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July 22, 2008

Hon. Tom Hockin, P.C., Panel Chair
Expert Panel on Securities Regulation
Ottawa, Ontario,
K1A 0G5.

c/o George Bentley
Communications and Consultations Manager
Expert Panel on Securities Regulation
By e-mail: George.Bentley@fin.gc.ca

Dear Mr. Hockin:

The Canadian Institute of Chartered Accountants (CICA) commends the Expert Panel on Securities Regulation for its dedication to improving securities regulation in Canada.

The CICA chose not to make a submission to the Panel because the CA profession does not generally comment on the execution of securities regulation. Canada's CAs recognize that there are differing views on the issue among those directly involved in the regulation and administration of securities legislation. The CA profession supports all efforts to affect a timely resolution of the issues for the benefit of Canada's capital markets, international reputation and relationships with our nation's trading and investment partners.

We are writing at this time because several comments in a submission made to the panel by the Certified General Accountants Association of Canada (CGA-Canada) demand a response. The record must be set straight in terms of the standard setting process in this country.

Canada has long been known both for the quality of its auditing and accounting standards and for the independent, objective and transparent structures responsible for developing the standards and guidance used in this country. Canada's standard setting model is respected by the international accounting community, which looks to Canada as a global leader in the development of accounting and auditing standards that protect the public interest while serving the needs of Canadian business.

Before outlining the standard setting structure in Canada, we would like to clarify the legislated responsibility that the CICA has for the setting of financial reporting and assurance standards in Canada. The federal Act under which the CICA was created provided the CICA with the authority "*to create and improve standards of financial accounting, reporting and auditing for the members of the Institute, which standards may be used by any other person or body.*" Accordingly, the CICA only has the authority to set standards for Chartered Accountants. However, the quality of the CA supported standard setting process has resulted in accounting and auditing standards established by the CICA becoming "generally accepted" and subsequently recognized in selected federal and provincial corporate and securities legislation as constituting Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS) within Canada.



CANADA'S STANDARD SETTING STRUCTURE – INDEPENDENT, OBJECTIVE AND TRANSPARENT

The CA profession has led the development of a highly effective and independent standard setting structure in Canada that is fully accountable to the public. The structure fosters public confidence in the quality and efficiency of Canada's financial markets. The CA profession's ongoing contribution to this process is to provide the specialized expertise and funding needed to support the work of Canada's independent standard setting and oversight bodies.

Independent Standard Setting Boards

Accounting and assurance standards for Canadian entities are established by the standard setting boards on their own authority. These bodies (Accounting Standards Board (AcSB), Auditing and Assurance Standards Board (AASB), and Public Sector Accounting Board (PSAB)) are mandated to set financial reporting and assurance standards in the public interest of Canadians. Each board is accountable to an independent oversight council.

The terms of reference for the three standard setting boards are attached to this submission (See Appendices I, II, III).

Independent Oversight Councils

Two independent councils provide oversight to Canada's accounting and auditing standards boards.

The Accounting Standards Oversight Council (AcSOC) was established in 2000 to oversee and provide input to the activities of the AcSB. In 2003, AcSOC initiated a similar role with regard to the PSAB.

The Auditing and Assurance Standards Oversight Council (AASOC), established in 2002, oversees the activities of the AASB.

Membership of the oversight councils is broad based, regionally representative and reflects all parties interested or affected by financial reporting and assurance issues. Both AcSOC and AASOC are chaired by business leaders who are not CAs. Doug Hyndman, Chair and Chief Executive Officer of the British Columbia Securities Commission, chairs AcSOC. James Baillie, former chair of the Ontario Securities Commission and recognized as one of Canada's leading corporate lawyers, chairs AASOC.

A key responsibility of the independent oversight councils is to appoint members to Canada's standards boards ... AcSB, AASB, and PSAB. To be clear on this matter, I must emphasize that the CICA is not empowered to appoint members to the standards boards or to AcSOC or AASOC, and has no influence over such appointments.

The oversight councils take their responsibilities seriously and the standard setting boards have accepted AcSOC and AASOC oversight of their activities. Having been created by the CICA, the oversight councils are now conscious that they have to be, and be seen to be, independent from the CA profession. In the interest of transparency, all meetings of AcSOC and AASOC are open to the public.

The terms of reference for AcSOC and AASOC are attached to this submission (See Appendices IV and V).



The Canadian system of independent standards boards and oversight councils is designed to be free from political or other interference. A strong case can be made that the Canadian standard setting model is in many ways less likely to encounter political interference than any standard setting model that relied on government funding or contributions from users.

The CA profession is proud of the significant contributions it has made and will continue to make to financial reporting and assurance standards in Canada. The independent standard setting structures it has created have been key contributors to the high quality of financial reporting by all entities in Canada.

CANADA'S MOVE TO INTERNATIONAL STANDARDS

The decisions by Canada's independent standards setters to adopt international financial reporting standards (IFRSs) for publicly accountable entities by 2011 and international standards in auditing (ISAs) by 2009 are further steps to evolving standard setting in Canada in the best interests of Canadians. More than 100 countries have made a similar decision with the objective of improving the quality, comparability and consistency of financial reporting worldwide.

The AcSB announced the move to IFRS in January, 2006, after two years of extensive consultation and public discussions across this country. Earlier this year, again after extensive consultation, the transition date of January 1, 2011 was finalized. The AcSB, with considerable input and assistance from stakeholders, has carefully considered both the costs and benefits and is confident that adopting IFRS will serve Canadians well in today's emerging global economy. Canada's CAs are among the vast majority of stakeholders who support Canada's move to international standards.

In light of the transition to accounting and assurance standards that are established globally and the proven effectiveness of Canada's current approach to standard setting, the CA profession questions the need for a significant and costly overhaul of our standard setting and oversight structures at this time – and particularly the imposition of a model that will incur added costs for taxpayers.

