

CANADIAN PUBLIC ACCOUNTABILITY BOARD 2008 ANNUAL REPORT



## THE ROAD AHEAD



CPAB'S MISSION To contribute to public confidence in the integrity of financial reporting of reporting issuers in Canada by promoting high quality, independent auditing

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“While CPAB remains committed to maintaining an excellent inspection program, it will also increase its involvement in other key areas that affect audit quality, including input into the development of accounting and auditing standards in Canada and internationally, codes of conduct and the overall business environment.”

NICK LE PAN  
BOARD CHAIR



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#### CPAB'S MANDATES

1. **MEMBERSHIP REQUIREMENTS** Establish and monitor membership requirements for firms that audit reporting issuers in Canada
2. **QUALITY INSPECTIONS** Oversee the implementation and monitor the ongoing effectiveness of a program of practice inspection of firms that audit reporting issuers in Canada
3. **DISCIPLINE** Develop and implement a program of disciplinary action against firms or individuals that CPAB determines did not perform audits in accordance with professional standards
4. **PROFESSIONAL STANDARDS** Monitor and support the continuing development of Canadian and international accounting, auditing and independence standards
5. **COMMUNICATIONS** Build CPAB's profile by informing participants in the Canadian and international capital markets of CPAB's role, activities, findings and opinions
6. **EDUCATION & AWARENESS** Establish a program of ongoing discussions among regulators, the accounting profession, business and academia about:
  - a) Best practices in the auditing of reporting issuers; and
  - b) Current issues relating to the auditing profession, particularly those affecting audit quality
7. **INTERNATIONAL**
  - a) Coordinate, with international counterparts or with a transnational oversight entity, the inspection of Canadian auditing firms that audit public companies that are registered in jurisdictions other than Canada
  - b) Coordinate, with international counterparts or with a transnational oversight entity, the inspection of audit firms based outside of Canada that audit all or part of a Canadian reporting issuer

# Report of the Chair

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NICK LE PAN  
BOARD CHAIR



THE COMPLETION OF THE CANADIAN PUBLIC ACCOUNTABILITY BOARD'S (CPAB'S) FIFTH FULL YEAR OF INSPECTION OPERATIONS IN 2008 MARKED THE END OF THE ORGANIZATION'S START-UP PERIOD AND THE BEGINNING OF ITS NEXT PHASE OF OPERATIONS. HENCE, THE THEME OF THIS ANNUAL REPORT IS "THE ROAD AHEAD".

CPAB was established in 2003 to inspect public accounting firms that audit public companies in Canada. Since then, it has built a strong foundation and gained extensive experience in fulfilling its mission to promote high quality, independent auditing.

Building on that foundation and experience, CPAB continues to move forward and evolve as a regulator. CPAB's strategic focus includes outreach to stakeholders such as audit firms, audit committees of reporting issuers and other regulators. CPAB will continue to prepare for the transition to International Financial Reporting Standards, review the cycle and scope of its inspections, enhance its resources, and work with other audit regulators to strengthen the collective oversight of the major global audit firms. While CPAB remains committed to maintaining an excellent inspection program, it will also increase its involvement in other key areas that affect audit quality, including input into the development of accounting and auditing standards in Canada and internationally, codes of conduct and the overall business environment.

## GOVERNANCE

Part of CPAB's evolution includes amending its governance structure. CPAB's Council of Governors, Board of Directors and Industry Members have approved bylaw changes<sup>1</sup> to enhance CPAB's accountability, effectiveness and collaboration with provincial regulators of public accounting. The changes took effect April 22, 2009.

### Council of Governors

To enhance the organization's effectiveness and ensure that capital markets are appropriately represented on the Council of Governors, another member from the Canadian Securities Administrators has been added to the Council. This increases the number of Council members from five to six. A professional accountant with regulatory/audit oversight experience replaces the President of the Canadian Institute of Chartered Accountants.

<sup>1</sup>Full details of the changes to CPAB's governance structure, including definitions of "professional accountant" and "a person with regulatory/audit oversight experience" are available at [www.cpab-ccrc.ca](http://www.cpab-ccrc.ca).

### Industry Members

To better reflect their status as regulators, Industry Members are now known as Provincial Audit Regulator Members. To foster greater collaboration, the new bylaws more specifically define the requirements for provincial oversight bodies to become Provincial Audit Regulator Members, so that oversight bodies in a variety of provinces from various branches of the profession are aware of the process for becoming Members.

### Board of Directors

Under the new bylaws, at least four members of the Board of Directors, but no more than five, must be professional accountants. In addition to enhancing CPAB's effectiveness, this change means the Board no longer requires ex-officio members from three provincial regulatory

authorities that oversee participating audit firms (these ex-officio members were originally placed on the Board to ensure it had members with accounting expertise). As a result of the ex-officio members leaving the Board, CPAB is seeking several new directors.



**“ While CPAB remains committed to maintaining an excellent inspection program, it will also increase its involvement in other key areas that affect audit quality...”**

### Consultative Committees

CPAB is creating Consultative Committees of each professional group of provincial audit regulators to ensure it maintains close and ongoing contact and collaboration with these bodies. The membership of each Committee consists of all provincial public accounting regulators of a professional accounting designation.

## LEGISLATION

CPAB continues to build a legislative base in each province to ensure it can carry out its mandate effectively. The *Canadian Public Accountability Board Act (Ontario) 2006* has been passed and proclaimed. This Act provides immunity for CPAB's Board and staff for their actions in good faith and provides access to privileged audit working papers. Access to privileged working papers means CPAB inspectors will be able to review all of the information auditors had when rendering their audit opinion, permitting CPAB to carry out its mandate effectively.

The passage of *An Act to amend the Chartered Accountants Act in Québec* has led to an agreement between CPAB and the Ordre des Comptables Agréés du Québec regarding immunity.

CPAB continues to seek similar legislation in all jurisdictions. Access to privileged documents remains a major point of concern. Lack of access to privileged documents limits CPAB's ability to fully inspect participating audit firms.

## PARTNERSHIPS

CPAB continues to consult and collaborate with other regulators on how they can work together more effectively to enhance audit quality and protect the public interest. This includes active participation in the International Forum of Independent Audit Regulators (IFIAR), which helps develop co-operative arrangements with other national auditor oversight authorities and encourages dialogue on auditor inspection techniques, results and remediation.

## PUBLIC REPORT ON INSPECTIONS

CPAB's Sixth Public Report, which covered its 2008 inspections, was issued in March 2009. The report concludes that while CPAB continues to see many examples of excellent audit work, it still encounters work that falls short of professional standards. The quality of audit work by the national firms is high, but there are pockets or regions where it needs to improve. Audit work performed by regional and local firms has improved considerably, particularly where the firm leadership stresses the importance of audit quality. However, these firms may have more difficulty auditing transactions that are outside their areas of expertise.

## THE BOARD OF DIRECTORS

This is my first report as Chair of CPAB. I would like to thank my predecessor, Gordon Thiessen, for his work as CPAB's founding Chair, and to acknowledge and thank CPAB's management and staff for their support and assistance.

Two directors left the Board of Directors in 2008 when their terms expired in April: Brian Canfield (Chairman, Telus Corporation) and Jacques Ménard (Chairman, BMO Nesbitt Burns and President, Québec, BMO Financial Group). They have made a significant contribution to CPAB since joining the Board.

