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Upholding the Public Trust - A Priority For Our Profession

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 (available at www.icam.mb.ca) is that Canada's CAs are "trusted financial leaders". The plan also identified the public trust as a major area for strategic action.

We define the public trust as the activities and programs that support core CA values and maintain the CA commitment to protect the public interest. Protecting the public interest is the cornerstone of our profession. It defines who we are and it is the basis upon which the public places its trust in us.

To address issues relating to the public trust, the Council of Senior Executives (CSE) has established a Public Trust Task Force (PTTF), which I am honoured to chair.

The goal of the Task Force is to identify areas where the profession needs to "raise the bar" to ensure we continue to protect the public interest and restore confidence in the capital markets. This includes harmonizing standards across the profession in Canada and making sure that standards in Canada meet or exceed international ones.

In the wake of a number of high-profile business failures, the Canadian CA profession has already taken several steps to build public trust and confidence. These include new independence and quality control standards and the creation of the Canadian Public Accountability Board (CPAB) to oversee public company auditors. We have also strengthened public oversight of the auditing and assurance standards-setting process.

Task Force members are mindful of the fact that many CAs are concerned about "standards overload". We have therefore asked ourselves, "Do we need to continue to raise standards that are already so high, and, if so, why?". We believe the answer is yes - for several reasons I would like to outline.

Protecting the Brand

CAs have a professional obligation to maintain their competence. We must clearly demonstrate that the CA brand stands for excellence and high standards.

Public Expectations

Enron and other high-profile business failures have heightened public expectations. As a result, the accounting profession continues to attract public attention and has a number of vocal critics.

The Litigious Environment

Canada's environment is not as litigious as that of the U.S., but we are seeing an increase in claims. Accountants are being targeted and are less likely to receive the benefit of the doubt.

Recent claims demonstrate that firms of all sizes are the target of lawsuits. In particular, we are seeing a continued high volume of tax cases and rapidly escalating claims on compilations. Part of this increase may be attributed to the huge shift of review engagements to compilations, with the latter often going to banks to support loan arrangements.

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 in today's global environment require even the smallest organizations to enter into complex, multi-dimensional transactions. Accountants and auditors are therefore compelled to deal with this increased level of change and complexity.

Legislative and Regulatory Change

The legislative and regulatory framework for the profession is also changing. New oversight bodies in Canada include the CPAB, the Accounting Standards Oversight Council and the Auditing and Assurance Standards Oversight Council. A new licensing body was recently established in Ontario. A significant majority of the members of these oversight bodies are influential business, community and professional leaders. As they identify areas for improvement, the profession must respond.

Globalization of Standards

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 appropriate, exceed these standards.

In short, the impetus and need for change is clear. The Task Force also strongly believes that the profession must address these issues in a proactive manner, instead of reacting to external circumstances.

One of the first ways to do this is to proactively make changes to specific measures and requirements that are currently inconsistent across the country. In three areas - continuing professional development, professional liability insurance and practice review requirements - the current system is a patchwork of different measures and requirements.

The Task Force believes that developing uniform national standards that meet or exceed existing international standards in these areas is an important first step that will signal the profession's ongoing commitment to protecting the public interest.

In the months ahead, we will provide you with further details on proposed initiatives as they unfold. In the meantime, I would welcome your feedback. Please contact me at ghannaford@icam.mb.ca.

Change is never easy, but it is a fact of life in today's world. The Task Force is committed to making recommendations for change that will reflect members' input, benefit the profession and, most of all, continue to uphold the public trust.