Although the role of standard setting in Canada will change, there *will* continue to be a need to ensure that unique Canadian concerns with respect to accounting and assurance standards are heard and met as standards are established globally. The CA profession intends to devote considerable resources to this issue going forward. Indeed, Sir David Tweedie, Chairman, International Accounting Standards Board, has encouraged Canada to continue to play a role on the global stage, emphasizing that the "Canadian standard setter plays a key role in our deliberations and has major influence worldwide."¹

NATIONAL STANDARDS OF QUALIFICATION FOR PUBLIC ACCOUNTING

The CA profession fully supports public accounting rights for all accountants who meet the internationally recognized standards of qualification and conduct for public accounting that are in place among our major trading partners. This is the standard met by all of Canada's CAs and is the standard that has been recognized through Mutual Recognition Agreements (MRAs) negotiated by the CA profession with Canada's major trading partners. The MRAs provide for international mobility of CAs with substantially equivalent designations around the world and protect the reputation and attractiveness of Canada as a good and safe place to invest and do business. However, government regulations concerning who can engage in public accounting vary from province to province. Regulations range

¹ Prepared Remarks of Sir David Tweedie, Chairman of the International Accounting Standards Board at the Empire Club of Canada, Toronto, Ontario, Canada, on April 25, 2008.



from rigorous enforcement of high standards in Ontario and Quebec to virtually no regulation in some provinces.

Recommendation 55 of the recently released report of the Competition Policy Review Panel is instructive. This recommendation states that “*Canada should harmonize its product and professional standards with those of the US, except in cases where, and then only to the extent that, it can be demonstrated that the impairment of the regulatory objective outweighs the competitiveness benefit that would arise from harmonizing.*”

In the United States, the Uniform Accounting Act extends consistent public accounting standards across more than 40 US states and territories. The CA profession is the one designation in Canada that has an MRA with the CPAs in the US and CPCs in Mexico. This MRA, which was the first trilateral agreement amongst professions consistent with NAFTA, was renewed last April.

The CGA-Canada submission suggests that our position promoting the importance of national public standards of qualification is simply “window dressing to prevent professional accountants from providing services to the Canadian public.” No professional body should find credible, internationally recognized qualification standards bothersome.

THE CANADIAN PUBLIC ACCOUNTABILITY BOARD

The Canadian Public Accountability Board (CPAB) was created in 2002 by Canada’s Chartered Accountants, the Canadian Securities Administrators and the Office of the Superintendent of Financial Institutions. The mission of CPAB is to contribute to public confidence in the integrity of financial reporting of reporting issuers by promoting high-quality, independent auditing.

CPAB carries out regular and rigorous inspections of the auditors of Canada’s public companies. The board of CPAB is made up of eleven individuals, seven from outside the CA profession. The CGA submission notes that three of the eleven board members are CEOs from provincial CA Institutes (Alberta, Ontario and Quebec). These three CEOs currently participate on the CPAB Board because the provincial bodies which they oversee are responsible for the regulation of public accounting in their respective provinces. Since they are responsible for practice inspection and disciplinary matters and since CAs audit virtually all reporting issuers in Canada, there is a need to coordinate their efforts with CPAB. They are on the CPAB Board as significant regulators of public accounting, not as advocates for the profession.

CONCLUSION

The CA profession’s focus is not the execution of securities regulation. This submission is meant to serve as an information source that sets the record straight relating to the setting of accounting and auditing standards in Canada.



The current system is effective and efficient. It provides a structure for accounting and assurance standard setting and oversight that is transparent, objective and independent. In closing, we submit that Canada's system of standard setting is informed by expertise that is appropriate to the task, is free from interference and has a proven track record of decisions that serve the public interest.

Sincerely,

A handwritten signature in black ink that reads 'Kevin J. Dancey'. The signature is fluid and cursive, with a long, sweeping tail on the 'y'.

Kevin J. Dancey, FCA
President & CEO



- Appendix I: Accounting Standards Board - Terms of Reference
- Appendix II: Auditing and Assurance Standards Board -
Terms of Reference
- Appendix III: Public Sector Accounting Board - Terms of Reference
- Appendix IV: Accounting Standards Oversight Council -
Terms of Reference
- Appendix V: Auditing and Assurance Standards Oversight Council -
Terms of Reference

Accounting Standards Board

Terms of Reference

Mission

1. The mission of the Accounting Standards Board ("AcSB") shall be to contribute to enhanced decision-making by continuously improving the quality of financial and other information about organizational performance reported by Canadian entities including profit oriented enterprises and not-for-profit organizations. The AcSB shall serve the public interest by developing and establishing standards and guidance governing financial accounting and reporting domestically and by contributing to the development of internationally accepted standards.

Objectives

2. The AcSB shall have the following objectives:
 - a. To develop standards that improve the quality of information reported by Canadian entities with due consideration for the costs and the benefits to preparers and users and which recognize changing priorities in the environment.
 - b. To eliminate or minimize GAAP differences within North America and internationally, as appropriate to facilitate access by Canadian entities to US and global markets.
 - c. To participate in the development of a single set of high quality internationally accepted accounting standards together with other standard setters.
 - d. To support our standard setting activities by actively assisting implementation and providing timely guidance on emerging issues.
 - e. To continuously improve the process of standard setting.
3. In meeting its objectives, the Board shall:
 - a. Be committed to **serve the public interest**
 - b. Respect and encourage **input** from all its stakeholders
 - c. Bring **objectivity** to the consideration of issues
 - d. Respect the ability of its stakeholders to exercise **professional judgment**.
 - e. Be committed to **timeliness** in its responses to stakeholder needs.

Responsibilities

4. The AcSB shall have the following responsibilities:
 - a. To issue and publish accounting pronouncements on its own authority, if satisfied as to need, usefulness and practicality, following a review of accounting theory and practice and a process of consultation with affected parties and debate (due process).
 - b. To develop and submit to the Accounting Standards Oversight Council ("AcSOC") an annual plan that specifies AcSB's strategic direction, priorities and agenda, including a report on how projects were selected and priorities set.
 - c. To implement the most effective working process for all projects and commission task forces, advisory groups, consultative groups or study groups, as appropriate, to aid in the development of accounting standards, guidelines or other material. Appointments

- to all task forces, advisory groups etc. affiliated with the AcSB, should be made by the Chair of that task force or advisory group and approved by the Chair of the AcSB and the Director of Accounting Standards.
- d. To advise AcSOC as to the adequacy of human and financial resources to accomplish the AcSB's objectives.
 - e. To recommend accounting research in Canada, particularly on issues that may be of relevance to the Canadian business environment.
 - f. To communicate with and seek input from stakeholders on a timely basis.
 - g. To appoint, subject to the ratification of the AcSOC, members of an Emerging Issues Committee ("EIC"), whose mission shall be to provide a forum for the timely review of emerging accounting issues that are likely to receive divergent or unsatisfactory treatment in the absence of some guidance.
 - h. To approve changes to the EIC's Terms of Reference.

