February 12, 2014

Dear [Redacted]

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: SNL-001-2014]

On January 13, 2014, Service NL received your request for access to the following records:

1. Copies of all minutes taken at Public Accountants Licensing Board and/or committees meetings from 1 January 1998 to the present.

2. Copies of all communications, including electronic, from 1 January 1998 to the present. Communications would include reports, letters, correspondence to or from government or one of the designated accounting bodies, letters to government or from government or one of the designated accounting bodies, briefs presented to government or from government or one of the designated accounting bodies.

3. Copy of letters from the public related to the Public Accountants Licensing Board.

I am pleased to inform you that your request for access to these records has been granted.

Please note, as per your recent telephone discussions and e-mail exchanges with officials of our department, that the time frame for our search of responsive records was narrowed to the period of 2008 up to the proclamation of the new Public Accountants Act in June 2011. Further, please be advised that Service NL does not possess records of minutes of meetings of the Public Accountants Licensing Board. Although the Board falls under the jurisdiction of Service NL for the purpose of submitting annual reports related to its activities, it is categorized as a self-regulating entity and as such its daily operational activities are independent from Service NL.

In accordance with your request for a copy of the records, copies have been enclosed. Please be advised that responsive records will be published following a 72 hour period after the response is sent electronically to you or five days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Office of Public Engagements website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.
If you have any further questions, please contact Gerard Griffin, ATIPP Coordinator at 709-729-1002.

Sincerely,

[Signature]

DAVID NORMAN
Deputy Minister
From: Faseruk, Alex [mailto:afaseruk@mun.ca]
Sent: Monday, August 03, 2009 12:47 PM
To: O'Brien, Alanna
Subject: FW: Public Accounting

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From: Tashia Batstone [mailto:tbatstone@icanl.ca]
Sent: Tuesday, July 21, 2009 10:52 AM
To: Faseruk, Alex
Subject: Public Accounting

Alex,

As discussed at the PALB meeting on Friday attached is a summary of public practice rights in Canada. I would ask that you please forward to the Legislation Committee.

Thanks,

Tashia

Tashia E. Batstone  CA, MBA

Chief Executive Officer
Chartered Accountants of Newfoundland and Labrador
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9/17/2009
PUBLIC ACCOUNTING PRACTICE RIGHTS IN CANADA

Public accounting as regulated services

Public accounting services that are regulated by provincial or territorial legislation in Canada include audit engagements, review engagements and compilation services. However, there is no uniformity across Canada. Legislation specifically governing licensing or certification of public accountants has been adopted in some provinces and territories but not in others. In addition, the nature of the public accounting services that are regulated by means of statutory licensing or certification requirements varies among the provinces and territories. Audits of publicly listed entities are included within services regulated by licensing or certification systems in all cases where specific licensing or certification requirements have been established by legislation. In provinces or territories where there is no specific legislation governing the licensing or certification of public accountants, the Securities Commissions have adopted regulations governing the qualifications that auditors of publicly listed entities (reporting issuers) must meet. CAs and CA firms are entitled to be auditors of publicly listed entities in all provinces and territories under the applicable legislation or regulations. The following is an overview by province and territory.

Licensing jurisdictions

A public accounting licence is required to perform audit and review engagements in these jurisdictions (and in some cases also compilation engagements).

Ontario: Under the Public Accounting Act, 2004, each of the three designated accounting bodies – the Institute of Chartered Accountants of Ontario, the Certified General Accountants Association of Ontario and the Society of Management Accountants of Ontario – may be granted authorization to licence and govern their members in the practice of public accounting if the accounting body meets the standards of qualification and regulation prescribed by the Standards adopted by the Public Accountants Council for the Province of Ontario (PAC). The Act requires that the Standards adopted by the PAC adopt, maintain and increase as required standards for public accounting licensing that are internationally recognized and respected. Currently, the PAC has granted the Institute of Chartered Accountants of Ontario authorization to licence members and govern the practice as public accountants of the members of the Institute who have met the requirements prescribed in the PAC Standards. The Certified General Accountants Association of Ontario and the Society of Management Accountants of Ontario currently are not authorized by the PAC to licence and govern their members in the practice of public accounting. Indeed, the qualification requirements and regulatory programs of the Certified General Accountants Association of Ontario were recently assessed by the PAC as inadequate for this purpose.

Nova Scotia: CAs, CGAs and CMAs may be licensed if they and the body in which they hold membership have met the standards prescribed by the Public Accountants Board.

Newfoundland: CAs, CGAs and CMAs may be licensed if they and the body in which they hold membership have met the standards prescribed by the Public Accountants Licensing Board.
Prince Edward Island: The Public Accounting and Auditing Act permits the CA Institute and the CGA Association in Prince Edward Island to license their members who meet the minimum standards set out in the Act. CMAs are not permitted to practice public accounting in Prince Edward Island.

Certification jurisdictions

Quebec: In Quebec, the Professional Code establishes a single framework applicable to all professional bodies. In addition, specific acts have been adopted for bodies whose members enjoy an exclusive field of practice. Under the Professional Code and Chartered Accountants Act, CAs are permitted to practice as public accountants and to use the title “auditor”. CGAs and CMAs may be granted by their accounting body a permit to practice as public accountants and to use the title “auditor” if they meet the standards adopted by that accounting body by regulation. The Chartered Accountant Act further requires that the CGA and CMA accounting bodies must use standards in making the first regulations applicable to their members that are analogous to the internationally recognized standards adopted by the Ordre des comptables agréés du Québec.

Alberta: The Regulated Accounting Profession Act provides that persons must be registered with one of the CA, CGA or CMA accounting bodies to practice public accounting.

British Columbia: The right to perform statutory audits of publicly listed companies and other entities such as co-operatives and credit unions is restricted by legislation to CAs and CGAs and to other persons as may be approved by the Auditor Certification Board.

Unregulated jurisdictions

Manitoba, New Brunswick, Saskatchewan, the Yukon, the North West Territories and Nunavut do not have any public accounting legislation. In effect, anyone may practice public accounting in those jurisdictions.
From: Faseruk, Alex [mailto:afaseruk@mun.ca]
Sent: Monday, August 03, 2009 12:47 PM
To: OBrien, Alanna
Subject: FW: Information for circulation to the PALB

From: Tashia Batstone [mailto:tbatstone@icanl.ca]
Sent: Wednesday, July 15, 2009 3:24 PM
To: Faseruk, Alex
Cc: ecoombs@gardnercoombs.ca
Subject: Information for circulation to the PALB

Alex,

Per our conversation today please see the attached.

See you on Friday,

Tashia

Tashia E. Batstone  CA, MBA

Chief Executive Officer
Chartered Accountants of Newfoundland and Labrador
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9/17/2009
July 15, 2009

Dr. Alex Faseruk
Public Accountants' Licensing Board
c/o Faculty of Business
Memorial University
St. John's, NF A1B 3X5

Dear Alex,

The Institute of Chartered Accountants of Newfoundland and Labrador (ICANL) has completed a preliminary review of the proposed new Public Accountancy Act and would like to offer some initial comments for the Board’s consideration.

Please note the attached comments present only a preliminary review of the proposed legislation. There are certainly other matters of importance which ICANL feels should be considered including the impact of recent amendments to Chapter 7 of the Agreement on Internal Trade and the related legitimate objections regarding public accounting that have been filed in several provinces including Ontario and Quebec.

I look forward to meeting with the Board on Friday to discuss this matter further. Please feel free to contact me with any questions or concerns.

Best Regards,

Tashia E. Batstone, CA, MBA
Chief Executive Officer

Encl.
ANALYSIS OF NEWFOUNDLAND AND LABRADOR DRAFT PUBLIC ACCOUNTING LICENSING BILL
(An Act to Regulate the Practice of Public Accountancy)

Synopsis:

The proposed new Act retains the Public Accounting Licensing Board as the licensing body but changes the process for appointing members of the board and expands the authority of the board to adopt bylaws and regulations. It does not create the board as an oversight body in the model of the Public Accountants Council in Ontario. The proposed Act, like the current Public Accountancy Act, does not contain any details of the specific requirements that must be met to qualify for a licence and does not even state that membership in one of the three accounting bodies is the first condition to be met to establish eligibility to apply for a licence. It leaves the determination of all such matters to the board by way of adoption of bylaws and regulations. The proposed new Act retains the definition of “public accountant” found in the current Act.

In summary the new Act:

- changes the process for election of the representatives of the members of the three accounting bodies who are members of the Public Accounting Licensing Board but not the overall composition of the board i.e. 3 CAs, 3 CMAs, 3 CGAs (the “elected members”) and 3 public representatives (the “appointed members” appointed by the minister); under the current Act, the minister “nominates” in each case two of the three CAs, CMAs and CGAs whereas the new Act provides that each of the three accounting bodies elects all of its three members on the board;
- states that the chairperson of the board and a registrar shall be elected by the board from among the elected members whereas the current Act requires that the chairperson shall be one of the public representatives;
- grants the board authority to pass bylaws not inconsistent with the Act that includes the authority to adopt a code of ethics which may include definition of “professional misconduct” and “conduct unbecoming” as well as provisions respecting conflict of interest and rules respecting methods of advertising;
- expands the authority of the board to make, with the approval of the minister, regulations related to the licensing of persons as public accountant, providing for issuance of provisional licences, approving schools and programs of public accountancy, respecting alternative dispute resolution for complaints and discipline processes and prescribing time limits for events in the disciplinary process;
- states that a person who has met “the requirement for licensure” that may be prescribed by the board and pays the fees set by the board is entitled to be licensed as a public accountant.
Proposal regarding the proposed Act

It is recommended that the proposed Act be amended to establish the Public Accounting Licensing Board as an oversight body, rather than the licensing body, for public accounting in Newfoundland and Labrador. As the oversight body, the board would set the standards that must be met by each of the three accounting bodies in Newfoundland in order to be granted authority to license and govern their members in the practice of public accounting. Provisions would be included in the Act for the board to assess the qualification and regulatory standards of the accounting bodies to determine if they meet the standards set by the board and when they meet those standards. The Act would also contain provisions for the ongoing oversight of the accounting bodies in the fulfillment of their licensing responsibilities. Establishing the board as the oversight body for public accounting would be in the public interest, achieving greater public oversight of the accounting bodies whose members provide public accounting services as well as enhanced accountability to the public.

It is also recommended that once the Act is amended as proposed, the board as the oversight body for public accounting could adopt, with any appropriate modifications that may be required, the Uniform Public Accounting Regulation that is recommended by the Institute of Chartered Accountants of Newfoundland to establish internationally recognized standards for public accounting and to harmonize the public accounting standards with those that have now been adopted by legislation in Ontario and Quebec. Through such action, the board would ensure that individuals who are licensed in Newfoundland and Labrador would be recognized as eligible to be licensed or to practice public accounting in jurisdictions outside Canada and elsewhere within Canada.

Definition of “public accountant”

The proposed Act does not change the definition of “public accountant” found in the current Act and which would appear to read as if it includes audit, review and compilation engagements. However, it has been observed that the current Act only covers audits and all of the professional bodies are lobbying for inclusion of review engagements. It is also noted that the Uniform Public Accounting Regulation calls for compilation engagements to be included within the definition of “public accountant”. The definition contained in the Uniform Public Accounting Regulation should be included in the Act.

Recommendation:

The proposed Act should define “public accountant” to mean providing
(a) on a basis that is independent of the person or management of the entity for whom the services are being provided, assurance engagements, including an audit or review engagement; and
(b) compilation engagements.
Objects of the Public Accountants Licensing Board

The proposed Act does not require the board to establish standards of qualification and regulation of public accountants that meet internationally recognized standards. In fact, the proposed Act does not provide any direction as to what the standards for public accounting in Newfoundland should be or what the rigour of those standards should be. The proposed Act should promote the establishment of internationally recognized standards and the harmonization of public accounting standards among the provinces based on the existing internationally recognized standards in order to ensure that Newfoundland public accountants would be recognized for (eligible to obtain) licences in jurisdictions outside of Canada as well as in Ontario and Quebec, which have established internationally recognized standards as the standards that must be met to be licensed or to practice public accounting in those provinces.

Recommendation:

A section should be introduced into the Act that sets the following objects and powers of the Public Accountants Licensing Board:

1. The purpose of the board is to ensure that public accounting in Newfoundland and Labrador is practised in accordance with internationally recognized public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

2. The objects of the board are to
   (a) develop and maintain standards that a professional accounting body must meet in order to be authorized to license and govern the activities of its members as public accountants and raising the standards, as required;
   (b) determine which professional accounting body meets the standards adopted by the board, when it meets them and whether the professional accounting body continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
   (c) oversee the professional accounting bodies in their capacity to license and to govern the activities of their members as public accountants; and
   (d) maintain public confidence in public accounting through the appropriate prosecution of offences under the Act.

Persons who are eligible to be licensed

The proposed Act does not contain any provisions specifying who may be eligible to be licensed. It leaves those details to be determined by regulations adopted by the board.

Recommendations:
1. New definitions should be added as follows:
   "professional accounting body means" each of the:
   (a) Certified General Accountants Association of Newfoundland;
   (b) Institute of Chartered Accountants of Newfoundland; and
   (c) Society of Management Accountants of Newfoundland.

   "licensing body" means a professional accounting body that is authorized under section (or subsection) ___ of the Act to license and govern the activities of its members as public accountants.

2. A new section should be introduced that states that a person who is a member of more than one professional accounting body may identify only one professional accounting body for the purposes of his or her eligibility for a licence.

3. A new section should be introduced that states a person is eligible to be licensed under the Act if
   (a) the professional accounting body that the person has identified for the purposes of eligibility to be licensed is a licensing body;
   (b) the person is a member of the professional accounting body; and
   (c) the person meets the qualifications to be licensed as a public accountant established by the professional body at or after the time it became a licensing body.

Content of the standards for public accounting

The proposed Act does not prescribe any of the content specifications for the standards that should be developed and maintained for practising public accounting.

Recommendation:

Section 40 of the proposed Act should be deleted and replaced with a new section 40 that would read as follows:

31 The board may, with the approval of the minister, make regulations prescribing rigorous, internationally recognized standards which a professional accounting body must meet in order to be authorized to license and govern the activities of its members as public accountants. The regulations shall include standards relating to:
   (a) post-secondary education requirements that are necessary for a public accounting training program, including requirements in respect of courses that are relevant to public accounting;
   (b) pre-licensing education and study requirements that are supplementary to the post-secondary education requirements;
   (c) pre-licensing experience requirements;
   (d) examinations used for licensing public accountants;
   (e) requirements for post-licensing professional experience;
   (f) mandatory continuing professional development;
(g) practice inspections of public accountants;
(h) requirements on the use of generally accepted accounting principles and generally accepted assurance standards;
(i) rules of professional conduct;
(j) discipline procedures, including rights to a hearing and rights of appeal;
(k) rules governing issuing a new licence to a former licensee; and
(l) rules governing the licensing of persons who are permitted to practise as public accountants in other jurisdictions.

Following from the introduction of this new section, ss. 7(1)(f) of the proposed Act could be deleted. That subsection prescribes that the board may pass bylaws respecting a code of ethics.

(Note: The addition of this new section 40 would be required in order to provide for the board to then adopt as regulations the Uniform Public Accounting Regulation.)

**Board review of the operation of licensing bodies**

The Act should be amended to include a section authorizing the board to review the operation of the licensing bodies and to take appropriate action based on the findings of such reviews.

**Recommendation:**

A new section of the Act should be introduced as follows:

1. In ensuring that the purpose and objects of the board are being met and that a licensing body is complying with the standards developed under this Act, the board shall conduct periodic reviews, not less than once in every three years, of the operation of each licensing body and shall report on them to the minister.

2. In addition to the periodic reviews of the licensing bodies, the board may conduct a special review of a professional accounting body where the board concludes it is in the public interest to do so.

3. A licensing body shall co-operate with the board and the board's review of the body and the board may, on reasonable notice, revoke or suspend the authorization of the licensing body if the body fails to co-operate with the board's review.

4. If the board finds while conducting a review that a licensing body is failing or has failed to comply with the standards developed under this Act, the board shall notify the body of the failure and shall give such time as is prescribed by the board for the body to comply with the standards.
The board may revoke or suspend an authorization of a licensing body if it has notified the body under subsection (4) and the licensing body fails to comply with the standards within the time prescribed by the board.