Early in 2009, three directors completed their terms on the Board of Directors and I would like to thank them for their contribution to CPAB: Jane Halford (Chief Executive Officer and Executive Director, the Institute of Chartered Accountants of Alberta); Daniel McMahon (President and Chief Executive Officer, Ordre des Comptables Agréés du Québec) and; Ted Newall (former Chairman of the Board, NOVA Chemicals Corporation).

I would also like to welcome Brian Hunt, who assumed the role of Chief Executive Officer in March 2009. Brian brings a great deal of energy and experience to the CEO's position, which will be invaluable as CPAB moves into the next phase of its evolution as a proactive national regulator committed to promoting high quality audits.



NICK LE PAN  
BOARD CHAIR

**CPAB BOARD  
MEMBERS**



**NICK LE PAN**  
BOARD CHAIR  
*FORMER SUPERINTENDENT OF FINANCIAL INSTITUTIONS, OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS, OTTAWA, ONTARIO*



**WENDY K. DOBSON**  
BOARD VICE CHAIR  
*PROFESSOR AND DIRECTOR, INSTITUTE FOR INTERNATIONAL BUSINESS, JOSEPH L. ROTMAN SCHOOL OF MANAGEMENT, UNIV. OF TORONTO, TORONTO, ONTARIO*



**ROBERT BERTRAM**  
*FORMER EXECUTIVE VICE PRESIDENT, ONTARIO TEACHERS' PENSION PLAN BOARD, TORONTO, ONTARIO*



**KENNETH CRUMP**  
*CHAIRMAN, BOARD OF TRUSTEES, COAST WHOLESALE APPLIANCES INCOME FUND, VANCOUVER, BRITISH COLUMBIA*



**RONALD G. GAGE**  
*FORMER CHAIRMAN AND CHIEF EXECUTIVE OFFICER, ERNST & YOUNG LLP, TORONTO, ONTARIO*



**JANE HALFORD**  
*CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ALBERTA, EDMONTON, ALBERTA*



**BRIAN A. HUNT**  
*FORMER PRESIDENT AND CHIEF EXECUTIVE OFFICER, INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO, TORONTO, ONTARIO*



**DANIEL MCMAHON**  
*PRESIDENT AND CHIEF EXECUTIVE OFFICER, ORDRE DES COMPTABLES AGRÉÉS DU QUÉBEC, MONTRÉAL, QUÉBEC*



**J.E. (TED) NEWALL**  
*FORMER CHAIRMAN OF THE BOARD, NOVA CHEMICALS CORPORATION, CALGARY, ALBERTA*



**JOCELYN PROTEAU**  
*CHAIRMAN, STANDARD LIFE ASSURANCE COMPANY OF CANADA, STANDARD LIFE FINANCIALS INC. AND STANDARD LIFE TRUST, MONTRÉAL, QUÉBEC*



**ALAIN RHÉAUME**  
*A FOUNDER AND MANAGING PARTNER OF TRIO CAPITAL INC., MONTRÉAL, QUÉBEC*



# Comments by the Council of Governors

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## COMPOSITION AND RESPONSIBILITIES

The Council of Governors (“the Council”) consists mainly of representatives of regulatory bodies that have a key interest in the integrity of financial statements of public companies and therefore in the quality of external audits.

The current Chair of the Council is the Chair of the Ontario Securities Commission. The other members are the Chair of the Canadian Securities Administrators (a position currently held by the Chair of the Autorité des Marchés Financiers), the Chair of the British Columbia Securities Commission, the Chair of the Alberta Securities Commission, the Superintendent of Financial Institutions (Canada), and Keith Bowman who is the recently appointed Accountant COG Member.

The Council is responsible for appointing the Chair, the Vice Chair and other Board members of CPAB and votes on bylaw amendments of the corporation. The Board of Directors (“the Board”) of CPAB is accountable to the Council for CPAB’s performance in meeting its mandate to promote, publicly and proactively in the public interest, high quality external audits of reporting issuers. Consistent with this accountability relationship, the Council is committed to evaluating the effectiveness of the Board on a regular basis and to taking any necessary actions to improve its effectiveness.

## THE ANNUAL REVIEW

The Council once again performed a high level review of the Board’s activities and CPAB’s accomplishments during the year. We placed particular emphasis on the Board’s progress in addressing matters identified in our 2007 oversight review and on CPAB’s response to the risks arising from the current economic environment. As part of our review, we read minutes and meeting materials relating to meetings of the Board and its committees, and we interviewed the Chair of the Board, the Acting CEO of CPAB during the period under review, and the recently appointed CEO of CPAB.

Although the sudden passing of CPAB’s former CEO, Keith Boocock, presented significant challenges to CPAB in 2008, the Council believes that CPAB was successful in moving forward with its mission of promoting high quality auditing in the Canadian capital markets.

## STRATEGIC OBJECTIVES

In 2007, CPAB adopted a strategic plan that set out the key objectives and supporting strategies to guide its activities. While the global economic downturn has put these objectives and strategies to the test over the past year, CPAB has demonstrated its ability to effectively respond to these challenges and has continued to make progress toward its objectives. For example, the Council acknowledges CPAB’s efforts to address the evolving areas of audit risk in the current environment through CPAB’s risk-based system of selecting participating firms and reporting issuers for review. We note the success CPAB has achieved in advancing its communications with key stakeholders through webcasts and direct communications with audit firms on key areas of concern.

The impact of current economic conditions on reporting issuers will continue to feature into CPAB’s planning and review efforts in 2009. In addition, CPAB will continue to prepare for the challenges resulting from Canada’s adoption of International Financial Reporting Standards (IFRS) in 2011 and from the introduction of new Canadian Auditing Standards (based on the newly revised International Auditing Standards) in 2010. The Council supports CPAB’s efforts

to ensure it has sufficient resources to meet these challenges and to continue to operate as an effective regulator in these times of change.

CPAB's participation with its international counterparts has become even more important as Canada begins to apply these new standards. We encourage CPAB to continue to work with colleagues in the International Forum of Independent Audit Regulators and to exchange information and experiences on the application of accounting and auditing standards. With Canadian accounting and auditing standards becoming internationally oriented, the Council encourages CPAB to utilize the knowledge it obtains from its review experiences and those it obtains from the International Forum of Independent Auditor Regulators in providing relevant input into both the Canadian and international standard setting process.

### GOVERNANCE AND LEGISLATION

As a result of the adoption of recently amended CPAB bylaws, certain governance changes have now taken effect. These changes are to ensure an independent oversight regime for CPAB and have resulted in the following modifications to the composition of the Council:

- the addition of an Accountant COG Member
- an additional representative selected by the Canadian Securities Administrators
- the elimination of the Council of Governor member position for the President of the Canadian Institute of Chartered Accountants (CICA)

The Council would like to express its gratitude to Kevin Dancey, the President and CEO of the CICA for his five years of service as a Council member and for his commitment and contributions to the effective governance and oversight of CPAB during his successful term.

We are pleased to note the comments in the Chair's report that progress is being made in developing provincial legislation that would allow CPAB to carry out its mandate more effectively. We note the proclamation into force on June 30, 2009 of the *Canadian Public Accountability Board Act (Ontario) 2006*. It is also our understanding that the Board is continuing with its efforts to work with government officials in other provinces to achieve the necessary powers and protections across the country. We strongly support these efforts and hope that over the next year, continued progress will be made to provide CPAB with the necessary powers and protections through provincial legislation that balances CPAB's needs with a transparent and harmonized oversight regime.

