

**THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE  
OF ONTARIO / CONSEIL DES EXPERTS-COMPTABLES DE LA  
PROVINCE DE L'ONTARIO**

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## ABOUT THE COUNCIL

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The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the *Public Accounting Act, 2004* (Act). The Council is accountable to the Attorney General, Government of Ontario (Minister).

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

Public accounting is the business of expressing independent assurance and certain other services in respect of financial statements and other financial information of enterprises where it can reasonably be expected that the services will be relied upon or used by a third party.

The Council is responsible for:

- developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;
- determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
- overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and
- maintaining public confidence in public accounting through the appropriate prosecution of offences under the Act.

As of December 15, 2015, being the date on which this Annual Report was approved by the Council, the Designated Bodies named in the Act are the:

- Certified General Accountants Association of Ontario (CGAO)
- Certified Management Accountants of Ontario (CMAO)
- Chartered Professional Accountants of Ontario (CPA Ontario)<sup>1</sup>

Upon the Council being satisfied that a Designated Body meets the Council's Standards, the Council may provide written authorization to the Designated Body to license and govern its members as public accountants. A Designated Body that has received such authorization is an Authorized Designated Body.

As of January 2012, all the Designated Bodies were approved as Authorized Designated Bodies.

On April 1, 2014 CMAO and CPA Ontario executed a Unification Agreement and all members of CMAO became members of CPA Ontario, at which time it also assumed all responsibilities to govern the activities of its CMAO members. Effective that same day, CMAO, which had not issued a public

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<sup>1</sup> Formerly known as the Institute of Chartered Accountants of Ontario, and named as such in the Act.

accounting licence, resigned its authorization to license and govern the activities of its members as public accountants.

Similarly, on July 2, 2014 CGAO and CPA Ontario executed a Unification Agreement and all members of CGAO became members of CPA Ontario, at which time it also assumed all responsibilities to govern the activities of its CGAO members. Effective that same day, CGAO resigned its authorization to license and govern the activities of its members as public accountants.

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## THE COUNCIL STANDARDS

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The Council's Standards were approved in their initial form on June 20, 2006, amended and restated as of July 11, 2012, and further amended and restated as of December 24, 2012 and January 8, 2014. They require a Designated Body that seeks to be authorized to license and govern the activities of its members as public accountants to meet certain minimum standards relating to its:

- education, examination and practical experience requirements;
- rules of professional conduct, mandatory practice inspections of public accountants, the use of generally accepted accounting principles and generally accepted auditing and assurance standards, discipline procedures, the issuing of new licences to former licensees, the issuing of licences to persons who are permitted to practise in other jurisdictions, and mandatory professional liability insurance; and
- governance standards respecting the licensing and governing of the activities of its members as public accountants.

The Council has also adopted Council Guidelines. These deal with aspects of the Council's Standards where it is in the public interest that the Authorized Designated Bodies have a consistent approach.

Council Standards and Guidelines are published on the Council's website, at [www.pacont.org](http://www.pacont.org).

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## KEY ACTIVITIES OF THE COUNCIL

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Key activities of the Council during its 2015 fiscal year (November 1, 2014 - October 31, 2015) and up to the date (December 15, 2015) when the Council approved this Annual Report were:

### **The Changing Environment for Public Accounting in Ontario**

Council has been fulfilling the requirements under the Act since it became effective on November 1, 2005. As of January 2012, all Ontario Designated Bodies were, after thorough, transparent and consistent examination, authorized to issue public accounting licences. The "superior quality" public accounting standards called for under the Act, besides being vigilantly maintained, have been updated to reflect domestic and international best practice.

At the same time, the public accounting environment that Council was established to oversee for Ontario has undergone significant change that may mean change for the Council's role in the future.

As a result of the unification, the three Designated Bodies now operate under one banner as Chartered Professional Accountants (CPA). At present all members of the three bodies now carry a CPA designation in addition to their legacy designation.

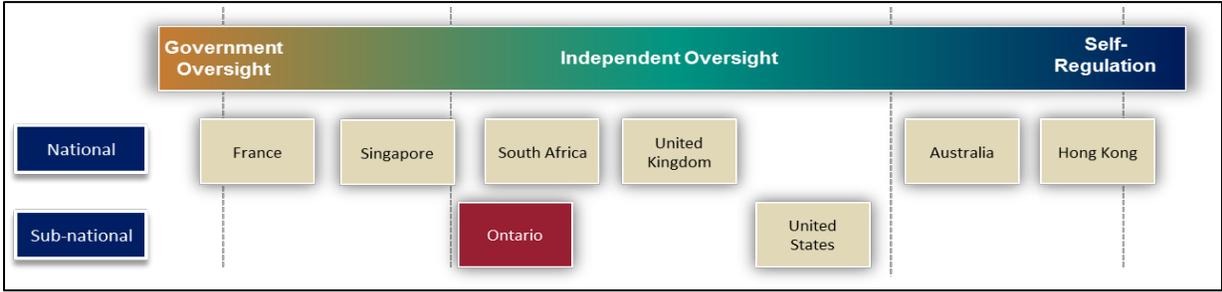
CPA Ontario, working with CPA Canada and the professional accounting bodies in the other provinces and territories, has essentially completed the process to develop public accounting standards that meet current legislative requirements in Ontario. The Council’s independent evaluators (Evaluation Team) issued a summary report of its findings to date on these revised standards that was received by the Council at its December meeting. In view of the fact that the examinations that qualify for public accounting licensure will of necessity be conducted for the first time, certain review procedures will be implemented as candidates complete the licensure program.

