



## Corporate Governance Changes Approved

The governance structure of the Canadian Public Accountability Board (CPAB) has been amended effective April 22, 2009 following approval of changes to CPAB's bylaw by its Council of Governors, Industry Members and Board of Directors. The bylaw was amended in order to enhance CPAB's accountability, effectiveness and collaboration with provincial regulators of public accounting.

### Council of Governors

An additional member from the Canadian Securities Administrators has been added to the Council of Governors increasing the number of Council members from five to six to ensure that capital markets are appropriately represented. The President of the Canadian Institute of Chartered Accountants has been replaced with a professional accountant with regulatory/audit oversight experience (see definition below). The professional accountant will be appointed by the other members of the Council of Governors, with formal consultation with the Provincial Audit Regulator Members during the appointment process. The term for a Governor is three years, renewable once.

The Council of Governors consists of:

- a) Superintendent of Financial Institutions of Canada;
- b) Chair of the Ontario Securities Commission;
- c) Chair of the Autorité des marchés financiers;
- d) Chair of the Canadian Securities Administrators (if this individual is also the Chair of the Ontario Securities Commission or Chair of the Autorité des marchés financiers, the Canadian Securities Administrators selects a fourth Governor);
- e) A fifth Governor selected by the Canadian Securities Administrators; and
- f) Another person selected by the other five Governors who is a professional accountant and has audit oversight regulatory experience, the 'Accountant Council of Governors Member' (the Council invites suggestions from the Provincial Audit Regulator Members regarding the selection of the Accountant Council of Governors Member).

### Provincial Audit Regulator Members

The former Industry Members are now known as 'Provincial Audit Regulator Members' to better reflect their status as regulators. Amendments to CPAB's bylaw will continue to require the approval of the Provincial Audit Regulator Members (as well as the Council of Governors and the Board of Directors). The implementation of the criteria for provincial oversight bodies from various branches of the profession to become Provincial Audit Regulator Members has been clarified:

- The former criteria to becoming a Member continue to include the prospective Member's disciplinary process and code of ethics.
- To become a Provincial Audit Regulator Member, a provincial audit regulator will have to oversee entities whose aggregate Canadian audit fee revenue derived from auditing

reporting issuers in the province in which the prospective Provincial Audit Regulator Member has jurisdiction is at least \$7 million. The test will be calculated annually.

- Audit revenue reported to CPAB will be allocated to the province where the lead engagement partner is located.
- Former Industry Members at the time of the change will be grandparented in as Provincial Audit Regulator Members.

## **Board of Directors**

The requirement to have *ex officio* directors from three provincial regulatory authorities on the Board of Directors has been eliminated with the changes in CPAB's governance structure. The Board will continue to consist of eleven directors, all appointed by the Council of Governors. At least four, but no more than five, directors must be professional accountants (see definition below) in order to ensure the Board has directors with accounting expertise.

At least two of the Board directors must have regulatory experience or regulatory/audit oversight experience. At least one of these directors will also be a professional accountant and at least one of these two individuals will have regulatory/audit oversight experience (see definition below).

## **Consultative Committees**

CPAB will create a Consultative Committee of each professional group of provincial audit regulators to foster cooperation and collaboration with the professional accounting designations. The committees, chaired by the Chair of CPAB, will meet at least twice annually to discuss matters of common interest.

## **Professional Accountant**

A 'Professional Accountant' is an individual holding a professional accounting designation who is qualified to be a Director and who,

- a) Is not a sole proprietor, nor a partner, member, director, officer or employee of a participating audit firm; and
- b) Has experience, as determined by the Council of Governors in (i) the preparation of complex financial statements by reporting issuers (ii) the auditing of complex financial statements of reporting issuers or (iii) the oversight of public accounting firms that audit reporting issuers at a Relevant Provincial Regulatory Authority.

## **Regulatory/Audit Oversight Experience**

For purposes of the appointment to the Council of Governors and the composition of the Board of Directors, a person with 'regulatory/audit oversight experience' is a person who has experience in the oversight of public accounting firms that audit reporting issuers at a Relevant Provincial Regulatory Authority, either as a member of management or the board of such an entity (need not be currently serving).

For purposes of the composition requirement of the Board of Directors, a person with 'regulatory experience' is a person with experience as a securities regulator or regulator of financial institutions (need not be currently serving).