

## Appendix E:

# Chronology: The New Public Accounting Act, 2004

The Attorney General's June 20, 2006 approval of high new public accounting standards for Ontario is the culmination of a four-year process that began under the previous Ontario PC government. Below are some of the more significant milestones along the way.

### **October 30, 2002**

The Progressive Conservative government announces a review of public accounting licensing in Ontario, appointing Ronald Daniels, Dean of the Faculty of Law at the University of Toronto, to study the issue and make recommendations for both a new governance model and new standards of practice for public accounting.

### **November 26, 2002**

The government tables Bill 213. The legislation states only that persons can have access to a public accounting license if they are members of one of the three accounting bodies, are of good character, and pass an unspecified examination. Additionally, no mention is made of standards adherence and standards enforcement requirements.

The CA profession asks for revisions to ensure that the necessary high, internationally recognized standards of qualification and regulation are clearly specified before public accounting licenses can be issued by any accounting body.

### **December 6, 2002**

Bill 213 receives second and third reading and is passed by the Legislature.

That same month, the U.S. National Association of State Boards of Accountancy (NASBA) submits an open letter to Premier Eves in major Toronto newspapers. The letter warns against an erosion of public accounting standards in Ontario without major changes to Bill 213. Such a development, NASBA cautions, could also call into question the mutual recognition agreements enjoyed by both countries, founded on the equivalency between Canadian CA and U.S. CPA public accounting standards.

### **February 2003**

Dean Daniels begins his consultations with the three accounting bodies while preparing his recommendations. In a discussion paper on how a new public accounting governance structure could work, he warns of the risk of “regulatory arbitrage”, which he says can arise “when regulatory organizations 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.”

### **April 1, 2003**

Dean Daniels tables his report. While making substantive recommendations for a new governance structure, the need for “sufficiency tests” to ensure the other accounting bodies can meet the required standards and measures to combat illegal practice, his report does not fully address what the required standards themselves should be. Instead, he calls for the standards issue to be resolved by a new Public Accountants Council (PAC) made up of two representatives of each of the three accounting bodies.

### **September 2003**

A provincial election is called. The leaders of both the Ontario PC Party and the Ontario Liberal Party sign public documents committing them to enshrining Ontario's existing public accounting standard as the basis for licensure eligibility for all accounting bodies under the new system. The Party Leaders also commit to a PAC comprised of four CAs, two CMAs and two CGAs.

**June 9, 2004**

After extensive discussions with industry representatives, the McGuinty government repeals the public accounting provisions of Bill 213, and replaces them with a new *Public Accounting Act, 2004* (Bill 94), which is passed in the Legislature with the consent of all three parties. However, the Act is not proclaimed into law pending the advent of a new PAC and the appointment of its membership, and the development of supporting regulations.

**November 1, 2005**

The *Public Accountants Act, 2004 (PA Act)* is proclaimed.

**January 2006**

The PAC begins its deliberations on a new qualifying and regulatory standard for public accounting licensing in Ontario. The PAC's efforts would be guided by Section 19(4) of the new *PA Act*, which specified that the new standards must be no less rigorous than those in effect on June 9, 2004 (the day on which the legislation was tabled at Queen's Park).

**April 20, 2006**

The PAC completes its work on the proposed new standards in accordance with Section 19(4) of the *PA Act*. The PAC submits the proposed new standards to Attorney General Michael Bryant for his consideration.

**June 20, 2006**

Following the conclusion of the review period, the Attorney General advises the PAC Chair and all three accounting bodies that he has no objection to the proposed new public accounting standards as submitted and that they are now in effect. Those standards are shown to be of equivalent rigour to the high standards that preceded them.

**November 1, 2006**

The PAC grants authorization to the CA Institute to license and govern the activities of its members as public accountants. The PAC's authorization follows a review of the Institute's qualification and regulatory standards, which determines that the Institute meets the PAC's Standards adopted under the *Public Accounting Act, 2004*.