

THE DRIVERS OF CHANGE

A Background Paper Produced By The Public Trust Task Force

In 2004, the Canadian CA profession adopted a new strategic plan. An important phrase in the new Vision and Mission statements for the profession set out in *Strategic Crossroads for the CA Profession* is that Canada's CAs are "trusted financial leaders". The plan also identified the public trust as a major area for strategic action.

To address issues relating to the public trust, the Council of Senior Executives (CSE) has established a Public Trust Task Force. The goal of the Task Force is to identify areas where the profession needs to "raise the bar" to ensure it continues to protect the public interest and restore confidence in capital markets. This includes harmonizing standards across the profession in Canada and making sure that standards in Canada meet or exceed international ones, where applicable.

Many members who are concerned about standards overload will ask why the profession must continue to raise its standards, which are already high. There are several drivers of change, which are summarized below.

Protecting the Brand – In order to be pre-eminent, the profession must clearly demonstrate that the CA brand is synonymous with excellence and high standards. In other words, CAs must "walk the talk".

Public Expectations – The collapse of Enron and other high-profile business failures have raised public expectations relating to ethics and corporate behaviour. Public attention has also been focused on accounting and other financial irregularities. As a result, the accounting profession is attracting unprecedented public attention and criticism.

The Canadian CA profession has already taken a number of steps to rebuild public trust and confidence, including new independence and quality control standards and new independent oversight of public company auditors. Moving forward, the profession must ensure that its standards continue to meet the highest scrutiny and protect the public.

Litigious Environment – Canada's environment is not as litigious as that of the U.S., but claims against CAs are increasing. Accountants are being targeted and are less likely to receive the benefit of the doubt.

Recent experience indicates that these claims apply to firms of all sizes. In particular, there is a high volume of tax cases and an escalating number of claims relating to compilations. Part of this increase may be due to the huge shift of review engagements to compilations, with the latter often going to banks to support loan arrangements.

A more litigious environment also increases the exposure of the Institutes/Ordre, which are rightly expected to deal expeditiously with cases of professional misconduct or incompetence. A professional body that is slow to introduce or implement a new standard or that does not rigorously enforce member compliance may face harsh consequences. It

is therefore incumbent upon Institutes/Ordre to introduce, implement and diligently enforce high standards.

Change and Complexity – The many new accounting and auditing standards confirm unprecedented levels of change and complexity.

As well, the rapid pace of change and the complex nature of doing business into today's world require even the smallest organizations to enter into complex, multi-dimensional transactions. As a result, accounting and assurance services will also become increasingly complex, in order to meet client and public expectations. The profession must therefore enhance its quality assurance tools to ensure CAs continue to meet the challenge.

Legislative and Regulatory Changes – The legislative and regulatory framework for the profession is also changing. New oversight bodies in Canada include the Canadian Public Accountability Board, the Accounting Standards Oversight Council and the Auditing and Assurance Standards Oversight Council. A new licensing body was recently established in Ontario. Government expectations relating to entry to the profession, practice review/inspection, discipline and ethical codes will continue to change.

A significant majority of the members of the new oversight bodies are influential business, community and professional leaders. As they identify areas for improvement, the profession must respond.

Globalization and International Benchmarks – The International Federation of Accountants and the International Accounting Standards Board are developing new standards on a global basis. As a founder and active participant in these organizations, the CA profession must continue to meet and, where applicable, exceed these standards.

The CA profession's standards must also continue to meet or exceed those of other accounting bodies.

Being Proactive – The profession must address the issues facing it in a proactive manner, instead of reacting to external circumstances. It is far better to employ preventative measures, such as continuing professional development, than disciplinary tools.

The Need for Uniform National Standards – The profession currently has different measures and requirements across the country for continuing professional development and professional liability insurance. Proactively developing uniform national standards that meet or exceed existing international standards will signal the profession's ongoing commitment to protect the public interest.

Uniform national standards in these areas will also reduce the cost of compliance by cross-border firms and employers and should help reduce Institutes/Ordre operating costs. Uniform national standards will also confirm the quality and consistency of the CA brand.