Accountability

5. The AcSB shall be accountable to the AcSOC to demonstrate that it has fulfilled its mandate effectively, efficiently and economically.

Composition and Term

6. Membership of the AcSB shall be as follows:

Voting Members

- a. A full-time, paid Chair with a term of office of five years, renewable twice for terms of two years; and
- b. Eight other volunteer members each with a term of three years, which is renewable for one term.

Non-Voting Members

- a. The Vice-President, Standards of the CICA;
 - b. The Accounting Standards Director; and
 - c. The International Accounting Standards Board member.
7. The terms of the AcSB's voting members shall be arranged with staggered expiry dates so there will be an orderly rotation of membership each year.
 8. The role of the Chair shall include:
 - a. Presiding over the AcSB meetings, including AcSB panels, and communicating with members between meetings, as necessary, concerning the AcSB's activities;
 - b. Serving as a non-voting member of the AcSOC and a non-voting member of its Nominating Committee;
 - c. Serving as one of Canada's representatives at meetings relating to international accounting standard-setting;
 - d. Acting as Canada's leading spokesperson and contact on private sector accounting matters for both the media and the public;
 - e. Representing the AcSB in meetings of other parties involved or interested in the AcSB's activities; and
 - f. Making presentations nationally and internationally on accounting matters.

Selection Process

9. Members of the AcSB shall be selected to ensure that it has an appropriate balance of competencies and experiences to meet its objectives. The Chair of the AcSB, in conjunction with the Accounting Standards Director of the CICA, and the Vice-President, Standards of the CICA, shall provide input regarding individuals for potential membership on the AcSB to the Nominating Committee of the AcSOC. The Nominating Committee may, but need not necessarily, adopt such recommendations. After receiving such input, the Nominating Committee shall present the proposed members of the AcSB to the AcSOC for approval. In the case of the full-time, paid Chair of the AcSB, this procedure contemplates a search and interview process, which process shall form part of the budget of the AcSOC.

Assistance/Advice/Operations

10. The AcSB shall be supported by the Accounting Standards Director and such other staff as required.

Consultation and Communication

11. The AcSB actively shall solicit input on proposed accounting standards or guidance by issuing draft documents inviting public comment. Outreach programs, such as focus groups and field testing, shall be used to approach preparers, auditors and users of financial information directly for their input.
12. The AcSB shall disseminate information about international standard-setting activities, together with invitations to the public, to provide input on those activities.
13. The AcSB shall publish a basis for conclusions for each standard and exposure draft developed, if appropriate.
14. The AcSB shall provide examples and implementation guidance, if appropriate, to assist preparers, auditors and other constituents in understanding and applying complex standards consistently.
15. The AcSB shall publish newsletters, maintain an internet website and provide other such information to assist preparers, auditors and other users of financial information.

Decision Making

16. Each year, the AcSB shall present its priorities and agenda to the AcSOC for comments and shall consider the views and comments of the AcSOC in determining its priorities and agenda. If, for any reason, the AcSB does not wish to incorporate specific views and comments of the AcSOC into its priorities and agenda, the AcSB shall advise the AcSOC as to its reasons and provide the AcSOC with an opportunity to respond. The AcSB shall convey to the AcSOC its preliminary agenda planning decisions, including preliminary approval of project proposals and preliminary decisions to discontinue a project, and subsequently shall consider the AcSOC's views thereon before reaching final decisions.
17. A project to develop a new Accounting Recommendation or Accounting Guideline, or to modify an existing one, may be assigned to a panel of AcSB members. This determination shall be made by the AcSB as part of the review and approval of the project proposal. In assigning a project to a panel, the AcSB shall approve the key principles to be followed by

the panel as well as the panel's composition.

18. Decisions of the AcSB to release an exposure draft, approve an Accounting Recommendation or Accounting Guideline, or to assign a project to a panel of the AcSB shall require a vote of two-thirds of all AcSB voting members. Decisions of a panel of the AcSB to release an exposure draft or to approve an Accounting Recommendation or Accounting Guideline shall require the affirmative vote of five AcSB members of the panel. (AcSB members may attend meetings of a panel of which they are not a member, but can not vote.)
19. Each voting member shall have one vote. AcSB members are expected to vote according to their own beliefs and not as representatives voting according to the views of the firm, organization or constituency with which they are associated.

Reporting

20. The AcSB shall report annually on its activities.
21. The AcSB shall review its Terms of Reference to ensure that they continue to meet the needs of the AcSB and the public, and submit the results of this review to the AcSOC at least once every three years.
22. The AcSB shall submit such reports as may be required by the AcSOC.

Meetings

23. Meetings of the AcSB shall normally be held at least six times a year. Additional meetings may be convened to achieve the AcSB's objectives.
24. Any voting member of the AcSB who either:
 - a. Fails to attend more than two meetings of the AcSB in succession (including meetings of panels of which they are a member) for whatever cause; or
 - b. Fails to attend, in any twelve-month period, at least 50% of all meetings of the AcSB (including meetings of panels of which they are a member)shall automatically cease to be a member of the AcSB at the end of the meeting at which he or she was in default. A member shall be deemed to be absent from a meeting of the AcSB unless he or she is in attendance for substantially all of it.
25. The AcSB's "year" shall end on March 31.

Bilingualism

26. The AcSB shall follow the CICA's bilingualism policy.

Funding

27. The AcSB's activities shall be funded by the CICA.

Auditing and Assurance Standards Board

Terms of Reference

Mission

1. The mission of the Auditing and Assurance Standards Board (AASB) shall be to assist the profession in serving the public interest by enhancing the quality of assurance services. The AASB shall support the growth and relevance of such services by continually improving and disseminating guidance and generally accepted standards for a broad range of assurance and related services. These standards and guidance shall reflect best practice and meet the needs of decision-makers and assurance providers. The AASB shall be committed to international convergence and shall work with other standard-setters towards that goal.

Scope

2. The AASB's scope shall cover engagements related to all types of entities, in both the private and public sectors, including profit-oriented enterprises, not-for-profit organizations, governments and other entities in the public sector.

