

November 28, 2016

PIOB Secretariat
C/Oquendo, 12
28006-Madrid
SPAIN

Dear Sirs:

We are pleased to provide our response to the 2017-2019 PIOB Strategy Consultation Paper. Chartered Professional Accountants of Canada (CPA Canada) is the national organization established to support a unified Canadian accounting profession. CPA Canada, is one of the largest professional accountancy bodies in the world with more than 200,000 members, both at home and abroad. CPA Canada conducts research into current and emerging business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. CPA Canada also issues guidance and thought leadership on a variety of technical matters, publishes professional literature and develops education and professional certification programs.

The mission of CPA Canada is:

CPA Canada enhances the influence, relevance and value of the Canadian CPA profession by:

- Acting in the public interest
- Supporting its members
- Contributing to economic and social development.

More information about CPA Canada can be found on our website: www.cpacanada.ca.

We wish to highlight that given the efforts being undertaken globally with IFAC and the Monitoring Group to consider reforms of the standard-setting boards of IFAC we think it is fundamental that the PIOB consider its strategy in this broader context. Therefore, we think the PIOB should not proceed on this strategy without considering these broader efforts.

We have provided responses on certain questions in the Appendix A to this letter. For those we have not responded to, we did not have any particular views or did not think these were part of our mandate.



We would be pleased to elaborate on our comments if you require. If so, please contact me (+1 416 204 3332 or email tbatstone@cpacanada.ca).

Yours truly,

A handwritten signature in black ink that reads "Tashia Batstone". The signature is written in a cursive, flowing style.

Tashia Batstone, FCPA, FCA, MBA
Senior Vice President, External Relations and Business Development
CPA Canada

Appendix A

Q1. Do you think the process currently in place to identify risks to the public interest is appropriate? Can you suggest any improvements?

CPA Canada considers that the PIOB has a well-developed process that focuses on identifying public interest issues or possible threats to the public interest. This process means that the PIOB's oversight of standards and the standard-setting boards' (SSBs') strategies and work programs is achieving the appropriate outcome.

Q2. In addition to investors and regulators, are there any other stakeholders that you think merit further representation in the standard setting process?

We agree that further representation from the investor and regulatory communities would be ideal. Having members with broader experience will enrich the discussions and decision-making. We are aware that the Canadian standard-setting boards find that accessing these communities for membership can be difficult, due in part to the need for technical knowledge of the subject matter, which is fundamental to the standard setting process. Notwithstanding these recruiting challenges, we generally support efforts to involve investors and regulators in the standard-setting process.

As far as other stakeholders we do not think there are significant other groups missing from the standard-setting process and suggest that focusing efforts on increasing participation by investors and regulators would be most beneficial.

Q3. Do you see any benefit in the introduction of a public member Chair of the Nominating Committee for the selection of SSB members and Chairs? Do you see any benefit in an entirely separate Nominating Committee constituted by public members for this purpose?

We support having a Chair of the Nominating Committee that is fully qualified for the role required of the Nominating Committee. If it can be determined that the process is enhanced by adding the requirement of a public member we would be supportive.

As far as a separate Nominating Committee, we have observed no indication that there is anything wrong with the current model. However, if there is a compelling evidence that the public interest is not being met by the current model then alternative models should be explored.

The paper notes, and we agree, that the categorization of members as Public Members can be unclear. Without clarity in the definition, it is difficult to be certain that either of these proposed measures for selecting SSB members would be of any benefit,

For your information, Appendix B provides a description of the independent standard-setting process in Canada.

Q4. Do you believe Public Members bring perspectives on the public interest different from those of the accounting profession?

It is possible that Public Members could bring new perspectives on the public interest different from the accounting profession, but not necessarily. As well, as noted in Q3 above there is a lack of clarity on the definition of a Public Member.

We also highlight that the accounting profession has an inherent public interest mandate which is embedded in professional standards of conduct. We caution that the perspectives of members from the accounting profession on the public interest should not be discounted or marginalized simply because they are part of the profession.

Q7. Technical work on a standard under development is in the first instance undertaken by working groups or task forces. Do you see any benefit in the PIOB being involved at an earlier stage by overseeing working groups and or task forces?

