

2016-2017 Regulatory Report to the Public

Upholding the
highest standards

Find it here

2

Profile

4

Governing
Documentation

6

Our Membership

8

Protecting
the Public

12

Disclosure

12

Public Trust at
the Forefront



CONSTANT CHANGE

Message from the Leadership

The only constant in today's global business climate is change. And this rapidly shifting economic landscape requires businesses to be competitive, nimble, adaptable, and able to accommodate fluctuating external factors. Further, in a social media world, businesses must sift through and assess a barrage of information – some fact-based, some not.

Chartered Professional Accountants (CPAs) are global business leaders who champion best practices, act in the public interest, and deliver real value in this ever-changing global environment. CPAs have the ability to leverage their expertise and ethical fortitude to navigate through disruptive change by anticipating the unexpected, making sense of complexity, and analyzing data to make business decisions that drive success.

The Chartered Professional Accountants of British Columbia (CPABC) is the only professional accounting body recognized through provincial legislation. Its mandate is to uphold rigorous professional standards that meet or exceed international accounting and ethics standards. No other accounting organization or body can make this claim, and CPABC strives to ensure its members meet or exceed the expectations of both the public and government.

CPABC's regulatory processes emphasize integrity and support the ongoing competence of CPA members. CPA members working in public practice are assessed and licensed by CPABC to provide only those services that they are qualified to deliver based on their training and experience.

CPABC is also responsible for educating the next generation of professional accountants and attracts the best and brightest – from those just beginning their career, to those looking to enhance it and move up to the C-Suite. **The CPA certification program provides superior training and experience and is recognized as being among the best in the world.**

This expertise puts CPAs at the forefront of business. CPABC's members provide input into many of the significant financial transactions that happen in the province. The profession supports a vibrant BC economy by maintaining the competence, reliability, and consistency of the province's business and financial systems.

When dealing with CPABC members, the public can be confident that they are working with someone who is technically adept and driven by a commitment to integrity and ethics. In this dynamic environment, knowing whom one is dealing with is of paramount importance.

May 30, 2017

The period covered by this report is April 1, 2016 to March 31, 2017 (the current year).



Profile

Characteristics of a Profession

EXTENSIVE

training and education leading to mastery of a particular intellectual skill.

OBJECTIVE

offering of services to others and accepting the responsibility of putting the public good above one's own interests.

BELIEF

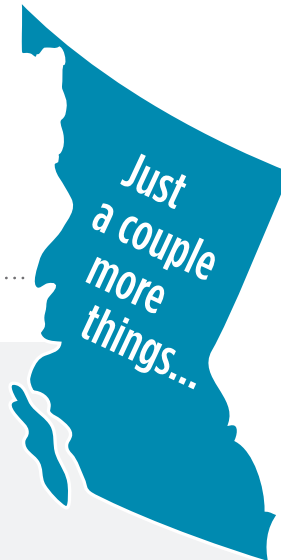
in the duty of exchanging views and contributing to the development of the profession, adding to its knowledge, and sharing advances in knowledge and technique with peers.

ACCOUNTABLE

and governed by peers, and the regulatory body maintains standards of qualification, attests to the competence of individual members, and safeguards and develops the skills and standards of the profession.

SPECIALIZED

code of ethical conduct designed principally for the protection of the public.



CPABC'S

training and regulatory processes ensure that our members meet the required professional standards, and the expectations of British Columbians.

The CPA profession also ensures that its standards and processes evolve to reflect the changing nature of business, while supporting and providing appropriate guidance amidst the uncertainty of a global economy.

CPABC

MISSION

- To enhance the influence, relevance, and value of the Canadian CPA profession by:
- Protecting the public interest;
- Supporting its members and students; and
- Contributing to economic and social development.

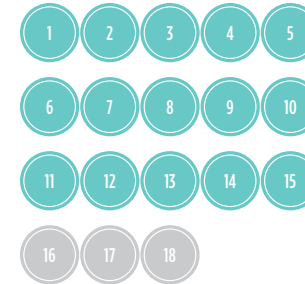
OBJECTIVES

- To promote and maintain the knowledge, skill, and proficiency of members and students in the practice of accounting;
- To establish qualifications and requirements for admission as a member and continuation of membership, and for enrollment and continuation of enrollment of students;
- To regulate all matters, including competency, fitness, and professional conduct, relating to the practice of accounting by members, students, professional accounting corporations, and registered firms;
- To establish and enforce professional standards; and
- To represent the interests of members and students.

