their strategies and responding to the latest defences, any software that’s used must help companies stay one step ahead. “The old way of protecting was to build a fortress around your organization to keep bad things out,” says Hewie. “Today organizations must think in terms of resilience and be able to quickly detect and remediate incidents before they become breaches.”

Some companies are now looking at tools that allow them to react faster to attacks than a human can. Intelligent technology, as it’s called, uses advanced analytics, machine learning and behavioural analysis to help automate, detect and respond to a cyber attack. “We need to eliminate or reduce a lot of this human intervention,” says Hewie.

LOOK AT LOGINS

Fortunately, there are practical things you can do to reduce your vulnerability. For instance, companies are adopting facial-recognition software to create passwordless environments. That will make it harder for hackers to enter through the front door. Windows 10’s Hello feature, for instance, allows users to log on to their computers via facial recognition. Not only does it increase security, but it also allows people to get onto their computers faster than they would with a password. “I rarely have to use my corporate password these days,” says Hewie.

A simple way to protect against intrusions is to make sure staff turn on multi-factor authentication on the apps and programs they use, says Bero. While people still need to input a password, they also have to verify their identity in a second way, such as by entering a code sent by text. “Run modern software and keep it up to date, use complex and unique passwords, reduce privileged accounts and implement some form of multi-factor authentication,” says Hewie. Microsoft Secure Score is also an easy way to understand your security position in the form of a KPI.

To truly protect against a cyber attack companies need to create a culture of security across the entire organization. Employees must learn to identify and report suspicious activity and operate online in a way that’s not putting their organization at risk. Finance teams must also invest in the right security solution early, before an attack threatens to derail a business. “It has to be a shared responsibility,” adds Bero. “Everyone needs to take part.”
able to use their tax returns to report this information as opposed to a separate filing, to help minimize the compliance burden.

For some corporations, the exercise will be easy—for example, where a single corporation is owned by a single individual. For other structures, things could get a lot more complicated. An example would be corporations owned by multiple families who have corporate structures of their own. Overall, additional corporate accountability mechanisms are certainly important, but the compliance, as a general principle, shouldn’t be too onerous, nor should it be excessively costly for corporations and their owners to satisfy the new rules.

As of late fall, practical guidance as to how to carry through with these requirements, as well as details on the extent of the reporting, was still outstanding, although the government did recognize last February that providing “clear, standardized direction” to corporations and their advisors will be crucial. What does seem clear is that a good deal of the responsibility for sorting out these matters will fall to the corporation’s accounting and tax advisors.

One question you may be asking is how trusts fit into all of this. In addition to this initiative, similar requirements were introduced for trusts in the 2018 federal budget. Under this change, additional information such as the identity of beneficiaries, trustees and settlors will have to be reported for trusts beginning with the 2021 taxation year. As many trusts hold shares of private corporations, it will be crucial to ensure that the two sets of reporting rules are coordinated so that compliance work is not duplicated.

Other national governments are implementing similar reforms, so Canada is following an international trend. But for Canadian CPAs, the reality is that the July 1, 2019, proposed implementation date isn’t very far away, and there’s still a great deal that needs to be done: clarifying the precise rules, issuing guidance from the government’s perspective and developing processes to unearth all the beneficial ownership information that may be locked away in a complex, layered corporate structure for CPAs.

To stay up to date, check out CPA Canada’s website regularly for news on changes as they become available. With such a dramatic shift in corporate ownership record-keeping requirements in the works, CPAs will have to pay particularly close attention to what’s coming down the tracks.

Bruce Ball, FCPA, FCA, is the vice-president of taxation at CPA Canada.

THE WORKPLACE
GOOD HUSTLE
Being busy is the new status symbol—and that’s not necessarily a bad thing

When someone asks how I’m doing, I don’t often respond, “Good.” Instead, I say, “Busy.” Sooo busy. It’s not a banality but a brag, and before I can stop myself, my smile becomes just a little smug. I’m swamped. Slammed! Between my job, writing a second book, training on a competitive boxing team, caring for my elderly diabetic cat, cooking, cleaning and a thousand-and-one other things, I rarely have time to simply relax. And I can’t seem to shut up about it.

I’m not alone in this. Bling, designer clothes and sleek cars were yesterday’s status symbols, today’s is the appearance of busyness. Saks Fifth Avenue, for instance, sells a line of trendy, millennial-pink “I’m Very Busy” notebooks, agendas and cups. A person can buy crafty wall art and T-shirts to proclaim their busyness. Even if we aren’t literally advertising our jam-packed day, our sense of way-too-much-to-do can still become an inextricable part of our identities—whether we’re truly that busy or not.

Researchers call this the “busy mindset”—that is, the perception that we are a Very Busy Person. Regardless of how objectively busy we are, studies have shown, the busier we think we are, the more important we feel. Other research has found that self-importance boosts self-control. Together, these findings offer surprising insights into how busy-feeling people make everyday choices: they’re likely to be consistently healthier and downright better.

Forget kicking back with Netflix and a greasy pizza at the end of a long week. In theory, a busy person is more likely to chug a kale smoothie after yoga because they #DeserveIt.

“Every day, we make many decisions that involve choosing between our immediate and future well-being,” says Amitava Chattopadhyay, co-author of a new paper that examines how busyness can curb indulgence. “Do we save money for retirement, or do we splurge on a trip? Do we eat fruit or cake for dessert? When we perceive ourselves to be busy, it boosts our self-esteem, tipping the balance in favour of the more virtuous choice.”

Chattopadhyay’s research isn’t just meant to be a pat on the back for busy people. He is also a

ILLUSTRATION BY KAGAN MCLEOD
FORGET NETFLIX AND CHILL. A BUSY PERSON IS MORE LIKELY TO CHUG A KALE SMOOTHIE AFTER YOGA BECAUSE THEY #DESERVEIT.

marketing professor at the international business school INSEAD, where he’s looking into how the busy mindset influences consumer habits. In its experiments, Chattopadhyay’s team reminds study participants how busy they are—what they call “activating the busy mindset.” For instance, participants in one of their studies were more likely to make better financial decisions if, before looking at long-term savings plans, they were first asked to write down three activities that kept them busy.

These trends hold true outside of controlled environments, too. In one field study, his researchers examined a university dining hall’s receipts for one week and found that, with only minimal signage boosting the busy ego (“Good to go, for busy students!”), diners consumed significantly fewer fat calories and bought far less junk food. “We did move the needle in the real world,” he says, adding that perhaps we should stop seeing a busy mindset as a bad thing.

Despite its downer reputation, being busy has many other benefits. A 2016 study published in Frontiers in Aging Neuroscience found that busyness can increase cognitive function. For those aged 50 to 89, it’s associated with greater processing speed, working and episodic memory, reasoning, and crystallized knowledge. In other words, having lots on the go can keep an aging person sharp. The study does allow, however, that busyness usually carries far more negative connotations, including that it’s stressful—a state of being that’s been shown, over multiple studies, to result in inferior cognitive function. So how can busyness be both good and bad?

It all depends on what’s keeping you busy, and how you perceive it. If a person’s busyness can serve “as a proxy for intense, sustained lifestyle engagement,” then its effects can be positive, the Aging Neuroscience researchers found. If we like what we’re doing, and it makes us feel good about ourselves, that sense of having a lot to do can be a sort of busy high. We make better choices; we stay invested in our lives and the world around us. Given all this, suggest the researchers of both studies, we’ve got busy all wrong. Rather than worry that our Age of Busy has turned us into burnt-out, baggy-eyed overachievers, we might instead realize how it’s good for us.

Still, my 2019 goal is to subtract, not add, to my calendar. Busy can be good, but it can also be overwhelming. It’s worth remembering that many of the upsides to being busy correlate less to our full schedules and more to how we feel about how we’ve spent our time. And, personally, I’d like to start bragging about spending a weekend in my pyjamas doing nothing more than reading a good book.

Lauren McKeon is the digital editor at The Walrus and author of F-Bomb: Dispatches from the War on Feminism.
for Canadians” was “a very big problem,” another 44 per cent felt it was a moderately big problem. In other words, seven out of every 10 people think that jobs are something we ought to be concerned about.

Yet, data point after data point that we’ve seen recently about the labour market, and the economy more broadly, suggests otherwise. At 5.6 per cent, the unemployment rate is at a record low. The employment-to-population ratio among prime working-age Canadians (those aged 15 to 64) is 74.1 per cent, tying the record high set in December 2017. Even the threat of unemployment seems to be diminishing. According to Statistics Canada, the average tenure for full-time employees is 108 months, just a touch below the record high of 111 months set in 2015. Among part-timers, it’s at 76 months—a record high. By nearly any metric, there are more employed Canadians with longer tenures today than at any other point in history.

Sure, there may be some niggling issues here and there that might colour the fringes of the story, but it’d be difficult to argue that the broad contours of the labour market are anything but strong.

So why all the concern? It’s possible that this is a referendum on the quality of jobs, not the quantity. It’s no coincidence that the same survey showing 70 per cent of Canadians concerned about the availability of jobs also showed that 86 per cent are worried about wages and the cost of living.

But I think there’s more to this than just dollars. The labour market is going through turbulent change: the rise of the gig economy (and the digital economy, more broadly), the growth of precarious work, concerns that technological innovations like AI are going to threaten more middle-skilled, middle-income jobs. All of these shifts intersect at one thing: a growing sense of insecurity.

That insecurity might manifest in a very tangible way for some, such as precarious workers facing volatile incomes or being uncertain about the future of their short-term job contracts. But it would be naïve to think that those in full-year, full-time work are free from insecurity.

Decades of economic crises, bubbles popped and disruption have ingrained in us the idea that every job is vulnerable today; it’s a creeping sense of insecurity that they won’t be able to stay relevant for the jobs of tomorrow.

And who can blame them? New technologies and ways of doing business—Big Data, or machine learning, for example—are very likely to drive the next stage of evolution in the labour market. Yet, how many ordinary Canadians without a degree in computer science are capable of either understanding or using these new tools? They don’t even need to be that complicated to create the sense that you’re behind the eight ball. How many of us feel like we’d benefit from more technical skills, like learning how to code in Python or Java or R, or how to use Photoshop, but never get around to it?

In November, a consortium of organizations including Ryerson University, the Brookfield Institute and the Conference Board of Canada won the mandate to launch the Future Skills Centre, one of the main ways the federal government is going to address these skill gaps. It’s being billed as part of the answer to all of our questions about how we’re going to retrain and upskill a labour market of more than 17 million working Canadians and prepare them for the future.

But the reality is that we have very few answers. It’s not clear what kind of programming is effective, whether or not that differs based on an individual’s background, how best to deliver said programming, or who’s going to fund it. It’s not even clear that this is something the government can take on—it may very well have to centre on the private sector, or even the individual. In fact, there are numerous private sector initiatives, and CPA Canada has launched its own extensive Foresight consultation, each effort trying to answer these difficult questions, because the way we think about our working lives has fundamentally shifted. The necessity to constantly upgrade our skills is no longer something we can just talk about and not act on. The consequences of technological change are already here.

So whether these initiatives succeed or fail is going to be of critical importance—because this is about far more than just skills. It’s about our sense of security.

Francis Fong is chief economist at CPA Canada.
When business owners think about their accountants, they usually want to know one thing: How can you make my life easier?

It starts with making the accountant’s life easier first. That’s where the right technology comes into play.

“Accountants are always looking for ways to do our jobs better, but at the same time, we need accuracy,” says Melanie Schroeder, a longtime CPA based in Vancouver. “Any time you’re moving data back and forth between apps, there’s another opportunity for errors.”

