

On July 23, 2009, an editorial entitled "Ontario to protect CA monopoly" was published in the *Financial Post*, a business newspaper syndicated throughout Canada by the CanWest News Service. Penned by *Financial Post* editor and columnist Terence Corcoran, the editorial calls for an end to the public accounting monopoly in Ontario, which drew responses from both CGA Ontario and the Institute of Chartered Accountants of Ontario. The responses are reprinted on the facing page. Statements invites readers to comment on the issue or its coverage through editor@cga-ontario.org.

Ontario to protect CA monopoly
Thursday, July 23, 2009
By Terence Corcoran, Financial Post

For decades, Canada's chartered accountants, bearing their lofty CA designation, have fought hard to maintain their monopoly on public accounting, essentially the right to conduct audits of public corporations. Their monopoly has been whittled down a bit over the years, with other designations — certified general accountants (CGAs), for example — able to audit in most other provinces. But the old CA mastodons cling to their exclusive right to audit in Ontario, Canada's largest corporate market, as if their survival depended on it. The slightest hint that Ontario CAs might lose the smallest portion of their government-backed exclusive privilege triggers a full bull run of protectionism.

To wit: Possibly within the next few weeks, the Ontario government is expected to release a list of professions and occupations that it wants to exempt from the labour-mobility provisions of the new federal-provincial Agreement on Internal Trade (AIT). Under prodding from Ontario CA lobbyists, Ontario intends to claim — as it always has — that only CAs can act as public accountants in Ontario, as a matter of consumer protection. By exempting CAs from Canada's inter-provincial free-trade agreement, Ontario would prevent a CGA from, say, Alberta, from practising as a public accountant in Ontario, even though Alberta CGAs can act as public accountants in Alberta.

Now, this story gets very boring very quickly, assuming any readers are still left. To keep your attention at least for another minute or so, consider this illustration. Let's say one of Bernie Madoff's auditors, from the now-notorious firm of Friehling & Horowitz, operating out of a strip mall in a Manhattan suburb, had wanted to set up in Ontario and conduct an audit of a Canadian company. As a Certified Public Accountant in the United States, the equivalent of a CA firm in Canada, Friehling & Horowitz would be recognized in Ontario. But if a B.C. certified general accountant, who acts as a public accountant in British Columbia, wanted to audit an Ontario firm, he could not.

This does not sit well with CGAs. Everett Colby, a CGA and chair of the Ontario CGA board, recently told *Statements Magazine* that "All accountants, regardless of designation, abide by the same accounting principles and auditing standards, yet somehow an impression has been created that public accounting in Ontario is different, regardless of the reality in other provinces, where designations compete in the marketplace."

When it comes to protecting consumers and the investing public, it's hard to argue — as the CA profession is arguing — that only audits conducted by CAs are effective bulwarks against fraud, failure and corporate malfeasance. On the contrary, it may be that the CA designation induces false confidence that the attached financial statements are therefore rock solid. The case for competition in public accounting, in terms of price and service, is also strong. "When there is a lack of competition," says Mr. Colby, "it creates unfair pricing, labour and business practices. In Ontario we are isolating ourselves from the way the profession is regulating itself in the rest of the world."

So why would Ontario be willing to sacrifice the principles of free trade, competition and labour mobility? No good reasons exist, which is the conclusion reached way back in 2001 when a special panel was brought in to review the Ontario CAs' last attempt to maintain an anti-competitive wall around Ontario.

Among the CA claims in 2001 was that public accounting is a "financial service," and therefore exempt from the interprovincial trade agreement. The panel laughed that one off, noting in dismissing it that CA firms do not in fact "take deposits" or offer "loan and investment" or perform other services that fit the standard definitions of financial service. The CAs also claimed that accounting is not an "occupation" as defined in interprovincial agreements. Then the CAs claimed that the complaint against them had been filed two years too late to qualify. This, like all the other CA claims, was dismissed by the panel, which was chaired by Canadian free-trade negotiator Gordon Ritchie.

The panel concluded that Ontario's CA protectionism "[has] been found to be inconsistent" with the Agreement on Internal Trade signed by all the provinces. Even then, Ontario's protectionism continued, a regime enforced through the CA profession's grip on the province's regulatory system, including the Public Accountants Council and — it appears — the government of Ontario.