Governance

The public interest is at the forefront of policy development by CPABC's Board.

The **18** person board is made up of 15 members and 3 public representatives. All were appointed by the provincial government when new CPA legislation was introduced.



The first board elections

will occur at the June 28, 2017 Annual General Meeting. **Five member vacancies** will be filled through an election process and voted on by the membership.



Canadian Context

The Canadian CPA profession has harmonized requirements and regulatory practices across the country wherever possible. This allows members to provide services when they move from one province to another, and firms to operate in more than one provincial jurisdiction.

However, since CPA bodies are subject to provincial legislation, full harmonization is not always possible.



board appointed committees oversee regulatory matters

- BYLAWS
- MEMBERSHIP
- PUBLIC PRACTICE
- INVESTIGATION
- DISCIPLINARY

These five committees manage CPABC's regulatory processes, which meet or exceed Canadian and international standards. Committees are continuously assessing the regulatory environment, and where needed, evolving CPABC's processes to meet the changing needs of members, and BC's financial markets.

Governing documentation

DID YOU KNOW



CPABC's regulatory processes are governed by the *Chartered Professional Accountants Act* ("CPA Act"), Bylaws, and Bylaw Regulations. These documents and processes are described more fully on CPABC's website.

Restricting the Practice of Public Accounting to CPAs

No person other than an authorized CPA member may perform any assurance engagement in accordance with the standards of professional practice published by the Chartered Professional Accountants of Canada or issue any form of certification, declaration, or opinion with respect to information related to a financial statement or any part of a financial statement, on application of:

- ➔ Financial reporting standards published by the Chartered Professional Accountants of Canada; or
- ➔ Specified auditing procedures in accordance with standards published by the Chartered Professional Accountants of Canada.

This ensures that only regulated accountants provide assurance under the *CPA Canada Handbook Standards*.

Protecting Professional Designations

Under the CPA Act, use of the designation "professional accountant" is reserved exclusively for CPABC's members. A non-member must not use the designation "professional accountant" or, in any manner, imply, suggest, or hold out that they are a professional accountant. Under the CPA Act, only members of CPABC are recognized as having the requisite level of training, education, and proficiency to qualify them to practise as professional accountants in BC.

The BC Court of Appeal recently granted CPABC an injunction under the CPA Act to restrain two individuals who are not members of CPABC from using the designation "Professional Business Accountant" and the initials "PBA" (which signify the designation "Professional Business Accountant").

The Association of Chartered Certified Accountants (ACCA) sued the CPA bodies of BC, Alberta, Ontario, Quebec, and CPA Canada under the *Trade-marks Act* to challenge the validity of various trade-marks and "official marks" held by them, and sought a declaration that use of the designation "ACCA" did not breach the defendants' rights under the *Trade-marks Act*. The defendants countersued, asserting that the ACCA designation would be confused with the trade-marks and official marks held by the defendants. After several years of litigation, this matter was recently resolved before trial (each of the parties agreed that their claims would be dismissed).

If future instances come to CPABC's attention of non-members using designations that contravene the CPA Act, CPABC will, in order to protect the public, seek injunctive relief from the courts in order to restrain such activity.



Living by the laws...



CPABC BYLAWS

Any proposed changes to the Bylaws need board approval, confirmation at a members meeting (usually the AGM), and oversight by the minister. They can then be implemented.

The initial set of Bylaws, and minor housekeeping amendments to the Bylaws, were ratified at the 2016 Annual General Meeting.



CPABC Code of Professional Conduct

The national Code of Professional Conduct (Code) includes a Preamble and the Rules of Professional Conduct, both of which have the same legal standing as the Bylaws.

CPABC has adopted this Code with a few modifications to address provincial considerations.

The Code is derived from five principles of ethics that are fundamental to the conduct of all members. They are:

- 1 Professional behaviour;
- 2 Integrity and due care;
- 3 Objectivity;
- 4 Professional competence; and
- 5 Confidentiality.

