

**Report to The Public Accountants Council for the Province of Ontario ("PAC" or the "Council")
on the Certified General Accountants of Ontario ("CGAO") Triennial Evaluation
For the Period from November 1, 2010 to October 31, 2013
Findings as of July 19, 2014**

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

Section 21 of the *Public Accounting Act, 2004* (the "Act") requires the Council to conduct periodic reviews of the operations of each 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:

- i. determine whether the ADB is complying with the Council Standards;
- ii. oversee the ADB in its capacity to license and govern the activities of its members as public accountants; and
- iii. 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.

The original authorization process (*Report on the Assessment of Substantial Equivalence: CGAO*, issued in June 2010) reviewed and reported that the proposed processes of qualifying and governing licensed public accountants ("LPAs") by the CGAO were substantially equivalent to the Council Standards.

Annual evaluations were conducted by Gary Porter for the years ended October 31, 2011 and 2012. Annual evaluations are restricted to assessment of only the most significant risks of non-compliance with the Council Standards as compared with triennial evaluations which examine risks of non-compliance on a broader scale and during which more independent evidence is sought to support ADB compliance. In both years, reports were submitted to Council indicating that CGAO, based on the procedures performed and evidence evaluated, appeared to be in substantial compliance with all PAC Standards.

This current 2013 triennial review process has been performed by a team of evaluators with expertise in education, examination, experience, and regulatory/legal standards (the "Team"). It was carried out in accordance the plan presented to the Council at its meeting on March 26, 2014 and used the risk-based approach that was reviewed with Council on March 23, 2010. The Team is familiar with the current public accounting operations of the CGAO. Based on this understanding, the Team has assessed where there may be risks of non-compliance with PAC Standards.

The Team has performed the following procedures:

1. A detailed review of the Activity Reports submitted for each of the years ended October 31, 2011, 2012 and 2013. 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 CGAO Annual Reports for the three years;
3. A review of specified documents provided by CGAO at the Team's request;
4. Enquiry and discussion with CGAO management 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:

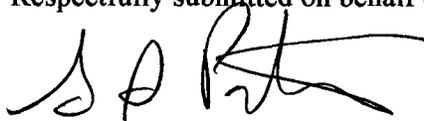
1. Competencies, whether to be acquired through study and examination or by practical experience: Gary Porter
2. Pre-professional and professional education: Wendy Rotenberg, Sue McCracken
3. Examinations: Ed Weinstein
4. Practical experience and maintenance of standards for LPAs: Gary Porter
5. Legal and discipline matters: Jennifer Teskey, 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 Team, I am satisfied that the CGAO 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, 2013.

Respectfully submitted on behalf of the Team.

A handwritten signature in black ink, appearing to read 'G A Porter', written in a cursive style.

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

CGAO COMPLIANCE EVALUATION OCTOBER 31, 2013

INTRODUCTION

The following document summarizes the risk of non-compliance with PAC standards as assessed by the review team (the “Team”). 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 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 of non-compliance with Council Standards 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. In these, only the risks assessed as significant are included in the report.

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.

PAC HANDBOOK, PARTS I AND II COMMENTARY

The PAC Handbook, Part I (*Professional Competency Requirements for Public Accounting*) and Part II (*Practical Experience Requirements for Practising Public Accounting*), is a foundational reference document for Standards:

2. Post-secondary education requirements,
3. Pre-licensing education and study requirements,
4. Pre-licensing experience requirements,
5. Approved training offices,
6. Examinations used for licensing public accountants, and
8. Mandatory post-licensing public accounting experience and continuing professional development.

Accordingly, this commentary on the Handbook precedes discussion of each of these Standards.

The Handbook, with minor descriptive changes, was developed from the 2004 ICAO Competency Map and was adopted by the PAC in 2006. The Handbook remained unchanged as the PAC wished to hold this benchmark constant throughout the compliance assessment to authorize the three Ontario designated bodies.

CGA CANADA COMPETENCY FRAMEWORK

COMMENTARY

As the published CGA Canada Competency Framework explains:

“The CGA competency framework outlines 130 specific professional competencies that CGA candidates must demonstrate in order to be certified. Competencies are written as statements that define the work of a public accountant so that the CGA Association can assess whether candidates have met the standard

expected by clients, employers and they are identified and kept up to date through professional practice analysis.

The framework specifies the proficiency level at which each competency is to be demonstrated, and where it will be assessed (through education, examination and/or practical work experience). The 130 competencies, together with specified proficiency levels, represent the minimum certification requirement. Regardless of the chosen career option, all candidates must meet this requirement.”