As noted in this annual report, 2008 presented significant and diverse challenges to CPAB in accomplishing governance changes while also responding to audit firm and reporting issuer risks that CPAB has identified as a result of the current economic downturn. With governance modifications almost complete, CPAB has the necessary elements in place that will allow it to continue to develop and implement strategic initiatives that address the changing environment that audit firms and reporting issuers are currently exposed to. With Canada's move to IFRS and the recent adoption of new Canadian Auditing Standards, the road ahead will undoubtedly provide new challenges and opportunities for CPAB as it executes on its mandate of promoting high quality auditing in the Canadian capital markets.



DAVID WILSON, CHAIR  
COUNCIL OF GOVERNORS

# Report of the Chief Executive Officer

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BRIAN A. HUNT, FCA  
CHIEF EXECUTIVE OFFICER



CPAB'S MANDATE IS TO PROMOTE HIGH QUALITY, INDEPENDENT AUDITING, WHICH CONTRIBUTES TO PUBLIC CONFIDENCE IN THE INTEGRITY OF PUBLIC COMPANIES' FINANCIAL REPORTING.

Carrying out this mandate involves much more than CPAB's inspection program. Moving forward, it means proactively engaging in a wide range of issues, including input into the development of accounting, auditing and independence standards, attaining the legislation CPAB requires to achieve maximum effectiveness and participating in Canada's overall regulatory and business environment.

## RISKS OF INSPECTING IN A DOWNTURNING ECONOMY

As part of this proactive approach, CPAB initiated a project on the Risks of Inspecting in a Downturning Economy (RIDGE).

Financial statements of many companies are being affected by the global economic downturn. Auditors, management, boards and audit committees are facing many challenges, from determining fair values of illiquid investments to providing enhanced financial statement disclosures.

To assess their readiness to audit during the global economic downturn, CPAB arranged meetings with the senior leadership of the Big Four firms in December 2008 and January 2009. During these meetings, CPAB reviewed the firms' modifications to their audit methodologies and conveyed CPAB's expectations prior to the start of its 2009 inspections. CPAB is satisfied that each firm made considerable effort to be ready to deal with the accounting and auditing issues arising in the current economic environment.

Building on this outreach, CPAB mounted its first webcast, "The Integrity of Financial Reporting in an Economic Downturn", in January 2009. Designed to raise awareness of auditing and financial challenges created by the current environment, the webcast's audience included auditors, financial statement preparers, audit committees and boards of directors. The archived webcast and speakers' notes are available on CPAB's website and have been circulated widely by firms.

## 2009 INSPECTION APPROACH

The global economic downturn will also affect CPAB's 2009 inspection approach. More emphasis will be placed on engagement performance than on other elements of quality control, such as client acceptance and retention, independence and human resources. The rationale for this change is that any problems relating to these other elements of quality control will likely be reflected in engagement performance. That being said, if CPAB identifies issues in these other elements of quality control, it will broaden its approach and examine them more closely.



**“More emphasis will be placed on engagement performance than on other elements of quality control, such as client acceptance and retention, independence and human resources.”**

For its 2009 inspections of engagement performance, CPAB is using a number of approaches to assess audit risk, including the use of databases to identify high-risk reporting issuers. It is reviewing the audit work on selected items within those financial statements and will pay special attention to the use of specialists, consultations and the role of the Engagement Quality Control Review.

CPAB will also fine-tune its risk-based approach, focusing on such areas as valuations, impairment, risks involving counterparties, going concerns, financial statement disclosures and increased risks of management bias and fraud.

CPAB expects auditors to perform their audits in 2009 with the appropriate degree of professional skepticism.

## SMALLER FIRM INSPECTION METHODOLOGY

CPAB's 2009 inspections will implement an approach designed specifically for smaller firms. These firms operate in a different environment than larger firms and often adopt different approaches to systems management.

CPAB's focus in inspections of smaller firms will continue to be on engagement performance. However, it will limit its testing of quality control elements to situations in which previous issues were identified and/or where the firm has made significant changes to its processes.

The new smaller firm inspection methodology will allow CPAB to carry out more inspections in less time, allowing it to visit more firms.

## DRIVERS OF AUDIT QUALITY

Through discussion with Canadian and international regulators, CPAB has developed a preliminary list of drivers of audit quality, such as experience and knowledge, resources to adequately carry out the work, and adequate training and supervision.

CPAB has asked firms subject to its oversight to provide information on these indicators. CPAB will use this information internally to review and assess trends on an annual basis. Should any trends be identified, CPAB will consider how they could be used to enhance the inspection process. As well, if CPAB identifies a poor quality audit, it will examine whether the drivers of audit quality affected that audit. The ultimate goal is to be able to correlate these indicators of audit quality to engagement performance, which should help identify the root causes of audit quality problems.

CPAB recognizes that there may be other views regarding the primary drivers of audit quality and will continue to conduct research in this area. A number of audit firms and other regulatory bodies are also doing similar work, and CPAB welcomes their input.

## STRATEGIC PLAN

The theme of this Annual Report is “The Road Ahead”. To help chart its path forward, CPAB will develop a new strategic plan in 2009. A key part of this plan will address how CPAB plans to meet the major challenges that lie ahead, including the Canadian adoption of the International Standards of Auditing and International Financial Reporting Standards. CPAB must ensure its inspection staff has the requisite expertise in these new standards, which will change auditing and financial reporting in Canada.

CPAB will also continue to examine its processes and procedures, the scope of the entities it inspects and its mandate going forward. Several auditor oversight organizations around the world, including the U.S. Public Company Accounting Oversight Body, are expanding their mandates, and CPAB will also consider this as part of its strategic planning process.

## CONCLUSION

The current economic environment demands that Canada’s auditors, as well as CPAB, revisit their approach, to ensure that they are proactively and effectively addressing today’s increased risks and challenges. Now, more than ever, high quality audits are crucial to the integrity of financial reporting.



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**“CPAB will continue to examine its processes and procedures, the scope of the entities it inspects and its mandate going forward.”**

In conclusion, I would like to thank CPAB Board Chair Nick Le Pan, the Board of Directors, management and staff for their assistance as I have assumed the role of CEO.

I would also like to acknowledge the enormous contribution of CPAB's former CEO, the late Keith Boocock. CPAB is honouring Keith's memory through the funding of an annual scholarship for a Ph.D. student who is working on his/her dissertation at a Canadian university. The first annual Keith Boocock Doctoral Scholarship has been awarded to Regan Schmidt, CA, a Ph.D. student in the Queen's University School of Business. The prime criterion for selection for the Scholarship is the likelihood that the student's dissertation will lead to improvement in the quality of auditing of public companies. It is a fitting tribute to Keith, whose integrity and professionalism did so much to advance CPAB's mandate — adding value to audit quality.