As discussed in previous annual reports, the 2012 Agreement on Internal Trade Labour Mobility Panel (AIT) decision disallowed Ontario’s exception for public accounting, thus permitting entry into Ontario any Canadian public accountant seeking licensure in Ontario, regardless of the qualifying standards in their home province and territories. The number of public accountants in Ontario who, availing themselves of the AIT decision, have qualified outside the Council framework regarding education, examination and practical experience is 96 as of December 15, 2015, an increase from 83 a year earlier.

The impact of the AIT decision and the unification of the three Designated Bodies, combined with a government-wide review of all agencies, boards and tribunals, allowed the Ontario Government to revisit the role played by the Council in its oversight of public accounting in Ontario. While the Council continues to fulfill the responsibilities laid down by its legislation, the Government of Ontario and the Council jointly engaged the consulting firm of Promontory Financial Services Group Canada (Promontory) to undertake a study of the future role of the Council. The report from Promontory was delivered in March 2015 and has been reviewed with the Ministry of the Attorney General (Ministry).<sup>2</sup>

The Promontory report included the following recommendations:

- The public interest is best served through independent oversight over public accounting that facilitates transparency and provides the appropriate checks and balances to any real or perceived conflicts that may arise from the self-interests of the profession;
- Ontario demonstrates a global leading practice with its independent oversight body to license public accountants and that the Council should carry on its mandate:<sup>3</sup>



<sup>2</sup> Promontory Financial Group Canada ULC, Advice on Future Role of Public Accounting Oversight in the Province of Ontario, Prepared for The Public Accountants Council for the Province of Ontario, February 27, 2015. [www.pacont.org/chairs\\_mandate](http://www.pacont.org/chairs_mandate)

<sup>3</sup> Ibid., Figure 4.

- A further review of the Council’s mandate in five years, including a consideration of moving to a national independent oversight model;
- With the opportunity provided by Unification, the Council could reduce its size to a maximum of eleven and minimum of nine while keeping a majority of independent members.

It is expected that the Minister will respond to these recommendations sometime in 2016.

Meanwhile, by virtue of attrition in its membership and in keeping with Promontory's recommendation, by December 2015 the size of the Council was reduced to 13 members, with a majority of independent members. Council expects that in 2016 its size will be further reduced to 11 members, subject to future government direction.

### **Oversight of the Assessment of Substantial Equivalence**

The Evaluation Team previously completed its assessment of the substantial equivalence of the public accounting standards of the Designated Bodies to the Council’s Standards.

At its meeting of June 22, 2010 the Council accepted the *Final Report* of its Evaluation Team and on this same day CGAO became an Authorized Designated Body under the Act. On July 2, 2014 CGAO surrendered its authorization.

At its meeting of January 24, 2012 the Council accepted the *Final Report* of its Evaluation Team and on that same day CMAO became an Authorized Designated Body under the Act. On April 1, 2014 CMAO surrendered its authorization.

CPA Ontario has been an Authorized Designated Body since November 1, 2006. With the unification of the designated bodies, CPA Ontario is now managing all of the qualification programs for Ontario public accounting applicants. New programs relating to Council Standards 2 through 6 which cover education, pre-licensing experience and examinations have been under development in conjunction with CPA Canada and the other Canadian professional accounting bodies and were rolled out in 2015. The Evaluation Team has been working with representatives from CPA Ontario and CPA Canada to complete its assessment of the substantial equivalence of these programs to the Council Standards. This evaluation work is now essentially completed save certain monitoring work by the Evaluation Team that will need to be done for courses and examinations that are being conducted for the first time.

The changes for Standards 7 through 18 that result from unification are not significant and were approved at the December 15, 2015 Council meeting.

### **Monitoring and Oversight of Authorized Designated Bodies**

The Council is required under the Act to conduct reviews of the operations of each Authorized Designated Body at least once every three years and to report on them to the Minister. The purpose of such a review is to:

- determine whether the Authorized Designated Body continues to meet the Council Standards;
- determine whether the Authorized Designated Body is complying with the Council Standards;
- oversee the Authorized Designated Body in its capacity to license and govern the activities of its members as public accountants; and

- determine whether the purpose and objects of the Council are being met.