The PIOB focuses on ensuring the public interest responsiveness of the standards it oversees. The Consultation Paper highlights that the PIOB attaches particular importance to respecting due process throughout the development of international standards.

It is our view that from a governance perspective, with the structures currently in place, the PIOB is already well positioned to fulfill its mandate to ensure the public interest responsiveness of standards.

Therefore, we are unclear on any benefit in the PIOB being involved at an earlier stage by overseeing working groups and/or task forces. In fact, we have a concern that this would too easily lend itself to the PIOB involvement in developing standards rather than conducting its oversight role.

Referring again to the Canadian standard setting model, the oversight councils oversee the relevant standard-setting boards. The terms of reference of each standard-setting board clearly articulate their mandate to develop standards to serve the public interest. Because of this, each of the board members takes seriously the need to consider the public interest throughout the standard-setting process. With this governance structure, it is unnecessary in our view for the oversight councils to oversee the work of any of the boards' committees or task forces.

Q10. What topics would you consider – from a public interest perspective – essential additions to the present education curricula?

Professional accountancy organizations develop and maintain high quality and relevant education programs for both initial and continuing professional education of their members. The education of members is a vital factor in ensuring a profession that operates with integrity and high quality.



From a public interest perspective, the national professional accounting bodies work in consultation with academia, employers, and other stakeholders in their jurisdictions and are well positioned to determine the competencies that will enable professional accountants to perform their jobs at the highest level. In many jurisdictions accountants also comply with the requirements of local regulators in establishing standards for entry into the profession and requirements for continuing professional development related to auditing and assurance. The dynamic nature of the business environment in which professional accountants now operate means there will likely be continuous and rapid changes required to education curricula.

We think it important that the members of the PIOB bring their strength in overseeing the due process of the SSBs and note the risks of appearing too involved in the standard-setting process.

Q11. Can you suggest how the PIOB might enhance its understanding of the public interest issues relevant to international accounting education standard-setting, and to accounting education practices and processes?

To enhance its understanding of the public interest issues relevant to international accounting education standard-setting and accounting education practices and processes, PIOB members should continue to observe IAESB meetings. We believe there is also a role for the IAESB to work collaboratively with other SSBs on issues to enhance its understanding of relevant public interest issues.

Q14. Is there anything the PIOB could do to improve the understanding of its role as a defender of the public interest?

In Canada our unique standard-setting structure has been established to ensure the public interest is protected. Each of the boards and oversight councils has a mandate, articulated in their terms of reference, to serve the public interest and each body takes seriously its role in doing this.

From our experience, it can be difficult to explain how the components of the structure work together to serve the public interest and so we understand the desire to improve the understanding of the role of oversight.