This Code evolves as national and international standards and best practices continue to change, and confidential member advisors are available at no cost to members and students needing guidance.

CPABC's members must act in the public interest. The public relies on sound and fair financial and management reporting, and providing these essential reports is an economic imperative and a critical obligation of the profession.



The Code has the same legal standing as the Bylaws, hence any changes are required to go through the same approval process as the Bylaws.

It's who we are.

Our membership

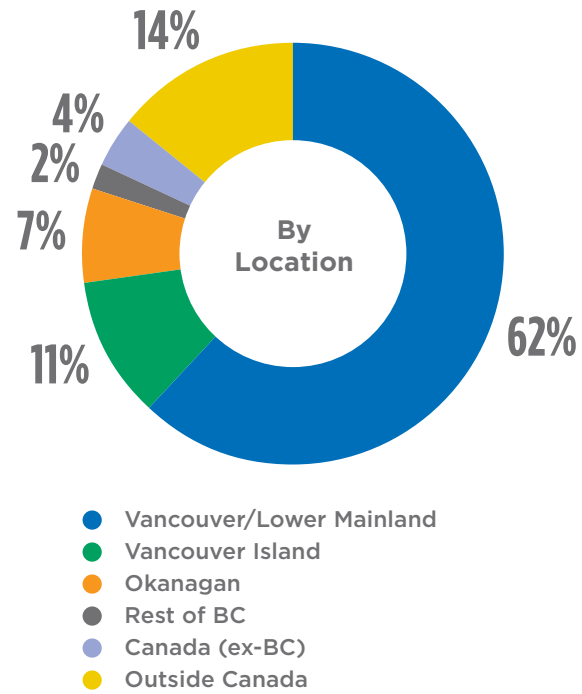
Membership at a Glance

As at March 31, 2017

CPABC had...

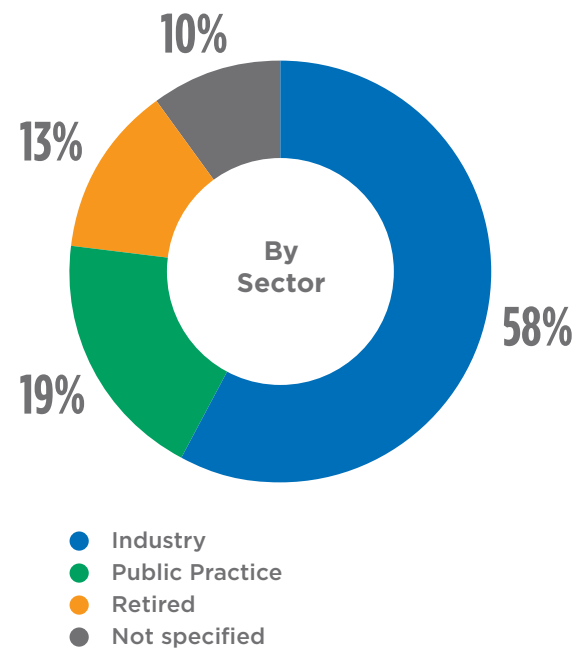
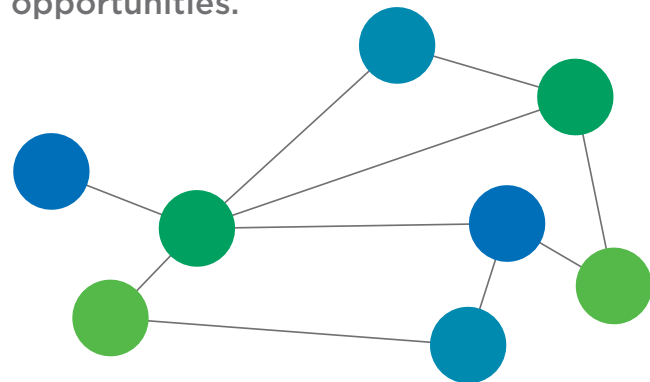
- **34,996** CPA members
- **4,960** students pursuing the CPA designation, including **4,296** students in the CPA Professional Education Program (PEP) and **664** students in predecessor programs

1,545 new members were admitted into the profession and **684 members left** the profession.