The Council has continued to implement the above required reviews. By virtue of the unification of the three Designated Bodies and the surrender by CGAO and CMAO of their authorization status, these reviews will only be required for CPA Ontario after July 2, 2014.

Two triennial reviews were completed for CPA Ontario for the periods ending October 31, 2009 and 2012. These reports found that CPA Ontario was in substantial compliance with all the Council's Standards. The next scheduled triennial review will be conducted in 2016 for the three year period ending October 31, 2015.

Further to this, the Council has determined that there is merit in conducting, on a reduced scale from the triennial review exercise, annual monitoring and reporting reviews of the standards-related activities of Authorized Designated Bodies for those years when a triennial review is not required. To date, these reports have found no evidence that a designated body was not materially in compliance with Council Standards.

The annual and triennial reports, once accepted by the Council, are submitted to the Minister and published on the Council website.

In addition to the above triennial and annual reviews for Authorized Designated Bodies, the Council is authorized to conduct special reviews of a Designated Body if it concludes that it is in the public interest to do so. The report on one such review was accepted by the Council in January 2011.

### **Updating Council Standards**

With all Designated Bodies having been authorized to issue public accounting licences as of January 2012, the Council turned its attention more fully to another legislatively mandated aspect of Council Standard development – namely, “*raising the standards as required*”. Work on this mandate, which called for a comprehensive review of Council Standards in the light of domestic and international best practice, and into which the three Ontario bodies contributed professional resources, was completed on December 10, 2013 when the Council agreed to submit the updated Standards to the Minister for his consideration. These updated Standards were approved by the Minister on January 8, 2014.

### **Complaints**

#### *Prosecutions*

The Council is responsible for maintaining confidence in public accounting through appropriate prosecution of offences under the Act.

In this respect, the Council receives complaints about individuals who may be providing public accounting services without a licence. These complaints are investigated and followed up individually for action. The complaints have ranged over the past few years from those relating primarily to non-licensed individuals advertising their services under captions for public accounting to ones concerning non-licensed individuals issuing audit or review engagement reports in situations where it can be reasonably expected that there will be third party reliance on those reports. Many of these situations are dealt with by having the individual sign an undertaking to cease the offending activity.

If it is determined that an undertaking would be insufficient deterrent for the individual to cease the offending activity, the Council may initiate a private prosecution under the *Provincial Offences Act*.

The complaints and prosecution activities for the past three fiscal years are summarized as follows:

	2015	2014	2013
Complaints outstanding at beginning of year	1	-	2
New complaints received during the year	-	3	-
Complaints resolved, including through voluntary undertakings	1	2	-
Complaints resolved through private prosecution	-	-	2
Complaints outstanding at end of year	-	1	-

Information regarding convictions is published on the Council's website under *Statutory Offences*.

#### *Section 22 Reviews*

A member of the public who is not satisfied with the manner in which a complaint about the conduct of a Licensed Public Accountant was handled by the licensing Authorized Designated Body, may under *section 22* of the Act request the Council to review the licensing body's handling of the complaint. The member of the public must first have made a complaint to the licensing body and exhausted the internal procedures of the licensing body for the handling of the complaint, including the licensing body's independent review mechanisms.

The Council's ability to address a request for a review made pursuant to *section 22* is limited to deciding whether to recommend that the licensing body investigate the complaint more fully. The Council's ability to review does not extend to decisions of the licensing body's disciplinary or appeal committees.

During 2015 the Council received no requests for a *section 22* review.

It is noteworthy that the occurrence of complaints and requests for Section 22 reviews have continued to decline in the past two years. The Council has not attempted to determine the factors that might be influencing this trend but it may be partly indicative of the success that the Council has had to date with its prosecutions and other means to protect the public.

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## GOVERNANCE

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### **Composition of the Council**

The Council is comprised of 17 Members:

- Nine Members appointed by the Lieutenant Governor in Council
- Two Members appointed by the Certified General Accountants Association of Ontario
- Two Members appointed by the Certified Management Accountants of Ontario
- Four Members appointed by Chartered Professional Accountants of Ontario.

Each Member of the Council holds office for a term of up to three years from the date of appointment and may be reappointed for up to four additional terms.

The Chair and Vice-Chair of the Council are appointed by the Lieutenant Governor in Council and hold office for two years from the date of appointment or until their successor is appointed. The Chair and Vice-Chair may be reappointed for an additional term. The Vice-Chair may be appointed as Chair for up to two terms in addition to any terms the person may have served as Vice-Chair.

There are four vacancies on the Council as of December 15, 2015 being the date on which this Annual Report was approved by the Council. This roster of members includes seven appointments by the Lieutenant Governor in Council and six by the accounting bodies. One of the recommendations of the Promontory Report, as noted on page 5 of this Annual Report, is that the Council size be reduced to either eleven or nine members. As a decision on the Council size is expected to be made in the near future, further appointments are being delayed until that decision is made.

