

2014-2015 Report to the Public

Upholding the Highest Standards

Presented by the Chartered Professional Accountants of British Columbia



Message from the Leadership

June 24, 2015

The Canadian CPA's vision is to be the pre-eminent, globally respected business and accounting designation.

The Chartered Professional Accountants of British Columbia's (CPABC) mandate includes regulating all matters relating to the practice of accounting by members, students, and firms, including competency, fitness, good character, and professional conduct, and to that end, to establish and enforce standards.

This report details CPABC's approach to protecting the public interest. It presents an overview of the measures that have been established in this regard and how these ensure we are upholding the highest standards for ethical integrity.



Olin Anton, FCPA, FCA
Chair, CPABC Board of Directors



Richard Rees, FCPA, FCA
President and CEO, CPABC

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Introduction

British Columbia's *Chartered Professional Accountants Act* received Royal Assent on March 25, 2015 and came into force on June 24, 2015, that being the date of this report. This *Act* creates the Chartered Professional Accountants of British Columbia (CPABC) and results in all professional accountants in British Columbia falling under the regulations of CPABC.

Prior to the proclamation of the *Chartered Professional Accountants Act*, all professional accountants in British Columbia were regulated by one of three regulatory bodies - the Institute of Chartered Accountants of British Columbia (ICABC), the Certified General Accountants Association of British Columbia (CGA-BC) or the Certified Management Accountants Society of British Columbia (CMABC) (collectively known as the legacy bodies).

The proclamation of the *Chartered Professional Accountants Act* concluded an extensive process, and was part of a national initiative to merge the three professional accounting bodies across Canada. In May 2013, the legacy bodies in BC signed a merger agreement to amalgamate into CPABC.

Since signing the merger agreement and through the signing of a Joint Venture Agreement in October 2013, the legacy bodies have been moving towards integration and alignment of activities as far as possible, recognizing that certain activities needed to be maintained separately until CPA legislation was proclaimed. Since that time, the national initiative has also progressed. The national bodies of the three accounting

designations have merged and all provincial bodies, representing over 190,000 professional accountants, either have CPA legislation in place or its proclamation is imminent.

Prior to CPA legislation taking effect, BC's regulatory processes needed to be maintained independently, as the governing documentation of the three legacy bodies did not allow for regulatory processes to be fully aligned.

The *Chartered Professional Accountants Act* was proclaimed on the day that this report was signed and this is a CPABC report. It should be noted, however, that the period covered by this report is April 1, 2014 to March 31, 2015. During this time, regulatory matters were handled by the legacy bodies.

For ease of reference, the data included in this report has been consolidated to show the collective result of the three legacy bodies and it is being characterized as CPABC activity since it represents activity that was completed while the legacy bodies were operating under the CPABC Joint Venture.

As the *Chartered Professional Accountants Act* is now in force, the legacy bodies no longer exist. Through the new legislation they were amalgamated and all the assets, liabilities, responsibilities, etc. of the legacy bodies were subsumed by CPABC - including the regulation of the new profession in British Columbia and the regulation of any outstanding matters that existed within the legacy bodies at the time of proclamation.

1.0 PROFILE

There were approximately 30,000 professional accountants in British Columbia as at March 31, 2015, and almost 6,500 students pursuing an accounting designation.

The characteristics that mark a calling as a profession directly correlates to benefits the general public receives when hiring a professional (regulated) vs. non-professional (non-regulated) accountant. The weight of the authorities identifies the following distinguishing elements:

- There is mastery 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 of a responsibility to subordinate personal interests to those of the public good;
- There exists a developed and independent body, comprising the members of the profession, which sets and maintains standards of qualification, attests to the competence of the individual member and safeguards and develops the skills and standards of the profession;
- There is a specialized code of ethical conduct, laid down and enforced by that body, designed principally for the protection of the public; and
- There is a belief, on the part of those engaged in the

profession, in the virtue of interchange of views, and in a duty to contribute to the development of their profession, adding to its knowledge and sharing advances in knowledge and technique with their fellow members.

Mission

CPABC's mission is 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.

Governance

Prior to proclamation of the *Chartered Professional Accountants Act* and the amalgamation of the legacy bodies, each legacy body was governed by a Council (ICABC) or Board (CGA-BC and CMABC) comprising volunteer elected members, and public representatives who were appointed by the provincial government.

In addition, each legacy body had regulatory committees to oversee regulatory matters – these regulatory committees were appointed by the Council or Boards.

The legacy Council and Boards and the regulatory committee structures have remained intact during the reporting period of April 1, 2014 to March 31, 2015, to accomplish the areas of non-delegable authority of the three legacy bodies until CPA legislation was enacted.