Issues regarding the composition of the board

By removing the requirement of the current Act that the chairperson shall be a public representative appointed by the minister, it would be possible under the proposed Act that the chairperson could be a CGA or CMA. It would also be possible that the registrar could be a CGA or CMA. The CGAs and CMAs would have 6 members on the board and would require the support of only one public representative to be able to elect one of their members as the chairperson and/or the registrar.

Recommendation:

The Act should require that the board be composed of a majority of public representatives appointed by the minister and that one of the public representatives also be appointed by the minister as the chairperson. This would likely require a reduction in the number of members of the board who are members of each of the three accounting bodies. In that case, the composition of the board could be:

2 CAs elected by the Institute;
2 CGAs elected by the CGA Association;
7 CMAs elected by the Society of Management Accountants;
13 Public representatives appointed by the minister, one of whom shall be the Chair.

The Act should also require that the board elect one of the public representatives as the registrar.

Complaints and disciplinary processes

Sections 23 to 39 prescribe the complaints investigation and discipline hearing processes for the board, as a licensing body. S. 23(1) states that the board shall appoint at least 3 members (of the board) to constitute a complaints authorization committee, one of whom shall be a public representative on the board. In addition, s. 23(3) states that the board shall appoint the chairperson and vice-chairperson from among the members of the complaints authorization committee. It is possible therefore that a complaint against a CA licensee would be dealt with by a complaints investigation panel that would not have any CAs on it and that is not chaired by a public representative.

The proposed Act contains a provision in s. 23(4) that all complaints referred to the disciplinary panel will be heard by an adjudication tribunal consisting of 3 person appointed by the chair of the disciplinary panel of whom 2 shall be CGAs and 1 shall be a public representative. Accordingly, there would never be a disciplinary panel on which any CA licensees would serve.
Consistent with the recommendation that the board be the oversight body and not the licensing body, sections 23 to 39 of the proposed Act should be deleted.

**Recommendation:**

The Sections 23 to 39 should be deleted. Consistent with the proposal that the board be an oversight body that sets the standards that the licensing bodies must meet, including rules of professional conduct, complaints investigation and disciplinary processes, the standards for each could be set out in the regulation(s) adopted by the board under the Act. The Uniform Public Accounting Regulation should be adopted, with appropriate modification (i.e. the Uniform Public Accounting Regulation provides for an appeal committee of the licensing body whereas the proposed Act indicates that appeals would be made to the Trial Division of the Supreme Court of Newfoundland).
From: Faseruk, Alex [mailto:afaseruk@mun.ca]  
Sent: Monday, August 03, 2009 12:46 PM  
To: OBrien, Alanna  
Subject: PALB

Hi Alanna:

Thank you for forwarding the proposed Public Accountancy Act to me. I forwarded to the Board and we discussed it at our meeting of the Board on July 17th. I had also forwarded it to the three designated accounting bodies for their input.

We referred the Act to our Legal Committee which met on July 30th and will be meeting again on August 24th to draft a response. The Board will meet again on September 11th at which time we will finalize a response to Government and forward it to you shortly thereafter.

I am forwarding the CGA response to you and will in a separate email forward to you the CA response. The CMAs have yet to draft a response but are in the loop with each iteration.

While the Board will in all likelihood not address all the issues of these organizations, I do want to draw your attention to some of the more salient points that are in their responses and will in all likelihood be part of our response.

Some of these matters are simply housekeeping. For example, the Act allows incorporation of accountants in 14 but forbids a corporation to practice as a public accountant in section 42. Section 42 should obviously be deleted as it mirrors what was in our previous legislation before incorporation was allowed.

Some items in the proposed Act need some tweaking. For example, all the accounting bodies and the current Board agree that the Chair of the Board should be a public representative and not from one of the accounting bodies. This would be necessary to maintain the independence of the Chair and maintain the integrity of the Board. Having the Chair from an accounting body will only lead to unnecessary problems that can be easily avoided.

9/17/2009
There are two major issues that significant attention.

The first deals with the scope of legislation including a meaningful and relevant definition of public accounting. I will also forward a synopsis of public accounting from other jurisdictions to put this in context. There will be significant input by the Board on this matter.

The second issue deals with the purpose of the Board. The regulation of accounting poses an interesting problem for Government as three bodies may sponsor members, CA, CGA and CMA. I don't believe that you have this in other professions. The medical association is only one that can bring forth medical practitioners, dental for dentistry and pharmacy for pharmacists. In these situations licensure and discipline make sense. But is the same true for public accounting, a subset from these three bodies?

The CAs, CGAs and CMAs all have disciplinary committees within their legislation. Should discipline, specifically Sections 23–39, also be in our Act? The accounting bodies feel no as this will be a duplication of what they have already done. They pose concerns and cogent argumentation that will be incorporated into our Board's submission.

Overall, the accounting bodies feel discipline (23–39) is a duplication of their efforts and that the PALB should be an oversight Board: to license or not to license based on the recommendation of the accounting bodies.

From the principles of natural justice, doesn't the proposed legislation constitute a second trial on a same charge?

This duplication would mean that we would have another committee wherein we would be getting very thin in who could be appointed to it. For example, the PALB already has three CMAs on it but only four licensees are drawn from the CMAs. If we have more CMAs on a discipline committee, we would have more CMAs on committees than licensees which does not appear to be efficient.

So, I am giving you a heads up on what may transpire and forwarding information to you that hopefully will help in bringing the Act to fruition.

Alex
July 29, 2009

Dr. Alex Faseruk  
Public Accountants' Licensing Board  
c/o Faculty of Business  
Memorial University  
St. John's, NL A1B 3X5  

Dear Alex,

CGA Newfoundland and Labrador has completed its review of the proposed Public Accountancy Act and would like to put forward the following comments for the Board's consideration.

Due to the short time period to review this document, our comments are not all inclusive but are intended to offer our opinion on matters that the Association feels are of utmost importance to our members. A copy of provincial legislative comparisons as it relates to public accounting prepared by CGA Canada was provided to you at your meeting. Should you require an electronic version, please advise.

I enjoyed meeting with you and your Board on July 17th and look forward to working with PALB during your legislation review process should you require any further assistance from CGA Newfoundland and Labrador.

Sincerely,

Brenda L. Rose, BAccS, CGA  
Past President

Enclosure
DRAFT PUBLIC ACCOUNTING LICENSING BILL ANALYSIS

CGA Newfoundland and Labrador has been pleased with the governance and activities of the PALB since its creation. The current governance model has been successful in regulating public accounting in the Province and protecting the public interest. We would be fully in support of any legislative amendments which build on the current strengths of the PALB.

We thank the PALB for providing a draft of the Act to us for our review. We do have some comments on the current draft of the revised Act.

We believe that the key enhancements required to the PALB’s current legislation are:

• The explicit inclusion of review engagements under the definition of public accounting.

• Increased penalties for individuals and entities who are providing public accounting services to the public but who have not been licensed by the PALB.

We do have some concerns about the draft provided to us. These concerns are:

• Potential conflicts and overlap with the Acts of the 3 professional accounting bodies. It is our position that the PALB should continue to focus on the licensing of public accountants who are recommended to the PALB by their respective accounting body.

• We believe that review engagements should be included within the scope of public accounting. It appears that this may be the case in the current Act.

• The disciplinary process outlined in the draft Act is of significant concern as there is the potential for significant duplication and overlap with the disciplinary process found in each of the Acts of the three accounting bodies. The potential for simultaneous investigation of the same issue by multiple entities is of great concern. A criminal and/or civil case related to a complaint made to the PALB and an accounting body could further complicate the disciplinary process for all parties involved.

• The Acts of the three accounting bodies currently include provisions related to incorporation of members similar to what is contained in the draft PALB Act. We believe that this issue is sufficiently addressed in the Acts of the accounting bodies and that there does not need to be any mention of it in the PALB’s Act.
We also offer the following comments on specific clauses in the draft Act:

Sections 1(c)i & ii

A review of these sections suggests that while not specifically mentioned, review engagements may fall under the authority of the PALB to regulate. It is our understanding that there has been a shift by many companies to have reviews conducted instead of audits. We are fully in support of having review engagements fall under the auspices of the PALB. It would be preferable to clearly specify that review engagements would be included in the definition of public accounting.

Section 3

This section should refer to members appointed by their respective accounting body rather than elected.

Appointments in year 1 should be staggered for better succession, similar to subsection 23(5)

Section 3(4)

The success of the current governance model suggests that having the Chair be one of the independent public representatives appointed by the Province should be continued. Based on our comments on other sections of the Act we feel that the Registrar should also be an independent member. Alternatively if the Chair and Registrar are selected from members appointed by one of the three accounting bodies, there should be a rotation between the three bodies.

Section 3(5)

Consideration should be given to having a position of vice chair rather than having the Chairperson appoint an acting chair in the absence of the Chair. Alternatively the by-laws should specify the process of selecting an acting chair in the absence of the Chair. To be consistent with our comments on section 3(4), we suggest that the remaining independent representative by appointed vice-chair.

Section 3(6)

We agree with this provision. This section should help alleviate some of the existing problems with the PALB representation.

Section 3(8)

To be consistent with the comments offered on Section 3, the organization that appointed the elected member should appoint any replacements in the case of the resignation, incapacity or inability to perform the duties.
Section 5(5)

The Auditor General should continue to remain the auditor of the PALB. The Office of the Auditor General is independent of the 3 accounting bodies. There could be a conflict of interest if there is an issue with a license or the PALB is required to investigate or discipline a public accountant who's firm is the auditor of the PALB or where an elected member of the PALB or a member of the disciplinary panel is employed by a firm who is subject to a licensing, investigation or disciplinary action by the PALB. The number of registered public practitioners in the province and the concentration of these public practitioners in a relatively small number of firms contribute to the potential for a conflict to occur.

Section 7(c)

Consistent with our comments on section 3 we feel that an election is not required and that the reference to "elected" should be replaced by appointed. As a result there would be no need to provide clauses that deal with an election. We would also object to the election process being governed by PALB by-laws as this process should be determined by each respective accounting body.

Section 7(f)

The Acts of the 3 accounting bodies also require those bodies to have a code of ethics. The requirement to have the PALB to establish its own code of ethics may be very problematic as the PALB's code may differ from that of one, and possibly all, of the accounting bodies. Based on the requirements to have a code of ethics in each of the three accounting bodies acts, we do not feel that it is necessary to have this requirement in the PALB's legislation. The PALB may, however, need a code for the members of the Board to govern such things as confidentiality and conflict of interest.

Section 7(2)

Consideration should be given to requiring the PALB to notify the 3 accounting bodies of any proposed by-law changes. Any proposed by-law changes could have a significant impact on the bodies and each should receive notification and be given an opportunity comment on proposed amendments.

Section 9

The Association agrees with the current model of having the applicant's respective accounting body recommend a member to the PALB should be continued.

Section 9(2)

Clarification of this section is required as the purpose of the PALB is to regulate public accountants who are providing services to the public. A person or accountant who is not providing services to the public would not need to be registered with the PALB. It may be more appropriate to specify that instances where someone is registered but is not signing a report (e.g. where that person is an employee only) does not require proof of insurance. In such cases the partner or firm would be required to have sufficient insurance.
Section 12 Addition

Similar to subsection 9(2) a person renewing their license should be required to provide proof of professional liability insurance coverage in a form and amount satisfactory to the board.

Sections 13 to 20

There is a fair degree of overlap with the similar provisions of the Acts of the accounting bodies. While some clauses or variants thereof would appear necessary, overall the role of the PALB would appear to need further consideration.

Section 23(1)

This section is a concern as it could result in having members of an accounting body other than that of the public accounting being investigated involved with the investigation. As each body has its own code of ethics and public practice standards, representatives of other bodies may not be in the best position to investigate any complaints.

Disciplinary Sections (23 to 39)

There is considerable duplication and overlap with the Acts with the disciplinary sections of the acts of the accounting bodies. The focus of the PALB should be on licensing with the investigation and discipline remaining with the accounting bodies. A clause requiring the accounting bodies to notify the PALB where it commences disciplinary action against a member registered with the PALB should be required. Likewise, since the licensee must be in good standing with the relative accounting body, the accounting body should be notified of complaints made directly to the PALB. As well the PALB should be notified when a member of one of the three bodies is being investigated for providing public accounting without being registered with the respective accounting body and/or the PALB. The PALB should also be allowed to be informed of the status results of the disciplinary action. A member of the accounting bodies should not be allowed to register with the PALB without the prior authorization or recommendation of the applicable accounting body.

We are concerned that there would be instances where the both the PALB and the applicable disciplinary body of one of the accounting bodies would be conducting simultaneous investigations on the same complaint. This will result in unnecessary costs to the respondent and likely confusion for the complainant. Such investigation may be further complicated if there are also civil or criminal legal proceedings.

The disciplinary sections of the PALB should focus on instances were an activity regulated by the PALB, such as the issuance of an audit opinion is undertaken by an individual or entity who is not licensed under the Act and in particular is also not a member of one of the three professional accounting bodies.

Section 23(4)

The public accountants appointed to the disciplinary board should be appointed by the 3 respective accounting bodies. The size of this board is also concern as, in addition to the PALB, each of the accounting bodies also have a board and separate disciplinary board and thus finding the number of individuals that would be willing to fill all these positions may prove to be a challenge.
Section 40

There is some overlap with the provisions of the Acts of the 3 accounting bodies. As a result there may be inconsistencies and incompatibilities.

Section 42

This section conflicts with Sections 14 to 20 which allow a corporation to practice as a public accountant. This section should be deleted.
From: Carole Presseauault [mailto:cpresseault@cga-canada.org]
Sent: Thursday, September 18, 2008 9:15 AM
To: Faseruk, Alex
Cc: wrogers@frc.nf.ca
Subject: PALB

Good morning Dr. Faseruk,

Thank you for our meeting yesterday. I appreciated being brought up to speed on the issues and the openness of our discussion.

As promised attached is a document on the scope of public accounting in Canada.

Also, you will find a copy of the report "Self-regulated professions - Balancing competition and regulation" of the federal Competition Bureau at this link:


I am sure you will find its findings informative and relevant to the work of the PALB.

Please do not hesitate to contact me in the future.

Best regards,

Carole Presseauault
Vice-President, Government & Regulatory Affairs
CGA-Canada

9/17/2009
NOTE: MS Word 2007 (.docx), MS Excel 2007 (.xlsx) and MS PowerPoint 2007 (.pptx) attachments. If you are unable to read these attachments and use an earlier version of MS Office, please contact your system administrator or visit www.microsoft.com for information about Microsoft Office Compatibility Pack for Word, Excel, and PowerPoint 2007 File Formats.


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9/17/2009
<table>
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<tr>
<th>PROVINCE/TERRITORIES</th>
<th>GOVERNING LEGISLATION</th>
<th>DEFINITION OF “PUBLIC ACCOUNTANCY/PUBLIC ACCOUNTANT”</th>
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</table>
| Alberta              | The Regulated Accounting Profession Act, R.S.A. 2000 c. R-12. | Subsection 1(oo) of the Regulated Accounting Profession Act states that:  

“Public Accounting Practice” means the offering to provide one or more of the following services to the public:  

i. an assurance engagement;  

ii. a specified auditing procedures engagement;  

iii. a compilation engagement;  

iv. accounting services;  

v. forensic accounting, financial investigation or financial litigation;  

vi. advice about or interpretation of taxation matters, information filing, if prepared in conjunction with any service referred to in subclauses (i) to (v).  

The conduct of a review engagement is a type of assurance engagement, and thus is caught by the definition of public accountancy. |
| British Columbia     | Certified General Accountants Act, R.S.B.C. 1996 c.2.; Chartered Accountants Act, R.S.B.C. 1996, c.3; and Management Accountants Act, R.S.B.C. 1996, c.4. | The Certified General Accountants Act, the Chartered Accountants Act, and the Management Accountants Act of the Province of British Columbia do not provide definitions of public accountancy. Such definitions, are, however, provided within the By-Law and Rules of Professional Conduct made pursuant to these Acts.  

Section 100 of the By-Laws of the Chartered Accountants of British Columbia stipulates: |
"Practice of Public Accounting" means providing or offering to provide one or more of the following services to the public:

ii. performing a specified auditing procedures engagement as defined in the CICA Handbook;

iii. performing a compilation engagement as defined in the CICA Handbook;

iv. providing an accounting service insofar as it involves summarization, analysis, advice, counsel or interpretation, but excluding an accounting service which is part of but incidental to the providers primary occupation which is not accounting;

v. providing a forensic accounting, financial investigation or financial litigation support service;

vi. providing advice, counsel or interpretation with respect to taxation matters; and

vii. preparing a tax return or other statutory information filing when such preparation is in connection with a practice offering or providing a service described in paragraph (i), (ii), (iii), (iv), (v) or (vii).