### **Appointment of the Chair and Vice-Chair**

Michael Bryant was appointed as Chair of the Council effective February 19, 2014 succeeding John Crow who had been the Chair of the Council from 2009 to 2014. Mr. Bryant's term as Chair will expire on February 18, 2016. Ms. Shoba Khetrapal has been the vice-Chair of the Council since December 21, 2012 and on November 26, 2014 she was reappointed as vice-Chair by the Lieutenant Governor in Council for an additional term ending December 20, 2016.

### **Officers**

The Council's Officers are:

Chair:	Michael Bryant
Vice-Chair:	Shoba Khetrapal
Chief Executive Officer:	Keith Bowman
Secretary:	Michael Bryant

### **Performance Reviews**

The Council has established a performance review process. Performance reviews of the Council and its committees and Council Members are conducted every two years. The most recent performance reviews of the Council Members, Council and its committees were completed for the fiscal year ended in 2014. The next biennial performance reviews are expected to be completed in early 2017 for the two years ending October 31, 2016. Performance reviews of the Chair and the Chief Executive Officer are conducted annually.

### **Compensation Framework**

The compensation of the Members of the Council, including the Chair and Vice-Chair, is prescribed by the Lieutenant Governor in Council in Regulations made under the Act.

Members of the Council, with the exception of the Chair and the Vice-Chair, are compensated in accordance with the following framework:

- Meeting Attendance Fee: \$700 per meeting (\$350 for meetings under three hours)
- Preparation Time: \$700 per meeting (\$350 for meetings under three hours)
- Travel Time: \$100 per hour\*

\* Payable to Members of the Council (other than the Chair) who are required to travel beyond 40 kilometers (one-way) to attend a meeting.

The compensation of the Chair is \$166,666 per annum.

The compensation of the Vice-Chair is \$1,000 per meeting attended (\$500 for meetings under three hours) and \$1,000 for preparation time per meeting (\$500 for meetings under three hours).

All Council Members, including the Chair and the Vice-Chair, are reimbursed for related travel and out-of-pocket expenses.

### **Succession Planning**

The Council is not empowered under the Act to appoint its directors (who are referred to in the Act as Council Members) or its Chair or Vice-Chair.

As noted above, the Act provides that of the 17 Council Members prescribed by the Act, two are to be appointed by the CGAO, two are to be appointed by the CMAO, four are to be appointed by CPA Ontario, and nine are to be appointed by the Lieutenant Governor in Council. Notwithstanding the unification of the three Designated Bodies, pending legislative change, each body continues to appoint its respective representatives as Members to the Council. These entities are collectively referred to as the “appointing bodies”.

In the past, and in an effort to ensure that Council Members are experienced and qualified, the Council, with the input of the appointing bodies, developed a Council Member Profile and a template to be used to assess the competency and diversity of the individual Council Members and of potential appointees to the Council. The information that is gathered is used to prepare a Competency and Diversity Matrix to assess the overall strength of the skills and diversity of the Council Members and to identify any gaps for the purpose of assisting the appointing bodies in their selection of persons to replace retiring Council Members and to fill any vacancies. In addition, the Council takes an active role in assessing the qualifications of the nominees for appointment to the Council by the Lieutenant Governor in Council. It uses the network of contacts available to its Members in a systematic way so as to contribute to the pool of potential candidates eligible for appointment by the Lieutenant Governor in Council, and it also works closely with the Public Appointments Secretariat of the Government of Ontario to see to it that such appointments meet the above criteria.

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## COUNCIL MEMBERS DURING 2015

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### Members Appointed by the Lieutenant Governor in Council

<b>Name</b>	<b>Member of Council Since</b>	<b>Term Expires</b>
<b>Michael Bryant</b> Former Attorney General of Ontario Chair of the Council and Secretary (Toronto, Ontario)	<b>February 19, 2014</b>	<b>February 18, 2016</b>
<b>Aldo Di Felice</b> President Telelatino Network Inc. (Toronto, Ontario)	<b>February 11, 2009</b>	<b>February 10, 2018</b>
<b>Lili-Ann Foster</b> Managing Partner of Odgers Berndtson (Ottawa, Ontario)	<b>October 25, 2006</b>	<b>October 24, 2017</b>
<b>William Greenhalgh</b> Chief Executive Officer Human Resources Professionals Association (Toronto, Ontario)	<b>December 4, 2013</b>	<b>December 3, 2016</b>
<b>Laura Hantho</b> Advisor (Toronto, Ontario)	<b>August 28, 2013</b>	<b>August 27, 2018</b>
<b>Colleen Hanycz</b> Principal of Brescia University College (London, Ontario)	<b>August 28, 2013</b>	<b>Resigned effective March 24, 2015</b>
<b>Shoba Khetrapal</b> Corporate Director (Toronto, Ontario)	<b>December 3, 2008</b>	<b>December 2, 2016</b>
<b>Jacqueline Orange</b> Corporate Director (Toronto, Ontario)	<b>July 8, 2010</b>	<b>July 7, 2015</b>
<b>Ian Shewan</b> Partner, Lerners LLP (London, Ontario)	<b>July 8, 2010</b>	<b>July 7, 2018</b>

