

9 Practice inspections of public accountants

- (1) An authorized designated body shall require all licensees engaged in the practice of public accounting, or where the licensee practises public accounting through a partnership, the authorized designated body shall require the partnership, to be subject to a system of mandatory, cyclical practice inspection that includes on-site inspections, or due to the size of the practice, desk inspections, by the authorized designated body to ensure maintenance of an appropriate level of professional standards.
- (2) An authorized designated body shall require every licensee, or partnership, as applicable, that issues, or seeks to be authorized to issue, audit reports on financial statements of any reporting issuer as defined under the *Securities Act* to be registered with the Canadian Public Accountability Board, to be subject to the rules and oversight of the Board and to be inspected by the Board in respect of the performance of such engagements.
- (3) The practice inspection process of an authorized designated body shall:
 - (a) require a practice inspection to be conducted within twelve months of inception of the practice;
 - (b) involve the testing of quality control procedures;
 - (c) involve the review of current auditing and review engagement files and current files for compilation services;
 - (d) contain sufficient procedures to ensure careful assessment of the nature of the types of engagements and the types of clients of the licensee and to determine key areas of risk in respect of each;
 - (e) retain the services of inspectors having senior experience in public accounting who are independent of the particular licensee subject to inspection;
 - (f) provide the practice inspection system, through enactment of by-laws or regulations, with the power to:
 - (i) compel a licensee or partnership to produce working paper files, books, documents or other materials in paper or electronic form, provided that only documents and information that are compellable by law are producible (e.g. documents and information subject to legal privilege of the licensee, partnership or the licensee's or partnership's client are not producible, unless privilege is waived by the licensee, partnership or the client, respectively); and
 - (ii) make complaints of professional misconduct where warranted, including in situations where the licensee fails to co-operate in the inspection of the practice;
 - (g) adopt procedures to ensure consistency in the conducting of inspections and of inspector reporting standards, including review of an inspection report by a senior inspector and a final review by a committee comprised of licensees; and

- (h) verify that every licensee or partnership, as applicable, that issues or seeks to be authorized to issue audit reports on financial statements of any reporting issuer as defined under the *Securities Act* is registered with the Canadian Public Accountability Board.
- (4) The practice inspection system shall be based on a selection of licensees and where applicable, partnerships, within a cycle of inspection that shall not exceed three years.