That’s why Melanie became an early adopter of QuickBooks Online Accountant Pro Tax, a new solution unveiled by Intuit at QuickBooks Connect Toronto last month. Pro Tax, which is powered by the same technology as ProFile, Canada’s leading professional tax software lets professional accountants file T2 returns faster and with more accuracy via the cloud.

Streamlining to save

Pro Tax integrates directly with QuickBooks Online, creating a more streamlined process where data is all-in-one place. “By integrating Pro Tax into my workflow with Workpapers, I don’t have to re-key in any GIFI data,” Melanie says. “The time savings have been huge.”

Overall, Melanie estimates she can save half an hour per tax file. “Half an hour, especially during a busy period like March or April, is precious.”

In fact, any time savings is precious for Melanie, who’s a parent. “I see this to be a game-changing software. I can serve my clients and stay competitive, but do it in a way that doesn’t mean I have to work late nights or sacrifice time with my family.”

Meanwhile, other accountants using Pro Tax have reported saving up to 50 per cent of their time on T2 returns.

Melanie’s adoption of Pro Tax also came during a critical juncture in her career, when she branched out from a partnership to be a sole proprietor. “Now, I can save on software costs, because I’ve been able to do away with other tools, since Pro Tax works directly with QuickBooks Online.”

Building for the future

We all know that the only certainties in life are death and taxes. With the latter, though, the right tools make planning ahead effectively easier.

“We’re designing our tools to support accounting firms who want to shift their work from year-end to year-round,” says Mike Illnicki, Intuit Canada’s Product Manager for Pro Tax. “Through Pro Tax, your data is up-to-date at any given time, which allows for better tax planning and more opportunities for accountants to play a consultative role.”

For Melanie, the benefits are already coming to life. “I just had a conversation about year-end with a client. We only talked about their tax return for five minutes – the rest was about how to grow their business and how to rearrange systems to make them more efficient,” she says.

Investing in Canada

“We really believe that technology has to work in harmony with other solutions, not be a roadblock to success,” says Illnicki. “That drives us to keep improving our solutions and make them integrated, working toward an accounting seamless workflow delivered in one place with a single login.”

That commitment begins with a philosophy that software should be designed for Canadians, by Canadians, he adds. Specifically, Intuit has invested in a Canadian design team dedicated to innovating for the Canadian market. “Our products evolve quickly and can stay ahead of changes in this market, in part because we’re investing in product innovation right here in Canada.”

For Melanie’s part, and accountants like her, though, it comes down to a simple experience. “I’ve always been an early adopter of technology, but using Pro Tax was also really intuitive,” she says. “It just makes things easier, so I can concentrate on helping my clients grow.”

To learn more about QuickBooks Online Accountant Pro Tax visit: https://proadvisor.intuit.ca/cloud-accounting/quickbooks-tax.jsp

As accountants gear up for 2019 and beyond, Intuit is evolving to transform alongside them.
Vivek Jain, CPA, Regina native and co-founder of the Fan-Controlled Football League
A new league lets fans pick lineups and call plays. Is this the future of football?

BY LUC RINALDI
PHOTOGRAPH BY AARON COBB

Ten minutes into the first game of their inaugural season, the Salt Lake Screaming Eagles partied like they’d just won the Super Bowl. Fans rushed the field. Kids swarmed players for selfies. Referees tried—and then quickly stopped trying—to control the chaos. “I’ve never seen anything like this,” an announcer said, laughing with bemusement. “Fans are everywhere.”

This sort of pandemonium doesn’t typically follow a first-quarter touchdown—or, for that matter, any play—in the Indoor Football League, a shoestring operation several rungs down from the NFL. But this wasn’t just a touchdown. It was the Screaming Eagles’ first TD and the first orchestrated entirely by fans. Over the preceding months, as part of a sporty social experiment, supporters had selected the franchise’s hometown, name, logo, players and coaches. And on the evening of Feb. 16, 2017, they used their smartphones to pick the play that scored the first six points in Screaming Eagles history. Never mind that the team was still down by eight; it was time to celebrate.

Somewhere on that overrun field was Vivek Jain, a Canadian CPA who helped give life to this crowdsourced fever dream. Three years prior, he and five friends had resolved to create the world’s first fan-run team, a screwball idea that, in the hands of most sports nuts, would have died on the bar napkin on which it had been drunkenly imagined. Yet: “There I was, this nerdy father of two from Regina, midfield in a packed arena,” says Jain. “It was this crazy moment of, ‘We made this happen.’”

It hardly mattered that the Screaming Eagles eventually lost the game. Jain and his co-founders felt like winners. Roughly 150,000 people from 99 countries tuned in on YouTube or Facebook, another 8,000 packed the sold-out Maverik Center in West Valley City, Utah, and a total of 3,000 people, both in and outside the stadium, called plays from scrimmage. No Indoor Football League game, much less an expansion team’s
first match, had numbers like that. Sitting on the sidelines, Jain felt proud, but not quite relieved. “I was also thinking about what was next,” he says. “It was great we’d done it, but how could we make a viable business with some staying power?”

Throughout the 2017 season, the Screaming Eagles continued to lure an average of 130,000 viewers per game, but the team never felt like the final draft of its founders’ idea. It was too small, too shackled by the rules and structure of an existing league. If they wanted to truly empower armchair quarterbacks—and make a killing doing it—they needed more than a team. They needed their own league.

Their newest project, the Fan-Controlled Football League (FCFL), which is set to kick off this summer, is a mishmash of three American obsessions: fantasy football (worth an estimated US$7 billion in North America), the Madden video game franchise (with global sales around US$4 billion) and flesh-and-bone football (no figure needed). It’s pro sports for the digital age. Celebrities will replace coaches, live streams will supplant TV broadcasts and, once again, the fans will be in charge. Purists have dismissed the FCFL as a gimmick gone wild. But if you believe Jain and his merry band of disruptors, it might just be the future of football.

No one would confuse Vivek Jain for a football player. He stands five-foot-nine, an elfin figure with actor-sharp features (he has 15 commercial and indie-film credits to his name). But growing up in Winnipeg and Regina, he spent countless nights playing pickup with friends, attending Blue Bombers games or playing Tecmo Bowl, a retro Nintendo video game that let him coach a pixelated football team on a 2D field.

By age 14, Jain had two magazine subscriptions: Sports Illustrated and Fortune. “I’ve always been fascinated by business,” he says. “I come from a family of accountants. It was something that my parents nudged me to do. The more I got to know about it, the more it made sense.” He studied business, accounting and finance at the University of Regina, earned his designation in 2002 and spent the next decade at a handful of accounting, investment and venture capital firms. “Becoming a professional accountant gave me the best foundation. It was really crucial to me growing in that world.”

In October 2014, Jain travelled to San Diego for a wireless conference, where he ran into Patrick Dees, an old friend in business development who was working on a new venture. (It’s also where Jain befriended comedian Norm Macdonald, with whom he’s since co-founded a dating app called Loko.) “Patrick wouldn’t give me much detail about it,” says Jain, “but he said, ‘Trust me. You’re going to like it.’ ” Jain humoured Dees and met his business partner Sohrob Farudi, one member of a crew of 30- and 40-something sports geeks who’d all dreamt up identical business ideas from separate corners of the country. In California, Farudi, a serial entrepreneur, was tired of yelling at his TV over the Dallas Cowboys’ coaching decisions. In New York, another friend, digital expert Grant Cohen, had ended a boozy night out by pledging to create a fan-controlled minor-league baseball team. And in Chicago, former Bears defensive back Ray Austin was developing a fan-input app inspired by his experience attending a friend’s semi-pro football game. “I was sitting in the stands screaming at the coach to run better plays,” says Austin, now head of football of the FCFL. “At halftime, I literally went down on the field and got the coach’s phone number so I could text him plays.” Together, this group of entrepreneurs felt they could properly pursue their zany pipe dream. “We all had our own expertise,” says Austin. “We were like the Temptations.”

Cohen’s hunt for a baseball team had gone nowhere. And another promising lead, a chance to take control of an arena football team with Mötley Crüe singer Vince Neil, spiralled into a legal nightmare. But the third time was a charm. The founders amassed a group of high-profile advisors and supporters—including Andy Dolich, a sports executive who’s worked in each of North America’s four major leagues—and presented their plan to the Indoor Football League, the second most prominent of America’s half-dozen arena leagues, where aspiring NFLers play fast-paced games on matted hockey rinks. “Our pitch was that we weren’t going to change the flow of the game,” says Jain. “We were going to follow the rules.” They positioned it as a win-win: they would get their team, and the relatively obscure league would benefit from scores of curious—and perhaps even loyal—new viewers. When the league gave them the green light, the founders started an Indiegogo campaign that raised $83,000, began building the tech and drummed up press interest. Sports Illustrated and Fortune both picked up the story. “It was 100 per cent full circle,” says Jain. “It was unreal.”
In the summer of 2016, Rob Walker, an engineering student at a community college in Pennsylvania, was scrolling through sports scores on his phone when an ad popped up. “You could control a real football team,” it read. “Immediately, that got me,” he says. Walker had been playing since high school, but a concussion in his freshman year had sidelined his college football ambitions. “I just wanted to stay involved in any way I could.” He filmed practices and games, but it didn’t compare to being part of the action. When he saw the ad, he thought managing a team sounded more enticing than watching from the bench. “It was such a crazy idea that I couldn’t keep my eyes away,” he says. “I told my friends: this is either going to go decently okay or monumentally bad.”

Either way, he wanted in. Walker signed up to be one of the Salt Lake Screaming Eagles’ official scouts. Through the Indiegogo page, 60 or so diehards paid up to US$100 to have a say in which players would make the roster. They scoured YouTube clips, compiled scouting spreadsheets, consulted with management, and posted player interviews and tryout footage for other Screaming Eagles fans to review when picking the roster. “Some players bought in and loved the fan-run concept,” says Walker, now the FCFL’s football operations manager and a student at Temple University in Philadelphia. “And some players were against it.” Other prospects seemed interested, but reneged when they found out how much they’d be making: the minimum salary in the Indoor Football League is $225 per week; in the NFL, it’s over $9,000.

The trepidation didn’t faze Jain. He knew many players would never trust fans with their careers. But he also wagered other players would see the silver lining: the buzz, the novelty, the GQ articles and ESPN segments. “There are so many guys who don’t get into the NFL because they’re six-foot-two instead of six-foot-four, but they’re still amazing athletes who are entertaining to watch,” says Jain. The Screaming Eagles, the founders assured, would give them exposure—and, with it, a valuable opportunity to prove to scouts that maybe they do belong in the big leagues. Sometimes, that was enough. “At the end of the day, these guys just wanted to play.”

Take Don Unamba. After playing for Southern Arkansas University, he signed with the St. Louis Rams, then spent a couple of seasons in the Canadian Football League. He was ultimately ousted by a new coaching regime. Unable to find another team, he started working a door-to-door sales job, hawking roofing services and attic installations in Dallas. “One day, I was on break and I got a phone call from the coach of the Screaming Eagles,” he recalls. Within days, Unamba had quit his job, signed with the team and booked a flight to Salt Lake City. “I wasn’t doing what I loved, and this was an opportunity. The way they pitched it, I was like, ‘This might be kind of dope.’ ”

Because of his major-league experience, Unamba was the roster’s veteran. He mentored his teammates and became a fan favourite, known for celebrating interceptions with a trademark dance—crouching and flapping his arms like an eagle’s wings, dreadlocks flailing from his helmet. “It was cool. The fans were on top of you. I’m talking about being in the game and high-fiving them,” he says. “I have literally tackled players into fans.”