For greater certainty, the practice of public accounting does not include:

viii. management consulting, including investigating and identifying management and business problems related to the policy, technical, organizational, operational, financial, systems;

ix. insolvency, including receivership, trusteeship in bankruptcy, liquidation and administration of bankrupt or insolvent companies and estates;

x. data processing, including manual record keeping;
xi. administratorship, insofar as it involves the management of affairs on behalf of others;

xii. computers systems consulting;

xiii. business brokerage, negotiating and advising on the sale, financing, merger or acquisition of business organizations;

xiv. executorship and estate administration;

xv. personal financial planning;

xvi. investment counselling;

xvii. insurance counselling; and

xviii. valuation.

The conduct of a review engagement falls within the purview of an assurance engagement.

The By-Laws of the Certified Management Accountants Society of British Columbia provide in section 1 that:

“Practice of Accounting” or “Practice of Accountancy” or “Practice of Public Accounting” means the application of acquired skills to the affairs of others for a fee, excluding activities related solely to bookkeeping, cost accounting or the installation of systems or procedures relative thereto, and shall include the following:

a. the performance of services including preparing, signing, delivering or issuing any financial, accounting or related

b. the issue of any written opinion, report or certificate concerning any such statement whereby reason of form, signature, or wording it is indicated that the statement, opinion, report or certificate purports that the issuer is acting as an independent accountant or auditor or has expert knowledge in accounting or auditing matters,
c. accounting, insofar as it involves analysis, advice or interpretation in an expert capacity, but excluding such activities where the application of the required skills in incidental to the expert's primary occupation, and
d. advice and counselling in an expert capacity insofar as it involves taxation but excluding mechanical processing or

A review engagement falls within the scope of signing a financial, accounting or related statement, and constitutes a written opinion of assurance.

The Code of Ethical Principles and Rules of Conduct of the Certified General Accountants of British Columbia defines the practice of public accounting in the Definitions Section in the following manner:

a. offering to perform or performing for a client one or more types of professional services involving the use of accounting or auditing skills or the furnishing of tax services. A member who is "employed" in the practice of public accounting is not considered to be "engaged" in the practice of public accounting.

This definition is very broad, and would easily encompass a review engagement.

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<td>The Chartered Accountants Act and the Certified General Accountants Act of Manitoba do not provide definitions with regard to what comprises public accountancy or a public accountant.</td>
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<td></td>
<td>In the By-Laws of the Chartered Accountants of Manitoba, subsection 103(w) provides as follows:</td>
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<td></td>
<td>&quot;Practice of Public Accounting&quot; means providing or offering to provide one or more of the following services to the public:</td>
</tr>
<tr>
<td></td>
<td>i. performing an assurance engagement as defined in the</td>
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CICA Handbook;

ii. performing a specified auditing procedures engagement as defined in the CICA Handbook;

iii. performing a compilation engagement as defined in the CICA Handbook;

iv. performing an accounting service insofar as it involves summarization, analysis, advice, counsel or interpretation, but excluding an accounting service which is part of but incidental to the provider’s primary occupation which is not accounting;

v. providing a forensic accounting, financial investigation or financial litigation support service;

vi. providing advice, counsel or interpretation with respect to taxation matters; and

vii. preparing a tax return or other statutory information filing when such preparation is in connection with a practice offering or providing a service described in paragraph i., ii., iii., iv., v. or vii. For greater certainty, the practice of public accounting does not include:

viii. management consulting, including investigating and identifying management and business problems related to the policy, technical, organizational, operational, financial, systems, procedures or administrative aspects of organizations and recommending appropriate solutions;

ix. insolvency, including receivership, trusteeship in bankruptcy, liquidation and administration of bankrupt or insolvent companies and estates;

x. data processing, including manual record keeping;

xi. administration, insofar as it involves the management of affairs on behalf of others;
xii. computers systems consulting;

xiii. business brokerage, negotiating and advising on the sale, financing, merger or acquisition of business organizations;

xiv. executorship and estate administration;

xv. personal financial planning;

xvi. investment counselling;

xvii. insurance counselling; and

xviii. valuation

The conduct of a review engagement falls within the purview of an assurance engagement, and thus included in the practice of public accounting.

The Code of Ethical Principles and Rules of Conduct of the Certified General Accountants of Manitoba states as follows in the Definitions Section:

“Public Accounting” means performing or offering to perform as an independent contractor or as a principal of a firm, whether for reward or not, any service that a Certified General Accountant is bound to perform in compliance with the professional standards set out in Rule 304. A member who is “employed” in the practice of public accounting is not considered to be “engaged” in the practice of public accounting.

The Certified General Accountants of Manitoba Code of Ethical Principles and Rules of Conduct goes on to define public practice:

“Public practice” means offering to perform or performing for a client other than as a barrister or solicitor:

a. one or more types of professional services involving the use of accounting or auditing skills, or
b. one or more types of management advisory or consulting services, or

c. the furnishing of advice on tax matters, or

d. any such other service as may, from time to time, be recognized by the Association.

Rule 304 of the Certified General Accountants of Manitoba Code of Ethical Principles and Rules of Conduct referred to above in the definition of "public accounting" stipulates:

Members shall adhere to acknowledged principles and standards of professional practice. The phrase "acknowledged principles and standards" expresses a wide meaning, namely that bodies of principles and practices which have been generally adopted by the profession and which are applied in the preparation of financial statements, taken together with the requirements of any governing statutes, subject to (f) below. That is, a member shall adhere to:

a. generally accepted accounting principles and financial reporting and must departure from these principles as fully disclosed;

b. generally accepted auditing standards or general review standards in an attest engagement;

c. accounting and auditing practices recommended by the Association, including those found in:

i. the course of studies;

ii. services offered by the Association;

iii. the CGA-Canada Public Practice Manual; and

iv. the CICA Handbook;
d. accounting and auditing practices that differ from those recommended by the Association, provided that there is

e. accounting and auditing practices not specifically dealt with by the Association but which were otherwise generally accepted; and

f. requirements of any governing act or regulation, providing, however, in the event that there is a conflict between the accounting and auditing standards of the profession and a specific statutory or regulatory requirement, a member shall make appropriate qualification in the report.

A review engagement is a type of attest engagement, and therefore within the scope of public accountancy.

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Newfoundland

*Public Accountancy Act, R.S.N. 1990, c. P-35*

A "public accountant" is defined in subsection 2(d) of the *Public Accountancy Act* as:

1. a person who, either alone or in partnership, engages for reward in public practice involving:

   i. the performance of services which include the auditing of accounts and the preparing, signing, delivering or issuing, of a financial, accounting or related statement, and

   ii. the issue of a written opinion, certificate, report or statement of the public accountant as to the correctness, fairness, completeness or reasonableness, or otherwise of a financial, accounting or related statement where, because of the circumstances, or of the signature, stationary or wording employed it is indicated that the person or partnership purports to act in relation to the opinion, certificate, report or statement as an independent accountant or auditor, or as a person or partnership having or purporting to have expert knowledge in accounting or auditing matters, to the intent that the opinion, certificate, report or statement of the public accountant shall add to or detract from the credibility of acceptability of the financial, accounting or related statement in respect of which it is made, but does not include a person who engages only in bookkeeping, business or cost systems or who performs accounting or auditing functions exclusively in respect of a
Thus, as a written opinion of assurance includes a review engagement, the scope of public accountancy in the province of Newfoundland may be read to include the performance of review engagements.

Note, however, that in a letter dated March 13, 2003, to the Newfoundland Certified General Accountants, the Minister of the Department of Government Services and Lands for the Government of Newfoundland and Labrador commented on proposals for changes to the Province’s accounting legislation and concluded, in part, as follows:

We are not convinced that restricting the practice of review engagements to only those licensed under the Public Accountancy Act is in the public interest. We believe it will add unnecessary cost to small businesses, particularly in rural areas, and unnecessarily restrict competition. Review engagements are not performed for publically traded companies, and as private company owners seem to be satisfied with the work performed, we see no need to add regulation in this area. We note that third party users, such as lending institutions and Canada Customs and Revenue Agency, often accept review engagements performed by non-licensed public accountants, and my Department has never received a complaint from users of these review engagements. Therefore, we will not be amending legislation to require accountants performing review engagements to be licensed by the Public Accountants Licensing Board.

Thus, the Government of Newfoundland and Labrador will not require those performing review engagement to be licensed.

<table>
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<tr>
<th>New Brunswick</th>
<th><strong>Certified General Accountants Act</strong>, R.S.N.B. 1986, c. 86; and <strong>Chartered Accountants Act</strong>, R.S.N.B. 1998, c. 53.</th>
<th>Section 2 of the New Brunswick Institute of Chartered Accountants By-Laws provides the following guidance:</th>
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<td>“Practice of Public Accounting” means carrying on public practice in one or more of the following functions:</td>
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i. auditing, insofar as it involves analysis, advice and interpretation in an expert capacity, but excluding record keeping and

ii. taxation insofar as it involves advice and counselling in an expert capacity, but excluding mechanical processing or returns.

This broad definition of auditing which explicitly excludes only record keeping may be read to include review engagements.

Northwest Territories
Certified General Accountants Association Act, R.S.N.W.T. 1988, c. C-1; and
Chartered Accountants Act, R.S.N.W. T. 1979, c. 16.

Section 1.01 of the By-Laws of the Institute of Chartered Accountants of the Northwest Territories stipulates that:

"Public Accountant" means a member who either alone or in partnership with others engages for reward in public practice involving:

i. the performance of services which include causing to be prepared, signed, delivered or issued any financial, accounting or related statement; or

ii. the issue of any written opinion, report or certificate concerning any such statements, whereby reasons of the circumstances are of the signature, stationary or wording employed, it is indicated that such member or partnership acts or purports to act in relation to such statement, opinion, report or certificate as a member or partnership having or purporting to have expert knowledge in accounting or auditing matters, but does not include a member who engages only in bookkeeping, or cost accounting or in the installation of bookkeeping, business or cost systems or who performs accounting or auditing functions exclusively in respect of:

a. any public authority or any commission, committee or emanation thereof including a Crown company;

b. any bank, loan or trust company,
c. any transportation company incorporated by Act of the Parliament of Canada, or
d. any other publically-owned or publically- controlled public utility organization.

A review engagement is caught by the above in s. 101(i), as well as the issuance of a written opinion providing an assurance level.

Section 5.3 of the Public Practice and Practice Review Policy of the Certified General Accountants of the N.W.T. defines public accountancy in the following manner:

Public Accounting - performing or offering to perform as an independent contractor or as a principle of a firm, whether for reward or not, any service that a Certified General Accountant is bound to perform in compliance with the professional standards set out in Rule 304. A member who is "employed" in the practice of public accounting or is an associate/contractor of a firm and does not sign off on any financial reports is not considered to be "engaged" in the practice of public accounting.

Section 5.5 of the Public Practice and Practice Review Policy states as follows with regard to what constitutes public practice:

Public Practice - offering to perform or performing for a client:

i. one or more types of professional services involving the use of accounting or auditing skills, or

ii. one or more types of management advisory or consulting services, or

iii. the furnishing of advice on tax matters, or

iv. any such other service as may, from time to time, be recognized by the Association.
Public Practice includes the preparation of financial statements, corporate tax returns, trust returns, personal tax returns and charity returns for a fee or as a volunteer.

Section 5.6 of the Public Practice and Practice Review Policy clarifies that:

You are not considered to be in public practice if:

i. you are employed by a public practice firm,

ii. you are acting in the capacity as an officer or a director of a volunteer organization.

iii. you are solely providing bookkeeping services that do not involve the preparation of financial statements (to trial balance only), if bookkeeping involves even the preparation of internal financial statements, then the member will be required to pay a registration fee and obtain professional liability insurance,

iv. you are solely providing casual personal tax services without a fee.

This broad definition of public accountancy would include review engagements.

Nova Scotia

Public Accountants Act,
R.S.N.S., c. 369.

Subsection 2(1) of the Public Accountants Act of Nova Scotia provides as follows:

a. “Public Accountancy” means the investigation and audit of accounting records in preparation and reporting on balance sheets, profit and loss accounts and financial statements:
b. "Public Accountant" means a person who carries on a public accountancy practice as his principle means of livelihood, and who in connection with that practice offers his services for reward to members of the public, along or in partnership with others. Further, subsection 2(2) of the *Public Accountants Act* clarifies that:

(2) This Act does not affect a person who carries on the business of public bookkeeping and who does not perform any of the acts or functions of public accountancy.

This definition of public accountancy is ambiguous, and may be read as either including or excluding review engagements. The courts of Nova Scotia have provided no guidance in this regard. Given the inclusive nature of definitions of public accountancy in the other jurisdictions of Canada, it is unlikely that it would be read to not include review engagements.

The new "Interpretations to Accompany the Standards of Educational and Other Qualifications Required of Applicants for a License Under Section 6(d) of the *Public Accountants Act*" provides clarification for activities encompassed within the definition of "Public Accountancy" under section 2(1)(a) of the *Public Accountants Act*. The Interpretations state that the "investigation and audit of accounting records in preparation and reporting on balance sheets, profit and loss accounts and financial statements" is deemed by the Public Accountants Board of the Province of Nova Scotia to include the conduct of assurance activities including but not limited to, audits and review engagements. For greater clarity:

a. Assurance refers to the Public Accountants satisfaction as to the reliability of an assertion made by the client in its financial statements. A financial statement assertion is a representation made by the client's management about the existence, occurrence, completeness, ownership, valuation, measurement, or presentation of information to users of the financial statements. To provide assurance to users, Public Accountants perform procedures and provides the
communication that is attached to the front of the information. The level of assurance which can be expressed in the communication varies depending on the nature of the engagement. b. Attest engagements are a subject of assurance engagements and the standards for attest engagements are assumed under the standards for assurance engagements. The term "attest engagements" is used to describe those engagements where an auditor issues a written communication expressing a conclusion regarding a written assertion prepared by a party responsible for that assertion.

Some examples of engagements that belong in this category are:

i. reports on internal control

ii. reports on financial information other than financial statements

iii. reports on future-oriented financial information

iv. reports on compliance with statutory, regulatory or contractual obligations

c. In an audit engagement, Public Accountants provide a reasonable level of assurance that the information subject to audit is free of material in this statement, or error, and is in accordance with the framework of accepted reporting criteria, which is usually generally accepted accounting principles. This is achieved by performing audit procedures that comply with generally accepted auditing standards. If the objective of the audit is met, reasonable assurance is expressed in the auditor’s report by the expression "...these financial statements present fairly, in all material respects, the financial position...".
### Ontario

**Public Accounting Act, 2004**

2. (1) For the purposes of this Act and subject to any limitations that are prescribed, the practice of public accounting means providing, on a basis that is independent of the person for whom the services are being provided, either of the following services:

1. Assurance engagements, including an audit or a review engagement, conducted with respect to the correctness, fairness, completeness or reasonableness of a financial statement or any part of a financial statement or any statement attached to a financial statement, if it can reasonably be expected that the services will be relied upon or used by a third party.

2. Subject to subsection (3), compilation services, if it can reasonably be expected that all or any portion of the compilations or associated

---

d. In a review engagement, a Public Accountants objective is to assess whether the information is plausible within the framework of accepted reporting criteria, which is usually generally accepted accounting principles. Review procedures consist of inquiry, discussion and analysis. These procedures provide only limited assurance that the information subject to review is free of material in this statement. If the objective is met, this limited assurance is expressed in a review engagement report by the statement than nothing have come to the Public Accountants attention to suggest the financial statements are not materially in accordance with generally accepted accounting principles.

This interpretation explicitly clarifies that review engagements fall within the conduct of assurance activities.

Note that debate exists within Nova Scotia as to whether subsection 2(1) of the Public Accountants Act includes review engagements. In this regard, the Interpretations of the Public Accountants Board of the Province of Nova Scotia which specifically include review engagements within the purview of the definition of public accountancy have been critiqued as *ultra veris.*
materials prepared by the person providing the services will be relied upon or used by a third party.

Inclusion of opinion in assurance engagements
(2) Assurance engagements described in paragraph 1 of subsection (1) may or may not include the rendering of an opinion or other statement by the person who is providing the services.

Exception to public accounting
(3) If the compilations or associated materials prepared by the person in providing compilation services that otherwise fall within paragraph 2 of subsection (1) contain a notice in the prescribed form that provides that any assurance given by the person is limited to the accuracy of the computations required in order to complete the compilation, the provision of the compilation services does not constitute public accounting for the purposes of this Act.

