

2017-2018 Regulatory Report to the Public

Upholding the
highest standards

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Message from the Leadership

The CPA profession strives to maintain regulatory best practices. The United Kingdom's Professional Standards Authority for Health and Social Care released the report "Right-Touch Regulation" in 2010, and revised it in 2015. It was globally recognized for providing excellent guidance and is an additional lens through which CPABC can measure its performance in protecting the public, and ensuring its processes are effective and efficient.

"Right-touch regulation" enhances protection of the public by encouraging regulators to find the right regulatory balance: too little regulation is ineffective, and too much regulation results in a bogged down system. At its core, right-touch regulation focuses on what is the minimum regulatory force required to achieve the desired results.

CPABC continually strives to improve its regulatory regime, and its current practices are well matched to the following principles of right-touch regulation. Regulation should aim to be:

- **Proportionate:** Regulators should only intervene when necessary and the reaction should be commensurate to the risk being addressed. CPABC regulates its membership proactively and emphasizes education. Issues are each assessed on their own merit, and disciplinary processes are applied only when warranted.
- **Consistent:** All regulatory activities need to be implemented fairly. CPABC's processes facilitate consistency for decisions and outcomes and permitted exceptions are clearly defined.
- **Targeted:** Regulation should focus on the problem and minimize the risks of unintended consequences. CPABC considers potential unintended consequences before implementing regulatory changes.
- **Transparent:** Regulators should be open. CPABC's regulatory processes are fully described on www.bccpa.ca, which also includes a member and firm listing, and investigation and disciplinary outcomes.
- **Accountable:** Regulators must be accountable. This report, and information on the website, inform the public on how the professional accounting profession is regulated in British Columbia.
- **Agile.** Regulation must anticipate and adapt to change. CPABC collaborates with its provincial counterparts and the national profession, sharing current issues and best practices. This allows CPABC to be more proactive when assessing and dealing with change.

Protection of the public is a pillar of the CPA profession. By adhering to best practices and creating a regulatory regime that adheres to the above principles, CPABC is well positioned now and into the future.



As at March 31

CPABC member numbers were...



→ As at March 31, 2018 **5,140** students were pursuing the CPA designation, including **4,851** students in the CPA Professional Education Program (PEP) and **289** students in a predecessor program

During the fiscal year, **1,579 new members** were admitted into the profession and **744 members left** the profession.



Where Members Work

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.

Over the past three years, an average of **1,125 BC students graduated** annually from the CPA or legacy programs.

Continuing Professional Development (CPD)

Active members are required to self-report compliance with CPD. Action is taken against members who do not comply with the requirements. This action can result in suspension or cancellation of membership.

97%
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, 2018

- **142** members had their memberships suspended for CPD non-compliance
- **26** of the suspended members had their memberships cancelled.

Regulation of Public Practice

THERE WERE...

3,802

practitioners and partners operating in 2,592 public practice offices in BC as at March 31, 2018. The majority of practitioners work in small businesses where 98.5% of the firms are owned by fewer than five professional accountants.



Investigations Closed in 2017-2018

11

No grounds

7

Not pursued

28

Resolutions

8

Referred to disciplinary panel

Practice Review

DID YOU KNOW



Sanctions may be imposed in cases where there are more serious issues. There were 995 practice reviews conducted this past year. This number includes 84 re-inspections that were undertaken where standards had not been met in previous reviews.

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.

Ethics & Discipline Process

130 Total Complaints in 2017-2018

20

Under review

54

Complaints dismissed/
Not accepted

56

Investigations authorized

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 2017-2018

1 Resolution Agreement
9 Outcome pending

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.

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

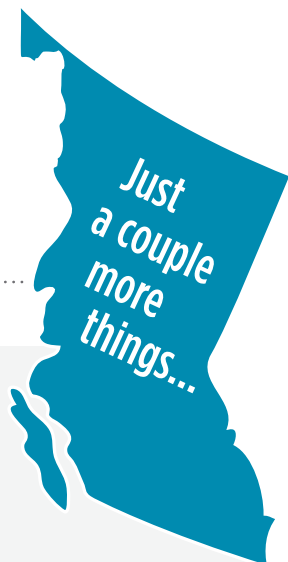
in the duty of exchanging views and contributing to the development of the profession, adding to its knowledge, and sharing advances in knowledge and technique with peers.

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.

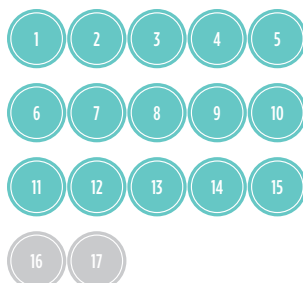
OBJECTIVES

- ➔ 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 **17** person board is made up of 2 public representatives and 15 members - 10 were appointed by the provincial government when the new CPA Act was introduced and 5 were elected in 2017.



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. 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.

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*.

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.



5 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.

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.

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.

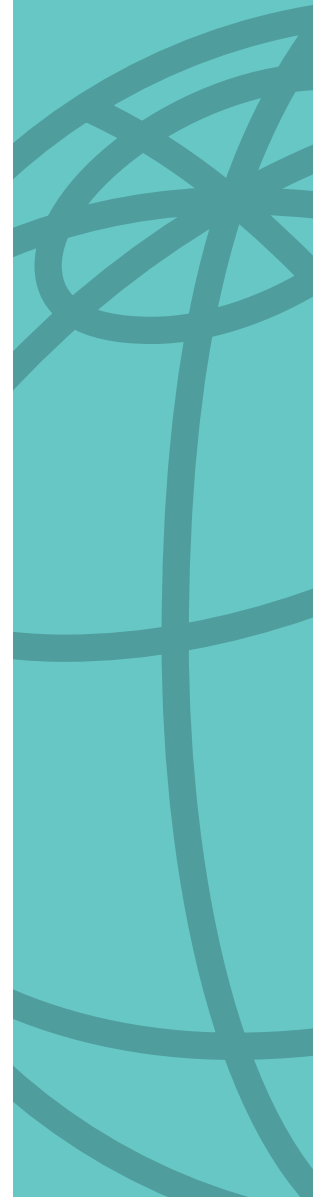
This Code evolves as national and international standards and best practices continue to change, and confidential member advisors are available at no cost to members and students needing guidance.

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.



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 investigation and discipline committees determine 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.

PROACTIVE

REACTIVE

Membership
CPD

Public Practice

Investigation

Discipline Panel

EDUCATION

ADJUDICATION

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.

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.

Practice Review

Members in public practice are required to undergo mandatory practice reviews. These reviews focus on 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 generally reviewed once every three years. Where deficiencies are noted, re-inspections may be required and corrective measures put in place.

Investigation & Discipline

The Investigation Committee reviews the results of complaint investigations. Most complaints are resolved by an agreement with the member, which typically includes recommendations that focus on ensuring the conduct is not repeated in the future. Most members comply and a "no name" summary of the agreement is posted to the CPABC website.

The Investigation Committee refers the more serious matters to the Disciplinary Committee. A hearing panel presides over disciplinary matters, and following the hearing, determines whether there were breaches of the CPABC governing documentation and, if so, the appropriate sanctions.

At any stage of the investigation and discipline process, a disciplinary matter may be resolved through a resolution agreement. These agreements are consensual and require approval by the CPABC board. As these agreements are generally used in the more serious cases, they usually include suspension or cancellation of membership and are made public.



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

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.