Ontario's business community stand to gain from anything that helps break down the CA monopoly on public accounting. The new labour-mobility provisions, as agreed by the provinces last year, would be one small step toward competition in a field that has been too long protected, and it would prevent the giant leap that's really needed, which is to end the CA monopoly within Ontario.

Terence Corcoran is editor of the Financial Post.

Accountant vs. Accountant: What CA monopoly?

July 28, 2009

By Peter Varley

I'll concede one point to Terence Corcoran's July 23rd column, "Ontario to protect CA monopoly" — this subject can be dry as toast. That's unless you can make a case that what's really at stake is consumer protection and the value of rigorous professional standards in a corner-cutting, globalized economy. And that the "monopoly" charge so blithely tossed around in Ontario accounting circles these days is a load of hooey. So here goes.

The "monopoly" charge first: Accountants in Ontario are not like doctors, and they're not like lawyers. In contrast to these other august professions, there is more than one accounting designation and governing body in this province, and across Canada. There are Chartered Accountants (CAs), Certified General Accountants (CGAs) and Certified Management Accountants (CMAs). All three train their members to different standards to do different kinds of work.

It's true that CMAs and CGAs can conduct audit and assurance engagements, or "public accounting," in other provinces but not, historically, in Ontario or Quebec (where the great bulk of it is done, incidentally). Yet what Mr. Corcoran seems not to know is that this provincial landscape has changed, and with our full support.

Legislation enacted in both provinces over the past few years enables all three professional accounting bodies to license their members to perform public accounting, and then to compete vigorously with one another to provide those services. But it can't be an unregulated free-for-all. That would trigger downward pressure on qualification requirements in pursuit of purely commercial advantage, a caution sounded by University of Toronto Law School Dean Ron Daniels in his authoritative 2003 study of the field. Daniels called it "regulatory arbitrage." I quote: "Regulatory arbitrage arises when regulatory organizations will opt for less costly, more lenient and socially undesirable forms of regulation solely as a means of capturing increased market share for their members at the expense of members of competing, higher-standard professional self-regulatory bodies."

So the law requires each body to demonstrate, to independent agencies of both governments, that its qualification and programs meet predetermined, legislated standards designed to protect consumers and investors and match those of the leading accounting bodies of our major trading partners. In Ontario that agency is called the Public Accountants Council, and is comprised of a majority of eminent, independent non-accountants. The Council created the standards required by law, and then passed them to the province's Attorney General, who approved them. Ontario CAs meet these standards. Ontario CGAs are diligently working their way through that process, having been found not to meet them late last year. Ontario CMAs are at an earlier point in the process.

Regardless, the outcome will be a competitive environment in Ontario for public accounting, regulated to standards that investors and the public have every right to expect will ensure Ontario's competitiveness internationally. So where's the monopoly?

Still, it seems some people can't take "yes" for an answer. This is where the Agreement on Internal Trade (AIT) comes in. The CGAs' national body has seized on the AIT as a kind of back-door route to overruling Ontario's public accounting qualification standards. Here's how: New labour mobility terms in the agreement would allow for the "automatic certification" of workers and professionals when they move from one province to another. That's unless an individual province can make a case that the way it regulates a profession should be exempted from this rule for reasons of, say, consumer protection. Given this is what Ontario's public accounting legislation is all about, and that most other provinces do not specify these qualification standards in law, the government has filed for an exemption from this automatic certification system for public accountants. Otherwise, under-qualified public accountants from other provinces would have a free pass in defiance of provincial law: As Ontario CGAs have been found not to meet the required qualification standards, and as their program is the same all across Canada, it follows that CGAs from other provinces wouldn't meet Ontario's standards either. They are therefore fighting Ontario's exemption tooth-and-nail.

Nor is it even relevant to claim, as Mr. Corcoran approvingly quotes a CGA official as saying, that "all accountants, regardless of designation, abide by the same accounting principles and auditing standards." That's like the fellow who comes to rewire your house saying he will follow the how-to book on wiring — when he may never have learned to be an electrician in the first place. The real issue is the competency of the individuals doing the work, not the rule book that they follow.

