

**CHARTERED PROFESSIONAL  
ACCOUNTANTS OF ONTARIO**

**REGULATION 18-1**

**PRACTICE INSPECTION**

**Adopted by the Council under the *Chartered Professional Accountants of Ontario Act, 2017* and the By-law on September 21, 2018, effective as of November 19, 2018 and amended as of March 10, 2022.**

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**REGULATION 18-1  
PRACTICE INSPECTION**

**Application**

This Regulation applies to all Members and Firms engaged in the Practice of Public Accounting or in Providing Accounting Services to the Public.

**Definitions**

1. In this Regulation, words have the same meaning as they do in the Act and the By-law, and for the purpose of this Regulation:
  - 1.1 “CPAB” means the Canadian Public Accountability Board;
  - 1.2 “Director, Practice Inspection” means the employee of CPA Ontario with that title and includes anyone authorized to act on their behalf;
  - 1.3 “Inspection(s)” includes practice inspection(s) and practice re-inspection(s);
  - 1.4 “Non-Reportable Matters” includes matters that are immaterial departures from Professional Standards not included in the Reportable Deficiencies such as reminders of upcoming but not yet implemented changes to Professional Standards, or common practices;
  - 1.5 “Personal Interest” includes an actual or potential advantage or disadvantage to an individual, their spouse, parents, children, or grandchildren, a Firm that the individual is associated with as an employee or partner, or a business that the individual has an ownership interest in, that arises, or could reasonably arise from a determination involving the individual;
  - 1.6 “Potential Capacity Application” means a matter where there are reasonable grounds to believe a Member may be Incapacitated;
  - 1.7 “Practice Inspection Year” starts on May 1 of a calendar year and ends on April 30 of the following calendar year;
  - 1.8 “Practice Inspector” means a Member In Good Standing, currently or formerly engaged in, or employed by a Firm engaged in, the Practice of Public Accounting, and either employed or retained as an independent contractor by CPA Ontario to conduct Inspections;
  - 1.8A “Practice Profile Questionnaire” means the Questionnaire referred to in section 5A.
  - 1.9 “Practising Unit” means a Member and any Member employed by the Member, or a Firm, and any Member employed by a Firm, who is engaged in the Practice of Public Accounting or Providing Accounting Services to the Public in a particular office, as determined by the Director, Practice Inspection;

- 1.10 “Professional Standards” means the professional standards set out in the CPA Canada Handbook and the relevant portions of the CPA Ontario Member’s Handbook; and
- 1.11 “Reportable Deficiencies” means matters that are material departures from Professional Standards and are further categorized as either “significant” (important to the quality of the work performed to support the report or important to the usefulness of the financial statements) or “other” (not classified as significant).

**Entities Subject to Inspection**

2. All Practising Units engaged in the Practice of Public Accounting or in Providing Accounting Services to the Public shall be subject to Inspection.
3. A Practising Unit may apply for an exemption from Inspection by completing and submitting the prescribed Exemption Declaration with the Director, Practice Inspection certifying that:
- 3.1 the Practising Unit has not engaged in the Practice of Public Accounting or Providing Accounting Services to the Public during the preceding twelve months; or
- 3.2 the Practising Unit is or will no longer be engaging in the Practice of Public Accounting and Providing Accounting Services to the Public within 90 days of the date of the exemption declaration.

**Selection for Inspection**

4. A newly established Practising Unit shall be selected for inspection within twelve months of inception of the Practising Unit.
5. An established Practising Unit shall be selected for Inspection within three years of the date of its last Inspection.
- 5.A The Practising Unit shall complete and submit a Practice Profile Questionnaire within 60 days of the request for submission.
6. All Members who engage in the Practice of Public Accounting or Providing Accounting Services to the Public in a Practising Unit shall be inspected during the Inspection of the Practising Unit or as determined by the Practice Inspection Committee.
7. The Practice Inspection Committee or the Director, Practice Inspection may determine that more frequent Inspections are required of a Practising Unit. Circumstances that may result in an increase in Inspections include:
- 7.1 a conclusion by the Practice Inspection Committee that the Practising Unit had not met the requirements of the practice inspection program during the Practising Unit’s most recent Inspection;
- 7.2 a significant change in the clients and/or profile of a Practising Unit;

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- 7.3 participation of a Practising Unit in CPAB; or
- 7.4 a request from the Executive Vice President, Member & Student Services or delegate in relation to a Practising Unit offering or seeking approval to offer a Pre-Approved Program or which otherwise employs Students.