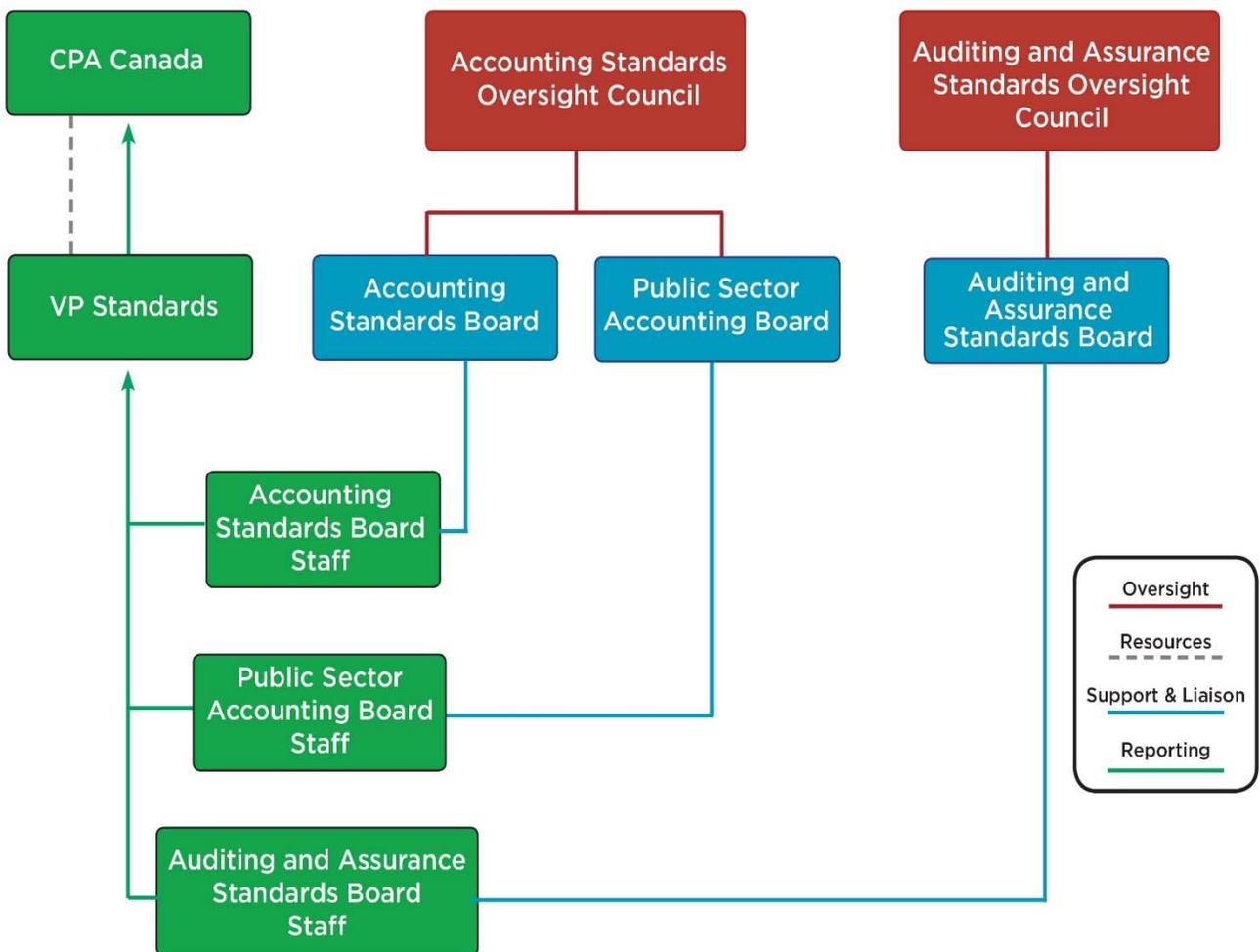
However, we have learned that while the public, and even those more intimately involved in the financial reporting supply chain, do not have a strong understanding of the full independent standard-setting structure, they are not overly concerned with that. They are satisfied knowing that an appropriate structure and process exists to serve the public interest and that the strong governance embedded in it achieves this.

On this basis we highlight the importance of the PIOB's core role in protecting the public interest through the due process for the independent SSBs and encourage the PIOB to focus its efforts on that core role.

Appendix B

Canada's Standard-Setting Structure

One of CPA Canada's key objectives is to act in the public interest. A significant aspect of this is supporting independent standard setting, both domestically and internationally. CPA Canada provides funding, staff and other resources to support an independent standard-setting process that is delivered through Canada's accounting and audit and assurance boards and oversight councils. The chart below demonstrates Canada's standard-setting structure and its relationship with CPA Canada.





From the chart you see that CPA Canada and the boards and oversight councils operate at arm's length from each other. This ensures the boards and oversight councils are able to carry out their standard-setting operations independently and without any undue influence, something CPA Canada sees as fundamental to acting in the public interest.

Members of the boards and oversight councils are mostly volunteers and represent a wide range of experienced professionals from Canada's business community, such as:

- financial statement preparers and users;
- auditors;
- academics; and
- regulators from both the private and public sector.

The standard-setting boards report directly to the relevant oversight council, not to CPA Canada. Nominations for the standard-setting boards and the oversight councils are made by Nominating Committees of each oversight council. There is no involvement by CPA Canada in the composition of the boards or oversight councils. This protects the independence of the standard-setting boards and oversight councils to ensure the public interest is safeguarded.

The staff resources that support the boards and oversight councils are CPA Canada employees. However, these employees take their direction on standard setting from the boards and do not vote on, or make decisions regarding any proposed or approved standard.

More information about Canada's independent standard-setting boards and oversight councils can be found on their website: www.frascanada.ca.