Then, about halfway through the season, an old college teammate playing in the CFL called Unamba. “He had seen my Screaming Eagles highlights, that I had been doing good. He was like, ‘We could use you up here.’ ” Unamba signed with the Montreal Alouettes, and is now in his second season with the Hamilton Tiger-Cats. In October, the Ticats’ defensive coordinator told the Hamilton Spectator he was the best player in his position in the CFL. A few NFL teams have shown interest. “If it was not for the Screaming Eagles, I probably would not be playing football right now,” says Unamba. “I had this taken away from me, so I just enjoy playing the game.”

Losing Unamba was a blow to the Screaming Eagles, but it was a boon to the founders. “If we could ever get a guy to the NFL, that would sell our idea better than anything,” says Jain. It’s not unprecedented: more than 30 Indoor Football League players have graduated to the NFL, including recently retired Buffalo Bills running back Fred Jackson. A Cinderella story like that would have only attracted more attention—and more talent—to the fan-controlled escapade.

They could have used it. Though the Screaming Eagles earned plenty of press, there was no consensus on whether their scheme would actually work. On the sports debate show Pardon the
 Interruption, commentator Michael Wilbon was scathing. “This is so dumb,” he said. “What you need to do is keep the fans at arm’s distance as often as possible. Win the games while they’re sitting there stuffing their faces.” (In fairness, Wilbon’s on-air foil, Tony Kornheiser, rebutted, “If they want knowledgeable fans to call plays, I’m all for that… This is smart.”) There were other hiccups. Despite spending $100,000 on stadium Wi-Fi, connection cut out occasionally—the coach, not the fans, chose the team’s first-ever play. And that coach, William McCarthy, was fired after two games due to “philosophical differences” over fan control. Plus, supporters nearly named the team the Stormin’ Mormons or Teamy McTeam-face, and came alarmingly close to signing Greg Hardy, the former NFLer who was found guilty of assaulting an ex-girlfriend (50.1 per cent of fans chose not to offer him a contract—a difference of 12 votes). “They ended up making the right decisions,” says Jain. “But for us, the founders, there was a lot of heartache until that happened.”

And what about the fans’ most important job: calling good plays? Everyone has some version of the same grievances, often accompanied by a chuckle. Jain: “I don’t think we kicked one field goal all season long.” Walker: “Even if it was fourth and 40, fans would still call a pass.” Austin: “Our special teams sucked.” Unamba: “Don’t nobody want to see you running the ball.” Each down, when the fans were presented with four coach-selected plays via an app or streaming service, they almost always picked the most aggressive option. They wanted buzzer-beating Hail Mary passes, not four-yard gains. They would rather an entertaining loss than a boring win. To some extent, it worked. The team had the second-most passing touchdowns, the league’s third-best overall offence and an offensive rookie-of-the-year quarterback. But the fan’s offensive gambles backfired on the defence. If the team failed to make a first down, it left their opponents with great field position, making it easier for them to score.

The Screaming Eagles finished with five wins and 11 losses—a lousy sports team, but a promising business. By the end of the season, the founders had already resolved to expand their fan-controlled team into a fan-run league. To make it happen, they signed deals with Twitch, Amazon’s popular live-streaming service, and IMG, the entertainment management giant that handles UFC and EuroLeague, Europe’s top-tier basketball association. “We thought of all these cool things that we could do to get fans engaged, but we couldn’t do them in an existing league,” says Jain. “We needed full control.”

The Fan-Controlled Football League is a video game come to life. Instead of controlling avatars on a screen, you will direct seven living, breathing athletes up and down a 50-yard field in a tricked-out, 500-seat Las Vegas production studio. On Twitch or the league’s app, fans will have about 15 seconds between every down to select one of four plays—an experience not unlike Tecmo Bowl, Jain’s boyhood go-to. The coach relays the most popular option to the quarterback, who in turn directs his teammates. When the play dies seconds later, the process begins again. If it sounds chaotic, it is. But the Screaming Eagles mastered the art, and the time crunch had the serendipitous effect of keeping fans entranced—turn away and you risk missing out on a potentially game-changing vote.

Fan engagement is the lifeblood of the FCFL. Its modified rules (for example, no single-point conversions or field goals) cater to fans’ offensive habits, and each of the season’s 16 games will last a mere hour, in deference to online attention spans. Because none of the league’s eight 18-player teams are tied to a particular city, the founders will introduce other ways to match supporters with particular squads, such as celebrity “fan captains” and team “archetypes.” Once they pledge allegiance to a team, the fans decide everything, from jersey colours to the members of the cheer squad. In exchange for their participation, the faithful will be rewarded with Fan Access Network Tokens, the FCFL’s official blockchain-based currency. (Voting will also operate on the blockchain, which the league says will ensure accuracy and transparency.) If you...
OUT OF THE NORM

How Vivek Jain teamed up with Saturday Night Live alumnus Norm Macdonald to create a dating app

JAIN: “Norm was the entertainment one night at a conference I attended. I ended up chatting with him after his stand-up set and we decided to keep in touch. Months later, we ended up on the same flight. He had just done a show in Regina, and I was headed to L.A. So we ate lunch together and got to know one another. He’s an incredibly intelligent, hard-working guy with great business instincts.

One night when I was in L.A., I was hanging out at Norm’s house talking about dating. I’m divorced and have been single for a while. My schedule makes it hard to date, and I wasn’t really into dating apps: some people just want to hook up, others look nothing like their profile pics, and you have to text a War and Peace-length novel before you may or may not even meet someone. Norm and I were trying to figure out how to fix that, and we realized the problem is first dates. They generally don’t go well.

So we came up with the idea of a video-dating app called Loko, where you have a video chat before you decide whether or not to go out with someone. Its users get a real sense of the person they’re interacting with in the safe, comfortable environment of their own homes. You’ll only agree to meet in person if you know there’s a connection that points to a meaningful first date.

We built Loko several months ago and now have 10 employees scattered through Regina, L.A., Las Vegas and New York. I met some of them through football; some know Norm. He oversees the team that writes our video content, people who worked on Saturday Night Live and Wayne’s World. Another perk of working with Norm is his ability to call up people like Howard Stern and get on his show. Who wouldn’t want him? We are also scheduled to be on Anna Faris’s podcast. My daughters love her movie Yogi Bear, so I told them, ‘Daddy’s going to meet the girl from Yogi Bear.’ They were pretty stoked about that.”
WHEN BITCOIN COMES TO TOWN
Eager to transform its economy, Quebec courted crypto miners with loads of affordable energy. Will the newcomers stick around when the digital gold rush ends?

BY MARTIN PATRIQUIN
PHOTOGRAPHS BY GUILLAUME SIMONEAU
In places like Saint-Hyacinthe, Quebec, in the bowels of long-abandoned warehouses, there is the sound of money being made.

Generated by thousands of four-inch fans turning clockwise in unison, it’s akin to a constant swarm of bees. This literal wall of sound is looped with wires and pulsing with green lights—some near-future set piece plunked into the industrial scrapes of a Montreal exurb.

The noise and heat—the room feels like a Florida tarmac—is the by-product of 6,500 computers. Each one is roughly the size of a loaf of bread and is doing the same thing as its many neighbours: cracking mathematical equations. When an equation is solved, the computer is rewarded with Bitcoins, the world’s reigning cryptocurrency. It then moves on to another equation. Then another.

All told, an operation like the one in Saint-Hyacinthe will harvest an average of 3.5 Bitcoins a day, which in the rodeo-esque world of Bitcoin trading is worth anywhere from about $2,200 (in early 2016) to roughly $88,500 (in late 2017) or somewhere in between ($18,300 this past November). Call it a noisy cog in the wheel of the digital economy, in which computing power mates with copious amounts of electricity to churn out a currency that exists only in an ethereal ledger.

The Saint-Hyacinthe warehouse is one of five such facilities that Bitfarms, one of the largest Bitcoin mining firms in the country, has built since 2017. It’s also a model of how the company plans to make Quebec a global Bitcoin harvesting centre. Bitfarms, which is listed on Israel’s Tel Aviv Stock Exchange, had revenues of US$22 million in the first half of 2018, according to its financial statements. It has plans for another three facilities, for a total of 162.5 megawatts of power consumption. That’s enough to mine hundreds of thousands of dollars’ worth of Bitcoin a day—or to power more than 120,000 homes.

Globally, Bitcoin mining will soon consume nearly as much energy as the entire country of Austria uses in a year, according to a recent report published in the energy research journal Joule. Another study, in Nature Climate Change, claims Bitcoin mining could singlehandedly increase global temperatures by two degrees Celsius, the limit set in the Paris Agreement, within 30 years.

Bitfarms is not the only game in town. Over the last several years, Bitcoin miners from around the world have set their sights on Quebec for one simple reason: cheap, abundant and comparatively green electricity, sourced from the province’s myriad hydroelectric operations. The province was happy to trade its excess power for a chance to get in on a high-tech phenomenon—for a while, at least.

By May 2018, the rush of would-be miners proved so great that the provincial government ceased issuing new electricity contracts. From the fall of 2017 until the moratorium, 300 cryptocurrency mining and blockchain outfits petitioned Hydro-Québec, the province’s public utility, for some 18,000 megawatts of power. By comparison, Quebec’s well-established aluminum industry buys about 2,700 megawatts from Hydro-Québec.

The worry, telegraphed both by Hydro-Québec and former premier Philippe Couillard, is that these automation-heavy operations won’t provide much in the way of jobs, but will overload even Quebec’s formidable electrical capacity and expose the province’s economy to Bitcoin’s boom-and-bust spikes. “If the market were to tank, most for-profit miners would no longer be able to offset their costs and would likely exit the market,” says Jeremy Clark, a professor and cryptocurrency expert at Concordia University.

Another problem is the gold-rush-like atmosphere surrounding Bitcoin. There is a finite number of Bitcoins, and the algorithms to mine them are designed to become exponentially more complex as more computers try to solve them. Governments worry that Bitcoin miners, much like prospectors of yore, will begin disappearing as harvesting becomes more cash- and energy-intensive—and disappear outright when there are no more Bitcoins to be had.

“Though we have certain energy surpluses, we simply can’t connect every would-be Bitcoin farmer who knocks on our door,” said Hydro-Québec spokesperson Jonathan Côté. “If we were sure these demands were going to be here in five or 10 years, we might be able to up capacity. But that certainly isn’t the case.”

Bitfarms says it is different than the fly-by-night Bitcoin miners. Instead of just reaping Bitcoins, Bitfarms co-founder and president Pierre-Luc Quimper wants to use the blockchain, Bitcoin’s underlying virtual ledger, as a backbone to host authentication, logistics and payment systems for companies and individuals. The blockchain’s open-source ubiquity and transparency, along with its robust security, provides an ideal arena for financial transactions between companies. In other words, mining Bitcoin is just a lucrative opening act. Bitfarms’s true future, Quimper believes, lies in the blockchain.

Big businesses are on the same wavelength. Two years ago, Walmart and IBM partnered to create a blockchain project that monitors food safety for the Arkansas-based retail giant. Maersk has a blockchain project to monitor shipping. De Beers has done the same to track the sale, importation and authenticity of its diamonds.

Quimper wants to use his company’s computer prowess to mine Bitcoin, using the proceeds to first expand its facilities and then leverage its digital footprint to get into the world of logistics and financial transactions—a far more lucrative market in the long run, he believes. To this end, Bitfarms
Pivot has partnered with Montreal engineering school École de technologie supérieure on a blockchain research project, with the goal of sussing out practical applications for the technology beyond cryptocurrency.

“Two years ago, when I saw everyone was getting into Bitcoin and flooding the market, I saw the way to make money was through infrastructure,” says Quimper. “I want a company like Air Canada to come to us. We’ll do the ticketing, we’ll do the logistics, we’ll do the algorithms, we’ll do the infrastructure all on blockchain. The real money is in what’s coming.”

