

Report to The Public Accountants Council for the Province of Ontario (“PAC”) on the Chartered Professional Accountants of Ontario (“CPA Ontario”) Triennial Evaluation for the Period from November 1, 2012 to October 31, 2015 Findings as of June 8, 2016

From: Gary Porter, FCPA, FCGA, CPA, CA (BC)

Section 21 of the *Public Accounting Act, 2004* (the “Act”) requires the Council to conduct periodic reviews of the operations of an Authorized Designated Body (“ADB”) at least once in every three years and to report on them to the Minister.

The purpose of the periodic reviews (as derived from sections 19 and 21 of the Act) is to:

1. determine whether the ADB is complying with the Council Standards;
2. oversee the ADB in its capacity to license and govern the activities of its members as public accountants; and
3. determine whether the purpose and objects of the Council are being met.

Section 21(2) of the Act contemplates that in addition to the periodic reviews of an ADB, the Council may conduct a special review of an ADB when the Council concludes that it is in the public interest to do so.

Section 21(3) of the Act requires an ADB to cooperate with the Council in its reviews.

This 2015 triennial review process has been performed by a team of evaluators (“Team”) with expertise in education, examination, experience and regulatory/legal standards. It was carried out in accordance with past triennial review practices and procedures and used a risk-based approach. The Team is familiar with the current public accounting operations of CPA Ontario. Based on this understanding, the Team has assessed where there may be risks of non-compliance with PAC standards (the “Standards”).

During this review period, Chartered Professional Accountants of Ontario (“CPA Ontario”), formerly the Institute of Chartered Accountants of Ontario (“ICAO”), unified with the Certified General Accountants Association of Ontario and the Certified Management Accountants of Ontario. As a result of this unification, CPA Ontario, along with CPA Canada, is developing and launching new pre-certification education programs and policies.

The review team, at the request of PAC, is reviewing these program and policy changes and other requirements necessary to obtain and maintain a public accounting licence by members of CPA Ontario. As a result of this extensive, recent review, aspects of which are still ongoing, we have paid special attention during this triennial review to avoid duplicating this other work.

The Team has performed the following procedures:

1. A detailed review of the Activity Reports submitted for each of the years ended October 31, 2013, 2014 and 2015. Analytical review procedures were applied to the data presented in the three activity reports and to changes in bylaws, regulations, policies, rules and key controls reported therein.
2. A review of the CPA Ontario Annual Reports for the three years;
3. A review of specified documents provided by CPA Ontario at the Team’s request;

4. Enquiry and discussion with CPA Ontario management members regarding the results of our review and analysis; and
5. Team discussion of findings and recommendations.

The Team members were assigned to review Council Standard groupings in accordance with their areas of expertise. The report is organized around these groupings as follows:

1. Competencies, whether to be acquired through study and examination or by practical experience covered by the Charles Vincent, MBA, FCPA, FCA during the special review and by representations from CPA Ontario in this triennial review;
2. Pre-professional and professional education: Wendy Rotenberg, PhD; John Friedlan, PhD, CPA, CA; Susan McCracken, PhD, CPA, CA; Gary Spraakman, PhD, FCPA, FCMA; Linda Stillabower, PhD, during the special review and by representations from CPA Ontario in this triennial review;
3. Examinations: Ed Weinstein, PhD during the special review and by representations during this triennial review;
4. Practical experience and maintenance of standards for LPAs: Gary Porter FCPA, FCGA, CA; and
5. Legal and discipline matters: Jennifer Teskey, Partner, Norton Rose Fulbright Canada LLP.

The overall Team co-ordination was undertaken by Gary Porter.

Findings

Based on the results of the procedures performed by the evaluation team during the special and triennial reviews and the representations by CPA Ontario, I am satisfied that CPA Ontario was in substantial compliance with all of the Standards developed by the Council pursuant to Section 19 of the Act during the three-year reporting period ended on October 31, 2015.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'GP Porter', with a horizontal line extending to the right.