BRIAN A. HUNT, FCA  
CHIEF EXECUTIVE OFFICER

CPAB EXECUTIVE TEAM

BRIAN A. HUNT, FCA  
CHIEF EXECUTIVE OFFICER



KENNETH J.A. VALLILLEE, FCA  
SENIOR VICE PRESIDENT



GALT ARTHUR, FCA  
VICE PRESIDENT AND  
CHIEF INFORMATION OFFICER



DONALD J. COCKBURN, FCA  
VICE PRESIDENT



KAM GREWAL, CA  
VICE PRESIDENT



PAUL M. LOHNES, CA  
VICE PRESIDENT



MICKEY MAHMOOD, CA  
VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER



MARIAL STIRLING, CA, LLB.  
VICE PRESIDENT AND  
GENERAL COUNSEL



# Inspection Activity

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## INTRODUCTION

In 2008, CPAB inspected 42 firms and reviewed 224 audit engagements. These included:

- Inspections of Canada's six national firms and reviews of 123 audit engagements carried out by these firms
- Recurring inspections of 15 regional and local firms, and 21 follow-up inspections; as part of these inspections, CPAB reviewed 101 audit engagement files

In addition to the inspections conducted by CPAB, provincial professional accounting bodies inspected 45 firms that audit reporting issuers.

In addition to reviewing engagement performance, CPAB reviews six other elements of quality control, as set out in the CICA Handbook:

- Leadership responsibilities for quality within the firm
- Ethical requirements
- Acceptance and continuance of client relationships and specific assurance engagements
- Human resources
- Engagement documentation (relating to confidentiality, custody, integrity, etc., but not content)
- Monitoring (by firms of their quality control systems and their application)

CPAB selects files of reporting issuer audit clients for review using a risk-based approach. The purpose of CPAB's file reviews and firm inspections is to assess whether the firm has complied with professional standards and has the professional capabilities, i.e. knowledge and experience, to provide an audit opinion for the current client base. CPAB's file reviews and firm inspections do not provide an endorsement that the firm is capable of auditing reporting issuers that differ in size, complexity of transactions or by industry.

In 2008, CPAB's 24 staff members were supported by 10 contract consultants, who mainly specialize in the areas of audit and accounting, taxation, information technology and valuations.

## RESULTS OF INSPECTIONS

### **The Six National Firms**

Canada's six national firms audit more than 3,800 entities that are public companies or other reporting issuers in Canada, representing more than 95 per cent if measured by market capitalization.

CPAB generally found the quality of audit work in the six national firms to be high, and believes that senior leadership at the national firms is committed to maintaining the highest level of audit quality.

However, issues remain, and these issues tend to be more prevalent in certain offices rather than being common to all offices. Specifically, CPAB noted that:

- Concurring partners spend too little time on the audit and/or the work is not timely
- Consultation is not well documented and not signed off by the person consulted
- When specialists are used there is a lack of rigour when challenging management assumptions, and documentation of the thought process involved is lacking
- Documentation is inadequate

Other issues noted include independence reporting, financial statement presentation and disclosure, inadequate documentation of work done by other auditors and inconsistency among offices.

Of the 123 audit engagement files reviewed, CPAB found that five audit engagements were not conducted in accordance with Generally Accepted Auditing Standards (GAAS), in that there

## Overview and Scope

CPAB's mandate is to promote high quality, independent auditing, which contributes to public confidence in the integrity of public companies' financial reporting. It accomplishes this by inspecting audit firms that audit Canadian reporting issuers, either directly or in co-operation with provincial or foreign regulatory authorities.

Each year, CPAB reviews all firms that audit 100 or more reporting issuers. CPAB also reviews, at least every two years, firms with between 50 and 99 reporting issuer audit clients. For the remaining Canadian participating audit firms, CPAB primarily relies on its reviews of the quality inspections carried out by the relevant provincial accounting bodies, i.e., Institutes of Chartered Accountants or Associations of Certified General Accountants, although it may, and has, elected to review some of those firms directly.

When a participating firm is domiciled in another country, CPAB will, depending on the robustness of the audit regulatory activity in that country, endeavour to rely on that regulator. However, it is probable that, at a minimum, depending on the risk profile of the reporting issuer, CPAB will want to carry out some review of audit files relating to Canadian reporting issuers.

During the past five years, CPAB has inspected each of the six national firms five times; CPAB has inspected each of the firms that audit more than 49 reporting issuers at least twice in this period and the majority three times.



were a number of significant GAAS deficiencies that required more audit work to be done to support the audit opinion. There were also a number of engagements where improvements in the audit approach were needed to comply fully with GAAS, although there was enough work done to support the audit opinion.

There was one engagement where CPAB concluded that the financial statements were not in accordance with Generally Accepted Accounting Principles (GAAP) and therefore required restatement. There were also some engagements where further audit work had to be performed since there were potential GAAP departures that needed to be quantified in order to be satisfied that a GAAP restatement was not required.

### **Regional and Local Firms**

CPAB has found considerable improvement in the audit work performed by regional and local firms. The most improvement occurs when firm leadership stresses the importance of audit quality.

Regional and local firms operate in a different environment than the national firms. Their clients generally do not have operations that are as complex, and also may not have a corporate governance regime that is as robust as that of larger public companies. National firms have greater resources, such as standards departments, guidance and training.

CPAB finds that, in general, regional and local firms have more difficulty auditing unusual, non-recurring transactions. This means these firms need to make an effort to develop consultation networks, for ready access to additional guidance.

In addition to many of the issues mentioned in relation to national firms, CPAB noted GAAS and GAAP issues in eight other areas in its inspections of regional and local firms. These are:

- Auditing outside the “comfort zone”
- Reviews by partners or concurring partners that are not thorough or timely
- Inadequate linkage of risk assessment to substantive audit procedures
- Inadequate substantive analytical review
- Incomplete or unclear documentation
- Omission of procedures on initial audits when taking over from a predecessor
- Financial statement presentation and disclosure (GAAP checklist not used)
- Internal monitoring that focuses on engagement performance only

Of the 101 audit engagement files reviewed, CPAB found that 13 audit engagements were not conducted in accordance with GAAS. In addition, there were a number where improvements in the audit approach were needed to comply fully with GAAS.

CPAB also found that the financial statements for 10 engagements were not in accordance with GAAP. For a few others there were potential restatements.

These findings led to requirements being placed on nine different firms.

Despite these results, CPAB found many examples of excellent audit work.

## REMEDIAL ACTIONS

As a result of its 2008 reviews, CPAB placed requirements on nine firms, compared to eleven firms in 2007 and seven firms in 2006. The requirements most commonly imposed in 2008 were:

- The firm or a specified partner could not accept any new reporting issuer clients
- The firm's audit working papers were to be reviewed by an external firm or professional standards group before issuing an audit report
- Specified partners were required to take additional training

## REPORTING

Following each inspection, CPAB sends each firm a private report that includes findings, recommendations and other observations. Firms are expected to implement the recommendations to CPAB's satisfaction within a prescribed period of time — typically 180 days, although a shorter period may be imposed, depending upon the seriousness of the finding.

CPAB reports publicly at least annually on the results of its inspections, but does not identify either individual firms or companies. The public report for 2008 (Sixth Public Report) was issued on March 12, 2009 and is posted on CPAB's website ([www.cpac-ccrc.ca](http://www.cpac-ccrc.ca)).

## RESTRICTIONS ON THE SCOPE OF CPAB REVIEWS

The scope of CPAB's reviews of some individual audit engagements continues to be restricted by lack of access to documents because of claims of legal privilege. While CPAB understands concerns about legal privilege, any restrictions on its reviews are contrary to its mandate. They also prevent CPAB from expressing a complete view on the quality of audits done by certain audit firms.