Bitcoin came to life in 2009 thanks to a person or group known as Satoshi Nakamoto, ostensibly a Japanese software engineer whose true identity remains unknown. Though its founder is nebulous, Bitcoin was a definitive solution to an enduring problem for digital ideologues: how to perform decentralized financial transactions securely and (relatively) anonymously over the internet.

More than 17 million Bitcoins have gone into circulation since 2009, the transactions of which are permanently recorded on a giant ledger known as the blockchain. About every 10 minutes, the Bitcoin network releases a new block to the chain containing all the transactions since the last block. Mining this new block requires computers to solve mathematical problems—or, more accurately, guess at the answer several trillion times a second. The computer that guesses correctly first gets a set amount of newly minted Bitcoins (12.5, currently). Bitfarms’s existing facilities, totalling 27.5 megawatts of power, mine an average of 9.275 coins a day, the value of which fluctuates wildly every day.

Nakamoto limited the total number of Bitcoins to 21 million (most estimates suggest they’ll all be mined by 2140). And the more computers mining Bitcoin, the harder it is to actually obtain them—the difficulty of the process is relative to how much computing power is on the network at any given time. In turn, that means miners require ever more electricity. As a result, Bitcoin miners have flocked to Iceland, Sweden and parts of the United States where power is relatively cheap. In 2017, they came calling on Quebec.

To be sure, the province has long been a destination of choice for power-hungry industries. In 1901, the country’s nascent aluminum industry settled in Quebec, lured by the cheap power flowing from Shawinigan Falls, about 160 kilometres northeast of Montreal.

As hydroelectric plants popped up on the Quebec landscape, so too did aluminum smelters. Today, nine of 10 major Canadian smelters are located in the province. Cement factories are prolific in Quebec as well, as are data centres and clandestine marijuana grow houses. Though these products serve different markets and proclivities, they have one thing in common: they wouldn’t exist without the province’s cheap and plentiful power.

In the summer of 2016, as part of a plan to double revenues over the next 15 years, Hydro-Québec launched an initiative to woo more data centres to the province. As charm offensives go, it was all carrot, not much stick. It included access to government assistance programs, a 25-million-square-foot array of available real estate, IT support and rates as low as four cents per kilowatt hour. (By comparison, the lowest off-peak commercial rate in Ontario is 6.5 cents.)

The offer attracted data centres and Bitcoin miners alike. The Chinese firm Bitmain, which also manufacturers the industry-leading Antminer computers used in most of the world’s cryptocurrency mining operations (the Antminer S9 performs between 13 and 14.5 trillion guesses per second), met with Hydro-Québec in 2018. David Vincent, the utility’s business development director, has said that “three or four” of the world’s biggest blockchain players have sniffed around for a spot in Quebec to plug in.

All told, some 300 companies of varying sizes presented plans to Hydro-Québec, according to Côté. The utility accepted 20 proposals before it introduced a moratorium on further requests in June, and began penalizing mining companies that defied the moratorium—by, for example, pretending to be a greenhouse—by charging them a penalty rate of 15 cents per kilowatt hour.

“It was just too much,” says Côté of the demand. “Even if we just went with the ‘serious’ requests, the ones with proper business plans and whatnot, we’d need to outlay up to 6,000
megawatts. That’s four times the surplus capacity we have available for all industries. We don’t want to make all that capacity available exclusively to the cryptocurrency and blockchain industries.”

Bitfarms’s advantage was its early arrival to market. The company’s first mining operation came online in July 2017 before the Bitcoin rush, in a small village about 70 kilometres southeast of Montreal. In April, it merged with Israel-based Blockchain Mining Ltd. The company secured contracts for all its energy demands before the moratorium. In fact, admits Bitfarms CEO Wes Fulford, the moratorium actually helped Bitfarms by closing the market to further potential competitors.

Bitfarms got in early because of Pierre-Luc Quimper. A native of New Brunswick who somehow convinced his parents to let him drop out of school in Grade 5, Quimper opened his first company, a web hosting outfit called GloboTech Communications, in 1999. At first, Bitcoin was a way to pay the mortgage.

“I bought a house and wanted a way to stay there for free, so I bought a bunch of servers,” the diminutive Quimper says from behind the wheel of his Lamborghini Aventador—an extravagance that GloboTech’s success, not Bitfarms, afforded him. “After about three months, I didn’t want to sleep there because it was so bloody hot and the electrical panel was constantly about to blow up.”

Lamborghini notwithstanding, Quimper looks the part of an indifferent millionaire. He usually shows up to work unshaven, in baggy jeans and a Bitfarms golf shirt, peering from behind thick glasses. He is also a PR person’s nightmare, particularly behind the wheel of his Aventador. Exactly why Quebec’s public electricity utility won’t give him more power is a frequent source of his ire. “Hydro-Québec wants to up the price for this one industry,” he tells me as we weave through traffic on Autoroute 20 between Montreal and Saint-Hyacinthe. “It’s a mistake. Look at data centres. At first, Hydro-Québec didn’t want them here. Now they give them special prices, and we have huge data centres here as a result. It’s why Amazon is coming here. We’re long-term. We want the same thing.”

Along with electricity, Bitcoin mining requires industrial space with ready access to the electrical grid. Quimper and his partners found all three in places like Saint-Hyacinthe, Cowansville and Sherbrooke—towns and cities whose industrial bases have fallen on hard times. The Saint-Hyacinthe facility is housed in a former cocoa storage warehouse. The Farnham plant, where today some 6,700 mining computers hum along, used to manufacture carpets. Thetford Mines and Baie-Comeau, two other formerly grand industrial towns, have expressed interest in hosting Bitfarms.

Along with cheap rent and proximity to the grid, these towns usually draw an excess of power that would otherwise go unused. “We sat down with the head of Hydro-Québec and picked spots where there were surpluses,” Quimper says. That optimizes costs. It also has the effect—intended or not—of helping them escape the criticism of environmentalists who would argue their mining operations are a burden on the planet.

Bitfarms has supporters in those spots as a result. Last May, Sherbrooke Innopole director general Josée Fortin wrote a letter to Quimper “strongly supporting the Bitfarms project, which answers several of the needs of the changing Sherbrooke economy.” For cities like Sherbrooke, which own their own electrical distribution network, Bitfarms presents a tempting offer indeed: the company doesn’t ask for tax breaks, pays for its own infrastructure, and buys power that would otherwise go unused.

Yet others, while happy with Bitfarms’s proposition, have yet to see the rewards. Both Bitfarms and competitor Bit-Linksys secured contracts with Magog, a largely tourism-based town in Quebec’s Eastern Townships. BitLinksys said it would be online by June; by November, it had yet to mine any coin. Bitfarms isn’t online yet either.

“It’s not as frustrating as it is astonishing,” says Magog mayor Vicki-May Hamm of the delays. “It seemed really important that we sign and get them the electricity quota as fast as possible. Unfortunately, neither company has begun mining, and we aren’t selling any electricity. And a town that doesn’t sell electricity doesn’t make any profit. We wanted those profits sooner to reinvest in our infrastructure.”
(Bitfarms says the infrastructure in its Magog plant is in place, and that the company is currently deciding what kind of Bitcoin mining hardware to purchase.)

Another issue is jobs. Bitcoin mining, being a largely automated endeavour, isn’t a huge job creator. According to a KPMG report published in 2018 for Hydro-Québec, a 20 megawatt cryptocurrency mining operation generates 1.2 jobs per megawatt. Bitfarms, for instance, has about 100 employees. By comparison, a dedicated data centre creates five, while an actual bricks-and-mortar mine creates 27. “The economic impacts of Bitcoin mining are much less per unit of energy than of a data centre of comparable size,” reads the report.

Yet the same report is comparatively bullish on the “promising future” of the blockchain’s economic potential as a business platform. The blockchain is essentially an online ledger that records transactions. Anyone can make and record a transaction—so long as there’s consensus from all participants. As such, it can take the place of third parties who would otherwise be trusted with overseeing transactions between individuals and companies.

“Essentially, we’re shifting responsibilities of trust from humans and organizations to technology,” says Kaixwen Zhang, a professor and blockchain expert at Montreal’s École de technologie supérieure.

The implications of blockchain-based applications are considerable. For example, blockchain-based real estate transactions would enable buyers and sellers, two entities who don’t necessarily trust one another, to negotiate price, set conditions and complete a sale without a third party. By the same token, the blockchain could arguably take the place of many banking and financial services.

“The blockchain is a trustless system,” says Louis Roy, a chartered professional accountant and blockchain leader at Catallaxy, the blockchain consulting arm of Raymond Chabot Grant Thornton. “It allows you to do business with someone who you don’t completely trust.”

The blockchain is also uniquely suited to logistics. In the case of Maersk, which launched a blockchain-based shipping platform in collaboration with IBM earlier this year, it has allowed the Danish shipping giant to track various shipping “events”—departure, customs information, bills of lading—in real time, without relying on antiquated computer systems or paper-based legal documents that currently dominate the industry.


“The potential market size is enormous,” says Roy. “Talking about registries isn’t sexy. But in life pretty much everything we do is part of a registry. And fundamentally what is the blockchain? It is a decentralized registry. Financial transactions are recorded in a register. The government has personal information on you and me; all of it is in a registry. And decentralizing registries is what makes them more secure.”

Blockchain applications are very much in their infancy. Yet as the number of Bitcoins diminish and become more difficult (and expensive) to mine, companies relying on myriad Bitcoin mining machines pulling money out of the ether won’t likely last long. For Pierre-Luc Quimper, the future of Bitfarms lies not in Bitcoin but the infrastructure supporting it.

Currently, Bitfarms mines Bitcoins. Yet Quimper wants to transition the company to something bigger, in part due to the difficulty and volatility of Bitcoin mining. It will instead use the blockchain technology behind the cryptocurrency as a secure, virtually un-hackable and fully traceable framework on which companies can set up their logistics and inventory systems. According to Quimper, Bitfarms can both design and host these systems in the future using its existing infrastructure. He says Bitfarms’s transition from Bitcoin miner to blockchain host will mean more jobs and less susceptibility to Bitcoin’s rodeo-like swings in value.

“We are at the beginning of something huge,” he says. “We want to be a vertically integrated company that finances its future by mining Bitcoin. Blockchain applications are cheaper, more secure and more adaptable than anything that exists now. Bitfarms will be integral in blockchain solutions. We don’t want to just consume electricity.”

“We simply can’t connect every would-be Bitcoin farmer who knocks on our door”
Great Expectations

Five audit experts take on the profession’s existential problem

Photographs by Luis Mora

Doug King, FCPA
National Data and Analytics Leader, Audit at KPMG Canada

Kerry Gerber, FCPA
Corporate Director and former Chief Auditor and Assurance Quality and Methodology Leader, PwC Canada

Karyn Brooks, FCPA
Corporate Director and audit committee member; Former Senior Vice-President and Controller, BCE and Bell

Eric Turner, CPA, CA
Director, Auditing and Assurance Standards, Chartered Professional Accountants of Canada
The expectation gap is a huge and thorny issue in the audit profession—so much so that even the definition is up for debate. Broadly speaking, it’s the difference between what the profession thinks an audit is—and does—and what everyone else thinks. But those gaps in perception can be different for every player—management, the audit committee, regulators, the investment community. It’s a time of great change in audit: standards are evolving, Audit Quality Indicators have been introduced to help both auditors and clients, and a new, expanded audit report is now in place. Pivot convened a panel of experts at Leña restaurant in Toronto to discuss the central issue—the expectation gap, and what can be done to close it. Editor Mark Stevenson moderated.