Gary Porter, FCPA, FCGA, CPA, CA (BC)

CPA ONTARIO COMPLIANCE EVALUATION

INTRODUCTION

The following document summarizes the risk of non-compliance with PAC Standards as assessed by team members. In addition, the report presents the evidence reviewed, commentary thereon and conclusions regarding substantial compliance or non-compliance with PAC Standards.

The team consists of experts in the areas of accounting, auditing, tax and finance at the post-secondary level, professional accounting competencies, quantification and evaluation of the examination systems, legal and regulatory matters and oversight and governance of licensed professionals. The evaluators of each area assessed and quantified risk in accordance with their own area of expertise. In the assessment of competencies, for example, a high/moderate/low classification of risk is used. In other areas a significant/non-significant classification is used.

A risk, for purposes of this report, is the occurrence of an event or condition involving a negative outcome, in this case non-compliance with PAC Standards. The likelihood of the occurrence of such events or conditions and the impact resulting from such occurrence are the two key elements considered with respect to risk classification, whatever the classification system used. We normally do not consider risks with only a very remote probability of occurring or an insignificant negative impact if they do occur.

1. PAC Standard 2 –Prerequisite Knowledge

COMMENTARY

In education, the generic assessment tool is based upon the three types of items to review that in combination are indicative of the quality of an educational program. These are the quality of the students admitted to the program, the quality of the program contents and the quality of the instructors/instructional methods. The generic assessment tool also separates out pre-requisite knowledge (PAC Standard 2) from the professional program of the ADB (PAC Standard 3). In addition, the contents of the examinations used to evaluate the students were assessed by the education subgroup. The administration of the examinations and analysis of student responses, setting of pass rates, etc. were assessed by the examination subgroup and this falls under PAC Standard 6. Extensive changes to the pre-certification education requirements have been made by CPA Ontario. These have been reviewed, in part, by the review team in the special review. As noted above, aspects of the special review are ongoing, including with respect to Standard 2.

For the purposes of the triennial review, we have received representations from CPA Ontario that no changes have been made to the pre-certification education program that have not already been provided to the special review team. We have concluded that there is no material risk of non-compliance not already noted by the special review team and addressed, or that is in the process of being addressed through the special review, by CPA Ontario.

POTENTIAL RISK AND POSSIBLE IMPACT

See above.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

None.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

2. PAC Standard 3 – Professional Program

COMMENTARY

Certain pathways to licensure contemplated by the CPA Professional Program have already been assessed by the special review team and reported on to the Council via the December 2015 report. The review of alternate pathways to licensure is ongoing via the special review.

POTENTIAL RISK AND POSSIBLE IMPACT

See above.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

None.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

3. PAC Standard 4 - Pre-licensing Experience Requirements and Standard 5 Pre-Approved Program

COMMENTARY

CPA Ontario is basing its pre-licensing experience requirements for all CPA students on the CPA Canada “Practical Experience Requirements” (“PER”) policy document. As its June 24, 2015 meeting, CPA Ontario Council approved this policy which included the following exceptions to the CPA PER 2015 in respect of the requirements for qualification to practice public accounting:

- exclusion of the provisions for tiered licensing;
- exclusion of the specific requirements proposed for qualification for the review and compilation tiers;
- in regard to the proposed experience requirements for audit qualification (the audit tier), inclusion of a requirement for a minimum total of 2,500 chargeable hours and, within the minimum total chargeable hours requirement, a requirement for a minimum of 100 chargeable hours of review procedures in review and other assurance engagements, and a minimum of 100 chargeable hours in taxation services; and the 30 months of qualifying experience within a pre-approved program be specifically restricted to audit-based programs and/or an audit bridge program.

These modifications were made for the purpose of aligning PER with PAC Standards for use in Ontario with regard to CPA students pursuing LPA status.

After comparing these modified standards to the PAC Standards, we have concluded that the CPA Ontario practical experience requirements are substantially equivalent to PAC Standards. Because there are numerous and substantive changes in the manner of operation of this new program, when compared to the

legacy program, we have examined selected documents from active files at CPA Ontario offices to be satisfied that these processes appear to be working, as described. The files we reviewed indicated that the processes as set out in PER, are working, as intended.