CGA COMPETENCY GROUPS

Leadership

- Strategic and organizational leadership
- Organizational effectiveness
- Individual and team leadership and development

Professionalism

- Ethics and trust
- Stakeholder focus
- Communication
- Integrative approach
- Problem solving
- Professional development
- Professional self-evaluation

Professional Knowledge

- Financial accounting and reporting
- Management accounting
- Assurance and other related services
- Finance and financial planning
- Business environment
- Information technology
- Taxation

PROFICIENCY LEVELS

Level A: Mastery

Candidates should be prepared to:

- thoroughly analyze given information
- synthesize information to form a sound evaluation of a situation
- make recommendations that are well supported and add value for the decision maker

- apply and implement knowledge as a competent professional would in normal circumstances, within a reasonable time frame and without supervision.

This level of proficiency includes Levels B and C proficiency.

Level B: Comprehension

Candidates should be prepared to:

- apply concepts and techniques to new situations
- analyze given information and develop preliminary conclusions
- break down information into its component parts, discriminate between relevant and irrelevant information, and differentiate facts from assumptions or inferences.

This level includes Level C proficiency. Candidates are not required to provide in-depth evaluation or make complex recommendations.

Level C: Awareness

Candidates should be prepared to:

- recognize why information is relevant
- understand it well enough to be able to describe or explain it in their own words
- summarize the information or provide examples.

They are not required to provide in-depth analysis or evaluation.

AUTHORIZED DESIGNATED BODY (“ADB”) DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

The PAC Handbook Part I Competency Map and the current CGAO Competency Framework.

Concordance list prepared by CGAO matching CGA competencies to PAC competencies.

Review of randomly selected detailed competency descriptions on CGA list and comparison with detailed descriptions of PAC competencies to perform a top level assessment of comparability of breadth, depth and rigour required of candidates.

CONCLUSIONS AND OBSERVATIONS

CGAO is in substantial compliance with the PAC competency list.

PAC STANDARD 2 – PREREQUISITE KNOWLEDGE AND PAC STANDARD 3 – PROFESSIONAL PROGRAM AND PAC STANDARD 6 - EXAMINATIONS

COMMENTARY

Prerequisite knowledge required before entering the professional program for licensing as a member of CGAO consists of a university degree and specified university level credits set out in the PAC Standards. These credits may be obtained directly as part of the university degree program, or through approved

CGA Canada courses. The CGAO courses were reviewed and approved as part of the authorization process.

CGAO operates a system for ongoing evaluation of university courses to ensure they continue to meet PAC standards for scope, depth and rigour.

The professional level of education consists of a Technical Proficiency Exam (TPE) to ensure attainment by the candidate of the prerequisite knowledge, 4 post graduate courses in performance measurement, auditing, taxation and finance. In addition, there are two courses with examinations that provide cases which require integration of the knowledge acquired in the previous four courses. The AP1 course is designed specifically for public accounting candidates.

During the three years under review, the education and examination members of the Team worked with the examination and education staff at CGAC and CGAO to complete the evaluation process of new professional level courses and of the AP1 and TPE examinations. During that period:

- We reviewed TPE exams and their blueprints, as well as revised documentation on exam preparation. We also spoke with staff members who manage the preparation and marking of the TPE at several times during the implementation period and during this review.
- **CGAO is compliant.** There is ample evidence of domain sampling in the preparation of the TPE. We do not consider this a material risk in the future.
- The educational and examination assessment teams reviewed all TPE questions either prior to or during the implementation period. There were no additional questions to review.
- **CGAO is compliant.** Should the TPE continue, however, we still view item development as an ongoing risk.
- We reviewed: the statistical analysis of AP1 writers in Ontario using documents provided during the review period by the CGA; domain sampling on the AP1 exam; and statistical analysis of AP1 exams. We also reviewed pass/fail decisions and discussed borderline cases with CGA exam staff. Revised documentation, including letters informing candidates of pass/fail decisions, was also part of our review. We also participated in a fair pass panel during the review period.
- **CGAO is compliant.** While there are not sufficient examinees to conduct a predictive or concurrent validation, the AP1 demonstrates content validity. CGAO has done what is possible given the numbers of candidates. Should the AP1 examination continue, however, we view the validity of the AP1 exam as an ongoing risk.
- We reviewed: the statistical analysis of TPE writers in Ontario using documents provided during the review period by the CGA; domain sampling on the TPE exam; and statistical analysis of TPE items and candidates. We also reviewed pass/fail decisions and discussed borderline cases with CGA exam staff. Revised documentation, including letters informing candidates of pass/fail decisions, was also part of our review. We also participated in a fair pass panel during the review period.
- **CGAO is compliant.** While there are not sufficient examinees to conduct a predictive or concurrent validation, the TPE demonstrates content validity. CGAO has done what is possible given the numbers of candidates. Should the TPE continue, however, we view the validity of the TPE as an ongoing risk.

