



Notes for Remarks

by

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ONTARIO CAs, ELECTION '07
and
THE COMPETITIVENESS AGENDA

Check Against Delivery

Ontario CAs, Election '07 and *The Competitiveness Agenda*

Well, here we are, in the thick of a provincial election. It's all the talk in the papers, on the radio shows, in the coffee shops – and probably at most of your dinner tables too. So to be relevant or interesting in my remarks to you today, I'd like to talk about the provincial election as well.

But I'd like to do it from the point of view of Ontario's 32,000-strong Chartered Accounting profession.

Now, we CAs aren't here to take sides. Because so much of what we do derives from a piece of provincial legislation called the *Chartered Accountants Act*, we need to work with governments of every political stripe, as well as all members of the Legislature. And even then, it would be tough for all 32,000 of us to rally behind any one party. Ours is a diverse profession – as diverse as the province we serve.

Our workplaces are diverse: About a third of our members work in public practice in large firms, small firms and as sole practitioners. A majority of our members work outside public practice, in senior positions in industry. We're CEOs, CFOs, VP's Finance, Comptrollers, and so on – in big public companies and smaller private ones. And many of our members hold senior academic positions or in not-for-profits, or work in government itself. I should mention too that we are demographically diverse as well. More than half our CA students are women. And they – or their proud parents – come from all corners of the globe.

So no, I'm not here to wave any partisan flags. We're all too different for that. But when it comes to elections, there are a few things on which all CAs can agree. These are the legislative and regulatory things that governments do, that either affect our profession directly, or affect the broader financial and economic environments in which we work, at high levels, every day.

By these I mean our business climate. Our investment climate. Our regulatory environment. And our ability, as a province and a people, to compete in an increasingly globalized economy.

And there's never a better time to talk about them than an election, if we're to put these issues "on the radar" of our politicians and get action on them down the road. The Institute, and our profession, are doing this quite proactively in this campaign, in a number of ways. And my visit to talk to you today is a part of that effort.

So let me briefly run through with you three key items on the CA profession's legislative agenda for the next government. As leading members of your community, I hope you'll agree with some of my observations. If you do, I'm hoping you'll take a moment to "spread the word" when the various campaigns come calling.

Nationally Consistent Public Accounting Standards

The first is the need for what we call nationally consistent standards of qualification and conduct for public accountants. For context, the politicians usually need a definition of what public accounting is actually all about. So we tell them that public accounting is the process of expressing independent assurance that a company's financial statements truly reflect its financial condition.

Why is that important? Because large and small investors, financial institutions and other third parties then use that assurance to help them make informed investment and lending decisions. Now, many of those decisions involve investments in RSPs, mutual or pension funds – making the practice of public accounting relevant and important to every Ontarian.

Sure, it's often a slow start, but it's at this point that their heads really start nodding, as if to say, "Oh – I get it!"

So it stands to reason that, as a major exporter, Ontario's competitiveness benefits from internationally recognized high standards for public accounting that are driven by the demands of our major trading partner relationships. The U.S. has uniformly high standards of this kind across more than 40 states. So does the UK. So, for the most part, does the European Union.

Each of these countries has professional accounting bodies whose standards are equivalent to those of Canadian CAs. They need to be, to ensure we can maintain mutual recognition between these leading accounting bodies that facilitates international mobility and investment.

In Ontario, these standards are mandated in legislation – the *Public Accounting Act, 2004* – which was passed with the support of all parties. The *Act* sets out the required qualification and conduct standards for public accountants. They are benchmarked against internationally recognized standards, to ensure we can maintain those mutual recognition agreements with our major trading partners.

On the basis of meeting these standards, other Ontario accounting bodies – that is, CGAs, and CMAs – can license their members to practice public accounting alongside CAs.

However, not all provinces enjoy internationally recognized high standards for public accounting. In fact, there is a "patchwork quilt" of 13 different forms of regulation across the country. These range from internationally recognized, government-mandated regulation in Ontario and Quebec to *no* standards for public accountants *at all* in many other provinces where non-CAs are allowed to practice public accounting.

By contrast, CAs in every province and territory must all meet our profession's uniformly high standards, which are required under our international trading partner commitments.

So to ensure our competitiveness, Canada needs nationally consistent high standards of qualification and conduct for all non-CAs who want to practice public accounting. The new system should be modeled on the Ontario government's *Public Accounting Act, 2004*. This legislative initiative would also complement the U.S. *Uniform Accountancy Act*, which extends consistent public accounting standards across more than 40 U.S. states and territories in a similar way – for the same reason.

That's why, in this election, CAs are calling on the major party leaders to promote internationally recognized uniform public accounting legislation for all provinces with their fellow Premiers should they form the next Government of Ontario.

