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REVIEW

The Inter-Institute Vision Task Force: Report (pp. 49) and *Research Review* (pp. 42) (Toronto: The Canadian Institute of Chartered Accountants, February 1996).

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The 1996 report of the Inter-Institute Vision Task Force and the companion research review of the Canadian Institute of Chartered Accountants (CICA) is the latest of several self-examinations by the Canadian Institute over the last 25 years. The more notable of these reviews have been: the Task Force 2000 "report" of 1970; "Meeting the Challenge of Change," the Rainbow Report (1986); and *Report of the Commission to Study the Public's Expectations of Audits*, the Macdonald Report (1988). These reports are of widespread significance in Canada: (1) CICA members have virtually an exclusive right to serve as auditors of public corporations in the major commercial Canadian jurisdictions; (2) federal and provincial corporate and provincial securities legislation since the 1970s has delegated standard setting to the CICA; and (3) throughout the last century, the CICA has been by far the dominant Canadian public accounting body, with presently close to 60,000 members, 40 percent in public practice and the remainder in industry, government and education.

The general thrust of the report of the Vision Task Force suggests that a rapidly changing environment propelled by increasing information technology and globalization will require a broader and more unified response by Canadian Chartered Accountants (CAs). That response—which includes certification for specializations, a significant broadening of the scope of accounting work in all aspects of financial management, and an enlargement of the attest function into the generalized field of assurance—requires more unified national programs and leadership. To that end, one of the strongest recommendations of the report is the establishment of a governance investigation to re-allocate responsibilities between the national and provincial CA institutes.

Mission and Vision

The mission statement outlines what the Task Force believes should be a broadened scope of legitimate CA activity, while the vision statement directs the CA membership to be leaders in the new globalized, technological world. "Our mission is to enhance decision-making and improve organizational performance through financial management, assurance and other specialized expertise. We act with integrity, objectivity and a commitment to excellence and the public interest" (p. 17). The vision is that "We will be leaders in creating, validating and interpreting information that measures and enhances organizational performance, and be the obvious choice for financial management, assurance and other specialized services" (p. 19).

As background to its recommendations, the Task Force briefly examines the direction of some of the technological, demographic, globalization and market forces presently at work that will influence the professional environment in the future. The report, and the companion research review document, recommends the need to:

- Focus on the market demand for CA services and have the CICA develop programs that will support the membership in so doing.
- Develop new commentaries for organizational performance over a broad spectrum of measures, both financial and non-financial; outline the concepts and criteria for effective control; expand the scope of assurance services beyond the standard audit; prepare for the attestation of real-time systems and data banks to which investors would have access; and recognize finance as a core competency.
- Implement a national specialization program with appropriate certification procedures; revise the Uniform Final Examination syllabus to acknowledge the expanded scope of CA activity; consider revision of the present experience requirements other than with public-practice firms; and enhance continuing education programs.
- Harmonize accounting and auditing standards, first in North America and then internationally; and improve the relevance, timeliness and reliability of information.
- Commit to a shared professional perspective for all CA members, whether in public practice, industry, government or education; continue efforts to resolve the professional liability threat; re-allocate the duties and responsibilities between the national organization (CICA) and the provincial organizations (PICA); and create alliances with other organizations to develop the skills and knowledge the membership needs in order to accomplish some of the foregoing directives.

The Task Force tentatively assigns various existing CICA and PICA committees to undertake some of the foregoing tasks, but in addition recommends that the following committees be directed to implement and oversee certain particular aspects of its recommendations:

- A Specialization Implementation Task Force to develop a formal program that supports the membership in developing specialized expertise.
- A Governance Re-engineering Task Force to review the allocation of responsibilities among the national and provincial institutes.
- A Task Force on Assurance Services to expand the scope of assurance services beyond present attestation, and, in particular, to assurance on the reporting entity's continuous disclosure system.
- A Legal Liability Task Force to resolve the professional liability threat.
- A Vision Leadership Group to direct and monitor the Vision and Mission Task Force recommendations.

Erosion of Pre-eminence

The report acknowledges that the CA's "pre-eminence in the market place, as trusted business advisers and key players in business decisions, has eroded over the last decade" (p. 1). This erosion is because CAs have remained rooted in the traditional historical, generally accepted accounting principles (GAAP) model of annual financial statement reporting, because of increasing competition from other accounting societies (Certified General Accountants and Certified Management Accountants) and other finance-related professional associations, and, importantly, because of the "decentralized governance structures" that "offer no integrated, profession-wide solutions" (p. 1, 2) to a fast-changing business world. These structures have stood in the way of implementing the recommendations of past reports.