Goals

3. The AASB shall have the following long-term goals:
 - a. Set high-quality assurance standards that enable the profession to serve the public interest.
 - b. Support and participate in the development of high-quality global assurance standards.
 - c. Maintain a strong Canadian assurance standard-setting capability to ensure public confidence in the assurance process.

Responsibilities

4. The AASB shall have the following responsibilities:
 - a. To issue and publish auditing and assurance pronouncements on its own authority, if satisfied as to need, usefulness, and practicality, following a review of theory and practice and a process of consultation with affected parties and debate ("due process").
 - b. To develop and submit to the Auditing and Assurance Standards Oversight Council ("AASOC") an annual plan that specifies AASB's strategic direction, priorities and agenda, including a report on how projects were selected and priorities set.
 - c. To implement an effective working process for all projects and commission task forces, advisory groups, or other groups, as appropriate, to aid in the development of auditing and assurance standards, guidelines or other material.
 - d. To advise AASOC as to the adequacy of human and financial resources to accomplish the AASB's objectives.
 - e. To recommend auditing and assurance research in Canada, particularly on issues that may be of relevance to the Canadian business environment.
 - f. To communicate with and seek input from stakeholders on a timely basis.

Accountability

5. The AASB shall issue standards and practice guidance in the interests of the public and the profession. Although it has the right to issue them on its own authority, the AASB shall remain ultimately accountable to:
 - a. users of assurance services, who rely on the assurance provided;
 - b. the profession, whose members provide assurance services; and
 - c. legislators and regulators who have recognized the AASB's standards and guidance as the appropriate basis on which assurance services should be provided.
6. The AASB shall cooperate with the AASOC to assist the AASOC in the effective performance of its responsibilities. Specifically, the AASB shall be accountable to the AASOC to demonstrate that it has used the resources allocated to it effectively, efficiently and economically and that it has assessed how well it is meeting the needs of its stakeholders.

Composition and Term

7. Membership of the AASB shall be as follows:

Voting Members

- a. A volunteer Chair with a two-year term of office.
- b. A volunteer Vice-Chair with a two-year term of office who, under normal circumstances, would succeed to the Chair position
- c. Eleven other volunteer members each with a normal term of office of three years, which is renewable for one term.

Non-Voting Members

- a. The Auditing and Assurance Standards Director;
 - b. The Vice-President, Standards of the CICA; and
 - c. The CICA appointed members on the International Auditing and Assurance Standards Board (if applicable).
8. The terms of the AASB's voting members shall be arranged with staggered expiry dates so there will be an orderly rotation of membership each year.
 9. The role of the Chair shall include:
 - a. Presiding over the AASB meetings and communicating with members between meetings, as necessary, concerning the AASB's activities;
 - b. Serving as a non-voting member of the AASOC and a non-voting member of its Nominating Committee;
 - c. Representing the AASB at meetings of national standard setters;
 - d. Representing the AASB in meetings of other parties involved or interested in the AASB's activities;
 - e. Making presentations nationally and internationally on auditing and assurance matters; and
 - f. Delegating responsibilities to the Vice-Chair as appropriate.
 10. The role of the Vice-Chair shall include assisting and providing advice to the Chair, presiding over AASB meetings in the absence of the Chair, and undertaking any other responsibilities delegated by the Chair.

Selection Process

11. Members of the AASB shall be selected to ensure that it has an appropriate balance of competencies and experiences to meet its objectives and include at least three representatives from the public sector. The Vice-President, Standards of the CICA, in conjunction with the Chair of the AASB and the Auditing and Assurance Standards Director of the CICA, shall provide recommendations regarding individuals for potential membership on the AASB, and on the appointment of the AASB Chair and Vice-Chair, to the Nominating Committee of the AASOC. The Nominating Committee of the AASOC may, but need not necessarily, adopt such recommendations. After receiving such input, the Nominating Committee of the AASOC shall present the proposed members of the AASB to the AASOC for approval.

Assistance/Advice/Operations

12. The AASB shall be supported by the Auditing and Assurance Standards Director and such other staff as required.

Consultation and Communication

13. The AASB shall actively solicit input on proposed assurance standards or guidance by issuing draft documents inviting public comment. Outreach programs shall be used to approach practitioners, preparers of financial statements and other users of auditing and assurance standards directly for their input.
14. The AASB shall disseminate information about international standard-setting activities, together with invitations to the public to provide input on those activities.
15. The AASB shall arrange for examples and implementation guidance, if appropriate, to assist practitioners in understanding and applying complex standards consistently.
16. The AASB shall publish newsletters, maintain an internet website where meeting agendas and decision summaries are posted, and provide other information to assist and inform its stakeholders.

Decision Making

17. Each year, the AASB shall present its priorities and agenda to the AASOC for comments and shall consider the views and comments of the AASOC in determining its priorities and agenda. If, for any reason, the AASB does not wish to incorporate specific views and comments of the AASOC into its priorities and agenda, the AASB shall advise the AASOC as to its reasons and provide the AASOC with an opportunity to respond. The AASB shall convey to the AASOC its preliminary agenda planning decisions, including preliminary approval of project proposals and preliminary decisions to discontinue a project, and subsequently shall consider the AASOC's views thereon before reaching final decisions.
18. Decisions of the AASB to release an exposure draft and approve an Assurance and Related Services Recommendation or Assurance and Related Services Guideline shall require a vote of two-thirds of all AASB voting members.
19. Each voting member shall have one vote. AASB members are expected to vote according to their own beliefs and not as representatives voting according to the views of the firm, organization or constituency with which they are associated.

Reporting

20. The AASB shall report annually on its activities.

21. The AASB shall review its membership and Terms of Reference to ensure that they continue to meet the needs of the AASB and the public, and submits the results of this review to the AASOC at least once every three years.
22. The AASB shall submit such reports as may be required by the AASOC or the CICA Board of Directors.

Meetings

23. Meetings of the AASB shall normally be held at least five times a year. Additional meetings and conference calls may be convened to achieve the AASB's objectives.
24. Any voting member of the AASB who either:
 - a. Fails to attend more than two AASB meetings in succession for whatever cause; or
 - b. Fails to attend, in any twelve-month period, at least 50% of all meetings of the AASBshall, in the absence of circumstances that in the opinion of the Chair are extenuating, automatically cease to be a member of the AASB at the end of the meeting at which he or she was in default. A member shall be deemed to be absent from a meeting of the AASB unless he or she is in attendance for substantially all of it.
25. The AASB's "year" shall end on March 31.