A determination made under this section is final.

- 8. If a Member of a Practising Unit or a Practising Unit is the subject of an investigation by the Professional Conduct Committee or if an Allegation as defined in the Rules has been made to the Discipline Committee, the Director, Practice Inspection may postpone the Inspection of the Practising Unit until after the conclusion of the matter.
- 9. Despite sections 4 to 7, an inspection may be deferred if, in the discretion of the Director, Practice Inspection, circumstances warrant it.

### **Arrangement of Inspections**

- 10. The Director, Practice Inspection shall send a notification of selection to a Practising Unit indicating that the Practising Unit will be inspected.
- 11. Upon selection, the Practising Unit shall provide client engagement details within 30 days of the notification of selection.
- 12. The Director, Practice Inspection shall consider the information contained in the submitted Practice Profile Questionnaire and the client engagement details and assign one or more Practice Inspectors to conduct the Inspection.
- 13. The Inspection may take place at the office of the Practising Unit or other location as deemed appropriate, or by submission of documentation by the Practising Unit to the Practice Inspector, as determined by the Director, Practice Inspection.
- 14. A Practice Inspector shall:
  - 14.1 be provided with, and produce on request, written confirmation of the appointment;
  - 14.2 have all the powers of an inspector under the Act;
  - 14.3 have the authority to require any person subject to the authority of CPA Ontario to provide information in writing, produce documents, and attend in person, upon reasonable notice, with the Practice Inspector to answer questions, and produce documents; and
  - 14.4 report as directed by the Practice Inspection Committee at the conclusion of the Inspection.

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15. The Practising Unit shall be notified of the Inspection at least 30 days before the commencement date or any shorter period as may be mutually agreed to by the Practising Unit and Director, Practice Inspection. The notice shall include:
  - 15.1 the name(s) of the assigned Practice Inspector(s);
  - 15.2 the commencement date of the Inspection;
  - 15.3 a list of documentation or information required to be submitted or available for review;
  - 15.4 a reminder of the Practising Unit's professional responsibility to cooperate with the Inspection;
  - 15.5 a reminder of the possibility that some client documents in their possession may be subject to legal privilege; and
  - 15.6 a caution to the Practising Unit that failure to produce a document that is not privileged might constitute a breach of professional responsibilities.
16. Within 10 days of receipt of the notice under section 15, a Practising Unit may file an objection in writing to the Director, Practice Inspection with respect to the assigned Practice Inspector. The objection shall be on the grounds that the Practice Inspector may be lacking objectivity or there is reason to believe that the Practice Inspector has a Personal Interest with respect to the Practising Unit or any of its members.
17. The Director, Practice Inspection shall consider any written objection and may assign another Practice Inspector if satisfied that there is a reasonable basis for the objection. A decision made under this section is final.

### **Inspection Process**

18. On the commencement date of the Inspection, the Practice Inspector shall attend at the office of the Practising Unit or other location as deemed appropriate, or review the documentation provided by the Practising Unit pursuant to section 13, to assess adherence to Professional Standards. The Practice Inspector shall inspect the Practising Unit including reviewing:
  - 18.1 documentation and implementation of the quality control system of the Practising Unit;
  - 18.2 documentation of current engagements; and
  - 18.3 related financial statements.
19. The Practice Inspector shall, in his or her sole discretion, determine the number and type of current engagements to be reviewed, having regard to:
  - 19.1 the degree of reliance, if any, to be placed on quality controls;
  - 19.2 the size of the Practising Unit; and

- 19.3 the harmonized inspection program policies established for all Provincial Bodies.
20. The number and specific engagements subject to Inspection shall be selected solely by the Practice Inspector and not by the Practising Unit.
21. With respect to the public accounting licensing requirements set out in Regulation 17-1:
- 21.1 a Member shall complete, on request, the prescribed Public Accounting Experience Form and provide it to the Practice Inspector; and
- 21.2 if the Director, Practice Inspection believes that an inspected Member or Firm may not be in compliance with the public accounting licensing requirements, the matter shall be reported to the Public Accounting Licensing Board.