The passage of the Canadian *Public Accountability Board Act (Ontario) 2006* and *An Act to amend the Chartered Accountants Act in Québec* will significantly improve CPAB's situation. CPAB continues to seek statutory authority in all jurisdictions to have access to privileged information without negating that privilege.

# Management's Discussion and Analysis

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## INTRODUCTION

CPAB completed its fifth full year of inspections in 2008. It also continued its work in other priority areas, including providing input into the development of audit standards, seeking a legislative base in all Canadian jurisdictions and collaborating with other regulators.

In 2009, CPAB is placing greater emphasis on engagement performance, introducing a new inspection methodology for smaller firms and implementing changes to its governance structure. Building on the work it began in late 2008, CPAB will also continue to focus on the risks associated with auditing during a global economic downturn.

CPAB ended fiscal 2008 in a healthy financial position. This Management Discussion and Analysis summarizes CPAB's financial results for the year ending December 31, 2008, the outlook for 2009 and significant risks and challenges facing the organization.

## FINANCIAL RESULTS

### Revenues

CPAB is funded through the collection of fees from audit firms that audit Canadian reporting issuers. The authority to collect these fees is derived from Canadian Securities Administrators (CSA) National Instrument 52-108 "Auditor Oversight". In 2008:

- Annual fees totalled \$12.5 million, an increase of 20.7 per cent from 2007; this increase reflects participating audit firms' higher audit fee revenue
- CPAB's fee levy rate for Canadian audit firms was 1.6 per cent of the audit fees these firms charge their reporting issuer clients; the rate, which has not changed since CPAB's inception, is designed to cover annual operating costs and provide a reasonable buffer for contingencies
- CPAB collected a reduced rate for foreign participating firms that are subject to oversight in their home jurisdictions

### 2009 Outlook

CPAB's fee in 2009 is based on a percentage of audit fees as they relate to reporting issuers. The current economic downturn, combined with reduced capital market activity, may exert downward pressures on audit fees. Should this occur, CPAB will need to increase its levy rate to firms in order to continue to adequately fund its inspection activities.



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## About CPAB

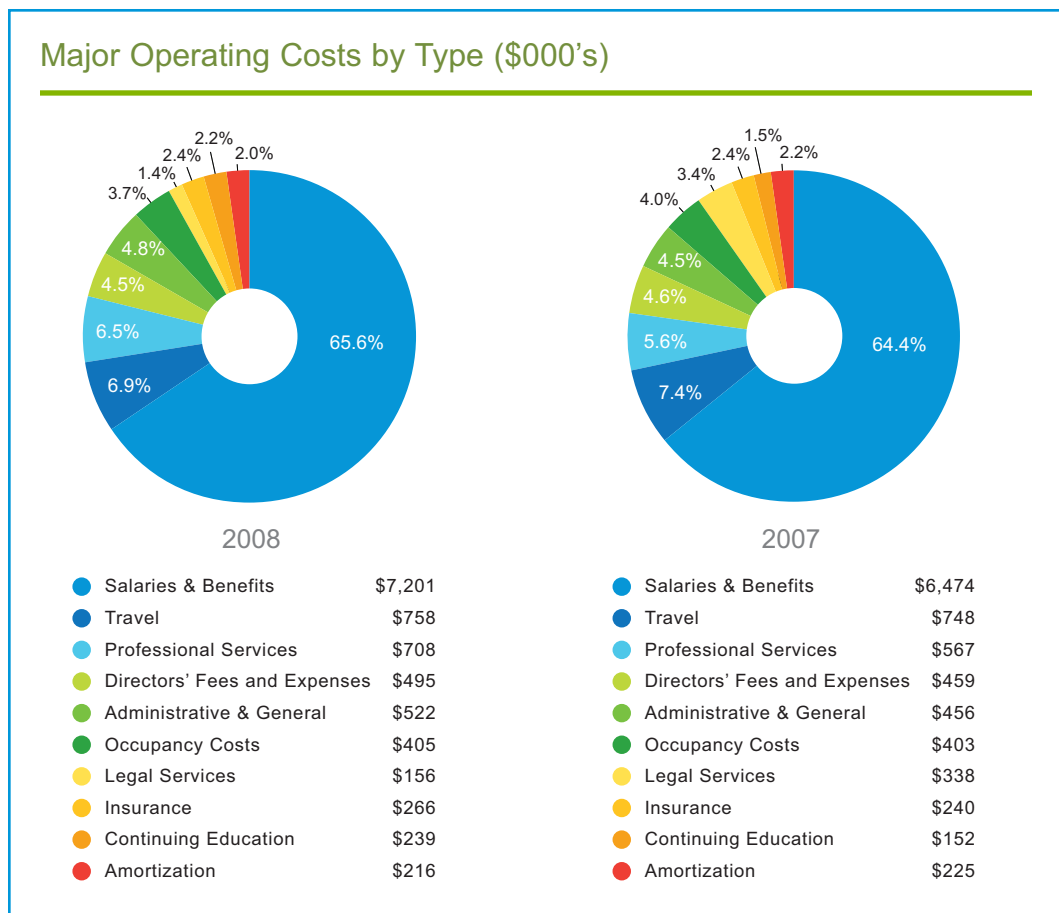
- **Established in 2003**
- **Independent, federally incorporated, not-for-profit, without share capital**
- **Auditors of Canadian reporting issuers' financial statements must be registered and in good standing with CPAB**
- **Inspects firms subject to its oversight either directly or in co-operation with other regulatory bodies in Canada or abroad**
- **272 public accounting firms were registered and in good standing as of December 31, 2008**

CPAB is also exploring ways to recover the costs of its follow-up inspections at firms where it has imposed sanctions due to significant weaknesses in audit quality and quality control systems. CPAB is developing a policy that may require these firms to bear some or all of these additional costs.

### OPERATING COSTS

CPAB requires adequate funding to cover its operating costs, in order to carry out its mandate effectively. CPAB's main operating cost is salaries and benefits for its inspection and administrative staff. In 2008:

- Salaries and benefits totalled \$7.2 million, representing 66 per cent of CPAB's \$11 million in total operating costs; increase in staffing represents the largest cost increase
- CPAB had 24 full-time inspection staff and 10 contract consultants at the end of the year; in 2007 there were 20 full-time inspection staff and 9 contract consultants
- CPAB's budget surplus was \$1.6 million, \$113,000 less than projected; this was due to higher-than-anticipated use of contract consultants to respond to the credit crisis and the need to conduct a search to fill the CEO position after the sudden death of Keith Boocock



## Outlook for 2009

In addition to annual salary adjustments, CPAB's operating budget for 2009 includes the need to continue to build capabilities, which requires further investment in staff and training. The transition to International Financial Reporting Standards (IFRS) will be a key training focus in the next fiscal period. There will also be costs associated with changes to CPAB's corporate governance. In 2009:

- Operating costs are budgeted at \$12.5 million, up from actual expenditures of \$11 million in 2008
- Capital expenditures of approximately \$400,000 have been budgeted to renew IT infrastructure and replace outdated computers
- Revenues are projected at \$12.9 million, resulting in a projected surplus of \$0.4 million
- Board policy is to maintain a reserve of three months' revenue and to build a surplus of at least 25 per cent of revenue that could be used to accommodate unanticipated costs, such as the need to expand CPAB's work as a result of an issue that surfaces during the inspection process
- CPAB's annual participation fee levy to audit firms remains unchanged at 1.6 per cent

## Cash Flows and Liquidity

CPAB was in a healthy financial position at year-end. In 2008:

- Net cash generated was \$1.2 million, up from \$0.5 million in 2007
- Working capital was \$4.2 million, up from \$2.6 million in 2007

## Increased Number of Participating Audit Firms and Reporting Issuers

272

As of December 31, 2008, 272 public accounting firms were registered with CPAB as participants in good standing, up from 268 in 2007. The increase is due primarily to the registration of new foreign accounting firms that audit, or that expect to audit, Canadian reporting issuers.