While the legacy Council and Boards retained their responsibilities under their respective legacy legislation, the management and integration of priority areas was taking place under the CPABC Joint Venture.

Management of the transition to CPABC was led by the Transitional Steering Committee, which consisted of three representatives from each of the existing elected Council and Boards and one public representative from each legacy body.

The Transitional Steering Committee developed, and implemented, a CPABC transition plan that integrated the strengths and resources of all three unifying bodies.

During this time, although it was not possible to integrate the regulatory processes of the legacy bodies, the governing documentation and regulatory processes for CPABC were developed to allow for introduction immediately upon proclamation of the *Chartered Professional Accountants Act*. These new CPABC regulatory processes reflect the best practices of the three legacy bodies and compliance with national and international standards.

Protecting the public interest was an ongoing priority for all three legacy

bodies during the past year and, whether separate or combined, until new legislation was proclaimed, the responsibilities under each unifying body’s legislation continued to be met.

2.0 OUR MEMBERSHIP

Membership at a Glance

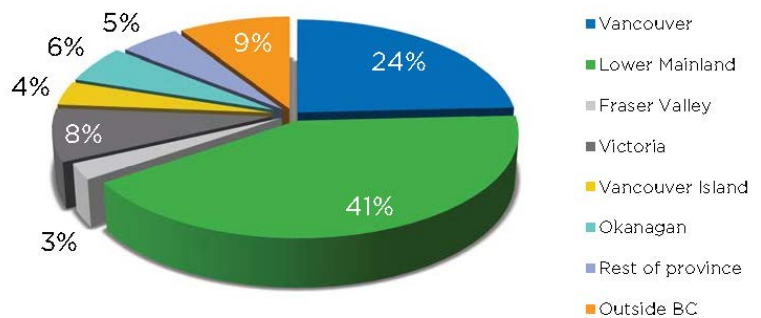
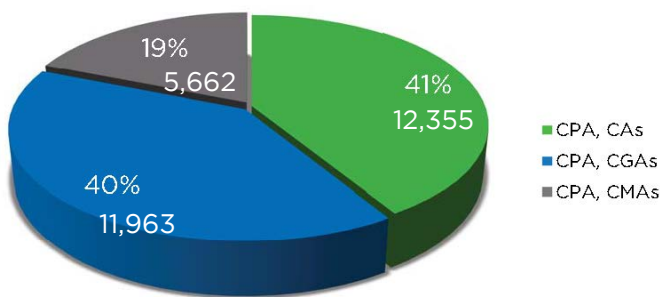
There were approximately 30,000 members in British Columbia as at March 31, 2015. The breakdown according to legacy designations was as follows:

During the past fiscal year 229 members voluntarily resigned from the profession and 1,463 graduates were welcomed into the profession.

Location of Membership

The 30,000 members are geographically dispersed, with a heavy concentration in BC’s three largest population centers: Vancouver, the Lower Mainland and Victoria. Nine percent of our members live and work outside of BC (four percent in other provinces, five percent outside of Canada).