Under the legacy CA PER, counselling members at ATOs were required to host at least semi-annual meetings with their students to discuss the students' completed *Record of CA Qualifying Experience*, or RQE.

Students follow the CPA PER record and assess their experience through the online *Practical Experience Reporting Tool*, or PERT. Unlike the RQE, PERT pre-populates the following expectations of CPA students upon commencing the program: expected duties for the specific competencies they will develop, proficiency level, level of autonomy, complexity and circumstance, the pre-population based on the student's program they are employed in (based on organization, specific office location and the specific Pre-Approved Program route). Students are then required to self-assess their progression of competency development towards these expectations, at least semi-annually. Other notable differences/enhancements within PERT relative to the RQE are:

- Students cannot access PERT until they have successfully completed a mandatory orientation webinar, intended to establish a minimum baseline of knowledge on the CPA PER and the mentorship program. Students access the orientation webinar through the secure Desire to Learn platform.
- Students are required to indicate in PERT which experience pathway and what program they are employed in. An email is automatically sent to the appropriate program manager who must confirm the student's employment information before the student is added to the pre-approved program roster and able to view the approved competency map.
- Students' duration of practical experience cannot commence until a CPA Mentor within the ATO's pre-approved program has been identified. All mentors must be approved by CPA Ontario before they can commence their formal mentoring relationship. This includes the completion of 5 webinars.
- Reports in PERT are visible to the students CPA mentor, pre-approved program leader, pre-approved program manager and CPA Ontario.

We reviewed the content and operation of the PERT and a detailed demonstration of the PERT system.

Note: Although not the purpose of our triennial review, it may be of interest to the Council that it became apparent to us in the course of our work that the new program has some features that surpass Standards. For example, students must respond to open-ended online questions regarding their acquisition of the enabling competencies. Students must report semi-annually detailing competencies acquired and these must be supported by a supervisor's signature. For students in the pre-approved program ("PPR"), they are also required to complete a self-assessment on a semi-annual basis and track their competency development in PERT. However, their reporting is less demanding since a pre-approved map exists so the students are simply assessing their progress against the expectations on the map. These semi-annual reports are reviewed with their mentors. With PERT, CPA Ontario is able to see these progress reports and can therefore assess whether they are being done on a timely basis and whether appropriate action is taken. Further, within a PPR, a supervisor's signature is optional (mandated for experience verification). PERT works similarly to RQE in that mentors discuss any issues with the student's supervisor. The mentor documents any concerns in PERT. PPR leaders review reports and approve same. It should also be noted that there are other additional controls above and beyond RQE.

POTENTIAL RISK AND POSSIBLE IMPACT

See above.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT

Definitive CPA Ontario policies, processes and procedures.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

4. PAC Standard 5 - Pre-Approved Program

COMMENTARY

All CPA Ontario students must complete a program of practical experience in order to qualify for certification. There are two paths. The experience verification path requires that the student report in detail their practical experience, indicating the specific duties performed, the related competency developed and the overall proficiency level obtained for each competency reported. The duties in such reports are verified by the supervisor in PERT. These reports are reviewed by CPA Ontario after twelve months of relevant employment and at the completion of the experience requirements. Students are also required to submit a professional assessment when they change employment.

The pre-approved training path requires that the detailed training program be approved in advance by CPA Ontario. CPA students who seek qualification as licensed public accountants (“LPAs”) must acquire practical experience in a pre-approved program in a firm that can ensure the normally chargeable hours in audit, other assurance and taxation that are required by CPA Ontario. CPA Ontario requirements in this regard have been modified from CPA Canada requirements by resolution of Council, to conform with PAC Standards regarding the total number of hours, the number of audit, review, tax and other assurance hours required.

The CPA Ontario competency map, modified as necessary to apply to the area of practical experience, is now a part of the program. Prospective licensees are required to follow a specific plan of competency attainment and progress of such students must be reported in PERT on a semi-annual basis by the student. The report is reviewed by the CPA mentor for reasonableness and discussed with the student. Any progress concerns are addressed by the student and mentor via the development of action plans. The CPA mentor may seek performance feedback from the student’s supervisor to assist with their review of the student’s experience reports. The mentor must be a member in good standing and go through a registration process with CPA Ontario to be approved as a mentor.

