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**The Certified General Accountants Association of Canada  
Statement delivered before the Legislative Committee on Bill C-2:**

*An Act providing for conflict of interest rules, restrictions on election  
financing and measures respecting administrative transparency,  
oversight and accountability*

**May 30, 2006**

## **Introduction**

Mr. Chair, Honourable members:

On behalf of the Certified General Accountants Association of Canada (CGA-Canada) and our 64,000 members, we wish to thank you for this opportunity to appear before you and give voice to our thoughts and concerns on the legislation before this committee.

We look forward to your questions but first, I'll take a few brief moments to outline some context surrounding the committee's consideration of this bill, along with a cautionary word or two about rules, regulations, and the role they ought to play in good governance.

## **The public environment**

The genesis of *Bill C-2* stems from a crisis of confidence that goes well beyond the purview of this government, this parliament, and indeed Canada's borders. In this world of post-Enron, Worldcom, and Parmalat, we needn't be reminded of the scourge of scandal within the private sector. Nor do we need to dwell on problems closer to home in the cases of Nortel or Canada's judicial inquiry into the sponsorship program and advertising activities. Suffice it to say that we face a crisis of confidence as a direct result of the perceived absence of ethics among our corporate, political, and bureaucratic elites.

The important question is why? How has it come to this? What, if anything, has changed? What can we learn from this? And what measures can or should we adopt to prevent a recurrence?

There is a cure for fraud and scandal. It lies in transparency and accountability.

To that end, we applaud the government and this parliament for your efforts to address the shortfall in how government performs and is seen to perform by its shareholders — Canadians. There is nothing new about principle, ethics, and responsibility and the role

they deserve to play in decision-making. Nonetheless, the taint of latter day scandal affects us all, and if our trust and pride in our public institutions is to be restored, the time for clear, remedial action is now.

Meanwhile, Canadians are watching closely and they will reserve judgment until they have seen evidence of constructive and effective change.

### **Leadership, transparency & accountability**

While we all hope the legislation before us will help prevent many of the wrongs of the past from being repeated, rules and regulations are no substitute for ethical behaviour. The auditor general has said as much in her testimony before you and Justice Gomery. To paraphrase her, there is no shortage of rules, merely a failure to follow them. It may strike you as ironic that we should appear before you today in defense of a cautionary approach to rule-making. After all, accountants are predisposed to rules and structure. We are number crunchers, financial analysts, chief financial officers, auditors, business leaders. In sum, we're the people others turn to for guidance on how to follow the rules governing capital, assets, profits, and losses. In that connection, the accountancy profession bears an enormous burden of public trust and responsibility — a burden we shoulder willingly. It is, after all, our stock-in-trade.

But we need to remind ourselves that rules for their own sake won't likely achieve the outcomes for which we all strive. The challenge before this parliament and this committee is to ensure that we are able to achieve the right balance between rules, ethics and sound governance.

In the financial world, accountability for fiscal performance is more straight forward today than ever before. Rules introduced post-Enron hold CEOs and CFOs accountable for certifying their corporate financial statements. Auditors are now subject to oversight. No one argues with the idea that top executives are ultimately responsible for the

accuracy and veracity of the financial information presented to shareholders. It merely signals that leadership and accountability come straight from the top. But can the same be said of government? Undeniably, ethics commissioners and judicial investigators have a role to play, but, so too do our political leaders. Theirs is a responsibility to lead by example. U.S. President, Harry Truman was reputed for displaying a sign on his oval office desk that read, “The buck stops here.” What it signaled was a simply stated, but powerful embrace of personal responsibility and he was widely admired for it by his countrymen. Canadians are no different. We expect our government leaders to step up to the plate and take ownership of their ideas, their motives, and their actions. That includes accepting full responsibility for government’s successes, along with the occasional and inevitable misstep along the way.

We suggest that a return to the time-honoured parliamentary principle of ministers of the Crown holding themselves accountable for the performance of their respective government departments and agencies would be welcomed by Canadians. American business guru Warren Buffet once said, “I look for three things: personal integrity; intelligence; and high energy. If you don’t have the first, the second two don’t really matter.” Need we say more?

### **Nurturing change: a balancing act**

Canada wants and needs a federal accountability act that works, but not just at any cost.