### Members Appointed by Certified General Accountants Association of Ontario

Name	Member of Council Since	Term Expires
<b>Dawn McGeachy, BAccS, FCPA, FCGA, FCUIC, ACUIC, LPA</b> Partner, Colby McGeachy Professional Corporation/Porter Héту Int'l. (Almonte, Ontario)	<b>October 31, 2012</b>	<b>October 31, 2015</b>
<b>Blake Mercer, FCPA, FCGA, C.Dir</b> Partner, Mercer and Mercer, (Milton, Ontario)	<b>October 31, 2014</b>	<b>October 31, 2017</b>

### Members Appointed by Certified Management Accountants of Ontario

Name	Member of Council Since	Term Expires
<b>Jack R. Bowerman, CPA, CA, CMA, LPA, EA</b> Jack R. Bowerman, CA Professional Corporation (Nepean, Ontario)	<b>November 1, 2012</b>	<b>October 31, 2015</b>
<b>Gary van Eyk, CPA, CMA</b> Professional Corporation, (St. Catherine's, Ontario)	<b>November 1, 2015</b>	<b>October 31, 2016</b>

### Members Appointed by Chartered Professional Accountants of Ontario

Name	Member of Council Since	Term Expires
<b>Colleen E. Gibb, FCPA, FCA, LPA</b> President, Gibb Widdis Chartered Accountants Professional Corporation (Ancaster, Ontario)	<b>November 1, 2005</b>	<b>October 31, 2016</b>
<b>Ralph T. Neville, FCPA, FCA</b> Consultant Formerly Senior Tax Partner with BDO Dunwoody LLP (Oakville, Ontario)	<b>November 1, 2005</b>	<b>October 31, 2016</b>
<b>Erik Peters, FCPA, FCA</b> Retired Auditor-General of Ontario (Ottawa, Ontario)	<b>November 1, 2005</b>	<b>October 31, 2016</b>
<b>Michael Walke, CPA, CA</b> Partner, Leader, Accounting Consulting Services, National Accounting and Assurance, PricewaterhouseCoopers LLP (Toronto, Ontario)	<b>November 1, 2005</b>	<b>October 31, 2016</b>

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## COUNCIL COMMITTEES

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### Audit Committee

**Members:** Ian Shewan (Chair)\*  
Laura Hantho\*\*  
Jacqueline Orange\*\*\*  
Erik Peters

\*Appointed Chair of the Committee effective July 7, 2015

\*\*Appointed to the Committee effective July 7, 2015

\*\*\*Term Ended July 7, 2015

The Audit Committee's responsibilities include the review of the Council's financial statements, the Council's risk management processes, systems of internal controls and compliance with applicable laws and regulations. The Audit Committee consists of at least three Members. The Chair, Vice-Chair and the Secretary of the Council may not serve as members of the Audit Committee. The Chair of the Audit Committee is appointed by the Council.

### Governance Committee

**Members:** Lili-Ann Foster (Chair)  
Michael Bryant  
Shoba Khetrapal  
Blake Mercer  
Ralph Neville  
Gary van Eyk

The Governance Committee's responsibilities include recommendations for committee structure and Council membership and overseeing the process for performance assessment of the Council and its committees, Council Members, the Chair and the Chief Executive Officer.

The Governance Committee consists of at least three Members appointed by the Council. The Council has established a practice of appointing to the Governance Committee a nominee of each of CGAO, CMAO and CPA Ontario as well as three of the Members appointed by the Lieutenant Governor in Council. The Chair of the Governance Committee is appointed by the Council.

### Council and Committee Meetings

The following is the number of Council and Committee meetings held during the 12 months ended October 31, 2015:

Council	4
Audit Committee	2
Governance Committee	1

## Attendance at Council and Committee Meetings

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2015:

<u>Member</u>	<u>Council Meetings Attended</u>	<u>Audit Committee Meetings Attended</u>	<u>Governance Committee Meetings Attended</u>
Jack R. Bowerman	4 of 4		
Michael Bryant <sup>1,2,3</sup>	4 of 4	2 of 2	1 of 1
Aldo Di Felice	4 of 4		
Lili-Ann Foster <sup>3</sup>	4 of 4		1 of 1
Colleen Gibb	3 of 4		
William Greenhalgh	4 of 4		
Laura Hantho <sup>4,6</sup>	4 of 4	1 of 1	
Colleen Hanycz <sup>5</sup>	2 of 2		
Shoba Khetrapal <sup>3</sup>	4 of 4		1 of 1
Dawn McGeachy	4 of 4		
Blake Mercer	4 of 4		
Ralph Neville	3 of 4		
Jacqueline Orange <sup>6,7</sup>	2 of 3	1 of 1	
Erik Peters <sup>6</sup>	4 of 4	2 of 2	
Ian Shewan <sup>6</sup>	4 of 4	2 of 2	
Gary van Eyk	4 of 4		
Michael Walke	3 of 4		

