

The Canadian Institute of Chartered Accountants  
277 Wellington Street West  
Toronto, ON Canada M5V 3H2  
Tel: 416 977.3222 Fax: 416 977.8585  
[www.cica.ca](http://www.cica.ca)

L'Institut Canadien des Comptables Agréés  
277, rue Wellington Ouest  
Toronto (ON) Canada M5V 3H2  
Tél. : 416 977.3222 Téléc. : 416 977.8585  
[www.icca.ca](http://www.icca.ca)



June 1, 2009

The Hon. John Milloy  
Minister of Training, Colleges, Universities  
900 Bay Street, Mowat Block, 3<sup>rd</sup> Floor  
Toronto, ON M7A 1L2

Dear Minister:

By now you will likely have received an open letter from the President and CEO of the Certified General Accountants Association of Canada (CGA Canada) regarding public accounting qualifications in the context of the Agreement on Internal Trade (AIT). If not, I attach a copy for your reference.

The CGA Canada letter criticizes Ontario for including on its list of proposed exceptions to the AIT, that province's system of legislated qualification and regulatory standards for public accounting. The CGA letter includes a number of misleading statements which we have addressed in detail in the enclosed Q and A document. For the immediate purpose, however, I would draw to your attention a new and particularly troubling claim that appears in the CGA Canada open letter:

*“Public accountants certified by CGA regulatory bodies must meet the same nationally accepted occupational standards as those who are licensed to practice public accounting in Ontario.”*

Indeed, CGAs are required to meet the standards as described above, as mandated by provincial legislation and developed by the Public Accountants Council (PAC) of Ontario, an independent and objective oversight body comprised of a majority of public representatives, including its Chair. However, as of today, and by their own admission, CGAs *do not* meet those standards. Doug Brooks, President and CEO of CGA Ontario, disclosed this development in the January 2009 issue of that group's membership publication:

*“After an extensive, detailed review of all our courses that lead to qualification as a licensed public accountant, the PAC assessors have determined that our education and examination processes do not meet their interpretation of the PAC standards and they have stipulated the changes they require us to make so that our education and examination programs will meet the licensing standards.”*

Mr. Brooks is also correct when he asserts that CGA qualification standards are uniformly consistent across all provinces and territories. This means that CGAs from elsewhere in Canada would also fail to meet Ontario's legislated public accounting qualification standards, just as that province's CGAs have already done.

We understand this is why the Government of Ontario is considering a proposed exception for a legitimate objective under Chapter 7 of the AIT. It is not to limit competition – as Ontario legislation offers unfettered access to public accounting licenses for all those who can meet the required standards – but to safeguard consumers in their interactions with those who would offer this exacting and important financial service, by insisting on rigorous, internationally recognized qualification standards that protect investors, consumers and our international trading partner commitments.<sup>1</sup>

Further, we understand CGA Ontario has been diligently working in good faith towards making the necessary revisions to its qualification process in order to meet the PAC's "substantially equivalent" requirement. In our view, CGA Ontario should be cited as an example of how other CGA associations across Canada should approach the goal of attaining substantial equivalence to internationally recognized public accounting standards, thereby obtaining the right to practise public accounting for their members who meet those standards. We are concerned that the route suggested by the CGA Canada letter would lead to a *lowering* of public accounting standards in Ontario at just the time when the world is calling for more stringent regulation for financial services professionals.

The CGA letter also includes reference to an October 2001 AIT panel decision on claims by a Manitoba CGA that Ontario's regulation of public accounting constituted an unfair barrier to mobility. It's important to understand that since that time the entire system in Ontario has been supplanted by new legislation (the *Public Accounting Act, 2004*) that explicitly enables licensing for CGAs who meet the standards of qualification and regulation required by the PAC. Indeed the considerable time, effort and money spent to safeguard consumers over the past few years by the Government of Ontario, the PAC and Ontario's CA, CMA and CGA bodies to give effect to the Act's provisions would be forfeited without the adoption of that province's legitimate objective exception.

CGA Canada's additional assertion that enactment of new legislation in Quebec will give CGAs full access to public accounting is also inaccurate on several levels. New Quebec legislation on public accounting has in fact been in place for some time. The legislation provides the right to practice public accounting to CGAs who meet a required level of competency which is to be approved by the *Office des professions* and adopted into the regulations of the *Ordre des CGA du Québec*. The new

---

<sup>1</sup> On this point, it bears noting that CGA Canada often claims that it either meets or exceeds "internationally recognized standards" for public accounting qualification. Yet the standards referred to in this context are not those recognized as substantially equivalent by the leading accounting bodies of our major trading partners – such as CPAs in the United States and the CAs in the United Kingdom – and which are required under Ontario legislation.