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<th>Province</th>
<th>Act</th>
<th>Description</th>
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| Prince Edward Island | Public Accounting and Auditing Act, (CHAPTER P-28.1) | (i) “practice of public accounting” means providing or offering to provide one or more of the following services to the public:  
   (i) performing an assurance engagement as defined in the CICA Handbook,  
   (ii) performing a specified auditing procedures engagement as defined in the CICA Handbook,  
   (iii) performing a compilation engagement as defined in the CICA Handbook,  
   (iv) providing an accounting service insofar as it involves summarization, analysis, advice, counsel or interpretation, but excluding an accounting service which is part of, but incidental to, the provider’s primary occupation which is not accounting,  
   (v) providing a forensic accounting, financial investigation or financial litigation support service,  
   (vi) providing advice, counsel or interpretation with respect to taxation matters when such advice, counsel or interpretation is in connection with a practice offering or providing a service described in clauses (i) to (v),  
   (vii) preparing a tax return or other statutory information filing when such preparation is in connection with a practice offering or providing a service described in clauses (i) to (v); |
<p>| Québec         | Bill 46 (2007, chapter 42) An Act to amend the Professional | 4. Section 19 of the Chartered Accountants Act (R.S.Q., chapter C-48) is replaced by the following section: |</p>
<table>
<thead>
<tr>
<th>Code and the Chartered Accountants Act in respect of public accountancy</th>
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<td>&quot;19. The practice of public accountancy consists in (1) expressing an opinion to provide a level of assurance about a financial statement or any part of a financial statement, or about any other information related to the financial statement; this corresponds to an assurance engagement, which comprises the performance of both an audit engagement and a review engagement, as well as the issue of special reports; and (2) issuing any form of certification, declaration or opinion in respect of information related to a financial statement or to any part of a financial statement, or in respect of the application of specified auditing procedures with respect to financial information, other than financial statements, neither being intended exclusively for internal management purposes.&quot;</td>
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Neither the Chartered Accountants Act nor the Certified General Accountants Act of Saskatchewan provide a definition as to what constitutes public accountancy or a public accountant. These definitions are specified in the By-Laws made pursuant to these statutes, as well as the Codes of Ethical Principles of these bodies.

Subsection 2(1)(r) of the By-Laws of the Institute of Chartered Accountants of Saskatchewan provides as follows:

"Practice of Public Accounting" means providing or offering to provide one or more of the following services to the public:

i. performing an assurance engagement as defined in the CICA Handbook;

ii. performing a specified auditing procedures engagement as defined in the CICA Handbook;

iii. performing a compilation engagement as defined in the CICA Handbook;

iv. providing an accounting service insofar as it involves summarization, analysis, advice, counsel or interpretation, but excluding an accounting service which is part of but incidental to the provider's primary occupation which is not accounting;

v. providing a forensic accounting, financial investigation or financial litigation support service;

vi. providing advice, counsel or interpretation with respect to taxation matters; and

vii. preparing a tax return or other statutory information filing when such preparation is in connection with a practice offering or providing a service described in paragraph i., ii., iii., iv., v. or vii.

ix. management consulting, including investigating and
identifying management and business problems related to
the policy, technical, organizational, operational, financial
systems, procedures or administrative aspects of
organizations and recommending appropriate solutions;

ix. insolvency, including receivership, trusteeship in
bankruptcy, liquidation
and administration of
bankrupt or insolvent
companies and estates;

x. data processing, including manual record keeping;

xi. administratorship, insofar as it involves the management of
affairs on behalf of others;

xii. computer systems consulting;

xiii. business brokerage, negotiating and advising on the sale,
financing, merger or acquisition of business organizations;

xiv. executorship and estate administration;

xv. personal financial planning;

xvi. investment counselling;

xvii. insurance counselling; and

xviii. valuation

Further subsection 2(1)(u) of the By-Laws states that:

"Public Accountant" means a member conducting a practice of
public accounting for a fee.

Subsection 100(11) of the By-Laws of the Certified General
Accountants of Saskatchewan states that:
"Public Accounting" means "Public Accounting" as defined in the Code of Ethics.

The conduct of a review engagement falls within the purview of an assurance engagement, and thus review engagements are caught by the definition of the practice of public accounting.

| The Yukon          | Certified General Accountants Association Act, R.S.Y. 1986, c. 19. | The Certified General Accountants Association Act does not define the scope of public accountancy. The By-Laws of the Certified General Accountants Association of the Yukon adopt the definitions regarding public accountancy provided by their counterparts in the Province of British Columbia. |
Hi Alex,
I too do not want to get into a protracted discussion on the issue of review engagements but I do want to set the record straight.
I have an email dated Nov. 2/06 to you from Heather White and copied to Gerard Burke, Wanda Lundrigan and me referencing a meeting of Nov 2/06 attended by you, Heather, Gersd and me. Included in the email were the following areas of agreement in principle:
1. White paper changes including:
   a. Lay representation
   b. Disciplinary process change
   c. Annual reporting requirement
2. Amend act to allow ability to incorporate
3. Amend act to allow limited liability partnerships
4. Defer the issue of licensing review engagements until a later revision process
5. Explore the possibility of getting a "Public Accountant" designation
6. Explore the possibility of reducing the number of appointed board members

In addition, while I have no minutes as I do not keep them. I distinctly recall stating in several meetings over the years with representatives of the accounting associations present that this new act is only to address the White Paper issues and the issue of review engagements is a major policy issue that would have to wait for a later day. We did agree to go back to Cabinet to allow for incorporation and LLPs as this was something government agreed to some years ago.

Wins

From: Faseruk, Alex [mailto:afaseruk@mun.ca]
Sent: Wednesday, December 02, 2009 2:50 PM
To: Morris, Winston
Subject: RE: PROPOSED ACT

Wins:

I don't want to get into a protracted discussion on this point but with all the emails and letters from your department including you, Alanna, Wanda and Heather White on a variety of issues over the years (accountability & transparency/incorporation LLP), I can find only one email that ties our Act to the White Paper from Alanna O'Brien on 10/22/2007 which says that version of the Act is prepared as per the White Paper on SRO's but it does not explicitly say that these would be the only issues that would be addressed.

In an era of multi-tasking, it is not unreasonable to assume that many issues could be simultaneously addressed within a bill. From our viewpoint "to bring into line" is sufficiently vague to allow for other substantive, ancillary issues to be addressed particularly when they have an effect on the White Paper issues that are being addressed.

For the matter of review engagement, of course, you have said that it is not the time to do it without additional consultation. You have said that on many occasions. My instructions from the Board are to continue to insist upon the inclusion of reviews.
A question---Did you consider abolishing the Public Accountants Licensing Board and put the practice of public accountancy under each of the designated accounting bodies? You would avoid the duplication of discipline, the need for additional personnel to serve on committees and reduce costs. All these attributes might better serve the public with more efficiency, less duplication and lower costs.

Alex

From: Morris, Winston [mailto:WINSTONMORRIS@gov.nl.ca]
Sent: Wednesday, December 02, 2009 12:12 PM
To: Faseruk, Alex
Subject: Re: PROPOSED ACT

Alex
I have to disagree. I said to you and others several times over the past couple of years that the purpose of this revision of the act is to bring it in line with the white paper the issue of the definition of public accounting was addressed twice before and if you want it revisited it will have to wait for another time.

Wans

Sent Via BlackBerry

From: Faseruk, Alex <afaseruk@mun.ca>
To: Morris, Winston
Cc: Day, Elizabeth; Norman, David; Lake, Calvin
Sent: Wed Dec 02 11:34:47 2009
Subject: RE: PROPOSED ACT

Wans:

By now you will have read the letter to Minister O'Brien that was endorsed by the Institute of Chartered Accountants of Newfoundland and Labrador, the Certified General Accountants of Newfoundland and Labrador and the Certified Management Accountants of Newfoundland and Labrador. It goes without saying that the passage of the proposed Act is of great interest to not only the Board but also the three designated accounting bodies in our Province that are affected by our Act.

I would be remiss in saying that, since I have been Chair of the PALB, our Province has enjoyed the most cordial and cooperative relationship among the designated accounting bodies for the last 13 years. We have fostered this unique relationship that we wish to maintain with the passage of the new Act.

In turning to your email of November 24, I would immediately note exception to the contention that we have been informed many times that the purpose of the legislation is to bring the Public Accounting Act into line with Government's White Paper on the regulation of occupations.

When Allana O'Brien sent us the Act last Spring, it was the entire Act and not a piecemeal set of amendments that dealt solely with White Paper issues. We were asked for comments and we did so based on the totality of the Act.

It was only in the October meeting with Faseruk/Coombs and Morris/O'Brien that you informed us that the only issue to be discussed was the regulation of occupation issue. However, Ms. O'Brien and you still listened to our list of corrections that Mr. Coombs and I made with some of these corrections being addressed in the amended version of the Act (e.g. size of Board, intent of incorporation/LLP and editorial changes).
Other issues being addressed were acknowledged by the letter from Minister O’Brien to Ms. Rideout of our Board which clearly demonstrates that issues other than those pertaining to regulation of occupations have been addressed in the legislative review process.

In preparation for the meeting of Faseruk/Coombs and Morris/O’Brien, the Board expended a considerable amount of time in preparation for this meeting having discussed the Act at our July Statutory Meeting, meetings of our Legal Sub-Committee and a special meeting of the Board. We also consulted widely with the three designated accounting bodies on the Act to ensure that the affected parties were apprised of the proposed Act and could have input into the intent of the proposed Act.

In short, we spent thousands of dollars to conduct our review and used hundreds of person hours to draft our response of not only Board members but the designated accounting bodies. But, it was only at the meeting that we were told what was actually on the table. So, I cannot agree the “your group” was informed many times as to the purpose of the legislation.

Given that the Public Accountancy Act makes it to the legislative floor only once every 13 years, we want it to be a meaningful and significant review of our legislation. We have heard far too often this litany of “will have to wait for another time” as we have made numerous submissions to Government and have held a plethora of meeting with Government over the last 13 years at great expense in terms of dollars and person hours.

At the crux of our objections to the proposed legislation is the public accounting is not a profession and so how can the Public Accountancy Act come under the purview of the White Paper on the regulation of occupations? Public accountancy is but one service that is provided.

The Board had this discussion years ago when it attempted to negotiate an MRA under the Labour Force Mobility sections in the Agreement on Internal Trade with the provinces regulating public accounting. However, this is precisely why we need an up to date definition of public accounting to know exactly what we are trying to regulate particularly as we go into a new era of labour force mobility and face changing international accounting and auditing standards.

The Board has opined over the years that we have the power to regulate review engagements but that the wording in the current Act is sufficiently vague. We have always sought to have a legislative process to make this explicit under the Act and to grandparent in unlicensed practitioners in an equitable process to level the playing field with licensed and insured practitioners to greater protect the public interest.

As we have been unable to convince Government of the need to explicitly address this in our legislation, I will be entertaining the motion during our January Statutory Meeting that the PALB will go to the courts to let them decide the issue. In all likelihood this will be a very expensive and time consuming activity, as well as potentially embarrassing but we feel that we have no recourse. One accounting body has agreed in principle to join us in this effort and we will approach the other two bodies.

My report to the Lt. Gov. in Council on the State of the Accounts of the PALB due February 2010 will show a great expenditure of funds for legal purposes if that Board resolution is adopted.

With respect to the previously conducted public consultation processes, the Board has always maintained that these were not conducted in an optimal manner and that the results were not conveyed effectively to the (then) Liberal minister. We also do not believe that it is a significant policy issue but rather a housekeeping one given that we feel that we have the power implicitly in our Act and that we have long proposed grandparenting provisions for the existing unlicensed practitioners.
In turning to the discipline provisions of the Act, you will have read the latest letter to Minister O’Brien from the Board and the designated accounting bodies. Given our contention that public accounting is not a profession and the points outlined in my previous email, as well as the latest letter to the Minister, we suggest that a different model be adopted for the Public Accountancy Act. While the desire is to bring us in line, a cookie cutter approach might not be the best way to proceed. The Board and the three designated accounting bodies would be more than pleased to provide further input into and cooperation in drafting amendments to the Act.

In discussing the Act with the designated accounting bodies, I would point out their concerns that they already face considerable difficulty in finding members willing to serve on their existing internal committees. With their new Acts they would need to find additional members which they contend will be difficult. And, that it would be most difficult to find members to serve on both the PALB and its disciplinary tribunals. The pool of dedicated individuals who are willing to volunteer their time is very thin. Government may be overestimating the desire and capacity of people to serve.

In the meeting of Faseruk/Coombs and Morris/O’Brien, you said that the current PALB could write Board regulations for the new Board. I must inform you that the current Board has absolutely no interest in performing this function. Board members are long in the tooth and wish to be replaced in the near future.

We feel that the Act as proposed is not the ideal Act to introduce at this time without further modification. While we realize the desire of Government to pass numerous pieces of legislation at the Fall sitting and see that Government Services has many proposed, it may well be a mistake to pass the Act as it stands.

As is Government’s prerogative the Act can be passed as it is currently drafted. In the event that occurs, could you please notify us so that the current Board can either resign or be notified when the new Board is in place and our services are no longer required.

Perhaps a meeting with the Board and the designated accounting bodies is called for.

Alex

From: Morris, Winston [mailto:WINSTONMORRIS@gov.nl.ca]
Sent: Tuesday, November 24, 2009 4:43 PM
To: Faseruk, Alex
Cc: Day, Elizabeth; Norman, David; Lake, Calvin
Subject: RE: PROPOSED ACT

Alex,

Thanks for your response.

As was said to your group many times, the purpose of this legislation is to bring the Public Accountancy Act in line with the White Paper on the regulation of occupations. Is is not to deal with any other policy issues. The subject of expanding the definition of public accounting to include review engagements is a significant policy issue. Government consulted twice on this issue in the past and decided to make no changes. To review this issue again will require further consultation and will have to wait for another time.

On the issue of discipline, the only body that can discipline an individual is the body that issues the license, in your case the PALB. As was pointed out in our meeting, if the PALB receives a complaint about a licensees public accounting activities the PALB has to investigate and if the PALB takes away the individual's license the individual still hold the professional designation(CA, CGA, CMA). It is up to those organizations to determine if they want to take any further action against the individual. If one of the professional accounting organizations takes away an individual’s designation, then the PALB would automatically take away the individual’s public accountants license, as a professional designation(CA, CGA, CMA) is a prerequisite to hold a public accountants license.

I expect we will proceed to introduce the revised Public Accountants Act as drafted to the House to reflect the principles of the White Paper.

Wns
From: Faseruk, Alex [mailto:afaseruk@mun.ca]
Sent: Tuesday, November 24, 2009 4:22 PM
To: Morris, Winston
Subject: PROPOSED ACT

I wish to thank the Department of Government Services for forwarding the latest version of the draft Act following our meeting. I also wish to notify you that I am also in receipt a copy of the letter dated November 19th from Minister O'Brien to PALB member Donna Rideout who is also a member of the Board's Legal Subcommittee.

Further, I have forwarded the draft Act to the Board members and to the three designated Accounting bodies that the Board serves.

While we are pleased that several amendments were made following our meeting, we realize that these amendments were mostly editorial with only rudimentary structural changes. Accordingly, it is the opinion of the Board and the designated Accounting bodies that the Act is still far from what we envisioned. The draft Act would impose very stringent economic and bureaucratic conditions on the Board which do not reflect the reality in which the Board operates. While it greatly increases the responsibilities of the Board in the area of discipline, it does not explicitly grant the power to regulate the most important aspect of public accounting in Newfoundland and Labrador today, which is the question of reviews.

From Minister O'Brien's letter to Ms. O'Brien, we gather that the intention of the Minister is to enact the seventh and last piece of legislation for SROs under his purview given that the other sixth have been enacted reflecting the principles of the White Paper. Unfortunately, this intent is neither the intent of the Board nor of the designated Accounting bodies that we serve. Our intent would be to have an Act passed that addresses the key issues of public accounting, broadens the scope of the definition of public accounting and establishes the Board as an oversight board without the plethora of duplicated and, in our view, superfluous power. Our intent is to protect the public in the area of public accounting.

Dealing with the scope of public accounting, we were disappointed in the meeting with you to hear that this issue has not been included in the legislative process at this time. I have yet to hear a cogent reason why it was not included. We are falling into the trap of Kim Campbell's assertion that an election is not the time to debate serious issues. The Board cannot support the Act going forward without the issue of reviews being addressed in the Act.