Le Bureau de la Surveillance et de la Sécurité financières du Mouvement des caisses Desjardins (BSSFD) became a participating audit firm subject to CPAB oversight on March 18, 2009. The BSSFD has a legally conferred special status that permits it to audit co-operatives providing financial services in Québec in the same manner as accounting firms, including signing audit reports. BSSFD,

which audits 494 Caisses Desjardins that are reporting issuers in Québec, was exempt from CPAB registration until the end of 2008.

The number of reporting issuers audited by CPAB-registered audit firms in Canada and the U.S. is expected to increase in 2009, due to a change made by the British Columbia Securities Commission (BCSC). As of September 15, 2008, BCSC Instrument 51-509 changed over-the-counter and pink sheet issuers to reporting issuers, meaning that as many as 400 companies that operate or raise capital in BC are now subject to the same audit and continuous disclosure requirements as other reporting issuers in Canada.

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## RISKS AND CHALLENGES

### Risks in Corporate Governance

CPAB's reputation as an effective regulator is its most important asset. The current economic downturn and credit crunch increase the possibility that failures in corporate governance may occur. This could negatively affect the reputations of the wide range of individuals and organizations — including CPAB — that are responsible for confidence in capital markets.



CPAB has introduced a number of strategies to minimize the risks of auditing during an economic downturn. These include assessing the Big Four audit firms' readiness to audit in the current environment and recalibrating CPAB's inspection focus to address current risks.

### Information Technology

CPAB's dependence on information technology creates significant exposures, including:

- Unauthorized access to confidential data concerning the firms CPAB inspects and the reporting issuers they audit
- Loss of data relating to inspections
- Information technology failure for an extended period
- Dependence on external consultants

To reduce its IT-related risks to acceptable levels, CPAB continuously monitors the effectiveness of its information technology processes and safeguards.

### ISA and IFRS

The Auditing and Assurance Standards Board has elected to adopt the International Standards of Auditing (ISA) as Canadian Generally Accepted Auditing Standards for audits of periods ending after December 14, 2010. The Accounting Standards Board has elected to adopt IFRS as Canadian Generally Accepted Accounting Principles for years beginning on or after January 1, 2011.

Human resources will be a significant challenge for CPAB with the adoption of IFRS and ISA. The profession has encountered other periods of change. Canada's tax system, for example, received a major overhaul in 1972 with the introduction of capital gains tax. At that time some practitioners exited the profession. The introduction of the *Sarbanes-Oxley Act* in 2002 also put pressure on the profession. Ensuring that its inspection staff acquires the necessary expertise in IFRS and ISA is a major initiative for CPAB over the next two years. CPAB is currently implementing strategies to address this situation.

# Statement of Management's Responsibility

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The annual financial statements and all financial and other information contained in this Annual Report are the responsibility of the management of the Canadian Public Accountability Board.

Management has prepared the financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP), applying best estimates and judgments based on currently available information. The significant accounting policies are described in Note 2 to the financial statements. Financial information contained in this Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity and reliability of financial information, and has established systems of internal procedural and accounting controls designed to achieve this. These systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board has created an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditors, both with and without management present, to review the activities of each, as well as to review the financial statements.

Cowperthwaite Mehta has been appointed by the Industry Members of CPAB as CPAB's auditors to express their opinion on the fair presentation of the financial statements. They have had full and unrestricted access to the Board of Directors and management to discuss matters pertaining to their audit. The Audit Committee undertakes annually a formal review of the auditors' performance and makes a recommendation to the Board of Directors, which in turn makes a recommendation to the Industry Members, with respect to their reappointment for the coming year.



BRIAN A. HUNT, FCA  
CHIEF EXECUTIVE OFFICER



M.Z. (MICKEY) MAHMOOD, CA  
VICE PRESIDENT

# Auditors' Report

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*To the Members,*

*Canadian Public Accountability Board / Conseil canadien sur la reddition de comptes*

We have audited the statement of financial position of Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes as at December 31, 2008 and the statements of changes in net assets, operations and cash flows for year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

*Cowperthwaite Melita*

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

*FEBRUARY 17, 2009  
TORONTO, ONTARIO*

# Statement of Financial Position

As at December 31, 2008 2007

## ASSETS

### Current assets

Cash and cash equivalents	\$ 4,417,972	\$ 3,228,828
Accrued interest	41,904	29,808
Accounts receivable	—	4,729
Goods and services tax recoverable	42,068	38,994
Prepaid expenses	63,317	99,088

4,565,261 3,401,447

Property and equipment (note 4) 773,739 827,351

**\$ 5,339,000 \$ 4,228,798**

## LIABILITIES

### Current liabilities

Accounts payable and accrued liabilities	\$ 328,853	\$ 790,326
Unamortized tenant inducements	403,199	461,403

### Net assets

Invested in property and equipment	773,739	827,351
Unrestricted	3,833,209	2,149,718

4,606,948 2,977,069

**\$ 5,339,000 \$ 4,228,798**

APPROVED ON BEHALF OF THE BOARD:



, DIRECTOR

NICK LE PAN, CHAIR



, DIRECTOR

WENDY DOBSON, VICE CHAIR

# Statement of Changes in Net Assets

<i>For the year ended December 31,</i>		2008	2007
	<i>Invested in property and equipment</i>	<i>Unrestricted</i>	<i>Total</i>
Net assets, beginning of year:	\$ 827,351	\$ 2,149,718	\$ 2,977,069
Excess of revenue over expenses for the year	(216,388)	1,846,267	1,629,879
Purchase of property and equipment	162,776	(162,776)	nil
<b>Net Assets, End of Year</b>	<b>\$ 773,739</b>	<b>\$ 3,833,209</b>	<b>\$ 4,606,948</b>

# Statement of Operations

<i>For the year ended December 31,</i>	2008	2007
<b>REVENUE</b>		
Fees from participating audit firms	\$ 12,459,755	\$ 10,320,915
Intent to participate fees from applicant firms	24,000	29,000
Interest income	112,946	123,465
	<b>12,596,701</b>	<b>10,473,380</b>
<b>EXPENSES</b>		
Salaries and benefits	7,201,106	6,473,822
Travel	758,269	747,553
Professional services	707,704	566,864
Directors' fees and expenses	495,192	458,904
Administrative and general	521,940	456,215
Occupancy costs	405,417	403,373
Legal services	155,827	337,675
Insurance	265,825	239,927
Continuing education and professional memberships	239,154	152,140
Amortization of property and equipment	216,388	224,669
	<b>10,966,822</b>	<b>10,061,142</b>
<b>Excess of Revenue over Expenses for the Year</b>	<b>\$ 1,629,879</b>	<b>\$ 412,238</b>

# Statement of Cash Flows

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<i>For the year ended December 31,</i>	2008	2007
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 1,629,879	\$ 412,238
Add back (deduct) non-cash items:		
Amortization of property and equipment	216,388	224,669
Amortization of tenant inducements	(58,204)	(60,851)
Net change in non-cash working capital items	(436,143)	25,372
Cash generated from operations	1,351,920	601,428
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(162,776)	(59,781)
Cash and cash equivalents generated in the year	1,189,144	541,647
Cash and cash equivalents, beginning of year	3,228,828	2,687,181
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,417,972</b>	<b>\$ 3,228,828</b>

## 1. The Organization

Canadian Public Accountability Board/Conseil canadien sur la reddition de comptes (CPAB) is a corporation without share capital incorporated under the *Canada Corporations Act*.