We obtained the policies, forms and precedents applicable to this program and reviewed the related records of sample students to be assured that this program is running, as described.

We reviewed in detail the documentation describing how pre-approved programs suitable for prospective LPAs were vetted by CPA Ontario and the materials used to inform such pre-approved program leaders of their duties to the students and to CPA Ontario. We reviewed the records of sample pre-approved programs to ensure the vetting process, information and monitoring processes were operating, as described.

Much of this process was not substantially different from the ICAO legacy process. However, owing to the newness of this approach, it had not been thoroughly reviewed by PAC evaluators prior to the transition to

CPA Ontario. Therefore, our review in this case was somewhat more extended.

POTENTIAL RISK AND POSSIBLE IMPACT

See above.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT

Definitive CPA Ontario policies, processes and procedures.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

5. PAC Standard 6 - Examinations Used for Licensing Public Accountants

COMMENTARY

An ADB is required to set exams that require students to demonstrate their acquisition of competencies and capabilities to practise public accounting at an entry level as prescribed in the PAC Handbook (*Standard 6(1) from "Standards of the Public Accountants Council of the Province of Ontario", April 20, 2006*). Standard 6(2) further requires that the exams be rigorous, fair, equitable, valid and reliable. As appropriate, exams must also demonstrate application and integration of knowledge.

As reported and described previously to the Council by the special assessment team, the examinations system has been changed to better fit the new competency map and the revised regime of professional courses developed to quality new CPAs.

The Common Final Examination ("CFE") is now completed over 3 successive days comprising 13 hours of available time.

In the previous triennial report for the three years ended October 31, 2012, there was a concern expressed about the slippage in quality of the exam questions. The ICAO (at the time) agreed to follow up on this observation.

The concerns raised in the triennial report for the years ended October 31, 2012 have been addressed, but there remain concerns about content coverage, especially as more students enroll in the Professional Education Program ("PEP") courses.

The educational assessment team (as part of the special review), provided a critique of existing questions to CPA Canada, and as a result, questions for the courses, both core and elective, have improved. The quality and difficulty of the questions is now deemed to meet Standards for testing students with 51 credit-hour preparation. Questions remained about coverage of content in the PEP for other prospective students.

As a result of discussions, the core exams were lengthened to include more content. The format was also changed to include a case, as well as objective format questions. The team recently reviewed the revised and lengthened core exams. Concerns about coverage of new content remain, but quality issues were not raised. There are also coverage issues for the Assurance exam that will be followed up and monitored, while Taxation appears to meet Standards in all regards.

In terms of the CFE, both the educational assessment team and the examination assessment team have reviewed the questions and the scoring. Both were deemed to meet PAC Standards for 51 credit-hour

students. There were not a sufficient number of students without 51 credit-hours to form a judgment about how well the CFE worked to assess their capabilities.

Both CPA Ontario and our assessment teams are committed to continuing discussions until all remaining issues are satisfactorily resolved.

We have also received a representation from CPA Ontario staff that all significant changes have been made known to the special review team.

POTENTIAL RISK AND POSSIBLE IMPACT

See above.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT

See above.

CONCLUSIONS AND OBSERVATIONS

CPA Ontario examinations are in substantial compliance for 51 credit-hour applicants and CPA Ontario is committed to attain substantial compliance with respect to course content coverage as well.

6. PAC Standard 7A – Licensing of Persons Admitted to Membership from an Affiliated Provincial Accounting Body

COMMENTARY

Pursuant to Standard 7A, notwithstanding the requirements of Standards 2 through 6, an ADB shall grant a licence to any member who is an extra-provincial applicant and who applies for a licence without requiring any material additional training, experience, examinations or assessments provided that, prior to granting a new licence, the ADB has received confirmation that the member, at the time of application to the ADB for the granting of a licence, is in good standing with the other affiliated provincial accounting body.