I first notified you that the Board would be bringing this forth as an issue in early 1997 shortly after my appointment as Chair. We did bring a proposed Act to Government in 1998 and have numerous meetings with Government and consultations in the interim only to be stymied on many occasions. The Board feels frustrated and ignored given that this issue has not been adequately addressed. Given that reviews are not in the Act, we feel that this is a flaw in the proposed legislation.

In dealing with disciplinary issues, we have undertaken discussion with the designated accounting bodies that have gone through a disciplinary procedure to see the scope of the discipline, the length of time and the costs involved.

For example, under 7 (f) we will be responsible for a Code of Conduct. In checking with the C.A.'s, their code of conduct is 25 pages long for public accountants. We would need to develop our own code of conduct which would need to be a consensus viewpoint of three designated accounting bodies. It would take us a significant amount of time to draft this code and revise it through discussion and consultation. However, the legislation curtails the payment of Board honoraria. I doubt that you would find anyone to serve on this Board or its sub-
committees to draw up a code of conduct and sit on disciplinary committees.

From my discussions I have also been informed that the costs of conducting the discipline can be very long and expensive given that one recent case was over $100,000. While one might argue that we are given cost recovery, it would be of little solace if the person were bankrupt or had their liability insurance expire. This has also happened in one case.

We might also have to hire experts for analysis of very difficult transactions. These analyses would be more appropriately handled by the designated accounting body.

A higher cost Board would undoubtedly mean increased licensing fees. As a result licensees may choose to leave public accountancy as happened when we last raised our fees. That curtails competition.

In Minister O’Brien’s letter he reiterated the point that you made in your meeting that the discipline is necessary if the Board were to receive a complaint that we must act on it to revoke a license. We do not have the power obviously to revoke the professional designation of the licensee.

This situation has not happened since I have been Board Chair. I have also examined the minutes of the previous Board and was unable to find a case of the nature that you described going back to 1967. Accordingly, while the scenario that the Minister and you have proposed is possible, it is highly improbable. Are we to live in a world of what if scenarios?

What has always happened is that a complaint is received by the designated accounting body. They notify the Board that a complaint is under investigation and the outcome of that investigation. Often the license lapses or is not eligible for renewal. For example, under Board regulation the licensee must maintain insurance. Failure to do so means that they cannot practice public accounting. We have issued letters to people in that circumstance. If they fail to be part of a designated accounting body, similarly they cannot practice. This is a more efficient and simple way of the Board operating.

We find this disciplinary route is what has been taken to be much more cost effective, addresses the standard business practices, is much more expedient, makes judicious use of people’s time and is not contingent upon more unpaid volunteers.

Overall, we cannot say that we are in favor of the legislation given that reviews are not addressed and the disciplinary provisions are excessive.

On behalf of the Board and the designated accounting bodies, I request another consultative meeting with the Board, designated accounting bodies and Government. We will forward a more formalized letter requesting such a meeting.

Respectfully,

Alex Faseruk

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means of this information is strictly prohibited. If you received this email in error, please delete it immediately and notify the sender.”
Churchill, Debbie

From: Churchill, Debbie
Sent: Thursday, December 17, 2009 4:26 PM
To: 'Faseruk, Alex'
Subject: Letter from Minister Kevin O'Brien
Attachments: faseruk-alex-15728.pdf

Dr. Alex Faseruk, Chair
Public Accountants Licensing Board

Dear Dr. Faseruk:

Attached please find a copy of Minister Kevin O'Brien's response to your November 26th letter.

Would you be so kind as to forward a copy to Messrs. Silver, Penney and McCormick. Thank you.

Debbie Churchill
Administrative Assistant to Honourable Kevin O'Brien
Minister of Government Services
December 15, 2009

Dr. Alex Faseruk
Chair
Public Accountants Licensing Board
E-mail: afaseruk@mun.ca

Dear Dr. Faseruk:

RE: Draft Public Accountancy Act

I refer to your letter of November 26, 2009 with respect to the new Public Accountancy Act.

I appreciate the efforts of the PALB over the past number of years, and I am certainly prepared to meet with you in the new year to discuss your issues. I will have my secretary arrange a suitable time.

Yours truly,

Kevin O’Brien
Minister

cc
Mr. Jason Silver
Chair
Institute of Chartered Accountants of Newfoundland and Labrador

Mr. Mark Penney, CMA
President
Certified Management Accountants of Newfoundland and Labrador

Mr. Trevor McCormick, CGA
President
Certified General Accountants of Newfoundland and Labrador

Mr. Winston Morris, A.D.M.
Consumer and Commercial Affairs Branch
Department of Government Services
December 15, 2009

Dr. Alex Faseruk  
Chair  
Public Accountants Licensing Board  
E-mail: afaseruk@mun.ca

Dear Dr. Faseruk:

**RE: Draft Public Accountancy Act**

I refer to your letter of November 23rd, 2009 with respect to the new Public Accountancy Act.

I appreciate the efforts of the PALB over the past number of years, and I am certainly prepared to meet with you in the new year to discuss your issues. I will have my secretary arrange a suitable time.

Yours truly,

Kevin O'Brien  
Minister

cc  Mr. Jason Silver  
Chair  
Institute of Chartered Accountants of Newfoundland and Labrador

Mr. Mark Penney, CMA  
President  
Certified Management Accountants of Newfoundland and Labrador

Mr. Trevor McCormick, CGA  
President  
Certified General Accountants of Newfoundland and Labrador

Mr. Winston Morris, A.D.M.  
Consumer and Commercial Affairs Branch  
Department of Government Services
December 15, 2009

Dr. Alex Faseruk
Chair
Public Accountants Licensing Board
E-mail: afaseruk@mun.ca

Dear Dr. Faseruk:

RE: Draft Public Accountancy Act

I refer to your letter of November 23, 2009 with respect to the new Public Accountancy Act. The purpose of the new Act is to bring legislation with respect to Public Accounting in line with the principles of the White Paper on the Regulation of Occupations. The issue of expanding the definition of public accounting to include review engagements is a policy issue, which I am prepared to discuss in the new year.

With respect to the disciplinary process, the only organization that can discipline a licensee is the organization that issues the license. Therefore, if the Public Accountants Licensing Board receives a complaint about a licensee's activities relating to public accounting, the PALB must go through the discipline process. If the PALB takes away an individual's public accountants license, the individual continues to hold a CA, CGA or CMA designation. It is certainly possible that an individual is found not to have sufficient competency to perform audits but has competency to perform other functions of a professional accountant. However, if an individual loses his/her CA, CGA or CMA designation, that individual will automatically lose his/her public accountants license, since one of the three designations is a prerequisite to hold a public accountants license.

P.O. Box 8700, St. John's, NL, Canada A1B 4J6 t 709.729.4712 f 709.729.4764
I appreciate the efforts of the PALB over the past number of years, and I am certainly prepared to meet with you in the new year to discuss your issues.

Yours truly,

Kevin O'Brien
Minister

cc Mr. Jason Silver
Chair
Institute of Chartered Accountants of Newfoundland and Labrador

Mr. Mark Penney, CMA
President
Certified Management Accountants of Newfoundland and Labrador

Mr. Trevor McCormick, CGA
President
Certified General Accountants of Newfoundland and Labrador

Mr. Winston Morris, A.D.M.
Consumer and Commercial Affairs Branch
Department of Government Services
November 26, 2009

Hon. Kevin O’Brien  
Minister of Government Services  
Government of Newfoundland and Labrador  
P.O. Box 8700  
St. John’s, NL A1B 4J6

Re: Draft Public Accountancy Act

Dear Minister O’Brien:

The Public Accountancy Licensing Board (PALB) serves an important public protection function for the people of Newfoundland and Labrador. Its role is to oversee the licensure of public accountants within the province. Through this role, investors, financial institutions, and other third parties can use the assurance provided by public accountants to help them make informed investment and lending decisions.

The Board understands the need for, and in fact welcomes, up-to-date legislation for public accountancy. However, such legislation must balance government’s need for ensuring public protection with the ability of a board to adhere and enforce the legislative requirements. Given the importance of such legislation, and its impact on the three provincial accounting regulatory bodies, the PALB felt it was essential to review the draft Act with those organizations. Upon review, it is our collective position that the proposed draft Public Accountancy Act places an onerous burden on the Board and its members.

The PALB is comprised of membership from the Institute of Chartered Accountants of Newfoundland and Labrador (ICANL), the Society of Certified Management Accountants Newfoundland and Labrador (CMA-NL), and the Certified General Accountants Association of Newfoundland and Labrador (CGA-NL). These boards, as self-regulating entities, are responsible for ensuring that their respective members adhere to the standards of the accounting profession. When infringements occur, these boards are responsible for the disciplinary process. All three boards have the necessary governance and administrative structures in place to meet these requirements.

In comparison to ICANL, CMA-NL, and CGA-NL, the PALB performs an oversight role and is responsible for licensing one service area of the accounting profession, that of public accounting. Given its role, the Board does not have, nor does it require at this time, the governance or administrative structures which currently exist in the three provincial accounting bodies. The legislation as currently drafted will now require the Board to conduct disciplinary inquiries in order to revoke a public accountant license. To do this, the Board, which is now operated solely by volunteers, will have to implement and acquire the necessary administrative structures, which would require a considerable financial investment. This in turn, means significantly increasing registration costs for the licensees. The three regulatory accounting bodies are concerned that increasing the cost
of a public accounting license may limit all but members of large national firms to being licensed. If this occurs, it will significantly reduce access to public accountants for the business and not-for-profit community in the province. As well, it is also likely that any fee increases will be passed on to clients of these public accountants, i.e., the citizens and businesses in Newfoundland and Labrador.

It is also important to note that should the draft legislation come into effect, the PALB will be required to draft a full Code of Ethics. Given that such a Code of Ethics/Conduct will be the standard by which a licensee is disciplined it must be a comprehensive document encompassing all aspects of the provision of assurance services including client relationships, advertising, independence, objectivity and relationships among licensees. Such a document will have to balance the codes of ethics and requirements for all three provincial accounting bodies which again will be a difficult task and likely, a lengthy process for a volunteer board with no paid staff members. The accounting bodies in the province are part of national accounting organizations that have spent significant resources developing codes of conduct that are in keeping with international standards. It would simply be impossible for the PALB to replicate this effort.

The PALB and the three regulatory accounting bodies fully understand the importance of disciplinary action, and want the Board to have the ability to revoke a license when an infringement occurs. However, it is our collective view, that requiring the PALB to conduct disciplinary inquiries is redundant and needlessly burdens the profession and the public. As the regulating bodies are currently legislatively required to perform the disciplinary role, it is unnecessary to require the PALB to do so as well. We suggest that the new legislation reflect the disciplinary role of ICANL, CMA-NL, and CGA-NL, and that when a regulatory body takes disciplinary action upon a licensee, the PALB can use that ruling to revoke a public accountancy license. This change would eliminate the redundancy as well as lessen the financial burden to the PALB licensees and ultimately, their clients.

Another area of concern with the proposed draft Act is the definition of public accounting. It is our collective view that the definition should be strengthened to include the review engagement function of public accounting. The financial world has changed considerably since the current Public Accountancy Act was last revised in 1996. In particular, there has been a significant movement away from the use of audit level assurance for financial statements. Changing securities regulation has led to more stringent auditing standards resulting in additional time and cost to complete an audit. This increase in cost and complexity has led many organizations to choose review level assurance over audits particularly since financial institutions are now more likely to accept review level assurance. Based on these factors the use of review engagement reports in the province has significantly increased. Newfoundlanders and Labradors are making extremely important business decisions on the basis of the assurance provided in the review engagement reports, and it is impossible to have credible and reliable financial information unless there are high standards for those preparing and reviewing the information. The present definition of public accounting is simply inadequate to address the realities of the current business environment in the province.
Finally, we also respectfully request that government further explore the possibility that the PALB is not a self-regulating entity as outlined in the White Paper on Self-Regulating Occupations, and as such, does not require self-regulating legislation, but rather legislation which recognizes the Board’s role and responsibilities. As noted above, the PALB licenses one service area of the accounting profession while the three provincial accounting regulation bodies oversee all aspects of the profession. ICANL, CMA-NL, and CGA-NL are responsible for the codes of conduct, ethics, and accounting practices, and then ensuring that members adhere to these requirements. Essentially, the PALB grants a license to enable an individual to deliver a service while the regulating bodies certify that an individual is qualified and capable to be a professional in the field of accounting.

We understand it is your intention to introduce the legislation during the upcoming Fall sitting of the House of Assembly, and we would appreciate meeting with you to outline our concerns with the draft Act. The PALB and the three regulatory accounting bodies share Government’s interest in protecting the public, which after all, is Government’s intent in having the PALB and ensuring appropriate legislation to govern it. We want to work with you to ensure that our province has strong and appropriate legislation governing public accounting in Newfoundland and Labrador.

Sincerely,

Dr. Alex Faseruk  
Chair, PALB

Jason Silver, CA  
Chair,  
Institute of Chartered Accountants of Newfoundland and Labrador

Mark Penney, CMA  
President  
Certified Management Accountants of Newfoundland and Labrador

Trevor McCormick, CGA  
President,  
Certified General Accountants of Newfoundland and Labrador
From: Faseruk, Alex <afaseruk@mun.ca>
To: Donna Rideout <drideout@waltershoffe.com>; O'Brien, Kevin
Sent: Thu Jun 10 13:36:56 2010
Subject: RE: Public Accountancy Act

Dear Kevin:

I too have been in conversation with Tashia over this issue. Tashia and I will be meeting tomorrow to discuss the issue and we plan to involve the other accounting bodies.

There are several problems here but the most salient one is that the Institute has been told that it can’t discipline its members over a licensed activity that is in the purview of the PALB.

This creates problems at the Institute is a highly professional body that is very experienced in maintaining the highest standards among its members and disciplining them when problems arise. This is also equally true for the CGAs and CMAs.

Often these investigations are very costly and time consuming but the Board has continually relied on these investigations.

Moreover, the PALB requires practice inspections be done on a 4 year cycle and that the relevant designated accounting body undertake these inspections at their expense and report to the PALB on an annual basis during the July Statutory meeting. Could we no longer require this under the new Act?

If the PALB cannot rely on these SROs to conduct their own investigations and report to us then the result would be a very, very large increase in licensing fees as the PALB would have to undertake these investigations and develop procedures. This is not easily done and borders on being nonsensical when such well developed processes are already in place.

I do not want to revisit the past, although the solution may lie in the past, but the PALB and the professional accounting associations have constantly indicated to Government that the PALB should not be treated as an SRO as what we are regulating through licensure is one activity within a profession. Licensees can perform this activity from one of three bodies.

6/10/2010
In Government’s desire to bring us into line with the White Paper, it has not incorporated our suggestions for an up-to-date definition of public accounting and once the definition is in line, then the discipline can follow in an effective and cost efficient manner that reflects the economic and business reality.

An exact definition of what is being regulated and a streamlined discipline procedure that reflects business and economic realities, while maintaining political, administrative and judicial integrity, can be accomplished through a few amendments to the Public Accountants Act.

I know that I speak on behalf of the three designated accounting bodies and the PALB when I say that we would welcome the opportunity to again advise you on these amendments.

I hope that it is also apparent that the PALB and the designate accounting bodies are not trying to avoid regulation, accountability and transparency but rather to ensure that that these lie in the appropriate locus of control so that the excellent and high collegial administration of public accounting that we currently enjoy in our Province persist into the future. Indeed we hope that some amendments would enhance and improve the process.

Might I suggest that you attend one more meeting of the Board and the designated accounting bodies which will be held on Friday, July 23. We will have our business meeting in the morning. You are invited to join us for lunch at noon in the Dining Room of the Faculty of Business Administration Building on Memorial’s campus. I will confirm the invitation with a hard copy in due course.

Thank you again for your consideration. We welcome your continued participation in this process.

Alex

From: Donna Rideout [mailto:drideout@waltershoffe.com]
Sent: Thu 6/10/2010 12:11 PM
To: kevinobrien@gov.nl.ca
Cc: Faseruk, Alex
Subject: Public Accountancy Act

Kevin,

I was just talking with Tashia Batstone who has had conversations with Wins Morris concerning the new Act.

We have what, we think, may be a very serious concern. This is in addition to other concerns we have expressed and discussed with you and your department officials. The old Act has a section 14(6) which is essentially a provision which preserves the powers of the 3 administrative bodies (CGAs, CAs and CMAs) to discipline their own members. This section, or one similar to it, is missing in the new Act. We think this is a huge concern which needs to be addressed before the Act is passed.