The CAs' claim to and concern for pre-eminence is not unwarranted. Commencing in 1880, and incorporated as an "educational movement," the provincial Institute of Chartered Accountants of Ontario quickly and effectively dominated the auditing, accounting and

financial advisory scene from the late nineteenth century in Canadian commercial and industrial life. That Institute virtually wrote the financial disclosure requirements of provincial and federal disclosure legislation as early as 1907, provincially, and as late as 1964–65, federally. At the national level, a professional journal commenced in 1911, the forerunner of the Society of Management Accountants was organized in 1926, standard setting for CA membership commenced in the mid-1940s, and exclusive legislated auditing rights in the major commercial jurisdictions were obtained in the 1960s (a simple legislative acknowledgment of the then-existing *earned* monopoly!). Delegation (unrequested!) of accounting and auditing standard-setting responsibilities to the CICA was obtained in the 1970s from federal and provincial corporate and provincial securities legislation. Much of the CA expertise and renown throughout all these years has arisen through the lengthy and unrivaled articling experience obtained by students in CA public accounting offices.

Unfortunately, the legitimate desire to develop new and appropriate financial and non-financial measures to reflect the changing structure of enterprise (e.g., the importance of intangibles such as intellectual capital) seems to needlessly downgrade the role of traditional historical cost, transactions-based GAAP. In so doing, the report unwittingly ignores modern finance thought which supplies the agency and contracting theories (long-ago implied by Ijiri (1983)) that provide a satisfyingly overall rationale for present stewardship practices. Traditional GAAP, along with much more ancillary historical and current information that accountants can provide, will be needed more than ever in this forecasted, networked and globalized new world!

The lack of an integrated professional response stems, in large part, from provisions in the Canadian constitution that allocate educational and professional jurisdiction to the provinces. National professional associations therefore live at the pleasure and veto of provincial societies. Hence the need for the Re-engineering Task Force. The membership of the Inter-Institute report attempted to deflect this concern from the beginning by the composition of its 21 members (all CAs!), reflecting all provinces and all public-practice and non-public-practice constituencies. It is not surprising, therefore, in light of the difficulties arising out of this jurisdictional problem, to find that this report's recommendations mirror some unimplemented recommendations of earlier reports. Both the 1970 and 1986 reports contemplated the training of CAs outside public practice. Similarly, the 1986 report urged that there be formal recognition of specialization with structured educational programs and earned designations. A comparison of the goal or mission of accounting over the past quarter century also indicates that the declared boundaries of accounting have expanded enormously. The task of *measuring and communicating information* with respect to the efficient allocation of resources in the 1970 report has evolved into the improving of *organizational performance through financial management, assurance and other specialized expertise* in the present report.

The Vision and Mission Statement is notable for what it does and what it has not done. It is a stirring call to the membership to prepare for a quickly changing world of work. Concerns for the consequences of globalization and the explosion of information technology underlie much of the argumentation. A forecasted decline of employment in public practice to 30 percent of membership, and in the auditing and tax function to 25 percent requires, the report contends, that all CAs find common interest and loyalties lest their profession be fragmented. Additional and improved education and research are quite properly at the heart of their recommendations. Suggested adjustments to changes in governance seem necessary to produce a more unified, nationally directed response. Whether provincial institutes are willing to cede powers will be crucial. The report has been approved by the CICA's Board of Governors, and the implementing Vision Leadership Group has swung quickly into action.

Societal Concerns

The report, however, does not read well in terms of the public interest. It is essentially intended as a wake-up call to the CICA's membership so that they can re-assert pre-eminence in

the fields of activity that the mission statement outlines. It seems quite unmindful, however, of the interest that the public-at-large may have in certain important aspects of the report. Little attention is paid to the consequences of enlarging the scope of the CA's public-practice domain of activity well beyond mandated spheres, or the improbability in regarding all CAs, whether in public practice or otherwise, as having the same public-interest responsibilities. Similarly, the diminishing of responsibility for standard setting endangers the very prestige that gives CAs their pre-eminence. And while great attention is paid to forecasting the technical consequences of changes arising out of improved information technology and increased globalization, no attention is paid to whether society may alter the role of the profession in the future. The report's particular concern for the erosion of CA pre-eminence arising from the competition of such diverse groups as MBAs and members of other accounting and financial associations leads one to think that it is not simply pre-eminence that is being sought, but dominance as well.

