

# THE PUBLIC ACCOUNTANT'S ROLE AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

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**As a CPA in practice, you may choose or be asked to attend the annual general meeting (AGM) of your audit client to speak on matters related to your duties as auditor of the financial statements.<sup>1</sup> This article explains your role and the scope of matters you can discuss at the AGM.**

## Auditor role vs. management role

The auditor and management have important and distinct roles in ensuring fair and complete financial reporting for an entity. While management is responsible for selecting an entity's accounting policies and preparing financial statements, the auditor provides an independent opinion on the fair presentation of an entity's financial position and financial performance on the financial statements prepared by management.

## Know your limitations

At the AGM, the directors must present to the shareholders the financial statements and auditor's report and answer shareholder questions. As an auditor, you may be asked to attend the AGM and answer questions relating to the audit.

In general, you should only respond to questions about the work you performed in auditing the financial statements and the conclusions reached in your report. Any non-audit questions relating to the financial statements (such as presentation or disclosure) should be answered by management. You can, however, assist management in preparing for the AGM in an advisory capacity. For instance, you can help management prepare answers to questions from shareholders on the financial statements.

### **Relevant rules in the [CPA Code of Professional Conduct](#) (CPA Code):**

- Rule 204.4, *Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements*
- Rule 204.4(22), *Performance of management functions*
- Rule 204.4(23), *Preparation of journal entries or source documents*

### **[CPA Canada Handbook – Assurance](#) (Assurance Handbook):**

- CAS 260, *Communication with those charged with governance*

### **[Business Corporations Act, RSO 1990](#) (OBCA)**

<sup>1</sup> OBCA 151(1), (2), 154(2)

## Independence considerations

When assisting clients in preparing for the AGM, or in preparing accounting records or financial statements during the audit, you must consider the independence rules. Certain accounting functions, such as preparing accounting records or financial statements, are prohibited for listed entity or reporting issuer audit clients (except in emergencies).<sup>2</sup> For all assurance clients, you are prohibited from making management decisions or performing management functions, including the following:

- authorizing, approving, executing or consummating a transaction,
- having or exercising authority on behalf of the entity,
- determining which member or firm recommendation will be implemented,
- reporting in a management role to those charged with governance of the entity,<sup>3</sup> or
- preparing or changing source documents<sup>4</sup> or originating data in respect of transactions included in the financial statements.<sup>5</sup>

During the audit or in preparing for the AGM, management may request input regarding accounting principles or financial statement disclosures. Providing this type of technical assistance to an audit client is an appropriate method of promoting fair presentation of the financial statements and does not generally threaten independence.<sup>6</sup> This may include analyzing and accumulating information for the AGM.

When providing accounting assistance that is not specifically prohibited by the independence rules, such as assisting in preparing accounting records or financial statements for a client that is not a reporting issuer or listed entity, always evaluate the significance of any threat to independence and, if it is other than clearly insignificant, apply safeguards to reduce the threat to an acceptable level.<sup>7</sup> When evaluating the significance of a threat, consider the degree of your involvement, the complexity of the transactions and the extent of professional judgement required.<sup>8</sup>

## Communication with those charged with governance

Although your role at the AGM is limited to responding to questions about the audit, there are other requirements in the CPA Code and the Assurance Handbook<sup>9</sup> regarding communications with those charged with governance, including the audit committee. Clear, timely and ongoing communication between you, management and those charged with governance is necessary to meet these requirements and provide the client with an understanding of the terms of the engagement, including their respective roles and responsibilities.

As no two situations are identical, CPAs are responsible for ensuring that their own situation complies with the [CPA Code of Professional Conduct](#), [By-law](#) and [Regulations](#). Please note that this article is considered nonauthoritative guidance only.

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<sup>2</sup> Rule 204.4(23)

<sup>3</sup> Rule 204.4(22)

<sup>4</sup> Examples of source documents are purchase orders, payroll timecards, customer orders, invoices, disbursement approvals, signed cheques and written contracts.

<sup>5</sup> Rule 204.4(23)(b)

<sup>6</sup> Rule 204.4(22-23) guidance paragraph 6

<sup>7</sup> Rule 204.4(22-23) guidance paragraph 3

<sup>8</sup> Rule 204.4(22-23) guidance paragraph 10

<sup>9</sup> CAS 260

Have a question? Our Professional Advisory Services team is here to help, making first point of contact within 24 hours.

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