Act further sets out that the level of qualification established must be analogous to that in place prior to the new legislation. In other words, this will be a level of qualification that is as rigorous as the current national CA standard of qualification and at a level similar to that which is currently legislated in Ontario – a standard the CGA profession does not yet meet – but a standard that all CAs across Canada do meet.

Minister, it goes without saying that Canada's 74,000 Chartered Accountants support unfettered labour mobility in this country, and indeed around the world. Without it, we couldn't do our jobs in facilitating national and international trade and investment in an increasingly globalized marketplace for public accounting services. Yet we know too that enhanced labour mobility must be balanced against the need for consumer protection, as is recognized in the exception provisions of the AIT itself.

It is the considered view of Canada's CA profession that eliminating the current "patchwork quilt" of public accounting standards and legislating internationally recognized, nationally consistent standards would eliminate labour mobility barriers, better protect investors and the public and enhance Canada's international trade relationships – all while fostering competition for professional accounting services across a level playing field. In the meantime, and for the reasons stated here, Canada's CAs strongly support the Ontario government's proposed exception to the AIT for that province's system of legislated qualification and regulatory standards for public accounting.

The public good must be the focus of any impetus for change. Any changes going forward relating to the delivery of audit and assurance services in this country must ensure Canada retains its international reputation for integrity and the confidence of the global capital markets. With this at stake, we fail to understand how any professional body could find credible qualification standards bothersome.

Sincerely,

A handwritten signature in blue ink that reads "Kevin J. Dancey". The signature is fluid and cursive, with a long, sweeping tail on the 'y'.

Kevin J. Dancey, FCA  
President and CEO

Enclosures (2)

## Public Accounting and the Agreement on Internal Trade (AIT)

### 1. What is public accounting?

Public accounting is the business of expressing independent assurance, typically through audit or review engagements, on financial statements and other financial information of enterprises of every size, to ensure that they truly reflect the organization's financial condition. Large and small investors, financial institutions and other third parties then use that assurance to help them make informed investment and lending decisions. Many of those decisions involve RSPs, mutual funds or pension funds – making public accounting relevant to nearly all Canadians.

### 2. Ontario's Attorney General is considering a "legitimate objective" exception for public accounting in Ontario under the AIT. Why?

As the Canadian jurisdictions where the vast majority of public accounting work for publicly listed companies occurs, the provinces of Ontario and Quebec have enacted legislation to ensure that the standards for education, examination, practical experience and ongoing regulation for public accountants are set at rigorous, internationally recognized levels. This is important, both domestically and internationally, because it assures investors and the general public that the people signing off on financial reporting in Ontario and Quebec would be able to meet the standards set in other major financial centres, such as New York, London and Tokyo. Other provinces, however, do not have internationally recognized standards that must be met by all professional accountants and, in some instances, have no legislated standards whatsoever.

We understand the Attorney General of Ontario's consideration of a proposed exception for public accounting reflects its commitment to protecting consumers and investors by safeguarding this legislated system of public accounting qualification standards. It should also be noted that this system of public accounting qualification standards is met by all CAs in Canada.

### 3. How would the AIT's labour mobility rules work without an exception?

Basically, the agreement would enable members of professions and occupations to gain automatic certification in any one province when they move from any other. Exceptions for a legitimate objective are provided for under Chapter 7 of the AIT if a government can make a clear case that this automatic recognition would harm the public interest – for example, in terms of consumer protection.

### 4. How do you respond to the claim that, if a person is qualified to do public accounting work in one province, fairness demands that they be allowed to do so in all other provinces?

Fairness does not mean that provinces that currently require higher professional standards, should now have to lower them. "Fairness" is not limited to the needs of accounting bodies that have not met internationally accepted requirements for conducting public accounting work. Instead, we must focus on what is fair for the people who rely on the accuracy and credibility of financial reporting – business owners, investors and the general public. That's what makes this a consumer protection issue under the AIT.