In your consideration of this legislation, you’ve been tasked with the challenge of striking a balance between competing interests, in order to serve all Canadians. That delicate balance includes a myriad of advocacy interests, like the organization we represent, and must take stock of their right to be heard with respect, and, at times, in strict confidence. This lies in sharp contrast with Canadians’ right to know as reflected by the access to information commissioner, the media, and parliament itself. Bridging these two poles is critical – though we appreciate it is no easy task.

We suggest that when put to the test, *Bill C-2*'s success or failure will hinge largely on the government's willingness to sow and nurture a new culture of accountability and individual/collective responsibility — one that cuts across conventional bureaucratic and political lines. This requires cultivating and rewarding, not legislating and regulating. This requires learning and development. While the whiff of scandal still hangs heavy in the air, we're well-advised to keep in mind the old truism: short-term thinking cripples long-term plans. We need to be wary of long-term, unintended consequences of legislation crafted in the present. Taking stock of the road ahead is a hallmark of good public policy. The need here is to streamline discourse between Canadians and their government by clarifying rules and responsibilities surrounding transparency and accountability. In the end, Canadians' free, unfettered access to their government should be a clear objective of this parliament's study of *C-2*.

### **Professionalizing the public service**

In bringing forward *Bill C-2*, we believe the government has gotten several critical elements right. We welcome the clarification of roles of deputy ministers and their ADMs as accounting officers. We support the creation of independent audit committees. We also believe that the access to information protection afforded to internal audit working papers is appropriate and will improve the internal audit process in departments and agencies. Moreover, we are pleased to see that appropriate safeguards have been put in place to ensure that draft audit reports are protected and provision has been made if a final report is not delivered within two years. In sum, these measures will safeguard the integrity and effectiveness of the audit process.

We applaud the broadening of the auditor general's authority to "follow the money." We agree with the new requirement for a five-year review of relevance and effectiveness of grants and contributions — a provision that echoes one of CGA-Canada's own recommendations. We also think Parliamentarians will be well served by the creation of the new position of parliamentary budget officer. And while we agree in principle with protective and supportive measures aimed at whistle blowers, we see these as a last resort

and reject outright the idea of providing public servants with monetary reward for doing the right thing. In essence, these are all initiatives that align themselves well with similar undertakings throughout the corporate sector.

This legislation is ambitious in its attempt to strengthen accountability and improve the management of the government's fiscal and human resources. Speaking on behalf of our more than 8,000 members who are auditors, accountants, financial managers and policy developers in the federal public service, we support these initiatives and feel we have a role to play in implementing the government's agenda. We have been asked to assist in efforts to strengthen financial management and improve internal audit within the federal public service. We are in the throes of launching a series of initiatives to support this goal.

We agree with the auditor general that a background in financial management, including accounting is a beneficial attribute in championing financial and management and control in departments. Our members are found across government departments working in many roles. They know that the CGA designation is serving them well. Officials seeking to strengthen their financial management acumen with a professional accounting designation will find the CGA program provides the knowledge, skills and leadership necessary to meet the challenges set out in this legislation and other measures being implemented.

### **Strengthening the *Lobbyists' Registration Act***

As registered lobbyists, we would be remiss if we neglected to comment on proposed changes to the *Lobbyists' Registration Act*. Clarity lies at the root of all good legislation and regulation. It ensures that each player in the system is made aware of what is expected of them. We believe that more enforceable legislation governing the conduct of lobbyists is a laudable objective. To this end, we lend our support to the Government Relations Institute of Canada and its call for stronger investigative and enforcement provisions. While the vast majority of lobbyists are fully compliant with the law, more

and better enforcement provisions will serve to protect the majority from the tarnish caused by a misguided few and we think that's in everybody's interest.

**Conclusion**

We all want what is right for Canada's future though we may, at times, disagree on how best to get there. Such is the agonizing beauty of democracy, but no one ever said it would be easy! During the course of the last federal election campaign, CGA-Canada called on all parties to commit to several measures aimed at restoring Canadians' shaken confidence in their public and private sector leaders and institutions. We're delighted to see our message, along with others, was heeded.

Mr. Chair, we look forward to assisting this committee in its deliberations in whatever way we can.

Thank you.