Bilingualism

26. The AASB shall follow the CICA's bilingualism policy.

Funding

27. The AASB's activities shall be funded by the CICA.

Public Sector Accounting Board

Terms of Reference

Mission

The mission of the Public Sector Accounting Board (PSAB) is to serve the public interest by setting standards and providing guidance for financial and other performance information reported by the public sector. PSAB shall do this by establishing independent, conceptually-based standards and other guidance through consultation and communication and contributing to the development of internationally accepted standards.

Objectives

PSAB shall have the following objectives:

- a. To develop standards and guidance that improve the quality of information reported by Canadian public sector entities with due consideration for the costs and the benefits to preparers and users and which recognize changing priorities in the environment.
- b. To participate in the development of a single set of high-quality internationally accepted public sector accounting standards together with other standard setters.
- c. To support our standard setting activities by actively assisting implementation and providing timely guidance on current issues.
- d. To continuously improve the process of standard setting.

In meeting its objectives, PSAB shall:

- a. Be committed to **serve the public interest**.
- b. Respect and encourage **input** from all its stakeholders.
- c. Bring **objectivity** to the consideration of issues.
- d. Respect the ability of its stakeholders to exercise **professional judgment**.
- e. Be committed to **timeliness** in its responses to stakeholder needs.

Responsibilities

PSAB shall have the following responsibilities:

- a. To issue and publish accounting pronouncements on its own authority, if satisfied as to need, usefulness and practicality, following a review of accounting theory and practice and a process of consultation with affected parties and debate (due process).
- b. To issue and publish recommended practices on its own authority, if satisfied as to need, usefulness and practicality, following a process of consultation with affected parties and debate (due process).

- c. To develop and submit to the Accounting Standards Oversight Council (AcSOC) an annual plan that specifies PSAB's strategic direction, priorities and agenda, including a report on how projects were selected and priorities set.
- d. To implement the most effective working process for all projects and commission task forces, advisory groups, consultative groups or study groups, as appropriate, to aid in the development of accounting standards, guidelines, statements of recommended practice or other material.
- e. To advise AcSOC as to the adequacy of human and financial resources to accomplish PSAB's objectives.
- f. To recommend accounting research in Canada, particularly on issues that may be of relevance to the Canadian public sector environment.
- g. To communicate with and seek input from stakeholders on a timely basis.
- h. To give due consideration to any and all recommendations AcSOC may make with regard to the foregoing.

Accountability

PSAB shall be accountable to the AcSOC to demonstrate that it has fulfilled its mandate effectively, efficiently and economically.

Composition and Term

Membership of PSAB shall be as follows:

Voting Members

- a. A volunteer Chair with a one-year term of office;
- b. A volunteer Vice-Chair with a one-year term of office who, under normal circumstances, would succeed to the Chair position; and
- c. Ten other volunteer members each with a normal term of office of three years, which is renewable.

Non-Voting Members

- a. The Vice-President, Standards of the CICA; and
- b. The Public Sector Accounting Standards Director.

The terms of PSAB's voting members shall be arranged with staggered expiry dates so there will be an orderly rotation of membership each year.

The role of the Chair shall include:

- a. Presiding over PSAB meetings and communicating with members between meetings, as necessary, concerning PSAB's activities; and
- b. Serving as a non-voting member of the AcSOC and a non-voting member of its Nominating Committee.

Selection Process

Members of PSAB shall be selected to ensure that it has an appropriate balance of competencies and experiences to meet its objectives. Membership will normally include at least eight individuals from government made up of those responsible for financial reporting or auditing. Other members may include public accountants, officers of public sector organizations and enterprises, legislators, investors, economists, financial analysts and academics. The Chair of PSAB, in conjunction with the Public Sector Accounting Standards Director, and the Vice-President, Standards of the CICA, shall provide input regarding individuals for potential membership on PSAB to the Nominating Committee of the AcSOC. The Nominating Committee may, but need not necessarily, adopt such recommendations. The Nominating Committee may of its own initiative identify suitable members. After receiving such input, the Nominating Committee shall present the proposed members of PSAB to the AcSOC for approval.

Assistance/Advice/Operations

PSAB shall be supported by the Public Sector Accounting Standards Director and such other staff as required.

Consultation and Communication

Liaison and promotion activities are an integral part of PSAB's strategic and operating planning processes. These activities include communications designed to help improve the understanding of complex materials.

PSAB actively shall solicit input on proposed accounting standards or guidance by issuing draft documents inviting public comment. Outreach programs, such as focus groups and field testing, shall be used to approach preparers, auditors and users of financial and other performance information directly for their input.

PSAB shall as required disseminate information about international public sector standard-setting activities, together with invitations to the public, to provide input on those activities.

PSAB shall provide examples and implementation guidance, if appropriate, to assist preparers, auditors and other constituents in understanding and applying complex standards consistently.

PSAB shall publish newsletters, maintain an internet website and provide other such information to assist preparers, auditors and other users of financial and other performance information.

Decision Making

Each year, PSAB shall present its priorities and agenda to the AcSOC for comments and shall consider the views and comments of the AcSOC in determining its priorities and agenda. If, for any reason, PSAB does not wish to incorporate specific views and comments of the AcSOC into its priorities and agenda, PSAB shall advise the AcSOC as to its reasons and provide the AcSOC with an opportunity to respond. PSAB shall convey to the AcSOC its preliminary agenda planning decisions, including preliminary approval of project proposals and preliminary

decisions to discontinue a project, and subsequently shall consider the AcSOC's views thereon before reaching final decisions.

Decisions of PSAB to release an exposure draft, approve an Accounting Standard, Accounting Guideline or Statement of Recommended Practice shall require a vote of at least two-thirds of all PSAB voting members.

Each voting member shall have one vote. PSAB members are expected to vote according to their own beliefs and not as representatives voting according to the views of the firm, organization or constituency with which they are associated.

Reporting

PSAB shall report annually on its activities.

PSAB shall review its Terms of Reference to ensure that they continue to meet the needs of PSAB and the public, and submit the results of this review to the AcSOC at least once every three years.

PSAB shall submit such reports as may be required by the AcSOC.

Meetings

Meetings of PSAB shall normally be held at least four times a year. Additional meetings may be convened to achieve PSAB's objectives.