The mission of CPAB is to contribute to public confidence in the integrity of financial reporting of public companies by promoting high quality, independent external auditing. CPAB does so principally by establishing participation requirements for public accounting firms that audit reporting issuers in Canada and by operating an effective system of quality inspections of participating audit firms.

## 2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles applied on a basis consistent with that of the preceding year. Significant accounting policies followed in the preparation of these financial statements are:

### *Cash and cash equivalents*

Cash and cash equivalents consists of cash and highly liquid guaranteed investment certificates with insignificant risk of changes in value.

### *Revenue recognition*

CPAB charges two types of fees to public accounting firms: an Intent to Participate fee that is collected from public accounting firms on their initial application to become a participating audit firm, and an Annual Participation fee that is collected from participating audit firms. All fees are established to recover CPAB's costs and to provide working capital for contingency purposes.

The Intent to Participate fee is a flat fee based on the number of reporting issuer clients of the applicant firm at the date of registration. Intent to Participate fees are recorded in the accounting period in which they are received.

The Annual Participation fee is based on audit fees paid by a participating audit firm's reporting issuer clients. This fee is billed annually and recognized as revenue in the year to which it relates. The fee for 2008 was set at 1.6 per cent of the audit fees charged by each participating firm to its reporting issuer clients or a minimum of \$1,000. This rate is unchanged since the inception of CPAB.

### *Property and equipment*

Property and equipment is recorded at cost. Amortization is provided on a straight line basis over the estimated useful lives of the assets commencing on the date when the assets are placed into service.

The estimated useful lives are as follows:

<i>Office equipment and furniture</i>	<i>10 years</i>
<i>IT infrastructure and networks</i>	<i>4 years</i>
<i>Computer software</i>	<i>3 years</i>
<i>Office and computing equipment</i>	<i>2 – 3 years</i>
<i>Leasehold improvements</i>	<i>Over the life of the lease</i>

### *Leases*

All of CPAB's leases are operating leases. The benefit of the seven month initial rent free period and cash inducement received at the inception of the office lease has been deferred and is being recognized on a straight line basis over the term of the lease.

### *Use of estimates*

The preparation of these financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Actual results could differ materially from those estimates and assumptions. Estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the year in which they become known.

### *Financial instruments*

CPAB classifies its financial instruments into the following categories:

Held-for-trading – This category comprises cash and guaranteed investment certificates. These are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Other financial assets and liabilities – Other financial assets and liabilities are carried at cost, which approximates their fair value due to their short term nature.

## **3. Financial Instruments**

CPAB financial instruments comprise cash and cash equivalents in accounts maintained with Canadian chartered banks, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that these financial instruments are not exposed to significant interest, currency or credit risks and carrying amounts approximate fair values.

#### 4. Property and Equipment

Property and equipment, recorded at cost, is as follows:

	Cost	Accumulated Amortization	2008 Net	2007 Net
Office equipment and furniture	\$ 484,168	\$ (232,138)	\$ 252,030	\$ 280,868
IT infrastructure and networks	516,420	(380,575)	135,845	81,130
Computer software	114,175	(105,103)	9,072	17,105
Office and computing equipment	27,139	(12,538)	14,601	21,187
	<u>\$1,141,902</u>	<u>\$ (730,354)</u>	411,548	400,290
Leasehold improvements, net			362,191	427,061
			<u>\$ 773,739</u>	<u>\$ 827,351</u>

#### 5. Bank Credit Facility

CPAB has a bank Credit Facility of \$2,000,000 bearing interest at bank prime. Amounts owing under the Credit Facility are payable on demand. No assets have been pledged by CPAB as collateral for the Credit Facility and no charges are incurred until the facility is drawn down. At December 31, 2008 and 2007 the amount owing under the Credit Facility was \$nil.

#### 6. Net Assets Invested in Property and Equipment

The excess of expenses over revenue charged to net assets invested in property and equipment is composed of the following item:

Amortization of property and equipment	\$ 216,388	\$ 224,669
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#### 7. Commitments

CPAB has entered into operating lease agreements for computing equipment. Under those agreements, the approximate aggregate annual payments are as follows:

2009	\$ 15,000
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CPAB expects to enter into new operating lease agreements when the current leases expire.

CPAB entered into a ten year lease for office space in Toronto in 2004. There are no asset retirement obligations associated with the lease or improvements made to the premises. The annual rent is approximately \$165,000 for the first five years and \$180,000 for the second five years. CPAB's share of the building's operating costs is currently estimated at \$270,000 per annum.

#### 8. Income Tax Status

CPAB is exempt from income tax in Canada as a not-for-profit organization under Section 149(1)(L) of the *Income Tax Act (Canada)*.

# Corporate Information

## CPAB Executive Team

### BRIAN A. HUNT

#### CHIEF EXECUTIVE OFFICER

MR. HUNT WAS APPOINTED CEO OF CPAB EFFECTIVE MARCH 1, 2009. HE WAS INVOLVED WITH CPAB'S CREATION AND SERVED AS A DIRECTOR SINCE ITS INCEPTION. PRIOR TO HIS CURRENT POSITION AT CPAB, MR. HUNT WAS PRESIDENT AND CEO OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO. HE WAS MADE A FELLOW OF THE INSTITUTE IN 2000 AND AWARDED LIFE MEMBERSHIP IN 2009.

### KENNETH J.A. VALLILLEE

#### SENIOR VICE PRESIDENT OF INSPECTION ACTIVITY

BEFORE JOINING CPAB, MR. VALLILLEE SERVED THREE YEARS AS SENIOR VICE PRESIDENT, FINANCE WITH A MAJOR CANADIAN BANK. PRIOR TO THAT, HE SPENT TEN YEARS AS A PARTNER AND AS THE DIRECTOR OF ACCOUNTING STANDARDS IN CANADA FOR AN INTERNATIONAL ACCOUNTING FIRM. MR. VALLILLEE SERVED AS ACTING CEO OF CPAB FROM JUNE 2008 TO FEBRUARY 2009.

### GALT ARTHUR

#### VICE PRESIDENT & CHIEF INFORMATION OFFICER

MR. ARTHUR IS A RETIRED PARTNER OF DELOITTE & TOUCHE LLP, WHERE HE SPECIALIZED IN DELIVERING ASSURANCE SERVICES TO INSURANCE AND INVESTMENT COMPANIES AND IN PROVIDING COMPUTER AUDIT AND ASSURANCE SERVICES. PRIOR TO HIS RETIREMENT, HE LED THE FIRM'S ENTERPRISE RISK SERVICES PRACTICE IN BRITISH COLUMBIA.