Mark Stevenson: Let’s start by defining the issue. What exactly is the “gap” in the expectation gap?

Kerry Gerber: I think there are many elements to it. I would focus on the public’s perspective of an audit, and that it may not match up with what an audit actually is. There are different gaps. Does the shareholder community understand what the audit standards say? When there is a corporate failure of some kind, or something goes awry, then there’s a lot of questioning by government and by the wider public: “Where were the auditors? What were they doing? Why did we have this outcome?”

Chris Clark: Apart from the expectation gap from the general public, there’s the expectation gap from the user community—the investor community—around what they’re able to obtain out of audited financial statements and the usefulness of those statements.

Karyn Brooks: I would argue that the expectation gap is really the fault of people not reading the auditor’s report. The report is pretty clear about what auditors do and don’t do. Then it comes down to the analyst’s expectation—they just want the auditors to audit a whole bunch of stuff that they don’t now.

Eric Turner: But there is real confusion or, at least, misunderstanding. When CPA Canada had a roundtable with some investors last year—and a number of them were, in fact, CPAs—it became clear that they did not fully understand what the auditor’s involvement had been. They saw the financial statements and the auditor’s report, but they also looked at the other information that went along with that, including the MD&A [Management Discussion and Analysis] and KPIs [Key Performance Indicators]. They had no idea what the auditor’s involvement had been with that information. Some thought, “Well, it’s probably been audited because there’s an audit report in the package.”

Doug King: One problem is the communication vehicle we have. Although we have an audit report, it’s generic. It’s the same every time and it’s not really looked at. Many people ignore it. Others think, “I don’t care if this information is audited. I don’t even care about the information, because I develop my own information.” Management already develops all these performance indicators. So it only prompts the question—what did the auditor do?

Mark Stevenson: Where, then, do you think the gap is widest and most problematic? Is it with the general public and the profession? With the investor community and the profession? With the investor community and the profession?

Chris Clark: It’s with the general public because they think of the auditors as some kind of insurance policy against a corporate failure. And unfortunately, that leads into the
whole question of relevance from the audit profession’s perspective. Many people now think auditors are not relevant because they’re not providing that kind of guarantee.

**Eric Turner:** Investors are looking at, and relying on, information beyond the audited financial statements. They may have some feeling that there’s been auditor involvement with it. So if there’s some sort of disaster, it leads to a real public concern about the role of auditors: “We thought you guys were involved in this reporting. How could you not be involved?”

**Chris Clark:** Eric, I would argue that the information the investors are relying on is all audited information. The problem is the lack of consistency and comparability of the information as opposed to whether or not the fundamental information underlying those non-GAAP measures or KPIs is audited.

**Eric Turner:** That might be true on the financial information, but there is a lot of operational information that comes from systems and processes. These are not used to generate the financial statements.

**Karyn Brooks:** And those are the numbers that the analyst community, in particular, would like to see audited. If I put my preparer hat on, I think that’s a bad idea.

**Mark Stevenson:** How so?

**Karyn Brooks:** I wouldn’t want the auditors auditing KPIs. They’re measures that management uses to run the business and they disclose them so they can better explain the results. I don’t know how you would audit them. We could go down a very deep hole here.

**Doug King:** You’re right, Karyn, and even then an expectation gap exists. People think the MD&A is an expectation gap. Let’s be honest, MD&A is management’s story with numbers that are audited. And that just extends the expectation to an area that we’re not even really involved with to a great extent.

**Kerry Gerber:** I was just reading some reporting that suggested investors are not only interested in assurance around the numbers, but also around the narrative that management puts forward. So to your point, how would an audit team broker that with management? Second, who’s going to pay for that? Every time you ask the auditor to do something, I expect the auditor would appreciate some dollars to do it. Then there’s the debate of the cost/benefit. What problem are we actually trying to solve by providing the additional assurance? If you take a step back, you may ask, is the audit going far enough? Is it covering enough of the information? Yes, auditors could do more, but we have two barriers. One is cost and the second is that the standards aren’t there to really go beyond the safe harbour auditors have within existing GAAS [Generally Accepted Auditing Standards].

**Karyn Brooks:** And I would argue that the third barrier is management. I don’t think management has any difficulty with the auditors auditing the financial statements where there are rules—there are principles around how those are prepared. But if the auditors go beyond the financial statements and into the MD&A, then management will not be able to tell their story. Also, I don’t know how you calculate KPIs without industry standards, whether it be cost per ounce or same-store sales—I mean, pick your KPI. They have to be developed for every single industry and there’s no body to do that. As I say, it’s a deep, dark hole.

**Chris Clark:** There’s a fourth barrier, and that’s the litigation environment out there, and the liability that the auditors are going to attract.

**Doug King:** But I think we need to go there, because auditors need to...
extend the usefulness of an audit. We have to be bold enough to say we need to look at what business we’re in. It’s not just doing audit. It’s information verification. As a profession, that’s the business we should look at ourselves being in.

Mark Stevenson: That ties into the issue of how much should be disclosed. Would more disclosure around what the auditor has done help with the expectation gap?

Chris Clark: As Karyn says, if nobody is reading the auditor’s report anyway, will more disclosure really close that expectation gap? I’m not sure that it will.

Kerry Gerber: Auditors are using an expanded report in the U.K. and elsewhere, and it has not necessarily closed the expectation gap. The profession still seems to be grappling with the core expectation issues. Yes, there’s more transparency, but a host of things still go unreported. Investors are increasingly interested in disclosure around the discussions that the auditor has with management. But how will you ever have a meaningful, trusting conversation with your client and the management team if it’s going to be reported in your audit opinion? There’s still room to have a dialogue around these issues, but it has to be everybody working together in concert because we still have a public function to fulfill. If we’re afraid to go into uncharted waters, then we may, in fact, lose our ability to continue. One constituency I was interested in hearing from was the board of directors. What is their expectation of the audit? We’ve spent a lot of time trying to educate directors about that. Now I think that expectation gap is starting to close.

Chris Clark: I would say there are a number of people on boards of directors and audit committees who don’t have a clear understanding of an audit. Audit committees today are not entirely made up of CPAs. They consist of a variety of people from different industries, bringing different backgrounds, skills and expertise—all of which you want on an audit committee. And committee mandates continue to expand—much of an audit committee’s meetings are spent dealing with issues of Enterprise Risk Management, in many instances. It’s up to the chair of the

go undetected in the future. To me that sets unrealistic expectations of the profession.” Until everyone fully understands what these tools can and can’t do, there’s a risk that expectations will further outstrip reality.

The biggest problem, says Charbonneau, is one that auditors have no control over—the faster and faster pace at which companies are bringing new technologies into their own business processes: “If auditors can’t respond quickly to the risks that new technologies introduce, then there is a risk that the expectation gap will continue to widen.” Charbonneau points to cryptocurrency as a prime example. About 50 public companies in Canada have cryptocurrency assets in their financial statements, or have said they are going to introduce cryptocurrencies into their business operations. “It’s a very specific challenge,” says Charbonneau. Audit clients may not fully understand the risks of cryptocurrency, or may not have put in place sufficient internal audit controls. For that matter, he says, traditional audit approaches may not be appropriate for crypto assets. “There is not much guidance to help auditors assess and respond to that risk.”

Audit teams will need new skills in the future, and will need to call on experts in computer engineering, artificial intelligence, cryptography and the like more often. When it comes to the audit process, they “need to be comfortable that the tools they are using are sound and will provide what they need, whether the tool is tech-based or not. That’s fundamental.” And they need to keep up with the pace of technology adoption by business, or trust in audit could erode and widen the expectation gap further. “The profession needs to step up and participate in all this. Businesses are not going to stop because auditors are not ready.”
audit committee to make sure that their own committee truly understands what is taking place with an audit.

Karyn Brooks: That’s interesting because it doesn’t reflect my audit committee experience—in my experience, a lot of time is devoted to the financials. The audit committee, by and large, understands the auditor’s role. But I totally agree that I’m not sure the broader board of directors has any idea what the auditors do.

Mark Stevenson: On the question of technology, there is a lot of thinking around how artificial intelligence is changing the nature of audit. Is technology changing the expectation gap or not, or just not yet?

Doug King: Absolutely, technology is the way of the future in an audit, but it’s not well understood what it could do in terms of helping in this regard. Management may be asking, “Why aren’t you using technology in the audit?” In my view, that’s really about management believing that if you use technology, the price of an audit should come down. It’s not really about the quality of audit.

Kerry Gerber: The gap could be widening because of the speed at which information goes to the public. The public receives more and more information about a company all the time, and it isn’t getting any kind of assurance attached to that information. Yet the public has an expectation about the auditor’s involvement with that information.

Karyn Brooks: But technology could narrow the gap. When I started my career, we tested 24 items for the whole year, substantively. With technology, an audit can look at 100 per cent of the transactions and search for anomalies. That’s a huge difference.

Chris Clark: The profession and the Big Four need to get out front on this and show how audit is changing with technology. As a chair of audit committees, I ask each of the auditors I work with about how they’re using technology to be more effective and efficient—not because I want to reduce the audit fee, but because I want to enhance the quality. I also want auditors to take those hours that were being invested in vouching various transactions—work that technology will now do—to focus on more value-added work that will help reduce risk and provide the audit committee with better information.
Kerry Gerber: If technology can reduce some of the more mundane audit processes that have to be done and focus on those areas of risk and key judgments that management is making, it’s a better place to be as a profession. The thinking part of being an auditor is important to our future. Our young people entering the profession want challenging things to do.

Mark Stevenson: Let’s talk about regulators. To what degree are they responsible for the expectation gap?

Doug King: Regulators need to come to the table and work with the auditors. If all parties don’t have open dialogue, we’re not going to make advances.

Kerry Gerber: The securities regulators have a role. In my observation, they’re more interested in capital formation—allowing markets to be created—than they are in necessarily trying to fix the age-old problem of an expectation gap.

Karyn Brooks: Part of the problem of solving the expectation gap is that there are too many players in the game who all have different agendas.

Kerry Gerber: And none can act unilaterally.

Chris Clark: I think the Audit Quality Indicator program does help. All of us within the financial community—the securities regulator, the Canadian Public Accountability Board (CPAB), the preparers, the auditors, and the audit committee—we all have a role to play to help drive audit quality. Having higher audit quality will help reduce the expectation gap. The challenge is getting everybody working together and moving in the same direction.

Kerry Gerber: But if there is some catastrophe—if there is a big failure and the governments get involved, they are not going to be saying “Let’s bring everybody together.” They are going to be in there writing legislation and that’s not going to be, you know, helpful.

Mark Stevenson: What have you seen in the last few years that has helped with the expectation gap?

Eric Turner: One of the big developments was when CPAB began publishing reports around audit quality. That’s provided a lot more transparency around the issues, what firms are doing about them and the improvements that have been made over time.

Karyn Brooks: The new longer-form audit report is helpful because it better explains the audit process and what auditors do. And I think it will be even better for users, perhaps not for management, when the key audit matters are added. But again, people have to read it.

Chris Clark: There are two schools of thought on this new expanded audit report as to whether it’s actually going to make any real difference, or whether it will merely become boilerplate—because the audit profession is so concerned about the liability that might exist, and management will be very concerned about what the audit actually says. The question becomes: Will the new expanded report truly provide any greater value to the readers of financial statements than what exists today?

Kerry Gerber: I would suggest the expanded report is a better fit in terms of the three legs of the stool—it will allow the board, management and the auditor to talk about the same issues. Management will say: “Okay, auditor, give me your draft report because I need to understand what it is you’re saying about this particular issue that we just spent the last three weeks sweating through.”

