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July 29, 2005

Mr. Warren McGregor
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

By email: commentletters@iasb.org

Dear Sir:

Re: Response to Draft Memorandum of Understanding on the role of Accounting
Standard-Setters and their relationships with the IASB

The Certified General Accountants Association of Canada (CGA-Canada) welcomes this opportunity to provide its views on the Draft Memorandum of Understanding on the role of Accounting Standard-Setters and their relationships with the IASB published earlier this year.

CGA-Canada is a national professional association. Together with its provincial affiliates, it represents 62,000 members and students. Vested with the responsibility of setting professional standards of the highest level of ethics and accountability in the public interest, CGA-Canada has a role to play in accounting standard setting domestically and internationally.

Analysis of the Draft Memorandum of Understanding is timely for Canada as the country is set to adopt International Financial Reporting Standards^[1] (IFRS) and as such the mandate of the domestic standard-setter will be expected to change.

^[1] See Accounting Standards Board draft strategic plan, March 31, 2005 at www.cica.org

We have read with interest a paper prepared by the Canadian Accounting Standards Board and delivered at a meeting of the IASB and Liaison National Standard Setters in September 2004.

We have also taken note of the proposed mandate the Canadian Accounting Standards Board wishes to undertake given the anticipated adoption of IFRS for Canada. We generally agree that a national standard setter can make an effective contribution to the work of the IASB in the areas of priority setting, research, implementation and promotion of IFRS.

We do have some general recommendations in two areas broadly-defined as:

- The structure of the national standard-setter; and,
- Representation and communications with constituents.

Accounting standards are a public good

CGA-Canada has been a strong advocate for reform of the standard-setting process in Canada. It is our view that the current process is not transparent, inclusive or publicly accountable. This view is shared by others. In June 2003 at the conclusion of a major study on investor confidence in Canada's capital markets, the Standing Senate Committee on Banking, Trade and Commerce recommended that further discussion was needed around the body or construct having responsibility for the establishment of accounting standards. The committee further noted that the entity should have the necessary independence, accountability and transparency to safeguard investor confidence.

CGA-Canada is a strong advocate for reform and we have specifically recommended that steps should be taken to ensure that the public interest remains the imperative that drives standard-setting. We believe the adoption of IFRS in Canada and renewed discussion on the role of the national standard-setter provides a unique opportunity to begin the necessary steps toward reform.

As such, CGA-Canada has set the following benchmarks by which to measure the progress towards reform. In our view, the Canadian standard-setter should:

1. Be independent from all parties who have an active interest in the content of accounting standards;
2. Be mandated by legislation;
3. Be accountable to the public by reporting to Parliament;
4. Be funded from multiple sources including government, industry and the accounting profession;
5. Have transparent processes in which all meetings are open to the public and documents prepared by or submitted to the standard-setter are publicly available.

Funding of the standard-setting process^[2] remains a crucial issue. In a report^[2] prepared for the Certified General Accountants Association of Canada, the author concluded that Canada is the only entity that does not have a base of funding outside of the professional accountancy bodies in their jurisdiction.

You are certainly aware that the Canadian process is funded through the general revenue of one professional accounting organization – the Canadian Institute of Chartered Accountants. The standard setting budget is set privately and is not published. Both the standard setter and its oversight council are wholly funded by Canadian Institute of Chartered Accountants. Such an arrangement puts control of the standard setter's resources in the hands of a single organization, thus limiting the standard setter and its oversight council the freedom to allocate funding. This may further grant them privilege of influence on the proceedings of the board. Concurrently, the evolution of the IASB's structure reflected this specific concern regarding independence. It is our view that the AcSB in its current configuration does not necessarily represent positions of all of the IASB's intended constituents.

^[2] Report to the Certified General Accountants Association of Canada on Accounting Standard Setting Structures, January 2003 available at www.cga-online.org

While the AcSB construct has endured in Canada, it is our contention that this model can now be revisited as Canada moves towards the adoption of IFRS. The world has accepted the independence of a standard setter as a hallmark of high-quality accounting standards.

Moreover, the draft MOU remains silent on the nature of the subscription of national standard-setters. We fully expect that as participants in global standard setting, Canada should pay its fair share.

In the absence of disclosure from the CICA, it is generally acknowledged that the sale of the standards material (known in Canada as “*the CICA Handbook*”) has proven a lucrative business. Questions about access to IFRS materials once Canada has adopted the standards. Accounting standards are a public good and as a matter of principle, they should be made accessible and available evenhandedly to users. It would be clearly unacceptable to our members that IFRS be duplicated and made available for resale in Canada at anything less but a competitive global price. Moreover, is it the intention of the IASB to assign copyright to the CICA for publication in Canada therefore allowing a private interest to have monopoly control on a public good? If this is the case, it presents a serious concern to our members.

To address the above-noted concerns, we recommend:

As IFRS are gaining global acceptance and being implemented in jurisdictions across the world, the IASB has a responsibility to ensure that national standard setting bodies are able to endorse, implement and support the standards while simultaneously participating in their development. The IASB should formulate guiding principles for national standard setters and monitor their implementation. These principles should include independence, legislated mandate, public accountability, multiple sources of funding and open and transparent processes.

Representation and communications with constituents

The IASB fittingly identifies that communicating with a large number and diverse constituents may be challenging. While we agree that domestic standard-setters have an important role to play in communicating the work of the IASB to constituents – they are not the only players. The IASB must be made aware of this and include other constituents, especially national professional accounting organizations that may, because of structural/institutional or other traditional impediments, not be direct participants in the indoctrination of accounting and assurance standards.

We strongly propose that the IASB use other methods of garnering constituents views – forums and roundtables might assist in generating consensus on views and that participation extend well beyond the national standard setters. The IASB should consider working directly with others who are prepared and capable to participate directly in global standard setting.

National standard setters have a legitimate role to play in ensuring that IFRS are compatible with the legislation of national and sub national governments. The process by which a standard is adopted into Canada and if changes are necessary must be transparent to all constituents.

CGA-Canada supports IASB's proposals regarding education and training with the following proviso. IASB should not overlook the important contribution that professional accounting organizations play in ensuring their members are current and proficient. Education and training is a shared responsibility between standards setters, professional accounting organizations and the academic community.

We appreciate the recommendation put forward by the Canadian standard-setter with regards to an annual national standard setters forum to have discussion on new standards and contentious issues. Such a forum would be held under the auspices of the IASB. We

believe that this forum should also include others that may have a legitimate role and who are making a contribution to the development and acceptance of standards.

Conclusion

We appreciate the opportunity to provide our views. We believe our proposals make a positive contribution to the development and acceptance of high quality, converged international accounting standards. We look forward to working with the International Accounting Standard Board towards this goal.

Sincerely yours,

[Original signed by:]

Carole Presseault
Vice President, Government and Regulatory Affairs

On behalf of
Anthony Ariganello, FCGA, CPA (Delaware)
President and Chief Executive Officer