

# 2013-2014 Report to the Public

**Upholding the Highest Standards  
to Protect the Public Interest**

Presented by the Chartered Professional  
Accountants of British Columbia

REPORT TO THE PUBLIC



# Message from the Leadership

August 31, 2014

The adopted vision for Canada's Chartered Professional Accountants is to be the pre-eminent, internationally recognized, Canadian accounting designation and business credential that best protects and serves the public interest.

The Institute of Chartered Accountants of BC (ICABC), the Certified General Accountants Association of BC (CGA-BC), and the Certified Management Accountants Society of BC (CMABC), collectively share an unwavering dedication to regulating all matters relating to

the practice of accounting by members and students, including competency, fitness, moral character, and professional conduct, and, to that end, to establish and enforce standards.

This report details the collective approach of all three legacy bodies to protecting the public interest. It presents an overview of both the proactive and reactive measures that have been established in this regard and how these ensure we are upholding the highest standards for ethical integrity.



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# Profile

There are 28,638 professional accountants in British Columbia (as at March 31, 2014) and approximately 7,000 individuals are pursuing an accounting designation. The Institute of Chartered Accountants of British Columbia (ICABC) represents almost 12,000 members and nearly 2,000 CA students. The Certified General Accountants Association of British Columbia (CGA-BC) represents more than 11,000 CGAs and more than 4,000 CGA students. The Certified Management Accountants Society of British Columbia (CMABC) represents more than 5,000 members and nearly 1,000 CMA students.

ICABC, CGA-BC, and CMABC each protect the public interest through rigorous educational and certification programs to uphold the highest professional standards and ethics.

Given the state of unification in BC and the existing three-way joint venture, the most relevant reporting takes a “unified profession” approach, rather than at the level of the individual legacy bodies. Therefore, this Report to the Public presents the collective approach of all three legacy bodies to protecting the public interest, with specific results and statistics for the year ended March 31, 2014.

## Unification of the Profession

ICABC, CGA-BC, and CMABC are working towards unification under the Chartered Professional Accountant (CPA) designation. The three professional accounting bodies have signed a merger agreement and are working together to establish the Chartered Professional Accountants of British Columbia (CPABC), which would represent more than 35,000 members, candidates and students. Currently, accounting bodies representing all of Canada’s approximately 185,000 professional accountants in every jurisdiction are committed to unification or have already merged under the CPA banner.

## Governance

ICABC, CGA-BC, and CMABC are each governed by a Council or Board made up of volunteer elected members, and lay members who are appointed by the provincial government to represent the public interest.

ICABC, CMABC and CGA-BC entered into a three-way joint venture agreement in October 2013. This allows them to continue moving toward integration and align with CPA Canada, while also

ensuring legislated responsibilities are delivered effectively and in accordance with the Council's and Boards' objectives.

The Council and Boards and the regulatory committee structures will remain intact to accomplish the areas of non-delegable authority of the three legacy bodies until CPA legislation is enacted.

While legacy Boards and Council retain their responsibilities under their respective legacy legislation, the management and integration of priority areas is taking place under the CPABC Joint Venture. Management of the transition

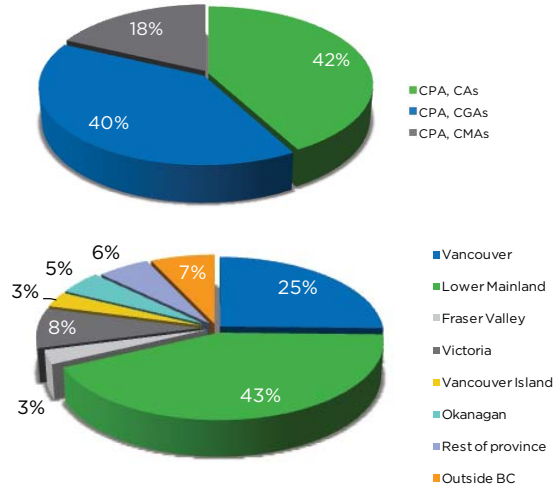
to CPABC is led by the Transitional Steering Committee, which consists of three representatives each from the current elected Council and Boards. A staff Transitional Management Committee developed, and is implementing, a CPABC transition plan that integrates the strengths and resources of all three unifying bodies.