I am working in Labrador this week but I think it is very important that you get in touch with Tashia again to discuss this with her. I know you have been speaking with her over the past couple of days and we really appreciate your consultation. I also know that you are quite busy, but I really think this issue should be addressed before you proclaim the new Act.

Many thanks
Donna

Save a tree...please don’t print this e-mail unless you really need to.
From: Faseruk, Alex [mailto:afaseruk@mun.ca]
Sent: Tuesday, June 01, 2010 12:04 PM
To: Premier,
Subject: PUBLIC ACCOUNTANTS ACT

Dear Premier:

It was a pleasure to have had the opportunity to chat with you during Memorial’s Convocation last week.

It was fun to speculate upon the return of an AHL franchise to St. John’s recalling our glory days as members of the St. John’s Maple Leafs Board of Directors.

As you indicated that you wanted me to drop you a note, I am writing to you in my capacity as Chair of the Public Accountants Licensing Board of Newfoundland and Labrador to see if we may further advise you on how to amend the new Public Accountants Acts assented on December 22, 2009 but not yet proclaimed.

The last time that the former Public Accountancy Act (RSNL 1990 9-35) had been amended in great detail was general, 1996 c12 s7 with subsequent amendments as per the House of Assembly website noted by:

$2, 1996 c12 s1
$3, 1996 c12 s2; 1996 c14 s1
$6, R&S 1996 c14s2
$11, R&S 1996 c12s4
$14, 1996 c12 s4
$20, Rep. 1996 c12 s5
$27, 1996 c12 s6

Accordingly, it is not unusual to have a series of amendments following passage of the Act to provide the legislation with great clarity.

06/01/2010
Not only were there amendments to the Public Accountancy Act following its passage in 1996 but also to several other Acts that were captured in anomalies legislation. More often than not, these anomalies dealt with changing the wording to allow licensees under the Public Accountancy Act to conduct audits as opposed to the specification of Chartered Accountants as the purpose of the amendments to the Act was to broaden those accountants who could perform public accountancy.

Ms. Michaels, as recorded in Hansard on December 15, 2009, indicated that she was fully prepared to see amendments forthcoming in the Spring sitting of the House and that she was prepared to vote in favor of the bill with the commitment by Minister O'Brien to meet with the Public Accountants Licensing Board (PALB), as well as members from the three designated accounting bodies, namely the Institute of Chartered Accountants of Newfoundland and Labrador, the Certified General Accountants of Newfoundland and Labrador and Certified Management Accountants of Newfoundland and Labrador. The meeting took place as reported on January 21, 2010 with the PALB, the three designated accounting bodies, and Minister O'Brien who was accompanied by the Deputy Minister and the ADM. At that meeting we made known our concerns to the Minister with the substance for suggested legislative amendments prior to proclamation of the Act.

As you are aware the purpose of this Act was largely to bring the practice of public accounting in Newfoundland and Labrador into line with the White Paper of 1998 and to see that the practice fit within the scope of other self regulatory bodies within the Province. There were also some very important ancillary issues that were addressed, such as allowing the option for public accountants to operate as an incorporated entity or as a limited liability partnership (LLP). Operating as an incorporation or as an LLP was, of course, not necessary under the provisions of the 1998 White Paper but reflected the current economic circumstances and was cogently addressed by Minister O'Brien in the Second Reading of the Act on December 15, 2009 as recorded in Hansard.

The purpose of this correspondence is to further help clarify the Act through amendments to bring it more into line with standard business practices.

While the Act as it currently stands has many admirable sections that will modernize it and bring it into line with the 1998 White Paper and other accounting jurisdictions across the country, there are two notable areas that are problematic for successful implementation of the Act.

The two areas that the PALB and the designated accounting bodies foresee the Act has problematic deal with: 1. The treatment of review engagements under the Act; and 2. The potential acceptance of a designated accounting bodies disciplinary procedure to allow for the revocation of a license under the Public Accountants Act.

The area of inclusion of review engagements under the Act has long been a cause for concern for the PALB in advising Government. The PALB reconstituted in 1996 first indicated to Government that it would be seeking to have reviews specifically covered under the Act in 1997 and we did so in our brief to Government in 1998, as well in several submissions since the original in 1998. From a perusal of the Minutes of the Board dating back to 1967, this issue has long been a point of contention, particularly in the early 1980s, continuing until this very day.

The PALB advises you that it would be best to explicitly state in the Public Accountants Act that review engagements are a regulated activity and fall under the Board’s purview in either 2. c (i) or (ii) that deal with the definitions of public accounting.

As it stands, the Department of Government Services has obtained an opinion from the Department of Justice that review engagements are implicitly covered under the definition. The Institute of Chartered Accountants of
Newfoundland and Labrador and the Certified General Accountants Association of Newfoundland and Labrador have also both obtained legal opinions that the PALB does have the authority to regulate review engagements under the current definition.

The new PALB, when it is constituted, would have the authority to now require those individuals, without an accounting designation from one of the three designated accounting bodies, and not licensed by the PALB, to cease and desist from conducting review engagements. This will have the effect of creating an advertising campaign to inform people that they could no longer conduct review engagements and interested third parties such as banks that they could no longer accept them. These actions may result in legal challenges that would be costly for all parties concerned and would give the courts the ultimate authority to decide whether review engagements are indeed covered under the implicit definition currently within the Act.

As you are acutely aware, courts might not always fully understand the issues in rendering a decision.

This action of an implicit definition as opposed to an explicit definition would be in contradiction to the Department of Government Services (or Government Services and Lands as it was previously known) longstanding policy that they did not want people to lose their livelihood under the Act by including review engagements under the Act.

I would also point out that it was never the PALB’s intention to remove the livelihood. In 1998 we provided Government with a grandparent clause that would oversee this situation. A grandparent provision is not unusual for the Public Accountancy Act given that CPAs were given full practice rights in 1967 with the passage of the original Act following the 1966 Royal Commission of Public Accountancy in our Province. The 1996 Act also had a notwithstanding clause to not diminish any rights held other the previous legislation.

I would also point out that two public consultations were held on the matter of review engagements in the late 1990’s wherein the preponderance of the respondents were in favor of the PALB receiving legislative authority to regulate review engagements. The results of these public consultation processes seemed to have acquired a sophisticated interpretation when conveyed to the then Liberal administration.

Moreover, in Hansard of December 15, 2009, Ms. Michaels was concerned about review engagements being included in the Public Accountants Act and the effect that this would have on individuals in rural areas that might not have access to licensed public accountants. As it now stands with an implicit definition of review engagements in the Act, the PALB could stop these people from conducting reviews, unless an amendment is passed.

The solution to this would be to explicitly stand review engagements in the Act through an amendment to the aforementioned sections and to also insert a notwithstanding clause with a time limit of one year for people to apply to the Board for a permit to conduct review engagements as we suggested in 1998.

To recapitulate, the Board suggests that the Act be amended to add the words review engagements to section 2.c (i) or (ii) and that a notwithstanding clause be inserted with an expiry date to grandparent those individuals currently performing review engagements as a non-regulated activity. This would be efficient to administer and would address the equities of the situation.

Secondly, we suggest that the disciplinary procedures be made more explicit to explicitly state that the discipline undertaken by the designated accounting bodies be used by the Board to undertake its own discipline against a licensee to revoke the license. As it now stands, we have done this for non-renewal of licenses under administrative procedures since the PALB requires that they be a member in good standing in a designated accounting body. We did have occasion where one person still applied for a renewal of a license after ceasing to
be a member in good standing with an accounting body. We declined to issue a renewal but would have had to go through a duplicate procedure if we wanted to revoke the license prior to expiry. However, the way the disciplinary regulations are written explicit authority is not given to the Board to authorize the discipline actions of a designated accounting body. The accounting body provides the professional designation. The Board licenses those members put forth to be in public accounting.

So, the purpose of the second suggested amendment is to make it explicit, avoid duplication and be more cost/time efficient.

If the second amendment is not addressed, we would then suggest that the amount in 31(2) be increased to $100,000 as opposed to $10,000 given the deep pockets and the resources of the larger LLP for which $10,000 would not provide a sufficient deterrent.

I would point out that the PALB feels that these amendments are reasonable and justified under the business and economic conditions of the Province and would bring the practice of public accounting into line with other jurisdictions. We also feel that this would bring our Act more into line with the 1998 White Paper as one has to fully define the scope of what is being regulated, hence the need for the inclusion of review engagement which is the majority of public accounting currently being practiced in our Province. The PALB has always enjoyed the support of the three designated accounting bodies and does so on these matters as witnessed by the joint participation in the meeting of January 21, 2010 as well as in several other meetings/submissions over the year.

Should you require any other information, I would be more than willing to provide it.

Thank you.

Alex

Dr. Alex Faseruk
Chair
Public Accountants Licensing Board

06/01/2010
From: Tashia Batstone [mailto:tbatstone@icanl.ca]
Sent: Friday, October 08, 2010 2:43 PM
To: Churchill, Debbie
Subject: RE: Meeting with Minister O'Brien

Hello Debbie,

I would just like to confirm our meeting with the Minister on Tuesday October 12, 2010 at 2:00. The following individuals will be attending on behalf of the Institute.

Tashia Batstone, CA, CEO of ICANL
Dorothy Keating, CA, ICANL Vice-Chair
Eric Coombs, FCA, ICANL representative PALB and Chair of ICANL Disciplinary Panel
Jennifer Newbury, LLB, ICALN Legal Council
Alex Faseruk – Chair, PALB.

Best regards,

Tashia E. Batstone  CA, MBA
Chief Executive Officer

Chartered Accountants of Newfoundland and Labrador
Suite 501, 95 Bonaventure Ave, St. John's, NL A1B 2X5
Tel: (709) 753-7566; Fax: (709) 753-3609
e-mail: tbatstone@icanl.ca
www.icanl.ca

From: Churchill, Debbie [mailto:dchurchi@gov.nl.ca]
Sent: Friday, September 10, 2010 11:45 AM
To: tbatstone@icanl.ca
Subject: Meeting with Minister O'Brien

Ms. Batstone:

Further to our telephone conversation yesterday, please be advised that Minister O'Brien is available to meet with you on Tuesday, October 12 at 2:00 p.m. Is this convenient for you?
Debbie

Debbie Churchill
Administrative Assistant to Honourable Kevin O'Brien
Department of Government Services
729-4712

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10/12/2010
SUBMISSION OF THE PUBLIC ACCOUNTANTS LICENSING BOARD TO
THE GOVERNMENT OF NEWFOUNDLAND AND LABRADOR ON THE
PROPOSED PUBLIC ACCOUNTANCY ACT

The Public Accountants Licensing Board (PALB) expresses its gratitude to the
Government of Newfoundland and Labrador though the Department of Government
Services for providing the Board the opportunity to comment upon the draft legislation.

In order to undertake this analysis of the proposed Act, the Board’s Legal Sub-Committee
met twice during the summer of 2009 and consulted closely with all three of the
designated accounting bodies that are under the Board’s purview. The Board, as a
Committee of the Whole, also discussed the proposed legislation in detail during its
Statutory Meeting on July 17, 2009 when the matter was referred to the Legal Sub-
Committee and on September 11, 2009.

The careful analysis of the proposed legislation which follows is supported in principle
by all designated accounting bodies in our Province and reflects a consensus view of
these bodies and our Board.

History

In December 1996, a new PALB was appointed by the Lieutenant Governor in Council
following passage of an amended Public Accountancy Act and enacted into law during
the summer of 1996. The legislation governing the practice of public accounting in
Newfoundland and Labrador had been amended to allow members of two additional
accounting bodies, namely the Society of Certified Management Accountants of
Newfoundland and Labrador (CMAs) and Certified General Accountants Association of
Newfoundland and Labrador (CGAs), to practice public accounting in this Province as
long as they met the requirements set out by the Board.

The previous regime had seen only the Institute of Chartered Accountants of
Newfoundland (CAs) being allowed to practice as public accountants.

The new Board consisted of three representatives from each of these three designated
accounting bodies mentioned above along with three public representatives appointed by
the Lieutenant Governor in Council. The three public members included the Chair, the
Secretary and the Treasurer.

The PALB struck a Legal Sub-Committee in 1997. One of its tasks was to develop
regulations and set standards for licensure under the recently amended Act, and the other,
at the request of the government of the day, was to draft new legislation that would bring
our Province into line with other provinces in Canada in terms of its public accounting
practices.
The Legal Sub-Committee and the Board as a Committee of the Whole met often during 1997 to fulfill these duties. A great deal of effort and frustration attended those early meetings, but the Board was committed to and persisted in its attempts to reach consensus. In the end, the regulations which were developed and gazetted, as well as the draft Act, represented measures which were agreed upon by all three of the designated accounting bodies in our Province and which the Board felt would be the best way to satisfy its mandate and protect the public of this province. The draft legislation, which was submitted to the government in October 1997 is attached to this submission, still represents the consensus of all three designated accounting bodies. Its principles constitutes what the Board would like to see become law.

Analysis

The Board firmly feels that it is very important for Government to have the appropriate public accounting scheme in place if we want to hold the Province out to the rest of the world as being a friendly place to do business, while simultaneously discharging its mandate of protecting the public interest. We operate in a post-Enron world both Sarbanes-Oxley been enacted and International Financial Reporting Standards looming on the horizon. We wish to conduct business efficiently with limited but necessary regulation. These themes will permeate the remainder of this submission.

All public accounting engagements performed in our Province need to meet the exacting international standards of the global economy. In order to analyze the proposed legislation, we have examined three major points of contention within the Act as it is currently drafted.

1. Definition of public accounting
2. Disciplinary clauses in the proposed Act
3. Composition of the Board.

1. DEFINITION

The proposed Act contains a definition of public accounting which may or may not include review engagements, and even compilation reports, depending upon interpretation. The Board would argue that this statement in itself should be enough to raise concerns about the definition that appears in the proposed legislation.

In the analysis of the bill put forth by the CGAs, they comment that it may cover review engagements. Ambiguity is unnecessary. The Board contends that review engagements should be explicitly included in the definition of public accounting. Review engagements are specifically included in the legislation of several provinces and have been judicially interpreted to be included in others.
The following provides a synopsis of the regulatory regime in other jurisdictions in Canada:

**Ontario**

A public accounting license is required to perform both audits and review engagements. The licenses are issued by the Public Accountants Council ("PAC"). Much like the PALB, the PAC provides the various rules under its enabling legislation and regulates the issuance of licenses. Their Act requires that the standards administered by the PAC adopt, maintain and increase (as required), standards for public accounting licensing that are internationally recognized and respected.

**British Columbia**

There is no definition of public accounting in the enabling legislation of the three designated accounting bodies in BC, but the definition is found in the regulations and by-laws pursuant to all three of their Acts. The CA Act specifically includes both review engagements and compilation engagements in its by-laws. The other bodies are not quite as clear, but both could easily be interpreted as covering review engagements.

**Manitoba**

In Manitoba, there is no specific licensing scheme, but both the Chartered Accountants Act and the Certified General Accountants Act contain definitions that specifically cover review engagements.

**New Brunswick**

The only definition of public accounting is to be found in the By-laws to both the Chartered Accountants Act and the Certified General Accountants Act. Both contain a broad definition that could easily be interpreted as including review engagements.

**Northwest Territories**

As with New Brunswick, the definitions contained in the regulations and By-laws of the enabling statutes of the individual designated accounting bodies, specifically CAs and CGAs, is quite broad and would appear to cover both review engagements and compilation reports.

**Nova Scotia**

Nova Scotia has a Public Accountants Act which contains a very ambiguous definition of "public accountant" and "public accountancy;" however, a new document meant to accompany and interpret the standard adopted by the Board specifically deems review engagements to be covered by the definition. Notwithstanding this state of affairs, there is ongoing debate in NS as to whether the interpretation document is legally binding.
Prince Edward Island

Prince Edward Island has a Public Accounting and Auditing Act which specifically includes review and compilation engagements within its purview. Prior to this Act taking effect, judicial interpretation of a more ambiguous clause was found to cover review engagements.

Quebec

In An Act to Amend the Professional Code and the Chartered Accountant's Act, the definition of public accounting specifically covers review engagements.

Saskatchewan

The rules governing the practice of public accounting in Saskatchewan are in the By-laws and Rules of Professional Conduct made pursuant to the governing legislation of the CAs and CGAs, and they specifically refer to assurance engagements, which are defined as including both reviews and audits.