Total Number of BC CPAs

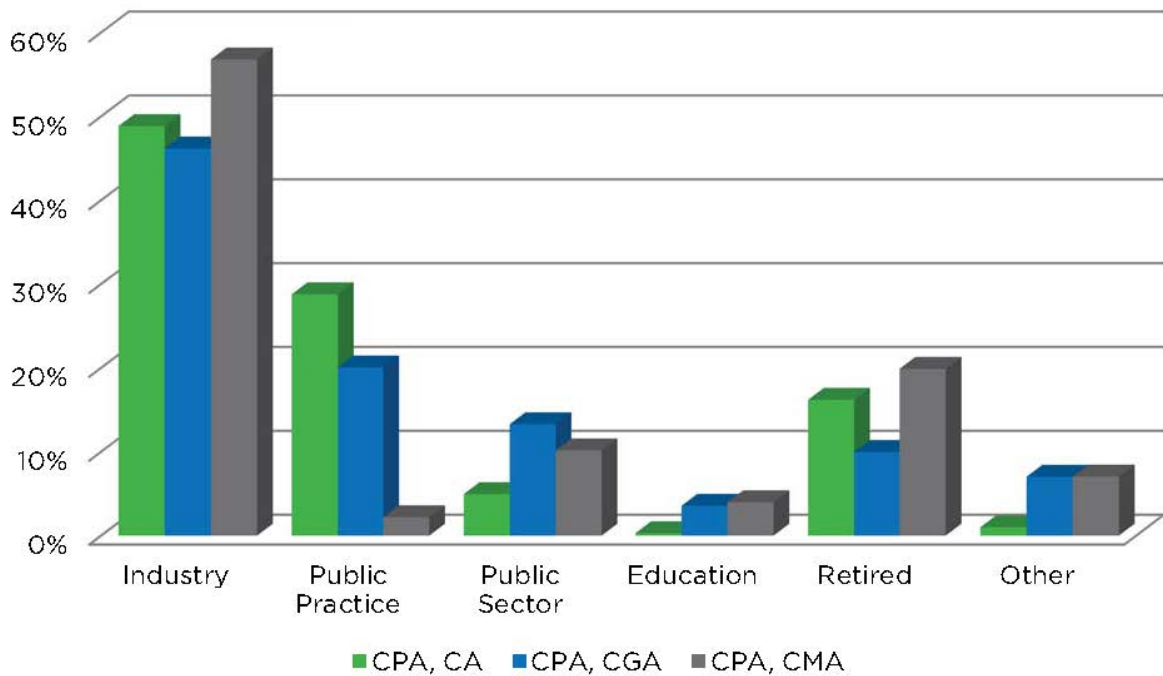


Where CPAs Work

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, CFO, or financial executive ranks. In BC, almost half of our members in industry work in small or medium-sized businesses where they are

often one of the only designated accountants in the organization.

Of those members that trained in public practice, many leave that sector for industry within five years of receiving their designation. This is a long-term 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.



Addition of CGA-BC International Members

Effective April 1, 2015, CGA-BC welcomed approximately 2,500 CGA Canada international members.

Membership currently stands at approximately 33,000 and our international percentage of membership has increased from five percent to 13 percent.

3.0 PROACTIVE APPROACH TO REGULATION

CPABC protects the public interest by:

- Setting and enforcing high professional and ethical standards;
- Promoting and increasing competence of members by providing a comprehensive program of ongoing professional development;
- Assessing the continuing competency of members;
- Enforcing practice standards and rules of professional conduct of students and members; and
- Providing a means by which complaints can be dealt with in a fair and efficient way by investigating and adjudicating complaints against members, former members, students, professional accounting corporations, former accounting corporations, registered firms and former registered firms.

Education

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

A strength of the CPA certification program is that students are also required to meet practical experience requirements that reinforce the education programs and develop competencies and proficiencies required to become a member. The emphasis on ethics throughout the educational program is essential to

ensure that only suitably qualified individuals may hold themselves out as CPAs.

Ethical guidance and discussion are also regularly provided to members through the member magazine, *CPABC in Focus*, the monthly electronic newsletter, *e-News*, and through regular ethics professional development courses for candidates and members.

Continuing Professional Development

We build on the accomplishments of our professional education program with robust mandatory continuing professional development (CPD) to continue to educate members and enable them to develop and maintain professional competence.

It is recognized that undertaking CPD does not, by itself, guarantee that an individual will provide high quality professional service at all times. The latter 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.

CPABC has CPD requirements that are consistent with the international

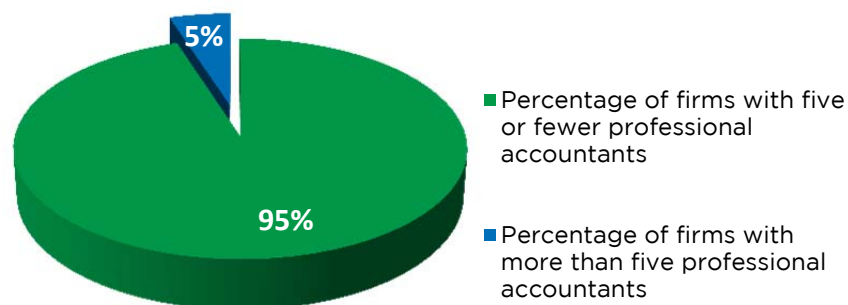
standard of 120 hours every three years, with an annual minimum of 20 hours.

Active members are required to self-report compliance with CPD and CPABC reports that more than 99.5 percent comply with the requirements. Action is taken against members who do not comply with the requirements or the subsequent audit processes. These actions could be as serious as suspension with possible cancellation of membership. During the year ended March 31, 2015, seven members had their memberships cancelled due to non-compliance with CPD requirements.

Effective January 1, 2015, all legacy bodies adopted a minimum requirement of four hours of mandatory ethics education every three years; previously this had been in place for just one legacy body.

Regulation of the Practice of Public Accounting

There are 3,286 practitioners and partners operating in 2,310 public practice offices in BC. The majority is small businesses where more than 95 percent of the firms are owned by fewer than five professional accountants.