POTENTIAL RISK AND POSSIBLE IMPACT

Moderate - There are possible risks in the intake and application review process that an applicant from an accounting body in another jurisdiction in Canada that is seeking licensure by CPA Ontario may not have satisfied PAC Standard 7A(1)(a) and (b).

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review any changes, since November 1, 2012, to the policies and procedures established by CPA Ontario for assessing an applicant from an accounting body in another jurisdiction in Canada for licensure.

Obtain statistics of the number of applicants that applied for licensure from another jurisdiction/accounting body in Canada and whether licensure was granted by CPA Ontario since November 1, 2012. Reviewed applicant files – including initial application and final decision.

Additional inquiries were made to the Director, Regulatory Compliance of CPA Ontario.

CONCLUSIONS AND OBSERVATIONS

Substantial Compliance.

7. PAC Standard 7B(6) – Licensing of Persons Admitted to Membership from Accounting Bodies Outside of Canada

COMMENTARY

Pursuant to Standard 7B(6), CPA Ontario has been granted an exemption from having to implement additional bylaws or regulations or policies, beyond the policies and procedures that existed on June 9, 2004, and from having to seek PAC approval in respect of any assessments already made of any accounting bodies in other countries. Furthermore, all determinations CPA Ontario made regarding other accounting bodies, all Mutual Recognition Agreements (“MRAs”) with accounting bodies outside Canada and all policies and procedures and reciprocity examinations in respect of accounting bodies outside Canada are continued.

POTENTIAL RISK AND POSSIBLE IMPACT

Low - Given that the policies and procedures that existed on June 9, 2004 for assessing the standards of accounting bodies in other countries (including any MRAs) are deemed to continue, there is low risk associated to CPA Ontario licensing an applicant from an accounting body in another jurisdiction outside of Canada.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review any changes, since November 1, 2012, to the policies and procedures established by CPA Ontario for assessing an applicant from an accounting body outside of Canada for licensure. In particular, review any changes to, or any new, MRAs.

Obtain statistics of the number of applicants that applied for licensure from another jurisdiction/accounting body outside Canada and whether licensure was granted by CPA Ontario since November 1, 2012.

Additional inquiries were made to the Director, Regulatory Compliance of CPA Ontario.

CONCLUSIONS AND OBSERVATIONS

Substantial Compliance.

8. PAC Standard 7C – Designating a New Authorized Designated Body for Licensing

COMMENTARY

Pursuant to Standard 7C, an ADB shall grant a licence to any member in good standing who is also a member in good standing of another ADB and who holds a licence granted by that ADB in accordance with the terms of Standard 7C.

POTENTIAL RISK AND POSSIBLE IMPACT

See above.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT

None.

CONCLUSIONS AND OBSERVATIONS

As a result of the recent mergers, CPA Ontario's compliance with this Standard was not the subject of review.

9. PAC Standard 8 - Continuing Professional Development ("CPD")

COMMENTARY

The core of the CPD program requirement is a minimum of 20 hours annually and 120 hours over a 3-year period. Of these, 50% must be verifiable. Failure to comply can lead to a discipline process. CPA Ontario provides a wide variety of seminars and webinars and CPA Canada provides courses and in depth programs involving at home and in residence study sessions. In addition, an LPA may obtain CPD elsewhere so long as it may be demonstrated to relate to his or her professional practice. The requirements comply with IFAC rules.

POTENTIAL RISK AND POSSIBLE IMPACT

Moderate, for the reasons below:

1. The quality of teachers and courses may not be adequate;
2. The range of CPD offered may not be adequate;
3. The reporting of CPD hours may not be accurate or may be misrepresented; and/or
4. The verification by practice inspectors ("PI") may not be sufficiently extensive.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

1. Obtain documents on the CPD course development and leader qualification process.
2. PI Inspection Manual regarding process of review by PIs.
3. Inquire as to the frequency of evidence NOT supporting reported claim by the LPA.

CONCLUSIONS AND OBSERVATIONS

Based on practice inspection file reviews and licence renewal reviews, we found no examples of non-compliance.

Substantial Compliance.