Is anyone prepared to open up law or medicine to competing legal or medical bodies that hold their members to differing qualification standards, and simply "let the buyer beware"? Probably not. So anyone who has a problem with rigorous qualification standards in Ontario for sensitive audit and assurance work in today's uncertain economy should take it up with all three parties in the legislature who passed the law demanding them, with the accomplished non-accountants who created them, with the Attorney General who approved them, with the CGAs and CMAs of Ontario who are committed to meeting them, and with the consumers, investors, businesses and international trading partners who expect them.

Peter Varley is vice-president, public affairs, The Institute of Chartered Accountants of Ontario.

Accountant vs. Accountant: CGAs simply want labour mobility

July 28, 2009

By Ted Wigdor

We applaud the federal/provincial/territorial governments for their efforts to break down barriers to labour mobility in Canada. However, we remain puzzled by the Ontario government's intent to retain a barrier to labour mobility for public accounting, particularly since the government knows that its position is inconsistent with the Agreement on Internal Trade (AIT), as Terence Corcoran mentioned.

The government's position is that it wishes to maintain the existing public accounting standards in Ontario. We question the validity of this position since Ontario's standards, or any other jurisdiction's standards, are irrelevant with respect to labour mobility.

The fundamental principle of labour mobility is the mutual recognition of professional qualifications from one jurisdiction to another, without additional assessment, education, examination or work experience. The same principle recognizes that competence and abilities can be acquired through different combinations of training and experience.

To use Mr. Corcoran's example as an illustration, a CGA who practises public accounting in Alberta is prevented from practising in Ontario. If accountants in Alberta are qualified to practise public accounting in their home province, and they wish to move to Ontario, their qualifications should be recognized in Ontario since they received their licence based on Alberta's licensing requirements. Per the terms of the AIT, they should not be required to meet Ontario's licensing requirements. It's that simple.

Governments can make specific exceptions to this fundamental principle which we acknowledge and respect. One of these exceptions is to ensure that consumers are protected, and we fully support the need to protect consumers and investors, whether they are consumers or investors of your local convenience store or Nortel.

We have asked the Ontario government for evidence consumers would be less protected if a CGA who is a licensed public accountant were to practise public accounting in Ontario, but we have received no such evidence to date. In fact, the Ontario government did not provide any evidence to that effect in 2001 when CGAs challenged Ontario's practices under the AIT.

I wonder if the other provincial/territorial governments feel that they are putting their residents at risk since CGAs practise public accounting in the rest of the country. My guess would be not since, to the best of our knowledge, no other jurisdiction is planning to erect a barrier to labour mobility for public accounting. In other words, every other provincial and territorial government is recognizing the public accounting qualification requirements as determined by that jurisdiction.

We should not single out Ontario in this issue. In 2005, a different independent trade panel ruled that Quebec's position on labour mobility for public accounting was inconsistent with AIT. The difference, however, is that the Quebec government has advised our affiliate body in Quebec that it will not raise a barrier to labour mobility for public accounting.

It would appear that the federal government has little concern regarding CGAs and public accounting since CGAs are currently allowed to audit federally regulated banks and insurance companies, some of the largest and most widely-held companies in Canada.

We have heard scare-mongering countless times that labour mobility will lead to a race to the bottom. Such concerns are groundless and conjure a memory of Chicken Little shouting the sky is falling. What trade experts Robert Knox and Amela Karabegovic wrote in the Post in May put to rest that concern through clear and concise analysis. They wrote, "If Australia is any indication, this type of mutual recognition would not result in an unacceptable reduction in standards as some might fear."

A point to remember is that we are not advocating for wide open access to public accounting in Ontario. We believe that all public accountants should be trained to rigorously high standards. How one gets to that standard need not be uniform.

As a professional self-regulating body, protecting the public interest is of paramount importance to us. We abide by highly respected national and international accounting standards and we were the first accounting body to implement mandatory ongoing professional development for our members. Our members perform their duties with the high level of professionalism that our national code of ethical principles and rules of conduct demand. Our members who are licensed public accountants have met not only our standards but also the qualification requirements established by their home jurisdiction, whether it be in British Columbia, PEI, or Alberta (where the three accounting bodies work collaboratively and jointly regulate the profession). Certified general accountants have been doing this work for many years and are fully capable of doing this work in Ontario. After all, our members' experience and abilities don't change when they cross a provincial border and enter into Ontario, nor do Canadian generally accepted accounting principles.

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