### **Inspection Report**

22. At the conclusion of the Inspection, the Practice Inspector shall prepare a draft report, including any Reportable Deficiencies. The draft report may also include Non-Reportable Matters.
23. The Practice Inspector shall discuss the Reportable Deficiencies, if any, in the draft report with a representative of the Practising Unit, if a representative is readily available at the conclusion of the Inspection. The Practice Inspector may, in their sole discretion, subsequently revise the draft report in light of any discussions with the Practising Unit's representative.
24. The Practice Inspector shall provide the draft report to the Practising Unit and invite it to make comments within 21 days. Where Reportable Deficiencies have been identified, the Practice Inspector may ask the Practising Unit to provide written comments on any actions the Practising Unit plans to take to address each deficiency. If the Practising Unit disagrees with a Reportable Deficiency listed in the draft report, the Practising Unit may provide an explanation and file documentation to support its position.
25. Before consideration by the Practice Inspection Committee, a detailed reviewer (the Director, Practice Inspection) shall assess the Inspection file and the draft report, to ensure consistency within the inspection program. This assessment shall also include a consideration of any comments and file documentation received from the Practising Unit. The detailed review shall not be carried out by the Practice Inspector who conducted the Inspection.
26. The detailed reviewer shall amend the draft report as appropriate, taking into consideration any matters arising from sections 24 and 25, concluding with recommendations as to a course of action, and shall submit a final report to the Practice Inspection Committee for review.

### **Consideration and Determination**

27. The Practice Inspection Committee shall consider information from the Inspection that it considers relevant, and shall do one or more of the following:

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- 27.1 deem the Inspection complete requiring no further action by the Practising Unit;
  - 27.2 require the Practising Unit to provide further written submissions on the intended correction of any Reportable Deficiencies, and consider the matter further once the submissions have been received or the time for making submissions has expired;
  - 27.3 order that the Practising Unit or a Member be subject to re- inspection within one year;
  - 27.4 require the Practising Unit or Member to undertake certain specified actions;
  - 27.5 refer the Practising Unit or Member to the Professional Conduct Committee for investigation; and/or
  - 27.6 report to the Registrar, Executive Vice President, Member & Student Services, or the Public Accounting Licensing Board on any matter.
28. The Practice Inspection Committee shall not compel production of a document subject to a valid claim of legal privilege that has not been waived, and shall not refer a matter to the Professional Conduct Committee solely for the failure to produce such a document.
29. In determining the action to be taken under section 27, the Practice Inspection Committee may consider, without limitation:
- 29.1 the nature, number and severity of any Reportable Deficiencies;
  - 29.2 the cooperation of the Practising Unit or Member;
  - 29.3 the public interest; and
  - 29.4 on a re-inspection, the results of any previous Inspections of the Practising Unit or Member, and the response of the Practising Unit or Member to those Inspections.
30. The Practice Inspection Committee's decision under section 27 is final.
31. The Practice Inspection Committee shall communicate its decision under section 27 in writing to the Practising Unit or Member.

### **Referral to the Registrar as a Matter of Capacity**

- 32. The Director, Practice Inspection may, at any time during the performance of their duties under this Regulation, refer a matter to the Registrar for consideration as a Potential Capacity Application as provided in Regulation 16-1.
- 33. Where a matter is referred to the Registrar under section 32, the Inspection from which the Potential Capacity Application arises shall continue to proceed through the process provided in this Regulation.

34. Where a matter is referred to the Registrar under section 32 and the Practice Inspection Committee subsequently makes a determination under sections 27.5 or 27.6 on the Inspection from which the Potential Capacity Application arises, the Director, Practice Inspection shall notify the Professional Conduct Committee, Registrar, Executive Vice President, Member & Student Services, or the Public Accounting Licensing Board of the section 32 referral at such time as the determination under section 27.5 or 27.6 is made.

**Re-inspection**

35. A re-inspection of a Practising Unit or Member shall be conducted in accordance with the principles set out in this Regulation, with necessary amendments.