Interprovincial Free Trade

Second on our legislative agenda is the issue of inter-provincial free trade.

By now you've probably heard of a buzz of acronyms around this issue. The AIT, or Agreement on Internal Trade. The TILMA – the Trade, Investment and Labour Mobility Agreement, signed between Alberta and B.C. And so on.

Now, it's important to emphasize that Ontario CAs support measures like these to enhance trade, investment and labour mobility within Canada. These things are important in financial services, a field in which we are recognized leaders. They are also key to our competitiveness in a global economy.

And specifically, we support efforts by Canada's Premiers, at the August meeting of the Council of the Federation in Moncton, to strengthen provisions in the AIT respecting labour mobility.

We know whereof we speak: For CAs, inter-provincial mobility is already ensured because of our internationally recognized high standards for qualification and conduct that are harmonized at a high level in every province. But for other occupations, it is not enough simply to "reconcile" standards to a common level between jurisdictions, as some of these agreements propose. This could lead to a "race to the bottom" in standards, as the lowest standards in any one province become the minimum acceptable standards across the country.

In the case of public accounting qualification and conduct, Ontario's internationally recognized high standards could be put at risk in a challenge from other provinces where lower – *or no* – standards for public accountants exist. That's because some provinces allow non-CAs to practice public accounting with no qualification or conduct standards at all. It's that "patchwork quilt" I mentioned. In Manitoba, for example, *anyone* who can attract clients can practice public accounting, with no qualification or ongoing conduct standards or regulation *at all*.

We say this is just not appropriate for an advanced 21st Century economy such as Canada's.

That's why CAs are calling on the major party leaders in this election to support safeguards for internationally recognized high occupational and professional standards in inter-provincial trade agreements. No "race to the bottom". No "dumbing down" of professional or occupational standards here at home, when we're competing against some of the best and brightest minds and talent abroad.

Put another way, it hardly benefits Canada to take down barriers to trade, investment and labour mobility in this country, if it means we're *erecting* barriers to these things internationally.

Legal Liability Reform

Third and finally is the whole area of today's legal climate as it relates to professional liability – and in particular, the extreme degree of liability exposure faced by Ontario's audit professionals.

Specifically, it's about Ontario's current system of joint and several legal liability, and its direct relationship to the competitiveness of businesses of every size in this province. Under this antiquated system, a party that is just one per cent responsible for a financial loss can be held to account for fully *100 per cent* of a claim.

Ontario's audit profession – not just the large firms but also smaller practices in smaller communities – are usually the targets of these huge and growing claims even though they may have had little responsibility for a financial loss.

They tell us that the current liability scheme is driving them out of the marketplace for their services because of skyrocketing insurance costs and exposure to disproportionate liability.

They say it's shutting off access to vital audit services for enterprises of every size, and as a result squeezing those companies of the investment capital they need to compete, grow and create jobs.

Now, Canada's major trading partners in the U.S., the U.K., the E.U., Australia and elsewhere have the same problem, and are addressing it through reforms such as a move to what's called "proportionate liability".

Closer to home, our immediate U.S. neighbours – in Michigan, and in New York, Ohio, Illinois and Pennsylvania – which together make up one of the most concentrated consumer and business markets in the world – have moved to forms of proportionate liability at the state level as well. This puts us at a distinct competitive disadvantage right here in *the neighbourhood*.

Under proportionate liability, responsibility for a financial loss is apportioned according to the extent of an individual party's responsibility for that loss. For Ontario to maintain its competitive edge in a globalized economy, we need to catch up to our major trading partners in liability reform too.

So, CAs are calling on the major party leaders in this election to commit to legal liability reform should they form the next Government of Ontario, to ensure our province's continued competitiveness.

The CA Competitiveness Agenda

Nationally consistent standards for public accounting. Safeguards for high, internationally recognized professional standards. And legal liability reform for competitiveness.

Put them all together and you could call these initiatives Ontario CAs' *Competitiveness Agenda*. It's an agenda we think the major parties in this election share, if they say what they mean about the need to protect investors, the reputation of our capital markets, and the ability of businesses to grow and compete.

We believe the major party leaders do share this *Competitiveness Agenda* with our profession. And in the course of this campaign we will seek their explicit support for these reforms, and a commitment to act on them in the life of the next government.

We view this kind of effort as part of the CA profession's historic role in Ontario – to advise successive governments on legislative and regulatory change to safeguard our competitive edge. In our advertising, for example, we like to call it part of *The CA Advantage*. But more than that, it's our responsibility, as trusted, internationally recognized financial leaders in senior management, tax and advisory roles.

And in the campaign now underway, we intend to offer our counsel again.

Thank you.