Chris Clark: Also helpful to audit quality are the new independence rules that were put in place over the past number of years, and non-audit service policies that are in place in various companies. They clearly define the work auditors can do and can’t do in addition to their audit services. One of the parties we haven’t talked about are these proxy advisory services firms, which play into this whole space in the sense of recommending whether certain directors should be re-elected or whether auditors should be reappointed. These firms can be helpful at times. At times they don’t truly understand exactly what’s happening. But they play an important role in this whole area today, and if you don’t listen to what they have to say, it’s at your peril.

Karyn Brooks: And they truly do influence the decisions that boards make.

Kerry Gerber: Boards and management are having to deal with a broader spectrum of stakeholders. You have the environment and social responsibility groups. There’s the Canadian Coalition for Good Governance—they represent institutional investors. You have the hedge funds and the large organizations—for instance, the Ontario Teachers Pension Plan. These stakeholders have increased expectations around what information they’re getting. This probably doesn’t help the expectation gap, but there is an opportunity for the accounting profession to step into this area and help companies work with their broad constituency. What additional assurance can the audit firms provide with respect to the information that’s being given to that constituency? On the other hand, will that not also bring a hotter spotlight to what the auditor should or shouldn’t be doing? And at some point, the auditors may either feel constrained or shy away from some of these challenges.

Doug King: I come back to information verification. As a profession, we’re doing a disservice to ourselves by not
being out there touting the other things we could do for third parties. Going to the audit committee with some of the things we could do there, even as far-reaching as auditing to the mandate the board has, and if there is a framework there we can provide assurance on that. Talk about the broad scope that I think is available to us today even under the existing standards. I think we are at our own peril if we don’t broaden the service offerings, get out in front of it.

Kerry Gerber: And to come back to disruption, what if Google, with its huge market cap and its huge war chest, decides to step into our role and start validating data and issuing a report? It will disrupt our industry because it holds all the data. Another disrupter will be blockchain, and its ability to validate data as the transactions occur.

Chris Clark: Which goes back to the question of relevance. Unless the profession figures out a way to deal with the risk of disruption that could take place, I think we are very much at risk.

Mark Stevenson: Well, I think everyone worries that we’re all going to be working for Google someday. I wanted to ask about audit failures such as Carillion in the U.K., and if that collapse and the fallout is on people’s minds?

Eric Turner: A few years ago, people might have said, “Well, that’s the U.K.’s problem and they’ll fix it.” But now the firms are so global. The regulators are talking globally. So everyone is talking about it. It just can’t be ignored even though it didn’t happen here.

Kerry Gerber: But the solutions aren’t necessarily global in nature. In the Netherlands, for example, audit partners are required to put one-sixth of their earnings aside every year in a pot in case a problem might arise. A regulator in another country might say: “Well, that’s a good idea, let’s just do that here.” That solution may, in fact, not be appropriate or responsive to the issue at hand. For our part, I believe Canada has a very good record of bringing people around the table and sorting out solutions to its particular audit issues, such as what occurred with the recent Enhancing Audit Quality (EAQ) initiative.

Karyn Brooks: I like to think about audit failures separately from expectation gaps. Audit failures absolutely create more regulation, but audit failures are usually about bad apples, fraud and people who don’t perform to standards. To me, it just doesn’t tie back nicely to the expectation gap—the expectation gap lives in the space where audits are done well, but people still don’t understand what the audit is.

Doug King: Every time there’s a failure, as Kerry says, it leads to draconian rules being implemented that don’t necessarily drive higher value. It just implements a set of rules-based things that need to be done that may be focused on that particular problem.

Karyn Brooks: And they start to generate a bit of a tick-the-box mentality within the firms, which can in and of itself reduce audit quality—just because there’s so much compliance you have to do before you can sign a report.

Doug King: I know we talked about technology, but as I look forward, if we can get the tools to do a better job of risk assessment—which today is all on the judgment of the auditor and the knowledge they bring—if we can enhance that, we can focus more on risk and hopefully reduce these problems before they occur.

Chris Clark: And again, there’s a broader role within the context of Enterprise Risk Management of an organization. If there was a broader role there, so everyone understands
what the risks are to the organization, I think that could make a big difference.

**Doug King:** That would be huge. You’d be in much better sync with management and the audit committee and if there were problems it would be, “Well, we are all on the same page, right? It wasn’t the auditor standing over there. We all came at this the same way.”

**Mark Stevenson:** What effect have recent court decisions—such as the Livent case—had on the expectation gap, and questions around the role of auditors?

**Kerry Gerber:** Livent was a complex case. My guess is it muddied, rather than cleared, the waters on the expectation gap. If we believe auditors need to move forward in providing assurance on information that’s useful to decision makers, then legal liability questions are part of doing that.

**Eric Turner:** There’s a common practice by auditors in the U.K. to include additional language in their auditor’s reports explaining who their report is intended for, and the limitations in the responsibilities they’re assuming to other parties. This isn’t done in Canada today, but it may be worth considering whether such clarifications are appropriate in light of Livent.

**Mark Stevenson:** Whose job is it to explain the role of an audit? Is it the firms’ job, or the firms in conjunction with the profession? And how can that communication proactively reinforce that the vast majority of the audits in this country are done really well?

**Doug King:** It’s the profession as a whole. It’s CPA Canada and the standard-setting groups.

**Eric Turner:** I think it’s even broader. I think you must have the director community, investors and the financial executives groups involved, rather than blowing our own trumpet as a profession all the time.

**Karyn Brooks:** I’m inclined to disagree with you slightly on self-interest. I totally get it. It’s hard for the profession to stand up and say, “We really are good at what we do.” But a good advertising agency could figure out how to make that story work somehow, because the number of audit failures is so small relative to the hundreds of thousands of good audits. What’s more, I think management has seen the increase in the diligence, the questioning and the skepticism—all those things that are important to a high-quality audit.

**Mark Stevenson:** That’s a hopeful note to end on. Thanks very much everyone.
When CPA Anne-Virginie Schmidt traded her busy Big Four job for a career in beekeeping, she left the big city—but not her business ambitions—behind

BY MARK MANN

Every weekend, the highways leading north out of Montreal clog with traffic as downtowners flee for the hills. The swarm of vehicles begins to subside just beyond the city limits, as the landscape gently transforms into the lakes, forests and mountains of the Laurentians. By Mont-Tremblant, most motorists have already made their escape, and the highway gives way to country roads and, eventually, gravel lanes.

Along one of those dusty routes, nearly three hours north of the city, urban runaways will discover a sweeter hum and bustle than the kind they left behind. Located in the tiny rural community of Ferme-Neuve, Miels d’Anicet is a modestly sized apiary that’s home to some 70 or 80 million honeybees, as well as two innovative beekeepers. Anne-Virginie Schmidt, 42, and Anicet Desrochers, 40, joined forces 18 years ago, first as a couple and then as business partners. Their operation, once a humble 100-hive project, now has 1,200 hives, as well as an on-site store and restaurant for the 18,000 visitors who make the pilgrimage every year.

On a brisk day this past fall, not long after the bees had been packed away for their winter hibernation, the apiary’s main building was still buzzing with activity.
Staff—15 to 40 employees, depending on the season—were busily crisscrossing, carrying out some of the operation’s daily tasks: running the shop, organizing the storeroom, filling jars of honey, baking honey-spiced goods, making honey-based cosmetics, going over the accounts. Schmidt was working in her small office, which overlooks a plain that blooms with wildflowers all summer long. Somewhere between an executive and a matriarch, she exuded warmth and competence as she laughed, joked and pitched questions and suggestions to her employees.

Schmidt and Desrochers met in their early 20s. Schmidt, a professional accountant, was working as an auditor at KPMG’s downtown Montreal office, where she had built a reputation as an ambitious youngster who was able to handle important accounts and operate independently. She led a hard-driving corporate lifestyle, often putting in 60-hour weeks—and she loved it. But she wanted more—namely, to run her own business. “I was putting in so much energy and time for my clients,” she says. “I thought, if I do the same thing for my own business, I think it could be a success.”

Ever since she was a child, Schmidt had dreamed of becoming an entrepreneur like her parents, who owned an architecture firm, and both sets of grandparents, who ran a 30-room inn and restaurant (on her father’s side) and a school bus company (on her mother’s side). Lacking a particular business idea, she decided to develop general skills like finance and accounting that would serve her when the right opportunity arose. “I wanted to have as many tools as I could,” she says of the decision to become an accountant. When the perfect business idea made itself known, she would be ready.

That brilliant idea finally appeared in the form of Desrochers, a charming oddball with a crooked grin, a tangle of brown hair and a passion for beekeeping. Desrochers was practically raised by bees: his parents were part of a movement of Quebec hippies who emigrated to the Upper Laurentians in the 1970s. They kept 100 beehives for making mead, or honey wine, which they mostly sold to local markets and eventually to the Société des alcools du Québec (SAQ). By 2000, when Schmidt’s brother introduced the pair, Desrochers had moved back home to take over his parents’ beekeeping operation.

Schmidt fell in love with the man first and the bees second. When Desrochers first opened a hive for her, she says she immediately grasped his intense passion for bees. “In perpetual motion, all those vibrating bodies constitute an essential link in the life of humans, a link that colours and fills our plates,” she would later write of that moment in the foreword to her book, Le Miel: L’art des abeilles, l’or de la ruche, which is part memoir, part cookbook and part bee bible.

Schmidt’s weekend visits to the farm evolved into informal professional consultations. In 2002, she left KPMG and joined Desrochers as a full partner, in business and in life. Desrochers had the project and the technical beekeeping skills, while Schmidt had the business management savvy. “We don’t come from the same world,” she says. “We clash a bit, but together, we’re really strong.”

Schmidt left behind the corporate life, but she didn’t abandon her ambition. The couple set out to create a market that understood the unique value of their product. “From the beginning, that was the only line we wanted to follow,” she says. “I took the challenge [of being a CPA], and I reproduced it in my business. I didn’t want to just be a beekeeper—I wanted to be the best beekeeper.”
iels d’Anicet’s approach to apiculture blends the ancient and modern. In her book, Schmidt delves into beekeeping’s deep history. The Egyptians claimed the innovation 4,700 years ago, spinning out such applications as fermented beverages, antiseptic treatment and embalming (not to mention nourishing the gods). In the Middle Ages, bees gained popularity as an insect with Christian values. They were celebrated for their purity, wisdom and virginity.

Today, there are more than 10,000 beekeepers across Canada, who produce $188 million in honey every year (up significantly from $63 million in 2005). More than 80 per cent of that honey comes from the Prairie provinces, where bees do double duty as honey producers and pollinators for crop production. More than two-thirds of Canada’s honey gets exported to the U.S., sold in bulk to large brands like Billy Bee and Doyon.

To differentiate Miels d’Anicet honey, Schmidt made sure they met the requirements for organic certification. Their honey travels pretty much straight from hive to jar, where it gradually crystallizes. The pure, raw stuff thickens and solidifies, unlike the clear, runny pasteurized honey that lasts longer on supermarket shelves. “Pasteurized honey isn’t real honey, from my point of view,” says Schmidt. “You lose all the flavour. The flavour comes from essential oils from the flower. If you heat it too much, the oil evaporates.”

Miels d’Anicet honey, Schmidt argues, is wilder and tastier. Connoisseurs can taste the effect of industrial mono-cropping on the quality of honey: if the bees eat only clover or cornflower, the honey’s flavour range is diminished. The general public has less discerning taste buds, so Desrochers and Schmidt found they needed to teach customers how to appreciate high-quality honey—the apiary’s main foyeur, for instance, is dedicated to honey-schooling customers, with a museum-style installation and sampling counter. Honey in June doesn’t taste like the honey in July, which doesn’t taste like the honey in August.