Enlarging the scope of activity presents a real dilemma for CAs in public practice. While the CA may have a particular on-site informational advantage arising out of close and regular contact with a client, such activity strays further and further from the CA's mandated audit function, and, in consequence, tests—with increasing severity—the independence of the auditor. The Macdonald Commission (1988) had warned of increasing commercialism and the subordinating of the mandated audit function to higher profit-margin activities. Differing commentaries on professional evolution exist (Lee 1996, 170, 193): one alternative proposes “a consistent history and reputation as privileged work with altruistic objectives”; another, that “the fundamental influence driving professionalisation is economic in nature” wherein “[p]rofessional accountants came together to provide an institutional structure to protect an economic monopoly of work...under threat.” The general thrust of the report is such as to incline the reader toward the latter interpretation.

The shifting of CA employment away from public practice and the audit function presents a particular dilemma: public practice firms may be unable to provide the articling positions needed for membership numbers to be maintained, much less grow. Hence, the report suggests the possibility of obtaining experience requirements outside of public practice. However, such a development may only aggravate the fragmentation of the profession which the Task Force so fears. Contemplating this dilemma, the Task Force suggests that a strengthening of the integration of the profession's diverse membership be based on “the profession's values of integrity, objectivity, and a commitment to excellence and the public interest.” A consummation devoutly to be wished! Whether public-practice partners who (1) perform a legislatively mandated function, (2) operate within an organizational structure of unlimited liability, (3) are committed to the strict observance of accounting standards, (4) perform largely in the role of advisor, and (5) are explicitly required to place public interest above self-interest have much in common with those whose careers, decision making and loyalties are bound up with a commercial endeavor (where personal liability is invariably limited and where maximization of profit is an expected procedure) is questionable. It is unlikely that, apart from participation in continuing education programs, “integration” for present-day CAs outside of public practice can mean much more than a certain alumni nostalgia for the comraderie of past articling days, the relief from having passed a set of very difficult exams, and the pride in possessing a highly regarded professional credential.

The report (p. 47; also see the research review, p. 6) suggests that a greater emphasis in “developing common accounting and auditing standards on an integrated basis...will eliminate the necessity for comprehensive Canadian standard setting activities in more traditional areas,” allowing resources to be devoted to “new or emerging areas of accounting and financial reporting” where the pre-eminence of CAs could be displayed. How the Vision Leadership Group interprets this suggestion and directs action is of great importance. At the extreme, it would simply not behoove a sovereign jurisdiction to give over its rule making to a foreign entity. Nor

is it likely that any small player, such as Canada, would have sufficient clout to introduce, on its own, any new financial reporting innovation, however worthwhile. Whether the CICA can, without review and approval, substantially re-delegate the standard-setting powers that have been delegated to it by federal and provincial legislation is questionable. Some Canadian standard-setting body would have to be retained, if only to cursorily review and sanction American and international standards. In consequence, the contention of the Certified General Accounting Association of Canada that the standard-setting body should be independent of any particular accounting association might well be revisited.

The movement to the much more detailed rules of the Financial Accounting Standards Board would also constitute a significant departure from the more general rules that have traditionally been the hallmark of Canadian standards. The authority to set accounting and auditing standards in Canada contributes enormously to the pre-eminence of the CICA. Downsizing the responsibility for that authority, for whatever reason—the burden of costs or in the interests of harmonization—would significantly diminish that recognition. The report did not consider that the very advances in information technology that it forecasts as being so powerful in the future are able to facilitate the reporting of business activity under a variety of rules (and measures). Unique national standard setting need not be relinquished to achieve harmonization.

The Task Force could also have ruminated usefully on how society at large might wish to alter the role of the professions in the future. The privilege of legislated monopolies, the comfort of self-regulation, and the seeming dependence of unprofitable, mandated audit functions on the profitable advisory functions within public accounting firms may well be seriously questioned by an increasingly open society that is driven by a more knowledgeable, egalitarian, politicized and economically envious populace. A disinterested reader of this report might have expected some explicit recognition, concern and discussion of the headline topics of corporate disarray in America (Saul 1996, 132) and Canada over the last decade—topics that have involved public-practice accountants in audit failures, lawsuits, out-of-court settlements, and severe public scrutiny. A concern for such distasteful things can only be inferred from the acknowledged need (reasonable, but also self-serving!) to “resolve the professional liability threat.”

The Task Force report will provide useful incentive to keep a strong organization strong. However, insufficient attention is paid to those societal aspects that distinguish a professional from a commercial endeavor—a consequence of which may be that this self-examination may be only as durable as its predecessors.

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Copies of the report and research review may be obtained, without charge, by writing: the Canadian Institute of Chartered Accountants, 277 Wellington Street West, Suite 703, Toronto, Ontario M5V 3H2, Canada (Fax: (416) 204-3460).