10. PAC Standard 9 - Practice Inspection

COMMENTARY

A high quality practice inspection program is a central element in the public interest of the governance of licensed members of the ADB. The hiring, training and supervision of an adequate number of PIs is critical

to the enforcement of standards, the monitoring of the quality of client work in the performance measurement and assurance areas, the maintenance of ethical rules, CPD requirement, and hours of involvement required to retain a licence. For offices that are approved to train students in the external audit program, CPA Ontario's Practice Inspection group assists CPA Ontario's Employer Relations ("ER") group in its ongoing monitoring efforts by: forwarding the results of inspections to ER (i.e. either Zone 1, 2 or 3) and providing other relevant information including where the PI has identified something that may be inappropriate for the training environment as well as the PI's observations for ER follow up.

After lengthy discussions with the director of the practice inspection program and a PI on the detailed process of inspections from practice/partner selection to acceptance of the results by the Practice Inspection Committee, and a detailed review of a sample of practice inspection files, no compliance problems were indicated.

POTENTIAL RISK AND POSSIBLE IMPACT

Including some aspects of Standards 8 and 9:

1. Qualification of PIs;
2. Sufficient number of PIs;
3. Training of PIs;
4. Oversight of PIs;

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

1. Practice inspection bylaws, policies, training materials and Practice Inspection Manual.
2. Discussion with PI senior staff regarding recruitment, training and supervision of PIs.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

11. PAC Standard 10 - GAAP/GAAS

COMMENTARY

An ADB shall require every licensee, partnership or professional corporation to use the generally accepted accounting principles and generally accepted assurance standards set out in the CPA Handbook – Accounting and the CPA Handbook – Assurance as the same are amended from time to time, in accordance with the generally accepted standards of practice of the public accounting profession.

POTENTIAL RISK AND POSSIBLE IMPACT

That PIs (and practice advisors) are not adequately trained to carry out their responsibilities and that they will not have the tools in the form of guides and checklists to inspect files.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

1. Practice Inspection Manual and policies including training and operating manuals on GAAP transitions.

2. Current CPD offerings by seminar, webinar publications and residence courses.
3. See CPA Canada and CPA Ontario websites for information on preparation for these requirements.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

12. PAC Standard 11 – Rules of Professional Conduct

COMMENTARY

Pursuant to Standard 11, an ADB is required to implement rules of professional conduct that require licensees and students to, among other things, conduct themselves in a manner that maintains the good reputation of public accountants, that ensures that professional services are performed with integrity and due care, that requires licensees and students to sustain their professional competence, remain objective, hold information confidential, interact with colleagues with due care and ensures that accounting services are performed in accordance with generally accepted standards.

POTENTIAL RISK AND POSSIBLE IMPACT

Low - In light of the reporting obligations under the *Operating Procedures Relating to an Authorized Designated Body's Compliance with the Council's Standards*, the potential risk of non-compliance with the applicable PAC Standards is low.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review all amendments to the Rules of Professional Conduct, as passed at CPA Ontario's meetings, since November 1, 2012 and any related CPA Ontario Council Interpretations.

Confirm that all amendments relating to the practice of public accounting were submitted to PAC prior to being introduced, amended or repealed in accordance with PAC Standard 11(6).

Confirm that all PAC-requested amendments were implemented in accordance with PAC Standard 11(7).

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

13. PAC Standard 12(1) - Investigation of Complaints

COMMENTARY

Standard 12(1) requires all ADBs to establish a process for the investigation of all complaints against a licensee or partnership. All such complaints shall be investigated until it has been determined whether or not to refer a charge or charges of professional misconduct to the ADB's adjudicative committee.

POTENTIAL RISK AND POSSIBLE IMPACT

Moderate - The possible impact of the professional conduct committee not adequately investigating complaints is potentially significant. Indeed, failure to do so, would call into question the validity of the

complaints and disciplinary process.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review all applicable bylaw amendments, as passed at CPA Ontario meetings, since November 1, 2012. Review any amendments to the professional conduct committee rosters and handbook since November 1, 2012.

