



Certified General
Accountants
Comptables généraux
accrédités

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February 19, 2004

Ms. L. Dundas,
Director of Operations
Canadian Public Accountability Board
linda.dundas@cpab-ccrc.ca

Dear Ms. Dundas,

I am pleased to provide you with the Certified General Accountants Association of Canada's (CGA-Canada) commentary on the Canadian Public Accountability Board's proposed rules relating to Participation and Withdrawal from Participation, Registration, Professional Standards, Inspections, Investigations, Requirements, Restrictions and Sanctions and Fees. Our comments have been developed in close consultation with the Certified General Accountants Association of British Columbia and the Certified General Accountants Association of Alberta.

I welcome any comments or questions.

Sincerely,

[Original signed by:]

Anthony Ariganello, B.Comm, CGA
President and Chief Operating Officer

Attach.

Certified General Accountants Association of Canada Commentary on the Canadian Public Accountability Board's Proposed Rules Relating to Participation and Withdrawal

CGA-Canada welcomes the opportunity to comment on the proposed rules relating to Participation and Withdrawal from Participation, Registration, Professional Standards, Inspections, Investigations, Requirements, Restrictions and Sanctions and Fees. This commentary was prepared in consultation with the Certified General Accountants Association of British Columbia and the Certified General Accountants Association of Alberta. It follows our November 2003 response provided to the Canadian Public Accountability Board (CPAB) concerning the Proposed Registration Process.

Coordination and liaison with regulatory authorities

CGA-Canada appreciates the opportunity provided by the Board to discuss issues concerning inclusiveness of all professional accountants who provide assurance services. CGAs enjoy the legislative authority to provide auditing services in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Newfoundland. As the Board knows, the legislative framework is evolving in Ontario.

Provincial regulatory authorities ensure that Certified General Accountants are qualified, competent and able to provide the full range of assurance services to clients. In this respect, collaboration between the Board and the provincial/territorial regulatory authorities is a prerequisite to the effective functioning of the audit oversight process on which the success of the program is dependent. The Board recognizes the importance of this (Rule 101 – g), yet, could more strongly demonstrate its willingness to work in close conjunction with professional regulatory authorities by ensuring effective communication on developments. For example, the Board could also notify the relevant authorities of proposed new or amended rules (Rule 102).

The area of inspections offers another opportunity for closer collaboration with regulatory bodies (Rule 409). The Board may also consider notifying the relevant regulatory authority of a Violation Event where a requirement, restriction or sanction may be imposed on a participating firm since a violation event could be construed as unprofessional conduct and warrant a separate investigation (Rule 601). This measure would achieve greater harmonization between inspection and discipline programs.

Professional standards

Rule 303 sets out the ethical standards that apply to participating audit firms and the professionals, partners and employees of those firms. The Rule proposes different standards for Canadian participating audit firms of Chartered Accountants (CAs) and Canadian participating audit firms that are not firms of CAs and foreign participating audit firms. The Rules propose that participating CAs audit firms will comply with their provincial Rules of Professional Conduct. Audit firms that are not CAs (CGA audit firms,

for example) on the other hand are expected to comply with the Code of Ethics of the International Federation of Accountants. On a number of previous occasions, CGA-Canada and its affiliated organizations have raised the issue regarding professional rules of conduct from one designation transiting to another independent designation. We have cautioned the Canadian Institute of Chartered Accountants (CICA) of the professional obligations imposed on Certified General Accountants to adhere to the Code of Ethical Principles and Rules of Conduct (CEPROC). Indeed CEPROC requires strict adherence to the CICA Accounting and Assurance Handbooks. We believe that the Board should demonstrate inclusiveness and rewrite the rules to recognize that it is the right and obligation of each designation to set professional rules of conduct and ethical principles.

With respect to auditor independence, participating auditing firms, including CGA firms but excluding foreign audit firms will be required to follow the independence requirements of the Institutes/Ordre of Chartered Accountants of the province in which the audit is being performed. CGA-Canada through the National Professional Standards Committee is currently in the process of drafting auditor independence rules. We expect this process to be completed within the next few months. It is our recommendation that the Board takes this into account and amend the Rule 303 b. to read as follows:
A Canadian participating audit firm that is not a firm of Chartered Accountants, and the designated professionals and other partners and employees of such firm, shall comply with the *Rules of Professional Conduct of the relevant professional regulatory authority in which the participating audit firm and the designated professionals hold registration.*

We regret that the implication of these proposed Rules for non-CA auditors have not been properly considered by the Board. We would welcome the opportunity to assist in the future.

CGA-Canada has responded directly to the Accounting and Assurance Standards Board about our concerns with exposure draft on the Quality Control for Firms and Practitioners Performing Assurance Engagements standards. We would be pleased to share a copy of our response with the Board.

Specific Comments

Section 400 – Inspections

Rule 401 and 403 – We note the absence of a definition regarding “regular” and “special” inspections.

Rule 409 – We believe that recommendations be given after the audit firm has an opportunity to provide the feedback rather than before. As a self-regulating organization, we prefer that the Board work cooperatively with the provincial regulatory authorities before offering recommendations.

Rule 412 and 418 – We recommend the Board consider providing *de facto* a copy of a final inspection report to the professional regulatory authority that has jurisdiction over the firm. In the same vein, the Board ought to undertake to notify the relevant professional regulatory body of a Violation Event.

Section 500 – Investigations

It is our view that copies of transcripts (Rule 507) be made available to a person who has given oral testimony. In addition a copy of the order (Rule 515) should be furnished to the person who testifies or produces documents.

Section 600 – Requirements, Restrictions and Sanctions

We agree that the Board must, if it is to be successful in providing public oversight of audits, be seen to be doing its work. In that respect, we applaud the Board's disclosure policies. We believe, however, that the benefits of transparency must be carefully weighted against the right to maintain confidential information of a private or competitive nature. In that respect, we urge the Board to ensure that the information provided on its web site be current and updated on a regular basis.

We disagree with Rule 604 – in that until an appeal's process has been exhausted, penalties should be stayed.

Rule 606 provides the Board with broad authority – it is our view that, should a firm not meet the requirements, they should not be allowed to participate. In this respect, all firms would be held to the same standard.

Section 700 – Review Proceedings

Rule 701 states that review proceedings shall be held in camera. We believe that all review proceedings should be open to the public. Transparency ensures the process remains in the public interest. However, we recognize that some matters may involve public security or the disclosure of intimate financial, personal, commercial or other matters and the need to protect the confidentiality of those type of information may require that all or some part of the proceedings be held in private.

To be consistent with Administrative Law, we also urge the board to consider that under Rule 704 all parties involved should be made aware of what matters are being addressed and that the copy of the order shall include a statement of the matters to be heard.

Rule 705 – We urge the Board to consider including Certified General Accountants as part of its roster of hearing officers who may be called to preside over review proceedings. Provincial regulatory authorities could identify qualified candidates.

Concluding Remarks

We trust these comments will prove helpful in your deliberations. We welcome the opportunity to answer questions that may arise from this response.