### DONALD J. COCKBURN

#### VICE PRESIDENT

MR. COCKBURN IS A RETIRED PARTNER OF ERNST & YOUNG LLP, WHERE HE ADVISED ENGAGEMENT TEAMS ON AUDITING ISSUES. HE WAS ON THE FACULTY OF THE UNIVERSITY OF WATERLOO, WHERE HE TAUGHT AUDITING AT AN UNDERGRADUATE AND GRADUATE LEVEL.

### KAM GREWAL

#### VICE PRESIDENT OF STANDARDS

PRIOR TO JOINING CPAB, MR. GREWAL WORKED IN THE NATIONAL OFFICE OF PRICEWATERHOUSECOOPERS LLP, WHERE HE PROVIDED ADVICE ON ACCOUNTING, ASSURANCE AND FINANCIAL REPORTING MATTERS. HE HAS PRACTISED ACROSS MARKET SEGMENTS, INCLUDING TECHNOLOGY, COMMUNICATIONS AND MANUFACTURING. MR. GREWAL IS IN CHARGE OF STANDARDS AT CPAB.

### PAUL M. LOHNES

#### VICE PRESIDENT OF HUMAN RESOURCES

MR. LOHNES WAS FORMERLY THE DIRECTOR OF AUDITING AND ASSURANCE STANDARDS AT THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS. PRIOR TO THAT HE WAS A PARTNER OF KPMG LLP IN MONTRÉAL AND AMSTERDAM. HE HAS SPECIAL RESPONSIBILITY FOR CPAB'S ACTIVITIES IN QUÉBEC.

### M.Z. (MICKEY) MAHMOOD

#### VICE PRESIDENT & CHIEF FINANCIAL OFFICER

MR. MAHMOOD WAS FORMERLY WITH PRICEWATERHOUSECOOPERS CANADA. HE HAS ALSO HELD SENIOR FINANCE AND ACCOUNTING POSITIONS IN THE OIL AND GAS, AND UTILITY AND CHEMICALS INDUSTRIES. HE HAS EXTENSIVE AUDIT AND ACCOUNTING EXPERIENCE, INCLUDING EXPERIENCE WITH FIRM INTERNAL AUDIT MONITORING PROGRAMS AND INDEPENDENCE RULES.

### MARIAL STIRLING

#### VICE PRESIDENT & GENERAL COUNSEL

MS. STIRLING IS A LAWYER AND CA WITH DIVERSE EXPERIENCE PRIOR TO JOINING CPAB, INCLUDING POSITIONS WITH OSLER, HOSKIN & HARCOURT LLP, THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS (ACCOUNTING STANDARDS), THE OFFICE OF THE AUDITOR GENERAL OF CANADA AND SEVERAL YEARS WITH AN INTERNATIONAL ACCOUNTING FIRM.

## Directors

### NICK LE PAN

#### BOARD CHAIR

FORMER SUPERINTENDENT OF FINANCIAL INSTITUTIONS, OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS, OTTAWA, ONTARIO.

### WENDY K. DOBSON<sup>1</sup>

#### BOARD VICE CHAIR

PROFESSOR AND DIRECTOR, INSTITUTE FOR INTERNATIONAL BUSINESS, JOSEPH L. ROTMAN SCHOOL OF MANAGEMENT, UNIVERSITY OF TORONTO, TORONTO, ONTARIO.

### ROBERT BERTRAM<sup>2</sup>

FORMER EXECUTIVE VICE PRESIDENT, ONTARIO TEACHERS' PENSION PLAN BOARD, TORONTO, ONTARIO.

### KEN CRUMP<sup>1</sup>

CHAIR OF BOARD OF TRUSTEES OF COAST WHOLESALE APPLIANCES INCOME FUND AND CHAIR OF FINANCE AND AUDIT COMMITTEE OF THE BOARD OF COMMUNITY LIVING BRITISH COLUMBIA, VANCOUVER, BRITISH COLUMBIA.

### RONALD G. GAGE<sup>1</sup>

FORMER CHAIRMAN AND CHIEF EXECUTIVE OFFICER, ERNST & YOUNG LLP, TORONTO, ONTARIO.

### JANE HALFORD

CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ALBERTA, EDMONTON, ALBERTA.

### BRIAN A. HUNT<sup>3</sup>

PRESIDENT AND CHIEF EXECUTIVE OFFICER, INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO, TORONTO, ONTARIO.

### DANIEL MCMAHON

PRESIDENT AND CHIEF EXECUTIVE OFFICER, ORDRE DES COMPTABLES AGRÉÉS DU QUÉBEC, MONTRÉAL, QUÉBEC.

### J.E. (TED) NEWALL<sup>2</sup>

FORMER CHAIRMAN OF THE BOARD, NOVA CHEMICALS CORPORATION, CALGARY, ALBERTA.

### JOCELYN PROTEAU<sup>2</sup>

CHAIR OF BOARDS OF STANDARD LIFE ASSURANCE COMPANY OF CANADA, STANDARD LIFE FINANCIALS INC. AND STANDARD LIFE TRUST, MONTRÉAL, QUÉBEC.

### ALAIN RHÉAUME<sup>1</sup>

A FOUNDER AND MANAGING PARTNER OF TRIO CAPITAL INC., MONTRÉAL, QUÉBEC.

## Corporate Contact

### MARIAL STIRLING

#### VICE PRESIDENT & GENERAL COUNSEL

CANADIAN PUBLIC ACCOUNTABILITY BOARD  
150 YORK STREET, SUITE 200  
BOX 90, TORONTO, ONTARIO M5H 3S5  
TEL. 416.913.8260 FAX 416.850.9235

## Auditors

### COWPERTHWAIT MEHTA

187 GERRARD STREET EAST,  
TORONTO, ONTARIO M5A 2E5

## Corporate Counsel

### FASKEN MARTINEAU DUMOULIN LLP

66 WELLINGTON STREET WEST,  
SUITE 4200, TORONTO DOMINION BANK TOWER, BOX 20, TORONTO-DOMINION CENTRE, TORONTO, ONTARIO M5K 1N6

BRIAN CANFIELD AND JACQUES MÉNARD REACHED THE END OF THEIR TERMS OF OFFICE AS DIRECTORS ON APRIL 15, 2008. PAUL HEFFERNAN RESIGNED AS VICE PRESIDENT DURING 2008 AND IS CONTINUING TO WORK WITH CPAB.

SUBSEQUENT TO THE 2008 YEAR END, BRIAN HUNT, A DIRECTOR AS OF DECEMBER 31, 2008, RESIGNED FROM THE BOARD IN FEBRUARY 2009. J.E. (TED) NEWALL REACHED THE END OF HIS TERM OF OFFICE ON FEBRUARY 17, 2009.

<sup>1</sup> MEMBER OF THE AUDIT COMMITTEE  
<sup>2</sup> MEMBER OF THE CORPORATE GOVERNANCE COMMITTEE  
<sup>3</sup> BRIAN HUNT WAS A DIRECTOR AS OF DECEMBER 31, 2008. HE SUBSEQUENTLY RESIGNED FROM THE BOARD IN FEBRUARY 2009.

TO BE MORE ENVIRONMENTALLY FRIENDLY, CPAB HAS CHOSEN NOT TO PRINT HARD COPIES OF THIS ANNUAL REPORT FOR GENERAL DISTRIBUTION. THE REPORT IS AVAILABLE FOR VIEWING AT [WWW.CPAB-CCRC.CA](http://WWW.CPAB-CCRC.CA)