During the three years under review, no candidate was licensed via the TPE and AP1 course and examination route. All candidates licensed since authorization were admitted either subject to the

Agreement on Internal Trade (“AIT”) ruling and the regulations for implementation of that ruling, or under Council Guideline 2010-6 established by PAC as a transitional procedure (with sunset clauses) for candidates in a new ADB. CGAO admitted 122 candidates during the triennial review period.

In addition, it was clear during the assessment that CGAO would likely merge with CPA Ontario during or shortly after completion of the triennial review and that, subject to transitional rules, future candidates would qualify via the CPA process.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

List of all licensed public accountants (“LPAs”) qualified during the period under review and the route by which they qualified.

Document files supporting the licence application for a sample of licensees from both streams.

POTENTIAL RISK AND POSSIBLE IMPACT

For the purposes of this review, the risks that may be attached to these alternative forms of access to licensing were assessed and the steps taken to evaluate such risks are set out hereunder.

- We reviewed the academic qualifications as reported by other provincial or territorial CGA associations of a sample of candidates licensed under Standard 7A, and
- We reviewed the academic qualifications for a sample of candidates licensed under Council Guideline 2010-6.

In addition, we requested and obtained an undertaking from CGAO regarding compliance with the requirements of PAC Standards 2, 3 and 6 during the period under evaluation.

CONCLUSIONS AND OBSERVATIONS

During the review period, there was regular contact and consultation between CGA exam staff and Dr. Weinstein. This means that we expected no surprises in this review, but it also means that we are confident that CGAO is compliant. In addition we found that there were no exceptions to PAC Standards for the sample of applicant files reviewed who applied under Standard 7A (pursuant to the AIT) and Council Guideline 2010-6 routes.

PAC STANDARD 4, PREQUALIFICATION EXPERIENCE AND PAC STANDARD 5, APPROVED TRAINING OFFICES

COMMENTARY

The cornerstone of the CGAO's prescribed practical experience requirement is that students be trained only in those offices approved by the Association (ATOs) or ATOs operating under the rules and oversight of another ADB as offering a sufficient amount and variety of appropriate experience to prepare them to practise as LPAs.

To meet the depth of competency development requirement, an applicant must demonstrate all of the specific competencies for LPA candidates within the Competency Framework and the CGAO Regulation governing qualification as an LPA.

Attainment of required hours by category is reported by students and certified by the ATO to CGAO on specific forms.

Key Control - Practice Inspection ("PI") is assigned the task of approving ATOs and the number of students they may have. It is also responsible to assess the ATO regarding amount and range of work and competency development as part of the PI process.

POTENTIAL RISK AND POSSIBLE IMPACT

1. Inadequate Training of PI staff in competency systems resulting in inappropriate assessment of ATO in PIs possibly making the competency system related to practice experience ineffective
2. Unqualified training principals in ATOs resulting in ineffective oversight of students
3. Collusion between student and training principals/counselors to misrepresent hours attained by type of assignment and/or in total
4. Even if a student is careful and assertive, it may be that she or he will not receive adequate exposure to the competencies required by the student's development plan if audit planning and assignments don't work out
5. Inaccurate self-assessment of competency level achieved by student
6. Inadequate selection criteria and training of the CGA supervisor.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review of a sample of ATO files at CGAO covering qualification and monitoring.

A review of student experience documentation.

CONCLUSIONS AND OBSERVATIONS

CGAO is in substantial compliance.

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.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

A list of LPA candidates that applied under Standard 7A.

Regulations, policies and forms used to process such applicants by CGAO.

Detailed files for a randomly selected sample of such candidates reviewing the complete documentation of their application and subsequent verification of their qualifications.

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 CGAO may not have satisfied PAC Standard 7A(1)(a) and (b).

CONCLUSIONS AND OBSERVATIONS

CGAO is in substantial compliance.

PAC STANDARD 7C — MEMBER SELECTING A NEW AUTHORIZED DESIGNATED BODY FOR LICENSURE

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(3).

POTENTIAL RISK AND POSSIBLE IMPACT

Moderate - There are possible risks in the intake and application review process that a member may not satisfy the requirements of Standard 7C(3), including confirming that the member is licensed by the other ADB, is compliant with all continuing professional development requirements, confirming the date of the member's last successful practice inspection and confirming that the member is not the subject of disciplinary proceedings.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review any changes, since November 1, 2010, to the policies and procedures established by the CGAO for assessing an applicant from another ADB in Ontario.