Yukon

The Yukon government has basically adopted the definitions of public accounting found in the legislation of the Province of British Columbia.

Given the situation that exists in other parts of the country, especially considering the direction in which these statutes and provisions are going, it is difficult not to conclude that, if we want to increase labour mobility, [as required under Chapter 7 of the Agreement on Internal Trade (AIT)], and business investment in our Province We need to have a properly-regulated accounting industry, with standards upon which international investors can rely.

In the context of the proposed Act, the Board would recommend adopting the definition as set out in the draft Act proposed by the Board attached to this submission. Failing that, the government should consider changing the definition set out in the draft Act it proposes by simply changing the word “and”, which appears at the end of the first part of the definition in section 2(1)(i) to an “or”, which would have the effect of including review engagements.

One of the objections formerly raised by the Department of Government Services to the inclusion of review engagements in the Act was the fear that regulating such activity would put people who are not presently registered with one of the designated accounting bodies but who are currently doing such work, out of business. However, what the Committee is suggesting is that people who are presently doing review engagements be "grandparented". These people would be allowed to register directly with the PALB, and
the Board would be responsible for ensuring that they meet the standards set out in regulations developed by the PALB.

In a very interesting website at www.casforchange.ca, the Institutes of Chartered Accountants of Ontario advocate for a high national standard to be adopted across the country. The arguments are cogent for the systemic changes that must occur in order to make Ontario and the rest of the country sustain the climate needed for competitiveness on an international scale.

Globally, financial statements are being subjected to greater scrutiny and standardization across international boundaries as accounting principles are becoming globalized under the International Financial Reporting Standards (IFRS). In the current recession, we should be mindful of the fact that Canada’s financial system fared better than that of the United States, because we were better regulated. If we are to be players on the world stage, we must keep pace as standards are raised around the world in the new economy. Foreign investors putting money into the Province must be able to have faith in the financial information they are given, knowing that practitioners are held up to scrutiny, and that there is liability insurance in the event of problems. In a post-Enron world, protection of the public interest takes on greater significance than ever before.

2. DISCIPLINARY CLAUSES

The PALB has operated in the past as an oversight board. Under the present legislation, a person must be a member of a designated accounting body in order to be considered for licensure by the PALB. It is the obligation of the respective accounting bodies to ensure that each member put forward for licensure meets the standards set out in the regulations, and the Codes of Professional Conduct for each body.

The sections proposed in the draft Act are redundant as applied to people who are members of a designated accounting body because each of these bodies already has its own legislative scheme to discipline its members.

All three of the designated accounting bodies support the present structure and feel that it is working well. The Board proposes, however, that there should be a clause in the new Act requiring an enhanced requirement for reporting information between the designated accounting bodies and the PALB. Presently, the bodies have agreed to report to the PALB once a year at its July Statutory Meeting. The Board proposes that there should be a provision requiring a designated accounting body to report to the Board in writing as soon as a disciplinary action is taken against a member and when any action by one of its licensed members may materially affect the ability of that member to maintain their licensure.
There has to be a disciplinary process in the Act, but only to deal with people who are grandfathered in, or people who come here from another jurisdiction and who are not members of a designated accounting body. In those cases, it would be necessary to have a disciplinary process in place.

For the members of designated accounting bodies who are licensed under the Act, though, the Committee agreed that if discipline were in the hands of PALB, as well as under their own legislation, the proposed Act would have the effect of adding unnecessary red tape. All three designated accounting bodies received amended legislation this year, and each of them has a fully defined scheme for disciplining its members. To duplicate this process that is already in place would not make sense.

The proposal, then, is to leave in a scaled down version of the disciplinary scheme in the Act, but to only apply this to people who are licensed directly under the Act, because they have been grandfathered in due to the inclusion of review engagements; otherwise, for a member of a designated accounting body leave the discipline in the hands of that body so that the disciplinary process is not repeated unnecessarily leaving the PALB to function as an oversight board.

With respect to some of the specifics in these sections, the Board submits that the number of members on that panel is too high. Seven members is an ample number. One of the public appointees should be a lawyer, and the remaining six should be chosen from the designated accounting bodies, with each selecting two members in good standing. The lawyer should be the Chair. The staggering sections should remain.

Section 27(1) requires the Chair of the disciplinary panel to choose an adjudication panel. The Board suggests that a four-person panel should be chosen to adjudicate the complaint. This would consist of a Chair (who should be a lawyer) and one member from each of the designated accounting bodies. It is questionable whether it is necessary to be so careful about the designated accounting body each having equal representation, given that the person being disciplined would not be a member of any of the regulated bodies.

In any event, the present wording of the draft Act requires two members of the adjudication panel to be CGAs and one to be the public representative. This is illogical and clearly needs to be corrected. This is probably an example of cutting and pasting from the CGA Act.

Another provision that should be considered is that, if a person is a member of more than one designated accounting body, he/she would be required to disclose that fact in the application for licensure, and the PALB would check with the other body to ensure that the member is in good standing.
3. BOARD COMPOSITION

Under the draft Act, the Chair is chosen from among the members of the PALB. The Board feels that the Chair should be a public representative because of the bias inherent in belonging to a designated accounting body. This could result in prejudice either against or toward the party to which the Chair belongs, by virtue of trying not to exercise bias. The other important consideration is the independence of the Chair, given that the PALB is supposed to protect the public interest. A neutral chair has been a strength of the Board since the last amendments to the Act and it should be maintained.

The same arguments apply to the Registrar, who is also chosen from among the members the way the Act is currently drafted. The concern there is that there could be bias in the way the minutes and other information is recorded and presented. Even though there may be no real bias, if the Registrar were to be a member of a designated accounting body, the conditions are there to create a perception of bias.

The Board also supports staggered terms for the Board, similar to the provisions set out in section 23(5) of the disciplinary section. We feel that this would provide both stability and continuity.

In section 3(1) of the draft Act, a member who dies or leaves the Board is replaced by the Board members from the designated accounting body that person represents. The Board maintains that that this should be changed to allow the members of the designated accounting body itself to replace the member.

Other housekeeping matters that should be mentioned here are that, given that the draft Act makes provision for public accountants to incorporate, section 2(c) should refer to a corporation in the definition of public accountant. As well, section 14(3) should include the words “Professional Accounting Corporation.” Section 42, which prohibits practice as a corporation, is obviously a mistake and should be taken out of the Act.

In conclusion, the Board requests that a careful reexamination of the proposed Act be undertaken in light of the Board’s submissions prior to passage of the proposed Act. We believe that it is of the utmost importance, in order for Newfoundland and Labrador to live up to its full economic potential, that we very carefully regulate the accounting industry in a manner which will allow us to keep up with international standards and become a respected jurisdiction in which to do business.
AN ACT TO REGULATE THE PRACTICE OF PUBLIC ACCOUNTING

This Act may be cited as the Public Accounting Act.

In this Act

(a) "audit" means

(i) an independent examination of financial statements, financial information or other financial controls for the purpose of expressing an opinion, or

(ii) the preparation of a report or certificate or the expression of an opinion

as to whether financial information is presented fairly in all material respects in accordance with general accepted accounting principals.

(b) "Board" means the Public Accountants Licensing Board;

(c) "designated accounting body" means a recognized organization of professional accountants which has applied for and been granted designated status in accordance with criteria set by the Board.

(d) "licence" means the certificate issued by the Public Accountants Licensing Board authorizing a person to practice public accounting.

(e) "members present" shall include members who attend the meeting by way of teleconference or videoconference.

(f) "public accountant" means a person who alone or in association with others carries on the practice of public accounting, and who in connection with that practice, offers services to the public.

(g) "public accounting" means the performance of services that lends credibility to financial and other related information by a public accountant, which include:

(i) the review or audit of financial statements, accounting records, financial or other information, or

(ii) the preparing, reporting on, or expression of an opinion on, the said statements, records or other information.
(h) "review" means

(i) an independent review of financial statements, financial information, or financial controls or

(ii) the preparation of a report, certificate or comments or the expression of an opinion.

for the purpose of providing negative assurance as to whether the subject matters of the review is free of material misstatement, in accordance with generally accepted accounting principals

(i) "roll" means the Roll of the Public Accountants of Newfoundland and Labrador referred to in Section 9.

3. (1) The Public Accountants Licensing Board is continued.

(2) The Board shall consist of 12 members appointed by the Lieutenant-Governor in Council, and of those members

(a) one member shall be nominated by and shall be a member of The Institute of Chartered Accountants of Newfoundland;

(b) one member shall be nominated by and shall be a member of the Certified General Accountants’ Association of Newfoundland;

(c) one member shall be nominated by and shall be a member of The Society of Management Accountants of Newfoundland;

(d) 6 members shall be nominated by the minister,

(i) 2 of whom shall be members of The Institute of Chartered Accountants of Newfoundland

(ii) 2 of whom shall be members of the Certified General Accountants Association of Newfoundland; and

(iii) 2 of whom shall be members of The Society of Management Accountants of Newfoundland; and

(e) 3 members shall be nominated by the minister to represent the public, one of whom shall be appointed chairperson of the Board.
The term of existing Board members shall be staggered as per regulation made under this section.

Appointments to the Public Accountants Licensing Board shall be for a 3 year period.

Reappointments shall be limited to 1 additional 3 year term.

In the event of early termination of the term of a Board member, the minister shall appoint a new member before the next meeting of the Board to fulfil the vacating member's term, or at pleasure of the Minister.

In the event of early termination as per paragraph (6), the new member shall be nominated from the same source as the member being replaced.

A member of the Board shall, before so acting, before so acting, take and sign before a person authorized to administer an oath or affirmation, an oath or affirmation in the following form:

"I, [name], do solemnly swear (affirm) that I will faithfully, truly and impartially to the best of my knowledge, skill and ability, execute and perform the office of member of the Public Accountants Licensing Board, and will not, except in the discharge of my duties, disclose to a person the evidence or other matter brought before the Board." (In the case where an oath is taken, add "So help me God").

The members of the Board shall hold office during pleasure.

4. (1) REPEAL

The Lieutenant-Governor in Council shall appoint a secretary to the Board and shall make other necessary arrangements that will enable the Board to function under this Act.

5. (1) The Board shall meet at least twice a year, within 30 days at the call of the Chair or upon the written submission of any Board member.

(2) The Board may act notwithstanding a vacancy in its membership provided there is a quorum present.

(3) In the absence of the chairperson, the members present at the meeting shall appoint a member to act as chairperson.
Seven members constitute a quorum of the Board.

Matters that come up for a decision at a meeting of the Board shall be decided by a majority of votes of members present, and in the case of an equality of votes, the chairperson shall have a 2nd or casting vote.

The powers of the Board include

(a) the granting or refusal of licenses under this Act,
(b) the keeping of a roll of the persons licensed under this act;
(c) the consideration of matters of common interest and concern to public accountants;
(d) the setting of qualifications for licensure and for the designating of professional accounting bodies whose members may apply for a public accountant’s license;
(e) the exercise of the disciplinary procedures and imposition of penalties established under this Act.

The Board shall maintain a roll to be known as the Roll of the Public Accountants of Newfoundland and Labrador.

The Board shall enter on the roll the name address and description of persons licensed under this Act, and the Board shall remove

(a) the names of persons who apply in writing to the Board requesting that their names be removed from the roll;
(b) the names of persons who are deceased.
(c) the names of persons whose licenses have been revoked or not renewed under this Act; and
(d) names or particulars incorrectly entered on the roll.

The Board shall, as soon as possible after January 31 in each year, publish in the Gazette a list of names and addresses of those who are on the roll for that year.

A person who applies to the Board and pays the prescribed fee is entitled to be licensed as a public accountant where the Board is
satisfied that he or she:

(a) is a member in good standing of a designated accounting body,
(b) has met the qualifications of licensure established by the Board.
(c) satisfies such other requirements as may be prescribed by the Board.

(2) Notwithstanding Section 10(1), the Board may, for one year from the date that this Act is granted royal assent, upon special application in prescribed form, grant permits to individuals who currently perform review engagements, provided they meet the criteria set out in and comply with the regulations made under this subsection.

(3) An application under this section shall be dealt with by the Board at its 1st meeting after the date on which the application is received by the Board.

(4) Where applicable, reference to a "licensee" under this Act, will apply to a person who has been granted a permit under this section.

11. REPEAL

12. (1) The Board, upon granting a licence to practice as a public accountant, or a permit pursuant to the Section 10(2) and regulations made thereunder shall assign to the licensee the titles or identifying words or abbreviations which the licensee may attach to his or her name when actually practising or may use, by way of courtesy, when in private employment.

(2) REPEAL

13. (1) A licence granted or renewed under this Act shall bear the date on which it is granted or renewed.

(2) A licence granted or renewed under this Act, shall expire on December 31 following the date of its issue; however, the licence-holder shall have 31 days of grace to the end of January following, to renew the licence and pay the fee, during which days of grace he or she shall be considered still to be licensed.

(3) A person holding a licence under this Act who wishes to have the licence renewed shall apply to the Board and shall pay the prescribed fee.

(4) A person holding a licence under this Act who has applied to the
Board under this section shall be entitled to have the licence renewed provided the Board is satisfied that the person continues to meet the requirements prescribed in Section 10(1) of this Act. Nothing in this subsection shall prejudice or affect the right of the Board to revoke a licence under this Act.

Where it appears to the Board that a person licensed under this Act has been guilty of conduct unbecoming to that person in his or her capacity as a public accountant, the Board may hold an inquiry.

Where an inquiry is to be held under this section, the Board shall immediately serve, on the person concerned, a notice of the proposed inquiry, specifying the time and place at which it is to be held and the subject matter of it, and the person concerned shall be entitled to be heard at the inquiry and may be represented by counsel.

Where a person licensed under this Act has been found, on an inquiry held by the Board, to be guilty of conduct unbecoming to him or her in the capacity of a public accountant, the Board may suspend or revoke the licence granted to that person and remove his or her name from the roll.

The Board may, with the approval of the Lieutenant-Governor in Council, make regulations for the conduct of inquiries.

A person whose licence is revoked under this section shall not, except as provided in section 16 or 17, be qualified for the grant of a licence.

Nothing in this section shall diminish or enlarge the powers of the administrative bodies of the professional accounting designations of Chartered Accountants, Certified General Accountants, and Certified Management Accountants to discipline in respect of its own members.

Notwithstanding section 10(1), a licensee who is not in good standing with his or her respective accounting body because of disciplinary action on the part of that body, shall be entitled to an inquiry by the Board into the question of whether his or her actions constitute "conduct unbecoming".

The designated accounting bodies shall report all matters which are found to constitute sufficient cause for disciplinary proceeding to the Board within 2 weeks of such action being taken.

For purposes of inquiry pursuant to section 14(1), "conduct unbecoming" may include any conduct by which the public interest is
compromised through the practise of public accounting.

15. (a) Where the Board refuses the application of a person to be licensed under this Act or where the Board suspends a licence or revokes a licence granted to a person and removes his or her name from the roll, it shall immediately serve written notice of the refusal or the suspension or revocation and removal on the person, and shall, in the notice, give reasons for its action.

(b) Within 2 weeks of revocation or suspension of a licence, the Board shall publish notice of revocation or suspension 3 times in the local newspaper in the area of the person affected, in immediate succession, and once in the Newfoundland Gazette.

16. A person aggrieved by the refusal of the Board to grant him or her a licence or by the suspension of a licence or the revocation of a licence and the removal of his or her name from the roll may, within 1 month from the date on which notice of the refusal, suspension or revocation was served, appeal to a judge of the Trial Division against the refusal, suspension or revocation, and, on the appeal, the judge may confirm the decision of the Board or may direct the Board to grant or restore the licence and place the applicant's name on the roll, and the judge's order shall be final.

17. A person whose licence has been suspended or revoked may upon application to the Board, have the suspension cancelled or may be granted a new licence and have his or her name restored to the roll at the discretion of the Board either with or without payment of a fee as the Board may determine.

18. (1) A person who is not licensed under this Act shall not

(a) take or use the name or title of "public accountant",
(b) practice as a public accountant; or
(c) wilfully pretend to be licensed as a public accountant.

(2) A person who contravenes this section is guilty of an offence and is, without prejudice to other proceedings which may be taken, liable on summary conviction, to a fine not exceeding $500.00, and on failure to pay the fine to imprisonment for not more than 125 days for the first contravention and to a fine not exceeding $1,000.00, and on failure to pay that fine to imprisonment for not more than 250 days for a subsequent
contravention.

