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**The Certified General Accountants Association of Canada
Statement delivered before the Standing Senate Committee on Legal
and Constitutional Affairs in relation to its study of Bill C-2**

The Federal Accountability Act

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Introduction

Mr. Chair, Honourable Senators:

On behalf of the Certified General Accountants Association of Canada (CGA-Canada) and our 68,000 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, as well as outline our interest in this bill.

I understand, Mr. Chair, that this Committee will undertake a full review of the bill. You have agreed to extend sitting hours in order to achieve this considerable task. You will have the opportunity over the next few weeks and perhaps even months to hear from many witnesses. You will hear about how the bill can be improved – and, we have no doubt that it can be improved. Bill C-2 is significant in size and scope. And we wish you well in this endeavour.

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 efforts to address the shortfall in how government performs and is seen to perform by its shareholders — Canadians. There is nothing new about principles, ethics, and responsibility and the role they deserve to play in decision-making. Nonetheless, the taint of latter day scandals 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.

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

We must be wary of well-intentioned initiatives that may stifle productivity and limit the ability to innovate. Everything comes at a cost – whether it is direct or that of opportunities lost. Our financial community needs to have the support and the resources to implement these changes.

I am tempted to draw a parallel between the bill before this committee and initiatives to strengthen public confidence in our capital markets on the wake of corporate governance scandals in North American and Europe. Five years after Enron's demise, questions are being asked on whether the pendulum has swung too far. Are the rules too costly to observe? Are they limiting growth, productivity?

Academics and well informed observers are questioning the potentially perverse effects of some of the proposed measures. Monitoring and control are essential components of public administration but should not be examined in isolation.

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. 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 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 assistant deputy ministers as accounting officers. While it may be redundant to state, we

believe that such assignments will add necessary profile to a task which may sometimes be overlooked without interfering with the responsible minister's accountability to Parliament. Moreover, it entrenches an internal expectation of financial consideration where policy and program considerations have typically been dominant. We support the creation of independent audit committees. Properly protected from undue operational influence and struck with external representation, objectivity is best preserved. 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 while appropriate safeguards have been put in place to ensure that draft audit reports are protected, provision has been made if a final report is not delivered within two years. We believe these measures, coupled with the Comptroller General's ability to conduct ongoing internal audit practice inspections by independent and qualified professionals bolster the independence of the internal audit process and will help maintain the objectivity of the observations contained in the final internal audit report. In sum, these measures, taken together, can 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.

There are many factors that contribute to sound financial management. We agree with the auditor general that a background in 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.