1. Chair of Council
2. The Chair of Council attends each Committee meeting
3. Member of Governance Committee
4. Appointed to Audit Committee on June 23, 2015
5. Resigned from Council on March 24, 2015
6. Member of Audit Committee
7. Term Expired July 7, 2015

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## MANAGEMENT DISCUSSION AND ANALYSIS

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The following information provides a summary review of the operations and results of the Council for the year ended October 31, 2015. It is intended to assist readers in understanding the operations of the Council. This should be read along with the accompanying financial statements.

The Council is a corporation without share capital that was continued under the Act. The Act was proclaimed into force on November 1, 2005. As a not-for-profit corporation, the Council is exempt from income taxes.

## **Operations**

Up until the previous fiscal year, the operating costs of the Council were funded by the three Designated Bodies. As a result of Unification, the Designated Body assessment fees are now fully funded by CPA Ontario. These fees are set based on the estimated operating expenses of the Council adjusted for an amount to maintain the net assets of approximately 50% of estimated annual operating expenses. These assessment fees were set at \$1,100,000 in 2015 (\$1,180,000 in 2014).

In addition to the annual assessment fees, Council Standards assessments costs of \$546,189 (\$920,238 in 2014) were incurred in the process of determining whether the standards and operating policies of CPA Ontario are substantially equivalent to those of the Council and in particular the assessment of the CPA Ontario policies in respect of its new public accounting program. These costs for the 2014 fiscal year also included assessments to determine if the operations of the CGAO and CPA Ontario remained compliant with the Standards of the Council for governance of their respective licensed public accountants. All of these costs were billed to, and recoverable from, the Designated Bodies.

The other regular source of revenue is interest income earned from investments, amounting to \$16,795 (\$27,168 in 2014).

In 2015 the Council also received financial support of \$77,970 (\$23,730 in 2014) from the Ministry relating to the engagement of the consulting firm Promontory to undertake a study of how the role of the Council might change as a result of unification. These amounts represent one half of the costs incurred to complete the Promontory study.

The other main expenses relating to the other operations of the Council are salaries and benefits totalling \$599,427 (\$584,615 in 2014), legal advisory of \$116,606 (\$94,181 in 2014), office rent of \$119,457 (\$144,589 in 2014) and Council fees, travel and meetings expenses totalling \$76,475 (\$87,810 in 2014). The amount of these latter costs is directly related to the number and length of Council and committee meetings held during the year.

Costs for Consultants (before receiving the above noted financial support) increased to \$169,521 in 2015 from \$54,897 in 2014 primarily because most of the work for the Promontory report was performed in 2015. Non-recoverable Standards costs decreased to \$44,726 from \$109,153 in 2014. In 2014, additional costs were incurred to update the Council Standards. This was a major project as described on Page 6 and was concluded in the early part of fiscal 2014.

Legal and investigative costs for hearings and prosecutions again decreased in 2015 as there have been no new prosecutions initiated in the past two years. Costs for general administrative matters were similar to 2014. Total expenses, excluding the recoverable standards assessment expenses and including the Ministry project funding, decreased to \$1,122,651 from \$1,136,569 in 2014.

## **Cash Flow and Liquidity**

The Council's cash flow from operating activities decreased by \$318,258 (compared to an increase of \$81,730 in 2014). The details for these amounts are set out in the Statement of Cash Flows. The cash flow from investing activities increased cash by \$235,955 in 2015 compared to a reduction of \$231,663 in 2014. These changes reduced the Cash and Equivalents from \$631,170 in 2014 to \$548,867.

As at year-end, the Council had \$1,374,798 (\$1,706,617 in 2014) in cash and investments.

The Council's net assets are \$932,539 in 2015 (\$938,395 in 2014). The Council's established policy is to achieve minimum net assets approximating 50% of estimated annual operating expenses.

During 2015, the Council invested its available funds in interest-bearing debt obligations that meet certain eligibility criteria of, or are guaranteed by, a Province of Canada or a Canadian chartered bank.

### **Financial Outlook**

The Council has approved an operating budget, excluding Standards assessments, of \$1,334,000 for the 2016 fiscal year, a decrease of \$276,000 from the operating budget that was approved for the 2015 fiscal year. The Council remains in a strong financial position while it continues to fulfill its responsibilities to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards.

The nature and extent of costs incurred for 2016 may vary significantly based on how the Minister responds to the recommendations made in the Promontory report as set out on pages 4 of this annual report.