Reviewed a sample of investigative files where: (1) a charge has been referred to the discipline committee; (2) the licensee has been admonished; and (2) the complaint has been dismissed.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

14. PAC Standards 13-14, in particular, Standards 13(1) and 14(1) – *Statutory Powers Procedure Act* (“SPPA”) Compliance

COMMENTARY

Standards 13(1) and 14(1) require that the adjudication of charges of professional misconduct, and any appeals therefrom, be conducted in accordance with the SPPA.

POTENTIAL RISK AND POSSIBLE IMPACT

High - The possible impact of the discipline committee and/or the appeal committee not being SPPA compliant is significant – failure to follow principles of fairness and due process would bring the disciplinary process into disrepute and would render any decisions of the applicable tribunals ripe for judicial intervention through any subsequent judicial review application.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review all bylaw amendments, as passed at CPA Ontario meetings, since November 1, 2012.

Review any amendments to the discipline committee’s and appeal committee’s rosters and terms of reference since November 1, 2012.

Review a sample of hearing files – from their referral to the discipline committee to the final decision by the appeal committee (and any subsequent determination by the Divisional Court, where applicable).

Additional inquiries of the Director, Regulatory Compliance of CPA Ontario were made.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

15. PAC Standard 15 – Issuing a New Licence to a Former Licensee

COMMENTARY

Standard 15 provides rules for ADBs regarding the issuance of a new licence to a former licensee. In particular, Standard 15 set conditions surrounding the issuance of a new licence to a former licensee who

has not satisfied the continuing professional development requirements, or who has not practised public accounting in the past 5 years as required by Standard 7A. Furthermore, Standard 15 places restrictions around the issuance of a new licence to a former licensee whose licence was revoked by an adjudicative or appeal committee of the ADB. Finally, Standard 15 provides that an ADB shall prohibit the issuance of a new licence to a member of the ADB if the member held a licence issued by another ADB and such licence was suspended or revoked and not reinstated by the other ADB.

POTENTIAL RISK AND POSSIBLE IMPACT

Moderate - There are possible risks in the intake and application review process when an applicant who has previously qualified, but never applied for a licence or who has allowed their licence to lapse, or who had their licence revoked applies for licensure.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review all bylaw amendments, as passed at CPA Ontario meetings, since November 1, 2012.

Obtain statistics of number of applicants who applied for a licence who: (1) previously qualified but never applied for a licence; (2) allowed his/her licence to lapse; and (3) who had his/her licence revoked since November 1, 2012. Obtain statistics of how many of the above-noted applicants were granted a licence since November 1, 2012.

Reviewed sample applications/files from former licensees seeking to be re-licensed and their treatment by the Public Accounting Licensing Board.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

16. PAC Standard 16 - Mandatory Liability Insurance

COMMENTARY

- (1) An ADB shall require all licensees to maintain, and provide satisfactory proof of maintaining, professional liability insurance coverage.
- (2) The ADB requirements for insurance shall include:
 - (a) Minimum coverage limits per claim and, in aggregate per policy period;
 - (b) maximum allowable deductibles; and
 - (c) the minimum period for which insurance is to be maintained after a licensee retires or leaves practice.
- (3) In setting requirements for insurance, the ADB must consider and address, to the extent possible:
 - (a) different levels of risk based on practice size, number of principals, or other similar factors;
 - (b) the magnitude of claims reasonably anticipated to arise; and
 - (c) the coverage reasonably available in the marketplace.

- (4) The ADB may, as an exception, permit self-insurance in cases where sufficient professional liability coverage is not reasonably available in the marketplace due to the size of the firm or practice and its risk exposure. Such an exception may be permitted only on the condition that the firm or practice set aside assets at least equal in value to the self-insured amount.

An ADB shall specify in its bylaws or regulations or policies the adverse consequences arising for a licensee, partnership or professional corporation who fails to comply with the mandatory professional liability insurance requirement or to report such compliance to the authorized designated body, which consequences shall include the suspension or revocation of a licence or authorization to practice public accounting, as applicable.