Location of Members

Sixteen regional CPABC chapters located in communities across the province provide CPA members and students with local networking, social, and professional development opportunities.



Where Members Work

CPABC members work in industry (which also includes the public sector, education, and the not-for-profit sector), and public practice. Given its high public profile, public practice is often seen as “the profession”, however, many members who trained in public practice leave that sector for industry within five years of receiving their designation.



The majority of CPABC’s members work in industry, which is consistent with the CPA membership across the country. Members in industry hold diverse roles, with most clustered in leadership positions including executive, CFO, or controller roles.

In BC, almost half of CPABC’s members in industry work in small or medium-sized businesses where they are often the only designated accountant in the organization.

**HELP WANTED
QUALIFIED CPAs NEEDED**

A recent government report suggests that it will be necessary to qualify over 1,000 new CPAs in BC annually over the next ten years. This projection supports anticipated market demand for services and retirements from the profession.

Over the past three years, approximately **1,200 BC students** graduated annually from the CPA or legacy programs.

DID YOU KNOW

Member Directory
Member and firm online directories allow members of the public to verify if an individual is a member or a firm is registered. These directories are searchable by name or city and they are accessible online.

MEMBERSHIP PIPELINE

CPABC is the only professional accounting body in the province, and is therefore responsible for providing a sufficient number of professional accountants to support economic development and meet the needs of the community.

Protecting the public

Proactive Approach to Regulation

CPABC's regulatory affairs division includes

MEMBERSHIP

CONTINUING PROFESSIONAL DEVELOPMENT

PUBLIC PRACTICE

ETHICS

Effective regulation includes proactive and reactive activities that are provided through education or adjudication.

Proactive activities: include having only qualified people admitted to membership, ensuring members complete required professional development, and practice review.

Reactive activities: happen after a complaint is received. The disciplinary committee determines if there was a breach of the bylaws or rules, and if yes, applies sanctions. This is the final step and necessary only when all else fails.

CPABC primarily focuses its activities on education and helping members deal with and meet constantly changing standards. However, education alone will not work in every instance, and there will always be a need for an adjudication process.



Education



The CPA Professional Education Program (PEP) develops and enhances a CPA student's ability to apply professional knowledge, values, ethics, and attitudes in a professional context.

Students must meet practical experience requirements to develop the competencies and proficiencies required of professional accountants, as well as soft skills, such as professional and ethical behaviour, problem solving and decision making, communication, self-management, and teamwork and leadership.

There are common Canadian CPA certification requirements for all CPA applicants, and in BC, there is also an ethics course requirement. Ethical guidance and discussion are regularly provided to students and members through various publications and courses.

The program develops strong technical professional accountants with the basic skills needed to become leaders of the future, able to meet the changing needs of business

Continuing Professional Development (CPD)

CPD helps accountants develop and maintain professional competence that is relevant to their roles, and is an important element in maintaining public confidence and trust in CPAs.

Professional development compliance is an important part of the professional commitment of CPA members. Maintenance of CPD standards is one of CPA Canada's obligations as a member of the International Federation of Accountants (IFAC).

The minimum requirement established by CPABC is consistent with the IFAC's standard of 120 hours every three years, with an annual requirement of 20 hours.

CPD includes seminars, workshops, courses, and other activities that update the professional knowledge, skills, and values of a CPA. Qualifying courses may be provided by CPABC or others.

In 2016- 2017

CPABC held...

→ **1,000 courses**

Attended by...

→ **31,000 participants**

These courses are also available to non-members, who are included in the above attendance numbers.

Active members are required to self-report compliance with CPD, and over 98% of CPABC's members comply with the requirements by the deadline. Those who don't comply are potentially subject to suspension or cancellation of membership.

98%
comply by
deadline

CPABC audits a minimum of **1%** of CPD required reporters annually. Members who do not comply with the CPD audit process risk being referred to the CPABC investigation and discipline processes, where they could have their membership suspended or cancelled for non-compliance.

During the year ended March 31, 2017

→ **118 members** had their memberships suspended for CPD non-compliance

→ **38** of the suspended members had their memberships cancelled.