#### **Chartered Accountants of Canada**

277 Wellington Street West

Toronto, ON Canada M5V 3H2

Tel: 416 977.3222 Fax: 416 977.8585

[www.cica.ca](http://www.cica.ca)

#### **Comptables agréés du Canada**

277, rue Wellington Ouest

Toronto (ON) Canada M5V 3H2

Tél. : 416 977.3222 Téléc. : 416 977.8585

[www.icca.ca](http://www.icca.ca)

## 5. Why are some people opposed to an Ontario exception under the AIT for public accountants?

This is related to the enactment of the *Public Accounting Act, 2004*. The new Act recognized three accounting bodies – CAs, CMAs and CGAs – that could be eligible to license their members as public accountants, provided they demonstrated that they met the standards set by Ontario’s independent Public Accountants Council (PAC), which was created by the Act. After the Act was passed by all parties in the Legislature, the accounting bodies publicly committed to meeting the standards stipulated in the legislation. The Institute of Chartered Accountants of Ontario received approval to issue licenses in October 2006. While CGA Ontario has been working on raising the standards in its qualification program, to date it has not been able to demonstrate to the PAC that its members are able to meet those standards.

Indeed, CGA Ontario CEO Doug Brooks reported this development to his membership in the January 2009 issue of the group’s *Statements* newsletter – that CGA Ontario had not met this test after a complete and impartial evaluation of its qualification programs by the PAC:

*“After an extensive, detailed review of all our courses that lead to qualification as a licensed public accountant, the PAC assessors have determined that our education and examination processes do not meet their interpretation of the PAC standards and they have stipulated the changes they require us to make so that our education and examination programs will meet the licensing standards.”*

## 6. What does that have to do with CGAs in the rest of the country and the AIT?

Throughout the AIT debate, the CGA organization has said many times that its qualification programs are identical from province to province. Again, Doug Brooks in the January 23<sup>rd</sup> Toronto Star:

*“The CGA Program of Studies is a nationally consistent program with precisely the same course content, exams and experience requirements in every province.”*

So it stands to reason that CGA qualification programs and standards are the same in every other province as they are in Ontario – where the program requirements have been found, by independent evaluators, *not* to meet the internationally recognized standards that are required under Ontario legislation to protect consumers and the public, and the reputation of our capital markets. This means that nationally, CGA standards are uniformly lower than the standards required by Ontario and Quebec and by our major international trading partners.

## 7. How do public accounting qualification standards vary across Canada?

In Ontario and Quebec, standards for public accounting have been legislated at rigorous, internationally recognized levels. But it’s a very different picture elsewhere, notwithstanding the fact that all CAs across Canada comply with the same internationally recognized education and qualification standards:

- Legislation in Newfoundland, PEI, Nova Scotia and Alberta permits CAs, CGAs and CMAs to be licensed or certified to practise public accounting, but the legislation does not require them to meet the internationally recognized standards required by Ontario and Quebec and met by all CAs across Canada
- Public accounting is not regulated by licensing in BC, except that CA and CGA bodies can authorize members to perform statutory audits, and
- In Saskatchewan, Manitoba, New Brunswick and the three territories, while public accounting qualification and governance standards are set by the member bodies, there is no legislated regulation of public accounting. Some limit is placed on specified audits, but *anyone who can obtain clients* can practice public accounting.



## 8. Do others share the view that public accounting qualification standards should be aligned with our major trading partners?

Yes. In a landmark 2008 study of competitiveness issues facing Canada, the Competition Policy Review Panel recommended that Canada harmonize its professional standards with the United States, unless doing so could be shown to be against the public interest. Adopting nationally consistent standards of qualification and conduct for public accountants would achieve this goal. That's because, in the U.S., the *Uniform Accountancy Act* is in place as a model for consistent public accounting standards. To date, 34 of the 50 states have adopted all three of the examination, experience and education requirements set out in the Act, all of which are required for substantial equivalency. If all public accountants in Canada met those standards – as only CAs do at present – we would have largely harmonized professional public accounting qualification standards with our largest trading partner.

As well, in a December 2007 report, Canada's Competition Bureau stated: "To facilitate competition in public accounting services, the regulators in each province and territory should consider establishing minimum necessary competencies that public accountants should have and allowing members of all domestic and foreign accounting designations that meet this standard to offer public accounting services."

By eliminating the current "patchwork quilt" of public accounting standards, legislating internationally recognized, nationally consistent standards would eliminate labour mobility barriers, better protect investors and the public and enhance Canada's international trade relationships – all while fostering competition for professional accounting services across a level playing field. In contrast, lowering standards within Canada could lead to raising barriers with our international trading partners and, ultimately, make Canada less competitive.

All this, at a time when the world is calling for more – not less – rigorous regulation of financial services.