In addition to members, PSAB meetings may be attended by others as requested by the Chair, the Vice-Chair, the Vice-President, Standards, or the Public Sector Accounting Standards Director.

Any voting member of PSAB who either:

- a. Fails to attend more than two meetings of PSAB in succession for whatever cause; or
- b. Fails to attend, in any twelve-month period, at least 50% of all meetings of PSAB

shall automatically cease to be a member of PSAB at the end of the meeting at which he or she was in default. A member shall be deemed to be absent from a meeting of PSAB unless he or she is in attendance for substantially all of it.

PSAB's "year" shall end on March 31.

Bilingualism

PSAB shall follow the CICA's bilingualism policy.

Funding

PSAB's activities shall be funded by the CICA

Accounting Standards Oversight Council

Terms of Reference

Mission

1. The mission of the Accounting Standards Oversight Council ("AcSOC") shall be to serve the public interest by overseeing and providing input to the activities of the Accounting Standards Board ("AcSB") and the Public Sector Accounting Board ("PSAB").
2. The AcSB is the body with the authority and responsibility for establishing accounting standards for profit oriented enterprises and not-for-profit organizations. The AcSB's mission shall be to contribute to enhanced decision-making by continuously improving the quality of financial and other information about organizational performance reported by Canadian entities. The AcSB has responsibility for an Emerging Issues Committee ("EIC").
3. The PSAB is the body with the authority and responsibility for establishing accounting standards for the public sector. This sector refers to federal, provincial, territorial and local governments, government organizations, government partnerships, and school boards. The PSAB's mission shall be to serve the public interest by recommending accounting standards that will improve the financial and performance information reported by governments and other public sector entities for the benefit of decision makers and other users of the information.
4. The EIC is the AcSB's standing committee authorized to issue "Abstracts of Issues Discussed". The EIC's mission shall be to provide a forum for the timely review of emerging accounting issues that are likely to receive divergent or unsatisfactory treatment in the absence of some guidance.
5. As a body that has a broad perspective from the point of view of users, preparers and the public of the complex issues facing standard-setters, the AcSOC shall support the AcSB and the PSAB in their missions of, *inter alia*, setting accounting standards domestically and in contributing to the development of internationally accepted standards.

Responsibilities

6. The AcSOC shall have the following responsibilities:
 - a. To appoint members to the AcSOC, AcSB and PSAB, including Chairs and, where applicable, Vice-Chairs.
 - b. To consider and, if approved, to ratify the appointments to EIC made by the AcSB.
 - c. To provide input to the AcSB and the PSAB primarily in terms of the strategic direction and priorities of those bodies, by providing its consensus views on the preliminary agenda planning decisions of the AcSB and the PSAB, as presented to the AcSOC by those bodies. The AcSOC shall take an active role in assisting the AcSB and the PSAB to determine their priorities and strategies in their work programs with due regard for domestic needs and international developments. The AcSOC shall endeavour to ensure that the AcSB and the PSAB consider user needs in determining priorities and strategies. The AcSB and the PSAB shall establish their priorities and agendas after discussing and considering the views of the AcSOC.
 - d. To inform the AcSB and the PSAB of the diversity of views represented on the AcSOC, as well as the views of other individuals or groups with an interest in accounting standards. This input shall include views as to the priorities of the AcSB and the PSAB and the technical matters before those bodies. The AcSOC shall recognize that the authority to set accounting standards for the private and public sectors rests with the AcSB and the PSAB, respectively.

- e. To be satisfied that the standard-setting processes of the AcSB and the PSAB are appropriate and responsive to the public interest.
- f. To oversee the activities of the AcSB and the PSAB. As such the AcSOC shall approve the Terms of Reference of both bodies, including any amendments thereto, monitor and evaluate the performance of both bodies, the fulfillment of their responsibilities, accomplishment of their work programs and the use and adequacy of available volunteer and staff resources.
- g. To evaluate the performance of the Chair of the AcSB and, in conjunction with the Board of Directors of the Canadian Institute of Chartered Accountants ("CICA"), through an appropriate committee of the AcSOC, to set the terms of employment of the Chair of the AcSB.
- h. To advise the AcSB and the PSAB on any matters as requested by the Chairs of the AcSB and the PSAB, respectively.

Authority

- 7. The AcSOC is hereby empowered by the CICA to take such reasonable actions as are necessary to carry out its responsibilities. The AcSOC shall establish a Nominating Committee and any other committee of assistance to carry out the AcSOC's responsibilities.

Reporting

- 8. The AcSOC shall report publicly on the activities of the AcSOC at least annually.

Composition and Term

- 9. The AcSOC shall, except for temporary vacancies, comprise not fewer than twenty and not more than twenty-five volunteer voting members as follows:
 - a. A Chair with a two-year term of office, which is renewable for one term;
 - b. A Vice-Chair with a two-year term of office, which is renewable for one term;
 - c. Eighteen to twenty-three other members each with a normal term of three years (subject to clause 10 below), which is renewable for one term.A voting member who chooses to waive voting rights is still a "voting member" for the purposes of these Terms of Reference.
- 10. The terms of the AcSOC voting members shall be arranged with staggered expiry dates in order that there be an orderly rotation of membership each year.
- 11. The AcSOC shall also include the following non-voting members:
 - a. The Chairs of the AcSB and PSAB;
 - b. The Vice-President, Standards of the CICA;
 - c. The Director, Accounting Standards;
 - d. The Director, Public Sector Accounting; and
 - e. The International Accounting Standards Board's member with responsibilities for liaison with the AcSB.

AcSOC Selection Process

12. Members of the AcSOC shall be selected to ensure that it reflects a broad cross-section of many backgrounds and points of view. A diverse membership enables the AcSOC to have a broad perspective on the issues and potential issues facing the AcSB and the PSAB.
13. Members shall include individuals or groups from public accounting practice, public sector accounting, business, finance, including bankers, bondholders and equity owners, government, academe, financial analysts, regulators, the legal profession and others who can bring a broad perspective to accounting standards.
14. The Nominating Committee of the AcSOC shall comprise:
 - a. The Chair and/or Vice-Chair of the AcSOC;
 - b. Four other members of the AcSOC selected by the AcSOC from time to time.

The Chair of the AcSB, the Chair of the PSAB and the Vice-President, Standards shall be non-voting members of the Nominating Committee.