Schmidt also devised a designer honey brand that would appeal to foodies, and grew that brand by getting their honey in the kitchens of fashionable restaurants like Joe Beef, the world-renowned Montreal eatery. They now sell their honey in 200 stores and to 50 different restaurants, including high-end Montreal spots like Toqué! and Nora Gray. “The business became trendy, because we were, like, cool hipster beekeepers,” explains Schmidt.

The artisan strategy is working. Between 2000 and 2015, Miels D’Anicet’s sales grew by nearly 50 per cent every year; they started with $20,000 in annual sales and now hit more than $2 million. “It’s a lot of growth to manage, because you always need more money,” she says. As production grows, the sales department grows, and in turn the HR department grows, and so on. “All of those departments need procedures, internal control, investment, communication protocols, training.” Rather than contract any part of their business to third-party vendors, “we do everything ourselves.”

Schmidt says her training as an auditor is part of what makes that possible. At KPMG, she developed a detailed understanding of businesses in disparate fields, including forestry, film and TV, and oil and gas. She could see the big picture and maintain a granular awareness of nitpicky details—something that served her well on the farm. “You can visualize all the steps that you need to put into action,” she says.
She also knew which loans and agricultural subsidies to apply for as she was building the operation. “Business-wise, as a CPA, I could easily understand all the programs that were available,” she says. Many farmers struggle to construct a compelling business case—building a budget, explaining costs, presenting advantages and disadvantages—but Schmidt knew exactly what she was doing. Her designation, she says, gave Miels d’Anicet more credibility among government bodies, which made the process even smoother.

Schmidt also brought risk-management expertise to her new profession. Beekeeping is getting harder. Many variables can make for a bad year: pesticides, mites, parasites and, most of all, climate change. Miels d’Anicet can produce 160,000 pounds of honey one year and only 80,000 pounds the next, based solely on differences in the weather. As climate change makes weather patterns more erratic and unpredictable—and alters which flowers grow when—these risks are only getting more severe. If it’s too wet or too dry, the bees can’t collect. With the variable weather we see now, each year is a new scenario. “It’s more difficult than it was 30 years ago to maintain bees,” she says.

To manage the risks of honey production, Schmidt decided she and Desrochers needed to diversify their revenue. Apart from honey and queen bees, she added an organic skincare line named Mélia, after their daughter. Working out of a rustic, kitchen-like laboratory, they make soaps, ointments, body butter and other products, each with honey, beeswax or propolis (a resin bees make to seal off parts of the hive). They also expanded into food products, like honey-flavoured spice bread and honey-seasoned jams and mustards.

Schmidt also used her skill set to establish margins and calculate the true costs of products. It was up to her to make a go-to-market strategy: how much they needed to sell to retailers and to customers, on their own website or in person (Miels d’Anicet honey is available in select supermarkets). Since direct sales offer better margins than online orders, Schmidt and Desrochers opened a restaurant at the farm, called the Pollens & Nectars Canteen, to attract more in-person customers and further diversify.

With the restaurant, Schmidt and Desrochers are cashing in on Quebec’s booming agri-tourism and gourmet tourism industry, which was worth $485 million in 2015. More and more people are quitting the cities on weekends to pick apples and buy pumpkins directly from farmers. Like Miels d’Anicet, many Quebec farms are repositioning themselves as travel destinations; the agri-tourism industry has seen greater growth than any other type of tourism in the province.

Schmidt acknowledges it won’t be easy for Miels d’Anicet to stand out from the scores of farms peddling artisanal wares and pastoral authenticity. For venturesome urbanites to drive three hours north and navigate country roads, the pull needs to be particularly strong. “Bringing customers to the end of a gravel road is hard,” says Schmidt. “You have to build your brand and become an attraction.” ◆
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EXTRAORDINARY ITEM

BUOY WONDER
The waterbed’s back with an even sexier pitch—a better night’s sleep  BY MATTHEW HAGUE

THE GAMBLE: To many, waterbeds are a symbol of 1970s louche-ness. At their peak in the late 1980s, they accounted for 22 per cent of the U.S. mattress market, before collapsing in the early 1990s (blame Bush-era chasteness, a fear of leaks or an aversion to mid-sleep motion sickness). But 50 years later, their original designer, Charlie Hall, believes they’re ready for a comeback. If he can capture even a small portion of today’s $27-billion mattress market, he could end up with a very buoyant bank account.

THE PLAN: Hall claims his new waterbed series, Afloat, addresses its predecessor’s problems. A stretchy knit top replaces the old diaper-like plastic, a vinyl lining eliminates worries about leaks, and separate water bladders (an optional feature) prevent a sleeper from being launched into the air when their partner gets in bed. Whereas original waterbeds—with names like the Pleasure Pit—appealed to hedonistic bachelors, the new pitch is health: they supposedly promote better circulation and help with back pain; and the water’s temperature can be adjusted for optimal sleeping. They’re pricey, from US$2,000 to $3,400, but Hall thinks boomers will be attracted by nostalgia (“they remember the fun”), while millennials will be drawn in by the novelty (“most of them have never experienced one”). “Hall is going about this very smartly,” says Paul Drysdale, a Brampton, Ont. furniture retailer who’s sold waterbeds since 1980. “His new bed is positioned for a much broader audience.”

THE RESULT: Exact financials are private, but Hall says the results are promising. In spring 2018, he started retailing at three stores in south Florida, where one of Afloat’s co-founders operates City Furniture, a massive American home-furnishing chain. After three months, retail expanded to nine stores, with imminent plans to expand across the U.S. and eventually make waves in Canada.
A determined group of Indigenous tourism entrepreneurs wants to open the under-exploited Arctic for business  BY MATTHEW HALLIDAY

When I call Keith Henry at 6 p.m., he’s already in the future. Or rather, he’s 16 time zones to the east, in Auckland, taking part in Canada’s first-ever trade mission focusing on Indigenous business and entrepreneurship. But he’s also thinking years down the road, hoping that the Kiwis might be a model for the future of Indigenous tourism in Canada. “These guys are basically the world leaders in this regard,” says Henry, president and CEO of the Indigenous Tourism Association of Canada (ITAC). “They know how to position themselves, and they know how to market that part of their culture in a way we haven’t been able to figure out in Canada yet.”

Five per cent of New Zealand’s $29-billion annual tourism revenue is related to Māori culture. Canadian tourism—a $97-billion industry in 2017—is a much bigger pie, but experiences related to Indigenous culture are a much smaller slice: only $1.5 billion. In other words, Canada is leaving a lot of money on the table, much of it in the country’s most economically disadvantaged communities. Of course, Canada faces challenges that don’t apply to a place like New Zealand: the weather is harsher, the travel is pricier and many of our most extraordinary Indigenous-tourism experiences are found in the remotest corners of Canada’s 10 million square kilometres (as compared to New Zealand’s relatively compact 270,000). But decades of under-investment, lacklustre infrastructure and the near-impossibility of finding enough well-trained staff in remote communities have also ensured that, despite a nationwide network of ambitious entrepreneurs, the sector has never taken off.

Henry believes the industry is at a tipping point, however. ITAC, founded in 2015, is Canada’s first successful national Indigenous tourism organization. “Truthfully, before then, I don’t think we had enough businesses at the market-ready level to make a national organization relevant,” he says. “Now, we’re telling remote communities that they need to create a destination. They’ll have a canoe tour or a dogsled race, which is great, but how are you going to provide transportation, accommodation, food services? A destination rather than a one-off business?”

Creating a full-service destination is easier said than done, particularly in the remote northern communities where so much of the sector’s potential lies. From the northern lights and polar bears to heli-skiing and ecotourism (environmentally responsible travel through threatened ecosystems, such as the Northwest Passage), the North offers a wealth of one-of-a-kind experiences, but packaging them into accessible and affordable tourist itineraries is a whole separate challenge.

Kylik Kisoun Taylor founded Tundra North Tours in Inuvik, Northwest Territories, in 2006. The son of a settler father and an Inuk and Gwich’in mother, Taylor spent his childhood in Ontario’s Muskoka region before moving to Inuvik at 14, reconnecting with his family’s Indigenous side. “I was a typical Canadian,” he says. “I thought there’d
be igloos everywhere and caribou running through the streets.”

Today, Taylor sees tourism as instrumental in growing the local economy, but also to fostering pride of place. “There’s a massive social component to what we do,” he says. “It’s important to our people to stay in touch with their culture, and it’s our selling point, our differentiating factor. Canadians want to engage with Indigenous cultures, and it’s up to us to help make that happen.”

Taylor’s travel packages range from a boat tour of the Mackenzie River delta, for $400, to a “Canadian Arctic Reindeer Signature Package,” for $5,200. For that, you get to travel by snowmobile alongside reindeer herders (government-employed locals who move Canada’s only wild reindeer herd to its spring calving grounds), build and sleep in an igloo, spend time with elders and drive along a new highway to the Arctic Ocean. Taylor’s uncle, an elder who grew up on the land, acts as an informal cultural ambassador, guiding tours and advising him on new products.

“YOU CAN MAKE $80,000 IN THE MINES WITH NO EDUCATION. SO IT’S HARD TO SAY, ‘HEY, DO YOU WANT TO BE A TOURISM ENTREPRENEUR INSTEAD?’”

Taylor has made the business work for more than a decade, but a discernible frustration creeps into his voice when discussing the challenges of operating a business in a community of barely 3,000 people north of the Arctic Circle. “For skilled workers, the capacity is quite low right now,” says Taylor. “You have to think of what these communities are going through, their recent history, the resulting mental health and other issues.”

Plus, much of the community’s best talent works in government: “The North is a government economy. We can’t compete with the wages.”

Wage subsidies are a plank of “Tungasajii,” Nunavut’s recently announced tourism-strategy report, which lays out the need for better data-gathering on tourists, skills development for tourism employees, and coordinated spending between the federal and territorial government on tourist infrastructure.

As it stands, Nunavut offers a lesson in under-exploited potential. Few communities have passable visitor accommodations, larger villages along the Arctic Ocean lack proper port facilities to handle even small cruise ships and eco-tours, and, as in Inuvik, staffing is a constant challenge. According to David Akeagok, Nunavut’s minister of economic development and transportation, the most up-to-date tourism statistics come from 2015, when tourism accounted for just over one per cent of the territory’s GDP, at $21 million, and 250 direct jobs, less than one per cent of the labour force. (Tourism nationwide accounts for more than twice that share of the national GDP.)

More than two-thirds of those tourists were business travellers, meaning that few of them are taking advantage of the wealth of experiences on offer. If more day-trip opportunities were readily available, Akeagok believes more business travellers would take advantage of them.

In northern Quebec, Robin McGinley, executive director of the Cree Outfitting and Tourism Association (COTA), faces some of the same challenges. “You can make $80,000 a year in the mines with no education,” she says. “It’s hard to say to someone, ‘Hey, do you want to be a tourism entrepreneur?’ But COTA has had an easier go of it than many other groups, in part due to a farsighted provision included in the James Bay and Northern Quebec Agreement, the 1975 settlement between the Crown and the Cree and Inuit of Quebec. Among the treaty obligations, the Canadian and provincial governments were to assist in establishing COTA. That has meant a more consistent funding source for decades. “I’m not scrambling to make payroll,” says McGinley, “which is not the case everywhere. A lot of Indigenous tour operators are just starting to come back now, thanks in part to ITAC, but there was a long period when people just couldn’t keep their doors open.”

Reliable funding has helped turn a patchwork of entrepreneurs and one-off businesses throughout Eeyou Istchee—the Cree homeland, scattered over an area of Quebec larger than Germany—into something closer to what ITAC’s Henry would call a “destination.”