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## **STATEMENT OF MANAGEMENT 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 Public Accountants Council for the Province of Ontario. Management has prepared the financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations, 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. In addition, these systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Members of the Council are responsible for ensuring that management fulfills its responsibilities including those for financial reporting and internal control. The Council has created an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditor, both with and without management present, to review the activities of each, as well as to review the financial statements. Tinkham & Associates LLP has been appointed by the Council as auditor to express its opinion on the fair presentation of the financial statements.

Tinkham & Associates has had full and unrestricted access to the Audit Committee and management to discuss matters pertaining to its audit.

The Audit Committee reviews the auditor's performance annually and makes a recommendation to the Members of the Council with respect to its reappointment for the coming year.

Signed: "Keith Bowman"  
Keith Bowman  
Chief Executive Officer

Signed: "Michael Bryant"  
Michael Bryant  
Chair

Financial statements of

**THE PUBLIC ACCOUNTANTS COUNCIL  
FOR THE PROVINCE OF ONTARIO**

October 31, 2015

## INDEPENDENT AUDITOR'S REPORT

### To The Public Accountants Council for the Province of Ontario

We have audited the accompanying financial statements of The Public Accountants Council for the Province of Ontario, which comprise the balance sheet as at October 31, 2015 and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Public Accountants Council for the Province of Ontario as at October 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

TORONTO, Ontario  
December 15, 2015

**Tinkham & Associates LLP**  
C H A R T E R E D   A C C O U N T A N T S

Licensed Public Accountants

# THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

## Balance Sheet

As at October 31	2015	2014 (note 8)
<b>Assets</b>		
Current assets		
Cash and equivalents	\$ 548,867	\$ 631,170
Due from Ministry of the Attorney General	-	23,730
Prepaid expenses	7,118	7,889
	<b>555,985</b>	662,789
Investments (note 3)	<b>825,932</b>	1,075,447
Capital assets (note 4)	<b>29,422</b>	23,352
	<b>\$ 1,411,339</b>	\$ 1,761,588
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 82,745	\$ 116,862
Due to Designated Bodies	<b>396,055</b>	706,331
	<b>478,800</b>	823,193
<b>Net Assets</b>	<b>932,539</b>	938,395
	<b>\$ 1,411,339</b>	\$ 1,761,588

Commitment (note 6)

On behalf of the Council:

Signed "Michael Bryant"

\_\_\_\_\_  
Michael Bryant

Signed "Ian Shewan"

\_\_\_\_\_  
Ian Shewan

See accompanying notes to financial statements

## THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

### Statement of Operations and Changes in Net Assets

Year ended October 31	2015	2014
Revenues		
Designated Bodies assessment fees	\$ 1,100,000	\$ 1,180,000
Recovery of Standards assessment expenses	546,189	920,238
Ministry of the Attorney General project funding	77,970	23,730
Investment income	16,795	27,168
	<b>1,740,954</b>	2,151,136
Expenses		
Salaries and benefits	599,427	584,615
Standards assessments	546,189	920,238
Consultants	169,521	54,897
Rent	119,457	144,589
Legal advisory	116,606	94,181
Council fees, travel and meetings	76,475	87,810
Standards	44,726	109,153
Office	39,762	41,608
Audit	13,243	12,000
Insurance	12,473	12,667
Amortization	7,490	12,291
Legal and other costs of hearings and prosecutions	1,441	6,487
	<b>1,746,810</b>	2,080,536
Excess of revenues over expenses (expenses over revenues) for the year	<b>(5,856)</b>	70,600
Net assets, beginning of year	<b>938,395</b>	867,795
Net assets, end of year	<b>\$ 932,539</b>	\$ 938,395

See accompanying notes to financial statements

# THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

## Statement of Cash Flows

Year ended October 31	2015	2014 (note 8)
Operating activities:		
Cash received from Designated Bodies for assessment fees	\$ 805,000	\$ 1,270,000
Cash received for recovery of assessment expenses	530,913	854,647
Cash received from the Ministry of the Attorney General for project funding	101,700	-
Cash received from investments	16,795	27,168
Cash paid for operating expenses	(1,772,666)	(2,070,085)
Net cash provided (used) by operating activities	(318,258)	81,730
Investing activities:		
Cash received (paid) from sale (purchase) of investments	249,515	(218,617)
Cash paid to purchase capital assets	(13,560)	(13,046)
Net cash provided (used) by investing activities	235,955	(231,663)
Decrease in cash	(82,303)	(149,933)
Cash, beginning of year	631,170	781,103
Cash, end of year	\$ 548,867	\$ 631,170

See accompanying notes to financial statements

# THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Notes to Financial Statements  
October 31, 2015

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## 1 Purpose of the organization

The Public Accountants Council for the Province of Ontario ("the Council") is a corporation without share capital that was continued under the Public Accounting Act, 2004 ("the Act"). The Act was proclaimed into force on November 1, 2005. The Council is exempt from income taxes.