15. The following organizations shall be specifically invited to provide nominees to the AcSOC Nominating Committee. The Nominating Committee may accept any such nominee, or ask for alternative nominees until one is accepted for membership on the AcSOC, so that each organization will have one representative on the AcSOC:
 - a. Canadian Academic Accounting Association;
 - b. CICA;
 - c. CGA Canada;
 - d. CMA Canada;
 - e. Financial Executives International Canada;
 - f. The Association for Investment Management and Research;
 - g. Pension Investment Association of Canada;
 - h. The Canadian Securities Administrators;
 - i. The Office of the Superintendent of Financial Institutions; and
 - j. Canadian Council of Legislative Auditors.

In the interests of clarity, these various representatives shall be included in the eighteen to twenty-three members referred to in clause 9© above.

16. If any of the organizations identified above ceases to exist or ceases, in the opinion of the Nominating Committee, to be the appropriate representative of the particular constituency whose interests in the activities of the AcSB and/or the PSAB it represents, the Nominating Committee may designate a different organization to represent the constituency in question.
17. All members of the AcSOC and the Chair and Vice-Chair appointments shall be nominated by the Nominating Committee of the AcSOC. These nominations shall be presented for approval by the AcSOC

Communication

18. Summaries of the deliberations of the AcSOC, except those held *in camera*, shall be made available to the public.

Decision Making

19. A quorum for meetings of the AcSOC shall be a majority of the voting members.

20. The AcSOC shall provide its consensus views on the preliminary agendas and planning decisions of the AcSB and the PSAB, as presented to it by those bodies, for the AcSB and the PSAB, respectively to consider.
21. Members of the AcSOC shall vote according to their own opinions, not as representatives voting according to the views of any organization with which they are associated.

Meetings

22. Meetings of the AcSOC shall be held normally every four months or more frequently, as necessary to achieve its objectives. Meetings shall be open to public observation at the discretion of the Chair.
23. Any voting member of the AcSOC who either:
 - a. Fails to attend more than two meetings of the AcSOC in succession for whatever cause; or
 - b. Fails to attend, in any twelve-month period, at least 50% of all meetings of the AcSOCshall, in the absence of circumstances that in the opinion of the Nominating Committee are extenuating, automatically cease to be a member of the AcSOC at the end of the meeting at which he or she was in default. A member shall be deemed to be absent from a meeting of the AcSOC unless he or she is in attendance for substantially all of it. The remaining term of any such member shall be filled by an appointee of the Nominating Committee of the AcSOC.
24. The AcSOC's "year" shall end on March 31 in each calendar year.

Bilingualism

25. The AcSOC shall follow the CICA's bilingualism policy.

Terms of Reference

26. The AcSOC shall, every two years, review its membership, Terms of Reference and operating procedures to ensure that they continue to meet the needs of the AcSOC and the public interest it represents.

Relationship with the CICA

27. The Vice-president, Standards of the CICA shall have liaison responsibilities to administer the relationship between the CICA and the AcSOC.
28. Funding for reasonable and necessary expenses for the AcSOC and the standard-setting activities shall be provided from the budget of the CICA.
29. The AcSOC shall review annually a proposed budget prior to its submission to the Board of Directors as part of the CICA's annual budget approval process and shall review actual results and variances.
30. The results of the AcSOC's review of its Terms of Reference shall be submitted to the Board of Directors of the CICA. Amendments to the Terms of Reference of the AcSOC shall require the approval of the AcSOC and the Board of Directors of the CICA.
31. Amendments to the Terms of Reference of the AcSB shall be made by the Board of Directors of the CICA and shall be subject to the approval of the AcSOC.
32. The AcSOC shall provide such other reports as may reasonably be required by the Board of Directors of the CICA.

Interaction among the AcSOC, Auditing and Assurance Standards Oversight Council and the Canadian Public Accountability Board

33. The Chairs and Vice-Chairs of the three oversight bodies shall meet at least annually. The purpose of such meetings would include:
- Discussing common issues, challenges, and agendas
 - Ensuring there is appropriate liaison and communication among the operating bodies (AcSB, PSAB, Auditing and Assurance Standards Board, and practice inspection/enforcement)

Auditing and Assurance Standards Oversight Council

Terms of Reference

Mission

The mission of the Auditing and Assurance Standards Oversight Council ("AASOC") shall be to serve the public interest by overseeing and providing input to the activities of the Auditing and Assurance Standards Board ("AASB"). The CICA shall respect the independence of the AASOC, which shall not be subject to direction or influence by the CICA or other representatives of the accounting profession in its performance of its responsibilities.

The AASB is the body with the authority and responsibility for establishing audit and assurance standards for the private and public sectors in Canada. The AASB's mission shall be to assist the profession in serving the public interest by enhancing the quality of audit and assurance services. The AASB supports the growth and relevance of such services by continually improving and disseminating guidance and generally accepted standards for a broad range of assurance-related services. These standards and guidance represent best practice and meet the needs of decision makers and assurance providers.

As a body that has a broad perspective from the point of view of users, preparers and the public of the complex issues facing standard-setters, the AASOC shall support the AASB in its mission of, inter alia, setting audit and assurance standards domestically and in contributing to the development of internationally accepted standards.

Responsibilities

The AASOC shall have the following responsibilities:

- a. To appoint members to the AASOC and AASB, including the Chairs and Vice-Chairs.
- b. To provide input to the AASB, primarily in terms of the strategic direction and priorities of the AASB, by providing its consensus views on the preliminary agenda and planning decisions of the

AASB, as presented to the AASOC by the AASB. AASOC shall take an active role in assisting the AASB to determine its priorities and strategies in its work program with due regard for domestic needs and international developments. The AASOC shall endeavour to ensure that the AASB considers user needs in determining priorities and strategies. The AASB shall establish its priorities and agenda after discussing and considering the views of the AASOC.

- c. To inform the AASB of the diversity of views represented on the AASOC, as well as the views of other individuals or groups with an interest in audit and assurance standards. This input shall include views as to the priorities of the AASB and the technical matters before the AASB. The AASOC shall recognize that the authority to set audit and assurance standards rests with the AASB.
- d. To be satisfied that the standard-setting process is appropriate and responsive to the public interest.
- e. To oversee the activities of the AASB. As such, the AASOC shall approve the Terms of Reference of the AASB, including any amendments thereto, monitor and evaluate the performance of the AASB, the fulfillment of its responsibilities, accomplishment of its work program and the use and adequacy of available volunteer and staff resources.