**Confidentiality and Disclosure**

36. A Practice Inspection Committee member, or any person acting on behalf of the Committee, shall not make use of or disclose the contents of any report or of any files, engagement documentation, records, documents, or other material inspected, or any confidential information concerning the affairs of any Practising Unit, or of its clients obtained in the course of an Inspection, except to the Practice Inspection Committee or person acting on its behalf.
37. Despite section 36, CPA Ontario, a Practice Inspection Committee member or person acting on their behalf:
- 37.1 may provide the Professional Conduct Committee with information and documentation on a failure to maintain Professional Standards, including a failure to co-operate with the inspection process;
  - 37.2 may provide the Public Accounting Licensing Board with the outcome of any Inspection performed within the immediate last five years that is associated with a Member or Firm applying for or renewing a Public Accounting Licence or a Certificate of Authorization;
  - 37.3 may provide the Public Accounting Licensing Board with the outcome of an Inspection that follows the conditional granting of a Public Accounting Licence or Certificate of Authorization;
  - 37.4 may provide the Public Accounting Licensing Board with a report on a Member or Firm holding a Public Accounting Licence or Certificate of Authorization that has:
    - 37.4.1 failed to provide any information or documents requested on compliance with any of the requirements of the by-laws or Regulations;
    - 37.4.2 provided any information or documents appearing to be incomplete or misleading;
    - 37.4.3 provided any information or documents indicating that the Member or Firm appears not to meet the criteria established in the by-laws and Regulations; or

- 37.4.4 apparently breached or failed to comply with the by-laws or Regulations;
- 37.5 may provide a report to the Registrar on a Member or Firm that does not appear to be in compliance with the requirements of the by-laws or Regulations;
- 37.6 may provide the Executive Vice President, Member & Student Services or the Director, Employer Relations with information and documentation deemed appropriate for its assessment of the Practising Unit's student training program or the eligibility of the Practising Unit to offer a Pre-Approved Program or otherwise employ Students; and
- 37.7 may make any disclosure that is permitted by law, including a disclosure under section 60 of the Act, and a disclosure to a regulatory authority with which CPA Ontario has a memorandum of understanding or agreement, in accordance with its terms and conditions.

**Practice Inspection Committee**

- 38. The Practice Inspection Committee has the powers, duties, and jurisdiction set out in the Act, the by-laws, and the Regulations.
- 39. The Practice Inspection Committee shall consist of between 15 and 20 Members In Good Standing, including a Chair, appointed by the Council.
- 40. The Practice Inspection Committee shall be representative of the membership of CPA Ontario by geographic location and include Members from local, national and regional firms.
- 41. At least 75% of the Practice Inspection Committee members shall:
  - 41.1 be at the partner level (or equivalent);
  - 41.2 have been a Member In Good Standing for greater than 10 years; and
  - 41.3 hold a Public Accounting Licence.
- 42. The Practice Inspection Committee members shall be appointed for an initial one-year term and shall be eligible for reappointment for a maximum of three additional three-year terms. The Council may extend the maximum term of a Practice Inspection Committee member in extraordinary circumstances. A Practice Inspection Committee member is eligible for reappointment to the committee only after retiring from the committee for at least a three-year period, and that reappointment would be regarded as a new appointment.
- 43. A Practice Inspection Committee member participating in a determination or decision shall not, to that member's knowledge, have a Personal Interest in the matter being considered.

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44. The Chair of the Practice Inspection Committee shall be appointed from among the Practice Inspection Committee members for a two-year term and shall be eligible for reappointment for a maximum of three additional two-year terms. The Council may extend the maximum term of the Chair in extraordinary circumstances.
45. If a Practice Inspection Committee member's term expires before a matter in which that member has been involved has concluded, the member may remain a member of the Practice Inspection Committee until the conclusion of the matter.
46. The quorum for a Practice Inspection Committee meeting shall be a majority of its members.
47. Every Practice Inspection Committee member participating in a determination shall have one vote and the Chair may vote only to break a tie.
48. The Practice Inspection Committee may sit in panels, and the quorum for a panel shall be a majority of the panel.
49. The Practice Inspection Committee has the power to:
  - 49.1 carry out a program of practice inspection in accordance with the Act, the by-laws, and this Regulation;
  - 49.2 require the cooperation of any Member, Student, or Firm, and the production of any engagement documentation, records, documents or other material in their possession, custody or control that it may require;
  - 49.3 require a Member or Firm subject to the Inspection to pay the fees and costs associated by that Inspection, as established by the Council from time to time;
  - 49.4 implement and act under any memorandum of understanding or agreement with a Regulatory Body;
  - 49.5 retain the services of any individual on a fee basis or otherwise and to authorize the individual to enquire into all matters that may be brought to their attention by the committee or its chair, and through its chair to authorize the individual to interview any Member, Student, or Firm, and to examine any engagement documentation, records, documents or other material; and
  - 49.6 perform all other acts necessary and ancillary to its powers.