Obtain statistics of the number of applicants that applied for licensure from another jurisdiction/accounting body in Canada and whether licensure was granted by the CGAO since November 1, 2010.

CONCLUSIONS AND OBSERVATIONS

CGAO had no transferees from other ADBs during the period under assessment.

The CGAO is in substantial compliance.

PAC STANDARD 8 — INVOLVEMENT IN PUBLIC ACCOUNTING IN A SUBSTANTIVE WAY

COMMENTARY

Council Guideline 2007-3 established criteria for assessing and quantifying whether applicants for renewal of a licence were involved in the practice of public accounting in a substantive way. At the time

of licence renewal, the applicant must assert whether they have met the criteria. They are required to submit specific information on their involvement, hours by category etc. The review of a sample of LPA records on file at CGAO indicated that the applicants were in compliance with the reporting requirements.

CONCLUSIONS AND OBSERVATIONS

The CGAO is in substantial compliance with Standard 8.

PAC STANDARD 9 – PRACTICE INSPECTION

COMMENTARY

A high quality PI program is a central element of the governance and oversight of licensed members of the ADB in the public interest. The hiring, training and supervision of an adequate number of inspectors is critical to the enforcement of standards on student attainment of sufficient appropriate practical experience and attainment of appropriate competencies, the monitoring of the quality of client work in the performance measurement and assurance areas, the maintenance of ethical rules, and hours of involvement required to retain a licence. After discussion with the director of the PI program and a detailed review of three PI files, no compliance problems were indicated.

One inspection file reviewed resulted in an “unacceptable” rating. A program of action has been initiated by the practitioner and no further assurance clients may be accepted by this LPA without CGAO permission until the LPA is reinspected (within one year).

POTENTIAL RISK AND POSSIBLE IMPACT

Including some aspects of Standards 4, 8 and 9.

1. Qualification of inspectors
2. Sufficient number of inspectors
3. Training of inspectors
4. Oversight of inspectors.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

1. PI bylaws, policies training materials and PI Manual
2. Discussion with PI senior staff regarding recruitment, training and supervision of PIs
3. A schedule provided by CGAO indicating for each LPA the date of the most recent inspection and the result or the year in which such inspection was scheduled. In all cases, the inspections had occurred or would occur within 3 years of licensing.

CONCLUSIONS AND OBSERVATIONS

The CGAO is in substantial compliance.

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 Canada Handbook Accounting* and the *CPA Canada 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.

No CGAO LPA provides assurance services for a reporting issuer. Therefore, in general, compliance with International Financial Reporting Standards is not an issue. Most CGAO LPA clients use either Accounting Standards for Private Enterprises (ASPE) or accounting standards for not for profit or public entities.

In addition for GAAS, ISQC 1 became effective on Dec 15, 2009, by which time, Firms' Quality Control systems had to be compliant. Audits of financial statements for periods ending on or after Dec 15, 2010 require the auditor to apply Canadian Assurance Standards (CAS).

The apparent compliance of CGAO licensees with CPD requirements and the review of PI files indicate that the level of compliance with GAAP and CAS by CGAO LPAs is high and enforced.

CONCLUSIONS AND OBSERVATIONS

The CGAO is in substantial compliance.

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 efforts to harmonize rules of professional conduct among the CGAO, the Chartered Professional Accountants of Ontario and the Certified Management Accountants of Ontario (“CMAO”) within the context of the PAC Standards and 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 Code of Ethical Principles and Rules of Conduct (“CEPROC”), as passed at CGAO’s meetings, since November 1, 2010.

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(5).

Confirm that all PAC-requested amendments were implemented in accordance with PAC Standard 11(6).

Additional inquiries were made regarding rule amendments.

CONCLUSIONS AND OBSERVATIONS

During the review period, the CGAO submitted changes to its Code of Ethics and Rules of Conduct (“CEPROC”) as part of its annual supplemental report (for example, for changes that were made to the CEPROC in 2011 some of which impacted directly on licensure). The CGAO has advised that “a verbal exchange between the vice-president of regulatory affairs at the time and PAC resulted in an agreement that these changes were not required to be submitted for approval prior to implementation unless they impact licensure.” While the Council was ultimately made aware of the changes, it is observed that such a process is not consistent with the *Operating Procedures Relating to an Authorized Designated Body’s Compliance with the Council’s Standards*, which requires approval in advance by the Council of any proposed changes being made by an ADB to any constituting document that may impact upon public accounting.