Authority

The AASOC shall take such reasonable actions as are necessary to carry out its responsibilities. The AASOC shall establish a Nominating Committee and any other committee to carry out its responsibilities.

Reporting

The AASOC shall report publicly on its and the AASB activities at least annually.

Composition and term

The AASOC shall, except for temporary vacancies, comprise not fewer than nine and not more than thirteen volunteer voting members, a majority of whom are not accountants in public practice, as follows:

- a. A Chair with a two-year term of office, which is renewable for one term;
- b. At the discretion of the Chair, a Vice-Chair with a two-year term of office, which is renewable for one term;
- c. Three members as referred to in clause 13;
- d. Four to eight other members each with a normal term of three years (subject to clause 8 below), which is renewable for one term;
- e. A member of the Public Interest Oversight Board (PIOB) who is resident in Canada, subject to receipt of consent from the individual.

Notwithstanding paragraphs 7(a), (b) and 7(d) above, the terms of the members first appointed on AASOC's formation may be renewed so long as any such member's term does not exceed eight years in total.

With respect to paragraph (e) if there is more than one member of PIOB who is resident in Canada, the Nominating Committee shall nominate one of those persons to represent PIOB, whose membership on the AASOC will be confirmed by a majority vote of the AASOC members.

The voting rights of any member may be waived by that member or, in the case of members appointed under paragraph 13, by the member or by the appointing organization. A member who would otherwise be a voting member shall be considered to be a 'voting member' for the purposes of these terms of reference notwithstanding that his or her voting rights have been waived.

At all times, voting members must have a majority who are not accountants in public practice.

The terms of the AASOC voting members shall be arranged with staggered expiry dates in order that there will be an orderly rotation of membership each year.

The AASOC shall also include the following non-voting members:

- a. The Chair of the AASB;
- b. The Vice-President, Standards of the CICA;
- c. The Audit and Assurance Standards Director of the CICA; and
- d. The members of the International Auditing and Assurance Standards Board (IAASB) who are resident in Canada, subject to receipt of consent from the individuals.

AASOC selection process

Members of the AASOC shall be selected to ensure that it reflects a broad cross-section of many backgrounds and points of view. A diverse membership enables the AASOC to have a broad perspective on the issues and potential issues facing the AASB.

Members shall include individuals or groups from public accounting practice, legislative audit offices, investors, business, finance, government, academe, financial analysts, regulators, the legal profession and others who can bring a broad perspective to audit and assurance standards.

The Nominating Committee of the AASOC shall be comprised of:

- a. The Chair and/or Vice-Chair of the AASOC; and

- b. Three other members of the AASOC selected by AASOC from time to time.

The Chair of the AASB and the Vice-President, Standards are non-voting members of the Nominating Committee.

Each of the following organizations shall be specifically invited to appoint a member to the AASOC so that each organization will normally have one representative on the AASOC:

- a. The Canadian Securities Administrators;
- b. The Office of the Superintendent of Financial Institutions; and,
- c. The Canadian Public Accountability Board

Each member shall remain a member of the AASOC until such time as his or her respective organization appoints a different member to the AASOC.

If any of the organizations identified above ceases to exist or ceases, in the opinion of the Nominating Committee, to be the appropriate representative of the particular constituency whose interests in the activities of the AASB it represents, the Nominating Committee may designate a different organization to represent the constituency in question.

All members of the AASOC and the Chair and Vice-Chair appointments shall be nominated by the Nominating Committee of the AASOC. These nominations shall be presented for approval by the AASOC.

Communication

Summaries of the deliberations of the AASOC, except those held in camera, shall be made available to the public.

Decision-making

A quorum for meeting of the AASOC shall be a majority of the voting members.

The AASOC shall provide its consensus views on the preliminary agenda and planning decisions of the AASB, as presented to it by the AASB, for the AASB to consider.

Members of the AASOC shall vote according to their own opinions, not as representatives voting according to the views of any organization with which they are associated.

Meetings

Meetings of the AASOC shall be held normally every six months or more frequently, as necessary to achieve its objectives. Meetings shall be open to public observation at the discretion of the chair.

Any voting member of the AASOC who either:

- a. fails to attend more than two regular meetings of the AASOC in succession; or
- b. fails to attend, in any twelve month period, at least 50% of all meetings of the AASOC

shall, in the absence of circumstances that in the opinion of the Nominating Committee are extenuating, cease to be a member of the AASOC as of the end of the meeting at which he or she was in default. A member shall be deemed to be absent from a meeting of the AASOC unless he or she is in attendance for substantially all of it. The remaining term of any such member shall be filled by an appointee of the Nominating Committee of AASOC.

The AASOC's "year" shall end on March 31 in each calendar year.

Bilingualism

The AASOC shall follow the CICA's bilingualism policy.

Terms of Reference

The AASOC shall, every two years, review its membership, Terms of Reference and operating procedures to ensure that they continue to meet the needs of the AASOC and the public interest it represents.

Relationship with the CICA

The Vice-President, Standards of the CICA shall have liaison responsibilities to administer the relationship between the CICA and AASOC.

Funding for reasonable and necessary expenses for the activities of the AASOC and the standard-setting activity shall be provided from the budget of the CICA.

AASOC shall review annually a proposed budget prior to its submission to the Board of Directors, as part of the CICA's annual budget approval process and shall review actual results and variances.

The results of the AASOC's review of its Terms of Reference shall be submitted to the Board of Directors of the CICA. Amendments to the Terms of Reference of the AASOC shall require the approval of the AASOC and the Board of Directors of the CICA.

Amendments to the Terms of Reference of the AASB shall require the approval of the AASOC and the Board of Directors of the CICA.

The AASOC shall provide such other reports as may reasonably be requested by the Board of Directors of the CICA.

Interaction among the AASOC, Accounting Standards Oversight Council and the Canadian Public Accountability Board

The Chairs and Vice-Chairs of the three oversight bodies shall meet at least annually. The purpose of such meeting would include:

- Discussing common issues, challenges, and agendas.
- Ensuring there is appropriate liaison and communication among the operating bodies (AcSB, AASB and practice inspection/enforcement).