

The following is a summary of a report written by William Lahey, LL.M, Associate Professor, Schulich School of Law Dalhousie University. The report was commissioned by the Canadian accounting profession to provide members and other stakeholders with an assessment of the impact of the proposed Unification Framework issued in January 2012 on self-regulation of the profession. This overview and the excerpts contained within are used with permission of the author.

Self-Regulation and Unification Discussions in Canada's Accounting Profession

Unification discussions are taking place within Canada's accounting professions.¹ Specifically, these discussions are taking place between the organizations that represent Canada's Chartered Accountants, Certified General Accountants and Certified Management Accountants. These discussions raise a wide range of issues. One of these is the relationship between unification and the self-regulation of the profession, mostly through the self-regulating organizations that are delegated regulatory authority by provincial law for accountants who practice under each of the accounting designations.

To provide background for the consideration of the relationship between unification and self-regulation, this paper addresses a series of questions about professional self-regulation in general and within the accounting profession in particular. It ends by providing some observations on where unification discussions "fit" within the self-regulation framework under which the accounting profession operates.

Summary

Much like other professions, accounting is a regulated profession because governments have found the public can be harmed in unacceptable ways if services provided by those professionals don't meet a specified standard. For example, corporations, investors and other stakeholders make important decisions based on accounting and auditing reports. Canada's business and capital markets will suffer if the information and analysis in those reports is not credible or perceived as credible.

To address the technical and specialized nature of the practice of accounting, the provincial and territorial governments have entrusted their regulatory authority to the profession. The rationale is that stewardship of public interest will be most effective if those who best understand accounting issues take responsibility for overseeing them.

¹ A Framework for Uniting the Canadian Accounting Profession, online: <http://cpacanada.ca/a-framework-for-uniting-the-canadian-accounting-profession/>.

Self-Regulation and Unification Discussions in Canada's Accounting Profession

Further, the accounting profession's commitment to advancing the public good – and the profession's understanding of the dire consequences of failure – must transcend any inclination to serve any interest but the public interest.

To be clear, the role of self-regulation is not, as is sometimes thought, to balance the interests of the public and the interests of accountants. Rather it is to balance *the public's interest* in diligently administered regulation with *the public's interest* in affordable access to competent accountants with experience, skill and judgment.

The privilege of self-regulation entails clear responsibilities – as well as benefits – for accountants. While the professional status and competitive position of accountants is enhanced by self-regulation, to maintain the right to self-regulate the profession must continually demonstrate it is deserving of that trust.

Although there has been a trend outside of Canada for governments to re-assert their authority over self-regulating professions, including law and the health professions as well as accounting, this trend has not extended to the same degree to Canada. In the case of accounting, this may reflect in part the profession's success at self-regulation, and also that accounting issues are becoming increasingly global in scope.

In Canada, the profession must take proactive measures to ensure it preserves its focus on protecting public interest amidst the challenges of a rapidly evolving, global reality. The proposed initiative to unite Canada's three accounting bodies into a single entity could be one of the most important elements in preserving an appropriate balance. Unification of the profession would be an opportunity to strengthen and streamline the profession's self-regulatory function.

Unification of the accounting profession would ensure that Canadians would receive the same high level of regulatory protection whatever the designation or the province of certification of the accountant. It eliminates the existing triplication of governance structures, improving the cost-effectiveness of the self-regulatory process. It allows Canada to speak with a strong, united voice at the international table where accounting standards are increasingly established.

In short, a merger of the three accounting overseers would make regulation of the profession more comprehensive, integrated, cohesive and consistent – and therefore more effective at fulfilling the profession's mandate as a self-regulator.

Unification would enhance the capacity of self-regulation to fulfill its ultimate objective: to protect and advance public interest.

Excerpts from Professor Lahey's Report.

The following non-sequential quotes are from Question #10 of Professor Lahey's report.

"Under such a framework, the structure and processes of self-regulation in accounting would become the foundation for unification and for the achievement of its ultimate objective – the creation of a profession that is unified on a national basis but that continues to be regulated on a provincial (or territorial) basis."

"If unification is done properly, accounting self-regulation will be better positioned to meet new challenges while retaining its traditional strengths. In that way, it will benefit the public and thereby help to ensure that accounting continues to enjoy the privilege of self-regulation that it has enjoyed in the past while gaining greater influence in the broader processes of financial regulation to which accounting self-regulation must contribute and support."

"Unification and standardization of regulatory institutions and processes will make the development, adoption and implementation of nationally determined accounting standards much easier and efficient than it currently is. It should also streamline and otherwise improve Canada-wide adoption by accounting regulators of standards that are determined either nationally or internationally in venues that bring accounting regulators together with financial regulators, such as Canada's securities commissions."

"Canadians will more confidently be able to expect consistent protection from the regulatory system no matter the designation of their accountant or the province or territory of his or her licensure. There could be a reduction in the overhead cost of regulation that is associated with multiple regulatory bodies maintaining and administering distinct and highly variable regulatory systems in each province or territory. Unification would enable a combining of regulatory resources, expertise and capacity. In turn, this could mean that all regulatory bodies have more resources to concentrate on work that goes directly to protecting the public."

"Whether or not Canadians actually benefit from more uniformity in accounting standards and from the faster adoption of evolving standards will depend on many factors, including the substance of those standards, the success of the unified process in making decisions in a timely way and the effectiveness with which uniform standards are not only formally adopted but effectively implemented in each province. ...These are not arguments against a process of unification that encompasses self-regulation. Rather, they are simply points that must be addressed in the design and implementation of unification if it is to make self-regulation better at what self-regulation is intended to do: protecting and advancing the public interest."

For a link to the complete article, *Self-Regulation and Unification Discussions in Canada's Accounting Profession*, [click here](#).

About the Author:

William Lahey is Associate Professor, Schulich School of Law Dalhousie University. He received his BA from Mount Alison University, his BA (Juris.) from Oxford University as a Rhodes Scholar, and his Certificate of Foreign Accreditation and his LL.M. from the University of Toronto. He was Clerk to Mr. Justice La Forest, Supreme Court of Canada (1989-1990), and a lawyer in private practice (1991-1993) and in the N.S. public service (1994-1996) before becoming a senior official in the N.S. Government, including as Assistant Deputy Minister of Health (1998-2001). He began his full-time teaching career at the Dalhousie Law School in 2001, where he has since won two teaching awards. Between 2004 and 2007, he was on leave serving as Nova Scotia's Deputy Minister of Environment and Labour. He is a member of the Nova Scotia Barristers' Society. He is a frequent speaker, advisor and writer on regulation and on professional self regulation in particular and has worked extensively with the regulatory bodies for the health professions in and beyond Nova Scotia.