The purpose of the Council is to ensure that public accounting in Ontario is practiced in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services. The Council is responsible for:

Developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;

Determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;

Overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and

Maintaining public confidence in public accounting through the appropriate prosecution of offences under the Public Accounting Act, 2004.

The Designated Bodies are the Certified General Accountants of Ontario, the Certified Management Accountants of Ontario, and the Chartered Professional Accountants of Ontario ("CPA Ontario"). The Council's operations are funded by the Designated Bodies.

The three Designated Bodies unified their operations under CPA Ontario through two agreements effective April 1, 2014 and July 2, 2014. Under these agreements, CPA Ontario has assumed full responsibility for the funding obligations to the Council of the other two Designated Bodies and for the oversight of all public accountants in Ontario.

## 2 Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

### (a) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Furniture, equipment and systems	- 10% and 25% annually
Leasehold improvements	- over the term of the initial lease

### (b) Investments

Management has elected to value all investments at fair value, which is based on quoted market values.

**2 Significant accounting policies, continued**

(c) Revenue recognition

In accordance with section 33 of the Act, the Council prescribes the fees that are to be paid by the Designated Bodies to fund the operations of the Council. These fees are based on the Council's annual operating expenditures. The prescribed fees are recognized as revenue in the fiscal year to which the expenses relate.

The Council has retained independent consultants to assist it in determining whether the respective standards of the Designated Bodies are substantially equivalent to the Council's standards. The related recoveries of costs incurred are recognized as revenue when approved as recoverable.

(d) Financial instruments

The Council initially measures its financial assets and liabilities at fair value. Council subsequently measures all its financial assets and financial liabilities at amortized cost, except for its investments in government bonds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to Designated Bodies.

Council recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

# THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Notes to Financial Statements

October 31, 2015

## 3 Investments

As at October 31	2015	2014
Ontario savings bond, interest at 1.25% initially and increasing to 3.75% due June 21, 2016	\$ 230,503	\$ 230,409
Ontario savings bond, variable interest rate, currently at 0.80% (2014 - 1.30%) due June 21, 2016	52,049	52,144
Ontario savings bond, interest at 1.25% initially and increasing to 2.25% due June 21, 2017	70,794	69,575
Ontario savings bond, interest at 1.25% initially and increasing to 2.25% due June 21, 2018	70,438	70,380
Ontario savings bond, interest at 1.25% initially and increasing to 2.50% due June 21, 2019	402,148	652,939
	\$ 825,932	\$ 1,075,447

The Ontario Savings Bonds can be sold at market value at any time. Council invests in interest-bearing debt obligations of or guaranteed by a Province of Canada or by a Canadian chartered bank that meet certain specified eligibility criteria. All investments are readily convertible into known amounts of cash. Council does not purchase investments for speculative purposes.

## 4 Capital assets

As at October 31	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture, equipment and systems	\$ 173,693	\$ 144,271	\$ 160,133	\$ 136,781
Leasehold improvements	117,172	117,172	117,172	117,172
	\$ 290,865	\$ 261,443	\$ 277,305	\$ 253,953
Net book value		\$ 29,422		\$ 23,352

Included in furniture, equipment and systems are costs incurred for the website in the amount of \$13,560 that will be amortized starting on completion of its design.

## 5 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is Employer Health Tax payable of \$946 (2014 - \$1,116) and payroll withholding taxes payable of \$15,244 (2014 - \$18,017).

# THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Notes to Financial Statements

October 31, 2015

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## 6 Lease commitment

Council has entered into a lease agreement for office space that extends until December 31, 2016. The minimum lease commitment plus the proportionate share of realty taxes and operating expenses for 2016 are estimated to be \$124,000.

Minimum annual lease payments, excluding the Council's share of realty taxes and operating expenses required in each of the next two fiscal years are as follows:

2016	\$	49,000
2017		8,400

## 7 Financial instruments

The Public Accountants Council for the Province of Ontario is exposed to various risks through its financial instruments which are comprised of cash, investments, accounts payable and accrued liabilities and due to Designated Bodies. The following analysis provides a measure of the Council's risk exposure and concentrations.

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Council is exposed to credit risk through its cash and investments.

Amounts on deposit with insured financial institutions greater than \$100,000 are not insured.

The Council manages its credit risk by restricting its investments to the financial obligations of governments and major financial institutions.

### Liquidity risk

Liquidity risk is the risk that Council will not be able to meet a demand for cash or fund its obligations as they come due. The Council meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

The Council mitigates its exposure to interest rate risk by laddering maturity dates of its interest-bearing investments.

The primary objective of the Council with respect to its investments is to ensure the security of principal amounts invested, provide a high degree of liquidity, and achieve a satisfactory investment return.

The Council is not exposed to significant currency risk or other price risk.

### Changes in risk

There have been no changes in risk exposures from the prior year.

## 8 Comparative figures

Certain comparative figures have been recast to conform with the financial statement presentation adopted in the current year.

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## CONTACT INFORMATION

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