POTENTIAL RISK AND POSSIBLE IMPACT

The principal means of ensuring this Standard is effectively enforced is:

1. Practitioners insured through AICA Services are reported to CPA Ontario directly by AICA; and
2. All licensees affirm that they are meeting the requirements.

A key risk is that those monitored only by affirmation may be uninsured or under-insured to the detriment of the public where losses occur resulting from negligence on the part of the LPA.

A risk exists that the limits and deductibles may be set inappropriately by CPA Ontario.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Documentation on the process by which limits and deductibles are set.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

17. Standard 17(5) – Licence Application

COMMENTARY

Pursuant to Standard 17(5), an ADB is required to prepare an application form for a public accounting licence that includes all matters necessary to determine whether the applicant satisfies Standards 2 – 6. Furthermore, the application form(s) must include a section to be completed regarding an applicant's character references and a declaration by the applicant that the contents of the application are true and correct.

POTENTIAL RISK AND POSSIBLE IMPACT

Moderate - The possible impact of not implementing a detailed application form for a public accounting licence is that the various PAC requirements (Standards 2 through 6) could be missed/overlooked.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review all standard form public accounting licence applications and rosters for the Public Accounting Licensing Board, including any changes to the documents since November 1, 2012.

Additional inquiries were made to the Director, Regulatory Compliance of CPA Ontario.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

18. PAC Standards 17(9) and 17(10) – Reporting re: LPA Roll and Licensure Activities

COMMENTARY

Pursuant to Standards 17(9) and 17(10), an ADB is required to publish a roll of LPAs on its website and shall provide such information to PAC. Furthermore, an ADB is required to publish an annual report on its licensure activities on its website.

POTENTIAL RISK AND POSSIBLE IMPACT

Low - The possible impact of providing inadequate disclosure or of failing to file the necessary reports as required pursuant to the Standards is a lack of transparency and possible non-compliance with the PAC Standards. While the risk associated with such an impact would otherwise be “high”, because said disclosure is regularly provided to PAC, there is already some level of oversight/monitoring taking place.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review system by which the roll of LPAs is provided to PAC.

Review all annual reports for details regarding licensure activities as provided to PAC since November 1, 2012.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

19. PAC Standard 18(1) – Ongoing Compliance with the PAC Standards

COMMENTARY

Standard 18(1) requires an ADB to maintain sufficient and appropriate documentation to support its ongoing compliance with the Standards. Such documentation is required to be made available to PAC upon request as part of PAC’s initial, periodic and special reviews.

POTENTIAL RISK AND POSSIBLE IMPACT

Low – In light of CPA Ontario's existing document retention policies (which were updated in 2015), there is low risk that CPA Ontario does not have sufficient and appropriate documentation to support its ongoing compliance with the Standards

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review all annual and supplemental reports filed with the Minister and PAC since November 1, 2012 (to ensure compliance with the information requirements as provided pursuant to Standard 18(6)).

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.

20. Standards 18(5) and 18(6) – Filing of Annual and Supplemental Reports with the Minister and PAC

COMMENTARY

Pursuant to Standards 18(5) and 18(6), an ADB is required to publish an annual report on its licensure activities on its website. Furthermore, an ADB is required to prepare a supplemental report as at and for each 12-month period ended October 31 and file the same with PAC on or before January 1 in each year. The purpose of the report is to detail all manner of licensing activities by the ADB including number of licensees, number of suspensions, revocations, disciplinary hearings, etc. The ADB is required to make such reports available on its website.

POTENTIAL RISK AND POSSIBLE IMPACT

Low - The possible impact of providing inadequate disclosure or of failing to file the necessary reports as required pursuant to the Standards is a lack of transparency and possible non-compliance with the PAC Standards. While the risk associated with such an impact would otherwise be “high”, because said disclosure is provided to PAC annually, there is already some level of oversight/monitoring taking place.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review all annual and supplemental reports filed with the Minister and PAC since November 1, 2012 (to ensure compliance with the information requirements as provided pursuant to Standard 18(6)), including sample licensing files for LPAs identified as having not met the minimum requirements for licensure.

CONCLUSIONS AND OBSERVATIONS

Substantial compliance.