

CASE STUDY: PUBLIC ACCOUNTING REFORM IN ONTARIO

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October 30, 2002

- The Progressive Conservative Government under Premier Ernie Eves 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, *Justice Statute Law Amendment Act, 2002*, which is predominantly about justice and other law reforms, which generally had broad political support. It also has appended to it contains changes to Ontario's public accounting regime, the certification of those do public audit and assurance work. 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.
- This is a point of serious concerns for the Institute of Chartered Accountants of Ontario (Institute), because up to that time public audit and assurance work was limited to those that trained as Chartered Accountants.
- The Institute begins protracted “standards before access” information and advocacy campaign to ensure that the necessary high, internationally recognized standards of qualification and regulation are clearly specified before public accounting licenses can be issued by other accounting bodies.

December 6, 2002

- On a motion by the NDP, Bill 213 receives second and third reading and is passed by the Legislature. Nearly half of all MPPs are absent for the vote.
- Many of those who supported the position of the Institute abstain from voting.
- Also in December, the Institute publishes a letter from the U.S. National Association of State Boards of Accountancy (NASBA) as 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.”
- Also in February, Norm Sterling (PC) is appointed Attorney General, the Ministry responsible for public accounting regulation. Following consultations and presentations by the Institute using the “regulatory arbitrage” argument, Minister Sterling signals an immediate grasp of the need to delineate high public accounting standards before this issue can progress any further.

April 1, 2003

- Dean Daniels Report is tabled.
- While significant work is completed on key issues, the report is all but silent on what the required standards themselves should be. The report 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.
- The Institute seizes on this point and engages its next tactic, cautioning the Government and opposition parties that this could lead to a “negotiation” over standards between accounting bodies whose members are trained to different standards for different kinds of work – *a drift to a lowest common denominator*.

June - August, 2003

- During this period, Institute efforts to secure the necessary amendments to Bill 213 are slowed by widespread anticipation of a provincial election, and also by the SARS crisis and energy supply issues that come to dominate the agenda at Queen's Park.
- The Institute continues its interventions with the government and key members of the opposition parties, arguing that the creation of entirely new public accounting standards for Ontario would be as costly and time-consuming as it would be redundant, given that such standards *already exist* : the current, internationally respected high standards that CAs are required to meet.
- Gradually, this position begins to gain traction among decision-makers at the Ontario Legislature.

September 2003

- 2003 Ontario General Election is called.
- The leaders of both the Ontario PC Party and the Ontario Liberal Party sign public documents, submitted by the Institute, committing them to enshrining Ontario's existing public accounting standard as the basis for licensure eligibility for the other accounting bodies under the new system. The Party Leaders also commit to a PAC comprised of *four* CAs, two CMAs and two CGAs.
- The Ontario Liberal Party wins the election and Dalton McGuinty wins a majority government.

June 9, 2004

- After numerous presentations to the new government and review of legislative drafting with the Institute, Ontario's new Attorney General Michael Bryant (Liberal) 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. The Bill completed all of the legislative readings in 3 days.
- The *Bill 94* is proclaimed into law on November 1, 2005 following the establishment of a new Public Accountants Council and the development of supporting regulations.

Takeaways

- No issue is ever lost, battles might be lost along the way but the war can still be waged and won!
- Keep lines of communications open, on both sides of the legislature;
- Ensure you keep Opposition parties involved in your policy matters.
- Well-developed briefs that make complex matters simple for policy makers to understand;
- If you need to take a strong stand make sure it is backed up with evidence and third party support, no idle threats;
- Involving stakeholders in your efforts, strong relationships that have the ear and trust of the government and public are invaluable.

Q&A

QUESTIONS?

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