In addition, public practice offices include the seven national firms and 29 medium-sized firms. Those practicing public accounting must be registered or licensed with, and overseen by the governing body and are required to carry minimum levels of professional liability insurance.

As part of CPABC's regulatory responsibilities, a program of practice reviews is carried out over a three-year cycle to encourage compliance with professional standards and to provide practitioners with guidance and education based on the results of the review.

This resulted in 813 practice reviews being conducted this past year.

Where deficiencies are noted, re-inspections may be required and corrective measures are put in place. In cases of more serious issues, sanctions may also be imposed.

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

Practice of public accounting restricted to CPAs

With the proclamation of the *Chartered Professional Accountants Act*, no person, other than a licensed Chartered Professional Accountant may 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:

- a) financial reporting standards published by the Chartered Professional Accountants of Canada; or
- b) specified auditing procedures in accordance with standards published by the Chartered Professional Accountants of Canada.

This is an important change that is designed to further protect the public. It also is consistent with the approach being taken in many other provincial jurisdictions as new Chartered Professional Accountant legislation is introduced across the country.

Custodian powers

In addition, with proclamation of the *Chartered Professional Accountants Act*, CPABC may apply to the court for an order appointing a custodian of the practice of an accountant to:

- a) take possession of or control over all or part of the property of the accountant; and
- b) determine the status of, manage, arrange for the conduct of and, if applicable, wind up or sell the practice of the accountant.

In situations where the member (or former member) is unable to

continue to manage their practice, this is a valuable addition to the tools we have to ensure the interests of the public are protected.

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 its members of ethical principles that are aimed at protection of the public.

Nationally, the profession continued to work towards a harmonized approach towards the regulation of the profession. This is important since it simplifies the ability of members to continue to provide services when they move from one province to another and when firms operate in more than one provincial jurisdiction.

In some areas it can be challenging to completely harmonize – for instance, all provincial bodies are subject to their local provincial legislation.

Where there are differences between provincial legislation, full harmonization may not be possible. However, when it comes to governance documents such as the Rules of Professional Conduct, an effective, nationally consistent approach may be possible.

Such an approach allows greater resources to be applied, ensuring compliance with international standards and the best practices of the profession.

CPA bodies across Canada are developing Rules of Professional Conduct from international standards

and the best practices applied by each of the three legacy bodies nationwide. CPABC has adopted these Rules of Professional Conduct

with a few modifications to address provincial considerations. These rules will evolve as work on the national standards continues.

4.0 PROTECTING THE PUBLIC

Complaints

As a profession built upon integrity and public trust, CPABC investigates complaints about members and students. With 30,000 members and almost 6,500 students, it is a reflection of the integrity of the membership that there were only 133 complaints received by the three legacy bodies in the 12-month period ended March 31, 2015.

Those who wish to make an enquiry or register a complaint about a CPA or CPA firm can do so by contacting the following:

Liz Chan, CPA, CA – Director, Ethics by telephone at 604-488-2633 or toll-free at 1-800-565-1211, or by email at lchan@bccpa.ca

Edward Tanaka, LL.B – Director, Ethics & Documentation by telephone at 604-732-1211, or toll-free at 1-800-565-1211, or by email at etanaka@bccpa.ca

The Complaint and Discipline Process

The complaint and discipline process of each of the legacy bodies was governed by their respective Acts and Bylaws. While each process had variations, there were some common elements that had been established to ensure a fair and thorough investigation. These included the following:

Upon receipt of a complaint concerning a member, student or firm, a preliminary review was conducted to determine if it fell under the body's jurisdiction. If it did not fall within the body's jurisdiction, the complaint was dismissed. Complaints were also not pursued if they related to disputes about the fees charged by the member for their services or if they were considered frivolous or unfounded. Some matters were referred to Member Services for resolution if they did not require investigation through the formal discipline process.

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

Investigators were used to gather evidence and report their findings to a professional conduct review committee.

One or more meetings to review and discuss the matter were scheduled and in some instances the member elected to attend with or without external counsel.

At these meetings, it was determined if grounds exist for a complaint (ICABC and CMABC) or if there had been a breach of rules (CGA-BC), and appropriate remedial action was recommended. If the member failed to accept or comply with the committee's recommendation, or if the matter was very serious, it was referred to a discipline panel to conduct a hearing. All members appearing before a discipline panel had the right to appeal a decision.

The majority of complaints where there are "grounds" were dealt with through education and course work, where appropriate, to rectify the deficiencies, and sometimes fines. In rare instances, the matter was serious enough to warrant a suspension, or cancellation of membership.