Protection of the public interest is an ongoing priority for all three legacy bodies, whether separate or combined. Until new legislation becomes effective, the responsibilities under each unifying body's legislation must be met.

# Our Membership

## The Membership at a Glance

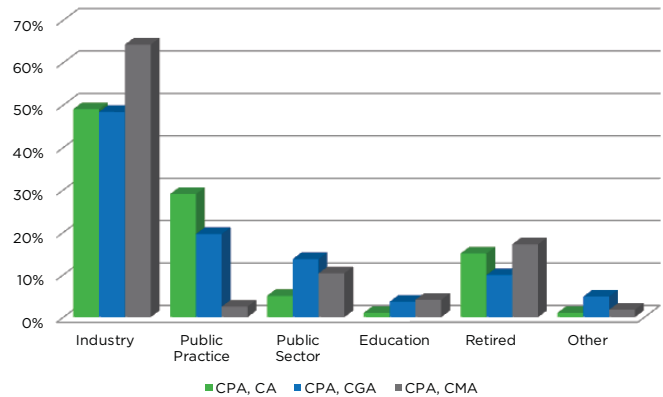
Our 28,638 members are geographically dispersed, with a heavy concentration in BC’s two largest population centres: the Lower Mainland and Victoria. Seven per cent of our members live and work outside of BC—either elsewhere in Canada or internationally.



## Where CPAs Work

The majority of CPA members work in industry, which is consistent across the country. Members in industry hold diverse roles, with most clustered in the controller, chief financial officer, or financial executive ranks. In BC, almost half of our members in industry work in small or medium-sized businesses.

Of those members that trained in public practice, many leave that sector for industry within five years of receiving their designation, which is a long-term continuing trend for the profession. Public practice, given its high public profile, is often seen as “the profession,” however, the majority of members do not work in public practice.



# Proactive Approach to Regulation

## Education

It is worthwhile reviewing the characteristics that mark a calling as “professional” in the traditional sense. Much has been written on the subject and court cases have revolved around it. The weight of the authorities, however, identifies the following distinguishing elements:

- There is mastery by the practitioners of a particular intellectual skill, acquired by lengthy training and education;
- There is an outlook, in the practice of the calling, which is essentially objective;
- There is acceptance by the practitioners of a responsibility to subordinate personal interests to those of the public good;
- There exists a developed and independent organization, comprising the members of the calling, which sets and maintains standards of qualification, attests to the competence of the individual practitioner and safeguards and develops the skills and standards of the calling;
- There is a specialized code of ethical conduct, laid down and enforced by that organization, designed principally for the protection of the public;
- There is a belief, on the part of those engaged in the calling, in the virtue of interchange of views, and in a duty to contribute to the development of their calling, adding to its knowledge and sharing advances in knowledge and technique with their fellow members.

By these criteria Chartered Professional Accountants are members of a profession.

The CPA Certification Program is designed to develop and enhance a CPA candidate’s ability to apply professional knowledge, values, ethics and attitudes in a professional context. The emphasis on ethics throughout the education program is essential to ensure that only suitable qualified individuals who meet the exacting educational and practical experience requirements may hold themselves out as CPAs.

Each member’s continuing professional development will also include ongoing ethics training and education.

Believing that prevention is the best course of action, ethical guidance and discussion are also regularly provided to members through the member magazine, *CPABC in Focus*, the monthly electronic

newsletter, and through regular ethics professional development courses for candidates and members.

## Mandatory Continuing Professional Development

It is recognized that undertaking continuing professional development (CPD) does not, by itself, guarantee that an individual will provide high quality professional service at all times. This requires ethical behaviour, professional judgment, an objective attitude, and an appropriate level of supervision. Furthermore, not every individual who participates in a CPD program will obtain the full benefits of that program. This will depend on the individual's commitment and capacity to learn. However, CPD plays an important function in enabling accountants to develop and maintain professional competence that is relevant to their roles. Therefore, despite some inherent limitations, CPD is an important element in maintaining public confidence and trust in our members.