Regulation of Public Practice

THERE WERE...

3,664

practitioners and partners operating in 2,490 public practice offices in BC as at March 31, 2017. The majority of practitioners work in small businesses where 98% of the firms are owned by fewer than five professional accountants.



Practice Licensing

Members in public practice must be licensed and their firms registered with, and overseen by, the governing body. They are required to carry minimum levels of professional liability insurance.

Different categories and sub-categories of public practice licensing have been established to ensure members only practice in areas in which they have appropriate experience and competency.

DID YOU KNOW !

All sole practitioners are required to nominate an "Assisting Accountant" to return client records in the event the practitioner is unable to service clients for reasons of incapacity or death.

Practice Review

Members in public practice are required to undergo mandatory practice reviews. These reviews support compliance with professional standards and provide CPAs with guidance and education based on the results.

The program is an important part of ensuring that public practitioners maintain the knowledge, skill, and proficiency to provide the highest level of service to their clients, and are aware of and meeting any changing regulatory standards.

Public practice firms are reviewed no less frequently than once every three years. Where deficiencies are noted, re-inspections may be required and corrective measures put in place.

DID YOU KNOW !

Sanctions may be imposed in cases where there are more serious issues. There were 836 practice reviews conducted this past year. This number includes 44 re-inspections that were undertaken where standards had not been met in previous reviews.

CPABC communicates summary results of these practice reviews to all practitioners for educational purposes.

Ethics & Discipline Process

115 Total Complaints Received in 2016-2017



If a complaint is within CPABC's jurisdiction, and there are grounds for the complaint, an investigation into the matter is undertaken.

Disciplinary Hearing Activities in 2016-2017

- 5 Hearings carried forward from 2015-2016
- 3 New Hearings from Investigation Committee
- 4 Resignations in the face of a disciplinary proceeding
- 1 No Grounds
- 1 Suspension
- 2 Hearings carried forward to 2017-2018

Generally the most serious matters are handled by the Disciplinary Committee. Findings can be enforced without a member's consent. A CPA could receive a reprimand, have their membership suspended or cancelled, conditions for continued membership, and fines.

All **Disciplinary** Panel findings are publicly disclosed. Decisions can be appealed to the Supreme Court of BC.

Investigation Activity in 2016-2017



Investigations Closed in 2016-2017



If a matter moves forward and there is a breach, the CPA may agree to accept a reprimand, take courses, pay fines and/or expenses, agree to public disclosure of the breach, or any combination of the above. The majority of complaints are dealt with through this process and most members comply with the Investigation Committee's recommendations.



Disclosure

Privacy

CPABC is required to protect the confidentiality of the members and students it investigates as set out in section 69 of the CPA Act and the Freedom of Information and Protection of Privacy Act (FOIPPA).

However, when it is in the public interest, summaries of cases and decisions are published on CPABC's public website. This ensures process transparency and aids in member education and deterrence.

While the organization is able to publicize the outcome of a disciplinary hearing, legislation does not permit the organization to comment publicly on any complaint while it's being investigated.

Access to Information

CPABC is committed to keeping members and the public informed in cases of suspension or cancellation of membership.

If there is public disclosure of a case, public notices relating to the outcome of the complaint may be published in printed media outlets and on the CPABC website.

Names of individuals whose memberships in CPABC have been suspended or cancelled for administrative reasons (i.e. for non-payment of dues or CPD non-compliance) are listed on the CPABC website. Names of suspended members appear for the duration of the suspension.

Names of individuals with cancelled memberships will appear for a period of one year following membership cancellation, unless the member is readmitted, in which case the name will be removed upon readmission.

Public trust at the forefront

Within an environment of increasing public and regulatory scrutiny, and the need for businesses and individuals to navigate through continuous change, the protection of the public trust will remain front and centre for the profession in BC and across Canada. Supporting our members through education, regulation, and continuous communication regarding changing standards is critical. As is ensuring they meet these changing standards through mandatory professional development, and for those in public practice, regular practice review.

CPABC is proud of its proactive approach to regulation, and protecting the public is one of CPABC's most valued and important functions. CPA members consider this a fundamental service provided by the organization, and recognize that a well regulated profession benefits all stakeholders.