Given the unification of CGAO with CPA Ontario and CGAO’s acknowledgement that such amendments were not forwarded in advance of ratification through inadvertence (but were included in the applicable annual supplemental reports that were submitted to the Council), the Team is satisfied that there is little, if any, risk of reoccurrence.

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 CGAO meetings, since November 1, 2010. Review any amendments to the discipline committee and the professional standards and competence committee rosters and terms of reference since November 1, 2010.

Reviewed a sample of investigative files.

CONCLUSIONS AND OBSERVATIONS

The CGAO is in substantial compliance.

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 CGAO meetings, since November 1, 2010.

Review any amendments to the professional conduct tribunal, competence tribunal and appeal tribunal rosters and terms of reference since November 1, 2010.

Review a sample of hearing files.

CONCLUSIONS AND OBSERVATIONS

There were no disciplinary hearings during the review period.

The CGAO is in substantial compliance.

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 sets 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 and then subsequently applies for licensure.

ADB DOCUMENTATION REQUIRED FOR ASSESSMENT OF RISK

Review all bylaw amendments, as passed at CGAO meetings, since November 1, 2010.

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, 2010. Obtain statistics of how many of the above-noted applicants were granted a licence since November 1, 2010.

Review sample application files.

CONCLUSIONS AND OBSERVATIONS

There were no such applications during the review period.

The CGAO is in substantial compliance.

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.

CGAO LPA errors and omissions insurers provide confirmation to CGAO regarding the existence and key terms of such policies for each LPA. CGAO supplied a schedule from their membership database which indicated, as at the date of the review, that all LPAs were currently insured under compliant policies.

CONCLUSIONS AND OBSERVATIONS

The CGAO is in substantial compliance.

STANDARD 17(5)

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 and terms of reference for the public accounting licensing committee and the public accountant licensing review committee, including any changes to the documents since November 1, 2010.

CONCLUSIONS AND OBSERVATIONS

The CGAO is in substantial compliance.

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 licensed public accountants 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 licensed public accountants is provided to PAC.

Review all annual reports for details re: licensure activities as provided to PAC since November 1, 2010.

Review all minutes of the Public Accounting Licensing Board ("PALB") and the Public Accountant Licensing Review Committee during the review period.

CONCLUSIONS AND OBSERVATIONS

The CGAO is in substantial compliance.

In the PALB's November 5, 2012 minutes, the following was documented:

"The Licensing Board had ruled in August 2011 that in order to obtain a licence a CGA should only be required to complete his or her experience in an approved training office, and successfully complete the AP1 course and exams. The Board had ruled that a CGA should not be required to take any other course.

Ted wanted the Board to clarify whether this applies to all CGAs into the future for all time, considering this hypothetical situation: Student X in our program decides to take the traditional path to the designation – PA1, PA2, 2 electives and the certification level.

That person becomes a member and later on decides he wants to be an LPA. Would he need to take the TPE? Would he need to have 51 credit hours?

Members reviewed this scenario in great detail.

They confirmed the ruling of the Board which was encapsulated in the minutes of the meeting of the Board held on August 29, 2011:

"The Board was of the opinion that the above months and hours (the 2500 hours of experience in an approved training office) will provide (the CGA) the competencies required to obtain a public accounting licence that would normally be provided by the PA1 course (the issues in the course focus on the perspective of an external accountant providing auditing, taxation, and business advisory services to clients).

The Board strongly felt that a person whenever he or she obtains the certified general accountant designation would have completed a very strong and in-depth program of professional studies and

therefore should not be required to revisit any courses other than AP1 (which is a course specifically designed to obtain a CGA licence).

The Board confirmed that the prior ruling should apply to all CGAs into the future for all time.”

This decision appears to eliminate the need or application of the TPE (and perhaps the PA1 and the 51 credit hour requirement) going forward. This PALB decision was not, as far as the reviewers are aware, submitted to the Council for approval prior to being made. However, this decision does not appear to have had any practical effect as the CGAO confirmed, in writing (in its list of licensees as of October 31, 2013), that no licensee ever became so licensed by the “regular” process (via the TPE and the AP1). Furthermore, we understand that one CGAO member will be writing the AP1 in February 2015 and that this person will be required to complete the TPE, the PA1 and the 51 credit hour requirement.

The Team is of the view that if the CGAO were to implement the PALB decision outlined above, thereby granting licences without completion of the TPE, PA1 or 51 credit hours, such a practice would not be Standards compliant.

PAC 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, 2010 (to ensure compliance with the information requirements as provided pursuant to Standard 18(6)).

CONCLUSIONS AND OBSERVATIONS

The CGAO is in substantial compliance.