All legacy bodies have CPD requirements that are consistent with the IFAC (International Federation of Accountants) standard of 120 hours every three years, with an annual minimum of 20 hours.

Active members are required to report compliance with CPD and collectively the three legacy bodies report that over 99.5 per cent comply with the requirements. Action is taken against members who do not comply with the requirements or the subsequent audit processes.

These actions vary from a complaint through the discipline process, to suspension with possible cancellation, depending on the legacy processes.

## Regulation of the Practice of Public Accounting

There are almost 3,200 practitioners operating in over 2,300 public practice offices in BC. The profile of these practices are similar to the profile of most BC businesses, the majority are small businesses where over 95 per cent of the firms are owned by fewer than five professional accountants. In addition, public practice offices include the seven national CA firms and 32 medium-sized CA and CGA firms. Those practicing public accounting must be registered or licensed with, and overseen by their respective legacy body and are required to carry minimum levels of professional liability insurance.

As part of the regulatory responsibilities of each of the legacy bodies, a program of practice reviews/inspection is carried out over a three-year cycle to ensure compliance with professional standards and to provide practitioners with guidance and education based on the results of the review.

This resulted in 784 practice reviews being conducted this past year. Where deficiencies are noted, re-inspections may be required and corrective measures are put in place, as well as sanctions being imposed in some cases. CPABC will communicate on key practice areas through member newsletters and provide support in the form of tools and



resources. The legacy bodies are developing recommendations to further align the registration and inspection processes for CPABC with national recommendations.

## Rules of Professional Conduct

Rules of professional conduct are a source of assurance of the profession's concern for the public it serves. It is a mark of a profession that there is a voluntary assumption by those who

comprise it of ethical principles that are aimed at protection of the public. It is to this purpose that the three legacy bodies' rules are directed.

Nationally, the profession continues to develop a harmonized regulatory framework reflecting compliance with evolving international standards and the best practices of the existing organizations, including codes of conduct, continuing professional development requirements, practice inspection, disciplinary processes, and an effective, nationally consistent public accounting regime.

# Protecting the Public

## Complaints

As a profession built upon integrity and public trust, all three legacy bodies investigate complaints about members and students. With 28,638 members and approximately 7,000 students, it is a reflection of the integrity of the membership that there were only 115 complaints received in the period ended March 31, 2014.

The majority of complaints for all three legacy bodies where there are “grounds” are dealt with through education and course work, where appropriate, to rectify the deficiencies, sometimes fines, and usually involve learning or adhering to new public practice standards. In rare instances, the matter is serious enough to warrant a suspension, or expulsion from membership. Only four members were expelled from membership as a result of disciplinary action and two others resigned their membership as part of a negotiated resolution to a disciplinary action.

Until CPA legislation is enacted in British Columbia, each legacy body will manage regulatory responsibilities for members, including discipline matters, separately. Those who wish to file an enquiry or register a complaint about an accountant or firm can do so by contacting the following:

### ICABC

Liz Chan, CPA, CA, by telephone at 604-488-2633 or toll-free at 1-800-663-2677, or by email at [lchan@ica.bc.ca](mailto:lchan@ica.bc.ca)

### CGA-BC

Edward Tanaka, Barrister & Solicitor, by telephone at 604-629-6385, or toll-free at 1-800-565-1211, or by email at [etanaka@cga-bc.org](mailto:etanaka@cga-bc.org)

### CMABC

Rick Lighthouse, CPA, FCMA, by telephone at 604-484-7004, or toll-free in BC at 1-800-663-9646, or by email at [rlighthouse@cmabc.com](mailto:rlighthouse@cmabc.com)

## The Complaint and Discipline Process

Each of the three legacy bodies' complaint and discipline process is governed by their respective Acts and Bylaws. While each process has some variations, there are common elements that have been established to ensure a fair and thorough investigation. These include:

Upon receipt of a complaint concerning a member, student or firm, a preliminary review is conducted to determine if it falls under the body's jurisdiction. If it does not fall within the body's

jurisdiction, the complaint will be dismissed. Complaints may also not be pursued if they relate to disputes about the fees charged by the member for their services or if they are considered frivolous or unfounded. Some matters may be referred to Member Services for resolution if they do not require investigation through the formal discipline process.