(3) Where a contravention of this section by a person is occasioned by the fact that the person's licence has been revoked and that his or her name has been removed from the roll, it shall be a good defence to proceedings in respect of the contravention to prove that, at the time when the contravention is alleged to have been committed, a notice of the revocation and removal had not been served under this Act.

(a) Repeal

(b) Repeal

19. (1) Subject to subsections (2) and (3), a corporation may engage in the practice of public accounting.

(2) A majority of the voting shares of a corporation engaged in the practice of public accounting shall be beneficially owned by one or more persons licensed under this Act.

(3) The majority of the directors and officers of a corporation engaged in the practice of public accounting shall be persons who are licensed under this Act.

(4) The relationship of a public accountant to a corporation that is engaged in the practice of public accounting, whether as a shareholder, director, officer or employee, does not affect, modify or diminish the application to that person of this Act.

(5) Any liability of an individual arising from that individual or any other individual engaging in the practice of public accounting is not affected by reason only that the services are provided by a corporation.

(REPEALED)

20. (1) There shall be a fund into which money received by the Board, whether from its own sources or from the Crown, shall be paid, and out of which shall be paid the administrative expenses of the Board and the expenses incurred by the Board in carrying out its functions under this Act and other liabilities properly incurred by the Board.

(2) The Board shall manage, administer and keep proper account of the fund and shall, not later than the last day of February in each year, submit to the Lieutenant-Governor in Council a report on the condition of the fund
and on its administration in the preceding year.

The Board may pay

(a) to the members of the Board allowances for travelling and subsistence expenses incurred in the discharge of their functions as members or as members of a committee of the Board; and

(b) to members and employees of the Board the salaries and remuneration and gratuities

as per guidelines set down by "Provincial Government Treasury Board Secretariat".

The accounts of the Board shall be audited annually by the auditor general of the province.

Subject to the approval of the Minister responsible for this Act, the Board may make regulations

(a) prescribing the fees to be paid for the grant and renewal of licences under this Act;

(b) prescribing the information to be provided and the form of a declaration to be made to the Board in connection with an application for the grant or renewal of a licence under this Act;

(c) regulating the proceedings and meetings of the Board; and

(d) requiring the designated accounting bodies to report regularly to the Board and prescribing the manner in which they do so

(e) generally, to give effect to the purpose of this Act.

The Board shall, on receiving a prescribed fee, supply a copy of regulations made under this Act and of the forms prescribed by the regulations to a person applying for them.

Regulations, licences, notices and other documents made, granted or issued by the Board may be signed on behalf of the Board by the secretary or by another officer of the Board that may be authorized by the Board for that purpose.

Cheques shall be signed by 2 or more persons as prescribed by the Board.
26. (1) Service on a person or body of a notice or document required by or for the purposes of this Act shall be sufficient if the notice or document is sent by registered mail addressed to the person or body at the last address of the person appearing on the roll.

(2) A notice relating to the refusal to grant or renew a licence to a person or to the suspension or revocation of a licence which is sent by mail shall be sent by registered mail.

27. (1) The display or uttering by a person, firm or corporation of a letter, card, sign, advertisement circular or other typed, printed, engraved or written instrument, including one which has been electronically produced, bearing a person’s name in conjunction with the words “chartered accountant” or an abbreviation, or certified public accountant or an abbreviation or “certified general accountant” or an abbreviation or “certified management accountant” or an abbreviation or “public accountant” or an abbreviation, or another word, name, title, initial, letter, designation, description or abbreviation implying that the person, firm or corporation is a public accountant and identified to so practise is, in the absence of evidence to the contrary, evidence, in proceedings brought under this Act

(a) that the person, firm or corporation whose name is so displayed caused or procured the display or uttering of the letter, card, sign, advertisement, circular, or other typed, printed, engraved, or written instrument; and

(b) that the person, firm or corporation is representing himself, herself or itself to be a chartered accountant, or certified public accountant, or certified general accountant, or certified management accountant, or registered public accountant, or a public accountant.

(2) In proceedings taken under this Act, evidence of the commission of a single act prohibited by this Act is sufficient to justify a conviction without evidence of a general course of conduct.

28. A person who contravenes this Act is guilty of an offence, and, where no other penalty is specifically provided by this Act, is liable upon summary conviction to a fine not exceeding $500.00, or in default of payment to imprisonment for a period not exceeding 14 days.

29. A person not licensed under this Act to practise as a public accountant shall not be able to recover at law from a person charges for work done in the nature of public accounting.
30. REPEAL.
July 15, 2009

Dr. Alex Faseruk
Public Accountants' Licensing Board
c/o Faculty of Business
Memorial University
St. John's, NF A1B 3X5

Dear Alex,

The Institute of Chartered Accountants of Newfoundland and Labrador (ICANL) has completed a preliminary review of the proposed new Public Accountancy Act and would like to offer some initial comments for the Board's consideration.

Please note the attached comments present only a preliminary review of the proposed legislation. There are certainly other matters of importance which ICANL feels should be considered including the impact of recent amendments to Chapter 7 of the Agreement on Internal Trade and the related legitimate objections regarding public accounting that have been filed in several provinces including Ontario and Quebec.

I look forward to meeting with the Board on Friday to discuss this matter further. Please feel free to contact me with any questions or concerns.

Best Regards,

Tashia E. Batstone, CA, MBA
Chief Executive Officer

Encl.
ANALYSIS OF NEWFOUNDLAND AND LABRADOR DRAFT PUBLIC ACCOUNTING LICENSING BILL
(An Act to Regulate the Practice of Public Accountancy)

Synopsis:

The proposed new Act retains the Public Accounting Licensing Board as the licensing body but changes the process for appointing members of the board and expands the authority of the board to adopt bylaws and regulations. It does not create the board as an oversight body in the model of the Public Accountants Council in Ontario. The proposed Act, like the current Public Accountancy Act, does not contain any details of the specific requirements that must be met to qualify for a licence and does not even state that membership in one of the three accounting bodies is the first condition to be met to establish eligibility to apply for a licence. It leaves the determination of all such matters to the board by way of adoption of bylaws and regulations. The proposed new Act retains the definition of “public accountant” found in the current Act.

In summary the new Act:

- changes the process for election of the representatives of the members of the three accounting bodies who are members of the Public Accounting Licensing Board but not the overall composition of the board i.e. 3 CAs, 3 CMAs, 3 CGAs (the “elected members”) and 3 public representatives (the “appointed members” appointed by the minister); under the current Act, the minister “nominates” in each case two of the three CAs. CMAs and CGAs whereas the new Act provides that each of the three accounting bodies elects all of its three members on the board;
- states that the chairperson of the board and a registrar shall be elected by the board from among the elected members whereas the current Act requires that the chairperson shall be one of the public representatives;
- grants the board authority to pass bylaws not inconsistent with the Act that includes the authority to adopt a code of ethics which may include definition of “professional misconduct” and “conduct unbecoming” as well as provisions respecting conflict of interest and rules respecting methods of advertising;
- expands the authority of the board to make, with the approval of the minister, regulations related to the licensing of persons as public accountant, providing for issuance of provisional licences, approving schools and programs of public accountancy, respecting alternative dispute resolution for complaints and discipline processes and prescribing time limits for events in the disciplinary process;
- states that a person who has met “the requirement for licensure” that may be prescribed by the board and pays the fees set by the board is entitled to be licensed as a public accountant.
Proposal regarding the proposed Act

It is recommended that the proposed Act be amended to establish the Public Accounting Licensing Board as an oversight body, rather than the licensing body, for public accounting in Newfoundland and Labrador. As the oversight body, the board would set the standards that must be met by each of the three accounting bodies in Newfoundland in order to be granted authority to license and govern their members in the practice of public accounting. Provisions would be included in the Act for the board to assess the qualification and regulatory standards of the accounting bodies to determine if they meet the standards set by the board and when they meet those standards. The Act would also contain provisions for the ongoing oversight of the accounting bodies in the fulfillment of their licensing responsibilities. Establishing the board as the oversight body for public accounting would be in the public interest, achieving greater public oversight of the accounting bodies whose members provide public accounting services as well as enhanced accountability to the public.

It is also recommended that once the Act is amended as proposed, the board as the oversight body for public accounting could adopt, with any appropriate modifications that may be required, the Uniform Public Accounting Regulation that is recommended by the Institute of Chartered Accountants of Newfoundland to establish internationally recognized standards for public accounting and to harmonize the public accounting standards with those that have now been adopted by legislation in Ontario and Quebec. Through such action, the board would ensure that individuals who are licensed in Newfoundland and Labrador would be recognized as eligible to be licensed or to practise public accounting in jurisdictions outside Canada and elsewhere within Canada.

Definition of “public accountant”

The proposed Act does not change the definition of “public accountant” found in the current Act and which would appear to read as if it includes audit, review and compilation engagements. However, it has been observed that the current Act only covers audits and all of the professional bodies are lobby[ing] for inclusion of review engagements. It is also noted that the Uniform Public Accounting Regulation calls for compilation engagements to be included within the definition of “public accountant”. The definition contained in the Uniform Public Accounting Regulation should be included in the Act.

Recommendation:

The proposed Act should define “public accountant” to mean providing

(a) on a basis that is independent of the person or management of the entity for whom the services are being provided, assurance engagements, including an audit or review engagement; and
(b) compilation engagements.
Objects of the Public Accountants Licensing Board

The proposed Act does not require the board to establish standards of qualification and regulation of public accountants that meet internationally recognized standards. In fact, the proposed Act does not provide any direction as to what the standards for public accounting in Newfoundland should be or what the rigour of those standards should be. The proposed Act should promote the establishment of internationally recognized standards and the harmonization of public accounting standards among the provinces based on the existing internationally recognized standards in order to ensure that Newfoundland public accountants would be recognized for (eligible to obtain) licences in jurisdictions outside of Canada as well as in Ontario and Quebec, which have established internationally recognized standards as the standards that must be met to be licensed or to practice public accounting in those provinces.

Recommendation:

A section should be introduced into the Act that sets the following objects and powers of the Public Accountants Licensing Board:

(1) The purpose of the board is to ensure that public accounting in Newfoundland and Labrador is practised in accordance with internationally recognized public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

(2) The objects of the board are to
   (a) develop and maintain standards that a professional accounting body must meet in order to be authorized to license and govern the activities of its members as public accountants and raising the standards, as required;
   (b) determine which professional accounting body meets the standards adopted by the board, when it meets them and whether the professional accounting body continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
   (c) oversee the professional accounting bodies in their capacity to license and to govern the activities of their members as public accountants; and
   (d) maintain public confidence in public accounting through the appropriate prosecution of offences under the Act.

Persons who are eligible to be licensed

The proposed Act does not contain any provisions specifying who may be eligible to be licensed. It leaves those details to be determined by regulations adopted by the board.

Recommendations:
New definitions should be added as follows:

"professional accounting body means" each of the:
(a) Certified General Accountants Association of Newfoundland;
(b) Institute of Chartered Accountants of Newfoundland; and
(c) Society of Management Accountants of Newfoundland.

"licensing body" means a professional accounting body that is authorized under section (or subsection) ___ of the Act to license and govern the activities of its members as public accountants.

2. A new section should be introduced that states: that a person who is a member of more than one professional accounting body may identify only one professional accounting body for the purposes of his or her eligibility for a licence.

3. A new section should be introduced that states: a person is eligible to be licensed under the Act if
(a) the professional accounting body that the person has identified for the purposes of eligibility to be licensed is a licensing body;
(b) the person is a member of the professional accounting body; and
(c) the person meets the qualifications to be licensed as a public accountant established by the professional body at or after the time it became a licensing body.

Content of the standards for public accounting

The proposed Act does not prescribe any of the content specifications for the standards that should be developed and maintained for practising public accounting.

Recommendation:

Section 40 of the proposed Act should be deleted and replaced with a new section 40 that would read as follows:

31 The board may, with the approval of the minister, make regulations prescribing rigorous, internationally recognized standards which a professional accounting body must meet in order to be authorized to license and govern the activities of its members as public accountants. The regulations shall include standards relating to:
(a) post-secondary education requirements that are necessary for a public accounting training program, including requirements in respect of courses that are relevant to public accounting;
(b) pre-licensing education and study requirements that are supplementary to the post-secondary education requirements;
(c) pre-licensing experience requirements;
(d) examinations used for licensing public accountants;
(e) requirements for post-licensing professional experience;
(f) mandatory continuing professional development;
(g) practice inspections of public accountants;
(h) requirements on the use of generally accepted accounting principles and generally accepted assurance standards;
(i) rules of professional conduct;
(j) discipline procedures, including rights to a hearing and rights of appeal;
(k) rules governing issuing a new licence to a former licensee; and
(l) rules governing the licensing of persons who are permitted to practise as public accountants in other jurisdictions.

Following from the introduction of this new section, ss. 7(1)(f) of the proposed Act could be deleted. That subsection prescribes that the board may pass bylaws respecting a code of ethics.

(Note: The addition of this new section 40 would be required in order to provide for the board to then adopt as regulations the Uniform Public Accounting Regulation.)

Board review of the operation of licensing bodies

The Act should be amended to include a section authorizing the board to review the operation of the licensing bodies and to take appropriate action based on the findings of such reviews.

Recommendation:

A new section of the Act should be introduced as follows:

1. In ensuring that the purpose and objects of the board are being met and that a licensing body is complying with the standards developed under this Act, the board shall conduct periodic reviews, not less than once in every three years, of the operation of each licensing body and shall report on them to the minister.

2. In addition to the periodic reviews of the licensing bodies, the board may conduct a special review of a professional accounting body where the board concludes it is in the public interest to do so.

3. A licensing body shall co-operate with the board and the board’s review of the body and the board may, on reasonable notice, revoke or suspend the authorization of the licensing body if the body fails to co-operate with the board’s review.

4. If the board finds while conducting a review that a licensing body is failing or has failed to comply with the standards developed under this Act, the board shall notify the body of the failure and shall give such time as is prescribed by the board for the body to comply with the standards.
(5) The board may revoke or suspend an authorization of a licensing body if it has notified the body under subsection (4) and the licensing body fails to comply with the standards within the time prescribed by the board.

Issues regarding the composition of the board

By removing the requirement of the current Act that the chairperson shall be a public representative appointed by the minister, it would be possible under the proposed Act that the chairperson could be a CGA or CMA. It would also be possible that the registrar could be a CGA or CMA. The CGAs and CMAs would have 6 members on the board and would require the support of only one public representative to be able to elect one of their members as the chairperson and/or the registrar.

Recommendation:

The Act should require that the board be composed of a majority of public representatives appointed by the minister and that one of the public representatives also be appointed by the minister as the chairperson. This would likely require a reduction in the number of members of the board who are members of each of the three accounting bodies. In that case, the composition of the board could be:

- 2 CAs elected by the Institute;
- 2 CGAs elected by the CGA Association;
- 2 CMAs elected by the Society of Management Accountants;
- 7 Public representatives appointed by the minister, one of whom shall be the Chair

The Act should also require that the board elect one of the public representatives as the registrar.

Complaints and disciplinary processes

Sections 23 to 39 prescribe the complaints investigation and discipline hearing processes for the board, as a licensing body. S. 23(1) states that the board shall appoint at least 3 members (of the board) to constitute a complaints authorization committee, one of whom shall be a public representative on the board. In addition, s. 23(3) states that the board shall appoint the chairperson and vice-chairperson from among the members of the complaints authorization committee. It is possible therefore that a complaint against a CA licensee would be dealt with by a complaints investigation panel that would not have any CAs on it and that is not chaired by a public representative.

The proposed Act contains a provision in s. 23(4) that all complaints referred to the disciplinary panel will be heard by an adjudication tribunal consisting of 3 person appointed by the chair of the disciplinary panel of whom 2 shall be CGAs and 1 shall be a public representative. Accordingly, there would never be a disciplinary panel on which any CA licensees would serve.
Consistent with the recommendation that the board be the oversight body and not the licensing body, sections 23 to 39 of the proposed Act should be deleted.

**Recommendation:**

The Sections 23 to 39 should be deleted. Consistent with the proposal that the board be an oversight body that sets the standards that the licensing bodies must meet, including rules of professional conduct, complaints investigation and disciplinary processes, the standards for each could be set out in the regulation(s) adopted by the board under the Act. The Uniform Public Accounting Regulation should be adopted, with appropriate modification (i.e. the Uniform Public Accounting Regulation provides for an appeal committee of the licensing body whereas the proposed Act indicates that appeals would be made to the Trial Division of the Supreme Court of Newfoundland).