During the year ended March 31, 2015, four members lost their membership following disciplinary processes:

- One member had their membership cancelled as a result of disciplinary action;
- One member lost their membership and was barred from reinstatement from membership; and,
- Two members resigned their membership as part of a negotiated resolution to a disciplinary action.

Access to Information

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.

All legacy bodies, and going forward CPABC are committed to keeping

members and the public informed in cases of suspensions or expulsions. 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 legacy body's website as required.

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 included a reprimand or a more severe sanction, the disciplined member or student was identified by name in the summary. For ICABC and CMABC cases where it was determined that grounds exist, the professional conduct review committee made a recommendation whether there should be public disclosure.

In cases where any of the legacy bodies received public information that a member was charged with an offence that they felt the public should be aware of, they published a public advisory on their website.

Results and Statistics

Of the 133 complaints received, 44 complaints were dismissed after a preliminary review because the legacy body did not have jurisdiction, or the complaints related to fee disputes or were considered frivolous or unfounded. In some cases, these complaints were referred to Member Services for early resolution.

A total of 33 complaints were not authorized for formal investigation by the legacy professional conduct review committees and 52 formal investigations were authorized during the year. In addition to complaints

filed in the year ended March 31, 2015, the legacy bodies also continued investigations of complaints filed in previous years.

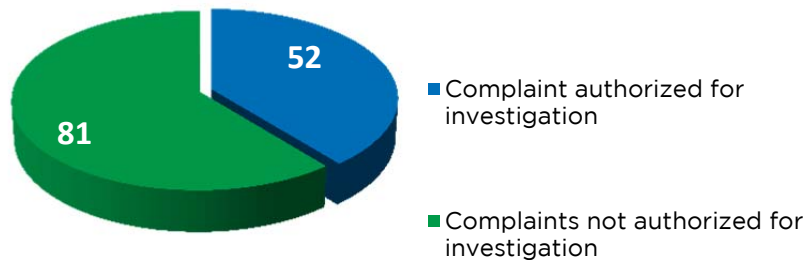
There were 51 investigations completed during the year, 13 of which were found to be “no grounds,” two were settled by negotiated resolutions, and 36 where it was found that grounds existed for the complaint (ICABC and CMABC) or there was a breach of the rules (CGA-BC). Seven of these cases were referred by the professional conduct review committees to discipline panels.

Of the cases completed during the year, there were 10 cases where the name of the member and the recommendations were disclosed to the public. There were five discipline hearings completed, where two

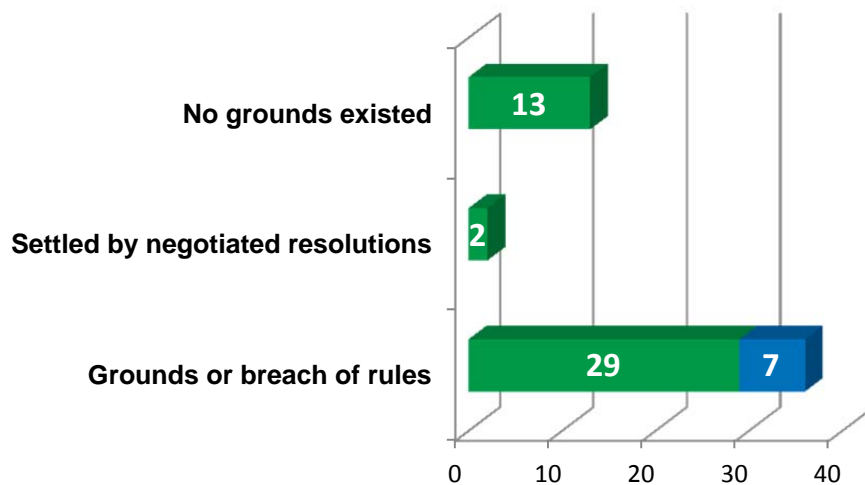
members were either suspended or expelled. Three hearings resulted in lesser sanctions. There was one appeal of a hearing decision and that decision was upheld. At the end of the year, there were 36 active investigations continuing into the following year.

While it has been a long journey for the profession in Canada to reach this very historic milestone, the journey does not end here. With proclamation of the *Chartered Professional Accountants Act* on June 24, 2015, and the resulting amalgamation of the three professional bodies, all our regulatory processes will become fully aligned during 2015-16 and the commitment of the profession to protection of the public interest continues as strongly as ever.

Total complaints received in 2014-2015



Completed investigations of complaints in 2014-2015



Blue bar represents cases referred to discipline panels.