If the matter proceeds to investigation, notification is provided to the member being investigated along with a copy of the complaint, supporting materials and information about the discipline process. The member will have an opportunity to respond during the course of the investigation.

Two of the three legacy bodies use investigators who will gather evidence and report their findings to a professional conduct review committee. The other legacy body directs the professional conduct review committee to collect the necessary documentation directly.

One or more meetings to review and discuss the matter will be scheduled and in some instances the member can elect to attend with or without external counsel.

At these meetings, it will be determined if grounds exist for a complaint or if there has been a breach of rules, and appropriate remedial action will be recommended. If the member fails to accept or comply with the committee's recommendation, or if the matter is very serious, it will be referred to a discipline panel to conduct a hearing.

All members appearing before a panel have the right to appeal a decision.

## Public Representation

It should also be noted that members of the public (lay members) are appointed to each legacy body's board and in some cases there is public representation on the professional conduct committees to further enhance the regulatory process.

## Access to Information

All three legacy bodies are committed to keeping members and the public informed in cases of suspension or expulsion. 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 the legacy body's website as appropriate.

The range of disciplinary orders includes fines, costs, orders to improve conduct or competence, reprimands, suspensions, expulsions and being barred from reinstatement. For CGA-BC cases involving a discipline order that includes a reprimand or a more severe sanction, the disciplined member or student is identified by name in the summary. For ICABC and CMABC cases where it has been determined that grounds exist, the professional conduct review committee makes a recommendation whether there should be public disclosure.

When a member is suspended, expelled or barred from reinstatement, the outcome is published in the print media in the community where the member works to alert the public where matters of potential risk have been identified.

In cases where any of the three legacy bodies receive public information that a member has been charged with an

offence that they feel that the public should be aware of, they may publish a public advisory on their website.

## Results and Statistics

Of the 115 complaints received, 60 investigations were authorized during the year. The balance was either outside the jurisdiction of the legacy bodies or not pursued because they related to fee disputes or were frivolous or unfounded.

In addition to complaints filed in the year ended March 31, 2014, the legacy bodies also continued investigations of complaints filed in previous years. There were 64 investigations completed during the year, 18 of which were found to be “no grounds” and 46 where it was found

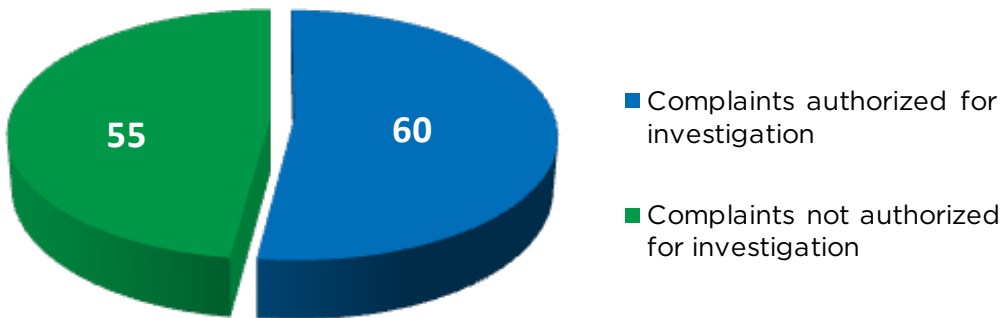
that grounds existed for the complaint (ICABC and CMABC) or there was a breach of the rules (CGA-BC). Ten of these cases were referred by the professional conduct review committees to the discipline panels.

Of the cases completed during the year, there were 12 cases where the name of the member and the recommendations were disclosed to the public.

There were 13 discipline hearings completed, where 4 members were either suspended or expelled. 9 hearings resulted in lesser sanctions. There were 4 appeals of hearing decisions.

At the end of the year, there were 28 active investigations in progress.

### Total complaints received in 2013-2014



### Completed investigations of complaints in 2013-2014