Most communities have new or recently renovated accommodations, entrepreneurs are vetted for market-readiness by ITAC standards, and COTA has launched an inbound travel agency to centralize booking and travel packages. (Given sporadic cell coverage and spotty, often low-speed internet service, simply getting in touch with tour operators in the North can take persistence.)

This is something like the model ITAC hopes to create nationwide. Its membership has grown to more than 400, with 174 being “market-ready” for promotion. In February 2018, it signed an agreement with Parks Canada to develop and promote tourism opportunities in national parks. The organization’s budget is now $5 million, up from only $250,000 three years ago. “I feel like I’m drinking out of a firehose every day,” says Henry.

While Canada’s vastness poses a challenge, Henry sees opportunity there as well. “Somewhere like New Zealand, there’s a pretty standard approach,” he says. “You go to Auckland and see some Māori culture, and it’s similar to what you have elsewhere. But in Canada, our advantage is the enormous diversity. We don’t want people coming to Calgary or Toronto and thinking they’ve seen it all. There’s a whole country to explore.”
A BILLION TINY WHISPERS

To stand out in a cluttered digital world, marketers should dream big and think small. BY BRIAN BETHUNE

Marketing, writes Seth Godin, used to be about advertising. Now, if it is going to work at all—and marketing is the only way to spread your ideas, create change and make the world a better place—it is about trust. This Is Marketing: You Can’t Be Seen Until You Learn to See is the 23rd book, among them the bestsellers Purple Cow and All Marketers Are Liars, penned by the former dotcom entrepreneur, marketing VP at Yahoo and newly inducted member of the Marketing Hall of Fame. It aims to be the distillation of Godin’s previous works.

The book is centred on the idea that the internet is the first mass medium that hasn’t made marketers overjoyed by its mere existence, the way TV seemed invented to bombard the population with cheap (and misleading) ads. The internet is simultaneously the largest and smallest medium, Godin argues, where “you can’t steal attention for a penny the way your grandparents’ companies did.” It feels like a vast, free media hunting ground, but it’s really a “billion tiny whispers” with little time for any one entity. The old mass-market world, where everyone watched the same three TV channels and read the local paper, and could be manipulated by the same ads, is long gone. The memorable ads are decades old. (Godin cites “Winston tastes good . . .” and expects his readers to complete the rhyme.)

What’s left for marketers is to ask for attention, rather than demand it, and to have the empathy to see the world as your “smallest viable market” sees it. That’s the only way to gain trust. We are none of us rational decision-makers. We don’t want a quarter-inch drill, or the quarter-inch hole it will make, or even the bookcase we will construct: we want the status we will gain (in our own or in our spouse’s eyes) once we put it up. Marketers are agents of change by definition, because they are championing something new, and asking people to break their customary patterns, whether in their toothpaste purchases or their vote in an election. And people are guided by their internal narratives about status and belonging, about what “people like us” do, buy or accept—whether their “tribe” buys $700 strollers because they’re a smart investment or doesn’t because they’re a stupid waste of money.

Empathy isn’t sympathy and a marketer doesn’t have to share a world view so much as demonstrate that she grasps it, and that her product, service or cause is something a customer can believe is for “people like us.” That is only possible with a small “tribe” of early adopters: aim larger in the digital era and the necessary compromises will result in being ignored or dismissed.

And in the digital world, where attention has to be earned, shamelessness no longer pays. There are practical, as well as moral, forces driving marketers to a trust-based model. A trusted marketer is one who makes promises she keeps—this product will cement or enhance your status, tighten your bonds of affiliation with your tribe. That’s how she gains attention to tell her story, which may lead to the Holy Grail, the word-of-mouth, peer-to-peer conversations that drive contemporary culture. And that will unleash all the good Godin’s profession can accomplish. Consider those playgrounds and politicians of choice, both impossible without marketing. Consider the Grateful Dead.

Godin certainly does. He’s a true fan, a Deadhead who’s bought 233 of the band’s albums. The Dead had just one Top 40 hit in their half-century of life and still managed to gross more than $450 million in ticket sales...
WHEN THE COAST IS CLEARED

Combing the world’s oceans for discarded plastic isn’t cheap or easy, but it pays off in the long run. Why ocean recycling is the future of sustainable packaging. BY MATTHEW HAGUE

Hair stylist Kevin Murphy has every reason to be optimistic for the future. His celebrity clients include Enrique Iglesias, Heidi Klum and Naomi Watts. Sales of his eponymous line of hair-care products, sold at salons internationally, have grown 109 per cent over the past three years—impressive considering the global hair-care market nudged up only 5.2 per cent during the same period.

Yet Murphy worries all the same. In 2017, on vacation in Bali, he was dismayed by the barrage of plastic washing up on the beach at the resort where he was staying. It was a visceral reminder of how much garbage—more than eight million tonnes of bags, bottles, straws, to-go containers and discarded toys—is being dumped into the oceans every year. After some research, Murphy learned that by 2050, if the pollution continues, there will be more plastic in the world’s waterways than fish.

None of the errant containers in Bali were from Murphy’s own company, but it wouldn’t have been surprising if they had been. His company produces 360 tonnes of plastic packaging every year, the equivalent of more than 17.5 million water bottles. So Murphy decided to do something about it. In 2018, he became the first international beauty brand pledging to source 100 per cent of his packaging from ocean plastics, starting mid-2019. An admirable gesture, for sure. But the cost of packaging made from ocean-recycled plastics will cause the beauty brand’s costs to spike, raising the question: will Murphy’s embrace of this new type of sustainable packaging push pricing outside of his clients’ comfort zone?

Despite the volume of plastic in the oceans, cultivating it isn’t cheap or easy. Even the infamous gyre of junk—twice the size of Texas—floating in the Pacific is so diffuse, it isn’t practical to just scoop it out of the water. The trick is locating exactly where along the shorelines it collects in enough quantity for local teams to gather, sort through and process at a commercial scale. Sixty per cent of ocean plastic can be traced back to Southeast Asian countries that don’t have well-developed recycling infrastructure,
which is why it ends up getting dumped in the water in the first place. (Currently, only nine per cent of the world’s plastic is recycled.)

Dell solved this challenge in part when it started introducing recycled ocean plastics in the packaging for its XPS 13 laptops in 2017. The tech giant used GIS mapping and satellite imaging to locate significant accumulations, then did an analysis of recycling capabilities in each location to see which had the most affordable processing options. Dell settled on Haiti as a pilot, but is currently expanding to Indonesia and other countries, using its size to help grow the ocean recycling industry into something more viable.

“We are famous for the efficiency of our supply chain,” says Kevin Connolly, president of Dell EMC Canada Commercial. “It was so important for us to source something reliable.”

As with anything experimental, costs are high. “You can’t count pennies when using ocean plastics,” says Connolly, “or any other sustainable supply chain model.”

Kevin Murphy concurs: “This type of product is five times more expensive to produce than our other bottles. But my team and I sat there with the guys who do the numbers and worked out a way we could do this with only a seven per cent increase at the store level.”

Seven per cent might sound like a risky jump for products that are already premium priced: a Kevin Murphy container of moulding paste retail for more than $50. However, the company might actually gain market share with the move. Seventy-three per cent of millennials are willing to shell out more for demonstrably sustainable products, according to a 2015 study from the market research firm Nielsen, while the McKinsey consulting firm has found that less-wasteful packaging can incite people to pay up to 25 per cent over polluting alternatives. Still, both Dell and Kevin Murphy have a strategy to lower costs over time. They are both open-sourcing their procuring details and methods for processing in the hopes that by demonstrating viability, other companies will join in and boost demand. Kevin Murphy is collaborating with Danish packaging innovators Pack Tech, who are committed to sharing discoveries with any interested parties. Dell helped establish NextWave, a consortium of companies working together to develop an ocean-plastics supply chain, beginning in Southeast Asia. HP is among the companies that have since signed on, alongside General Motors, Ike and Herman Miller. “Normally, HP is a competitor,” says Connolly. “It shows what an important issue this is that we’re now collaborating.”

Gord Beal, CPA Canada’s vice-president of research, guidance and support, says some companies shy away from sustainability initiatives because the upfront costs can be steep, with little in the way of tangible payoffs. “The associated benefits—including improved customer loyalty and satisfaction, attraction and retention of top talent, improved relationships with local communities and suppliers—are not directly recognized” in traditional financial metrics, he says. “But sustainability initiatives are generally worth the investment in the long run. And accountants in particular are well-positioned to measure and quantify the intangible benefits of sustainability to enable a more holistic decision-making process.”

Connolly knows where his priorities lie: “Using ocean plastics costs more money right now, but polluting our water has more serious, drastic long-term costs.” And Adidas has shown sustainability needn’t undermine financial performance. In 2016, it became the first apparel company to commercially introduce ocean plastics on a mass scale with its Parley line, which currently produces over five million pairs of shoes per year (the polymers are re-spun into yarn). In 2017, the company also boosted its profit expectations, saying it is anticipating between 10 and 12 per cent higher earnings for the next three years. That can’t all be attributed to ocean plastics, but at the very least it shows that a company can innovate with sustainability without sinking.”
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THRASH FLOW

When Shane and Jesse Matthewson, two brothers—both CPAs—from Winnipeg, aren’t helping musicians balance the books through their firm MKM Management Services, they’re touring the world with their own eardrum-busting metal band, KEN mode. By Matthew Halliday

Shane: We won a Juno in 2012, which encouraged us to do four years of road-dogging. We played 220 shows in 2013, but you can’t do that forever. We did our own accounting and learned how to manage a touring band, so starting our own company was a no-brainer.

Jesse: I pitched Shane on doing the band full-time in 2009, just so we didn’t have to look back and say, “Oh man, it could’ve been something.”

Shane: On our next tour, we’re bringing a mobile printer. We’re prepared for some serious van work. It will be a real test of how well we can balance touring and accounting.

Shane: We look at our band as a small business. We have financial statements and track everything. If I want to know how much digital revenue our third album made in October 2013, I can pull it up. It’s creepy. I would never pay anyone to do our accounts this detailed.

Jesse: A lot of bands don’t know the first thing about running a business. We add value because we’ve lived that life. We know the trials of the road. We’ve slept on floors way longer than we should have.

Jesse: Our music and business are completely intertwined. The band is almost a marketing tool for our company. It shows us what we’re talking about, and that we work for our art just like our clients.

Shane: Being able to flex our creative muscles keeps us balanced. Our training encourages a very linear, logical way of thinking, so music keeps other areas of our brains working.

Shane: We get called cool accountants a lot, but we’ve been around long enough to realize we’re pretty much nerds.

Jesse: A lot of bands don’t know the first thing about running a business. We add value because we’ve lived that life. We know the trials of the road. We’ve slept on floors way longer than we should have.
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</tr>
<tr>
<td>St. John’s</td>
<td>September 16-18, 2019</td>
<td>June 17, 2019</td>
</tr>
<tr>
<td>Toronto</td>
<td>April 29 - May 1, 2019</td>
<td>March 4, 2019</td>
</tr>
<tr>
<td>Vancouver</td>
<td>October 28-30, 2019</td>
<td>August 29, 2019</td>
</tr>
<tr>
<td>Winnipeg</td>
<td>September 8-10, 2019</td>
<td>June 28, 2019</td>
</tr>
</tbody>
</table>

TO APPLY OR TO VIEW ALL AVAILABLE OFFERINGS ACROSS THE COUNTRY, VISIT ICD.CA/DEPDATES

In collaboration with:

Jointly developed by:

icd.ca/DEP
Crisis Prevention, Management and Communication

Prepare for the unpredictable and learn how to prevent crises before they happen.

Questions? Talk to us.
416.978.8815
advisor@rotman.utoronto.ca

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