

**LICENSED PUBLIC ACCOUNTANT  
LPA**

**Council Guideline No. 2007 – 3**

**Criteria for Establishing that an Applicant for Renewal  
of a Licence has Practised Public Accounting in a Substantive Way**

The Standards of The Public Accountants Council for the Province of Ontario (the “Council”) are intended to ensure that all licensees have the capabilities and competencies to provide the public accounting services described in Section 2 of the *Public Accounting Act, 2004* (“public accounting services”).

In addition, it is a specific requirement of Section 8(1) of the Council’s Standards that an authorized designated body (“ADB”) shall provide that a licensee shall not be eligible to renew a licence if within the immediate past five years the licensee has not been engaged in the practice of public accounting in a substantive way. Section 15(1) of the Council’s Standards sets out the requirements respecting the issuance of a new licence to such a member.

This Council Guideline sets out minimum criteria to be considered by the licensing board of an ADB in determining whether an applicant for renewal of a licence (the “Applicant”) has been engaged in the practice of public accounting in a substantive way within the immediate past five years.

The criteria are inter-related and are discussed under the following headings:

1. Practice Environment
2. Practice Capacity
3. Continuing Professional Development
4. Eligible Hours
5. Ethical and Independence Requirements

**1. Practice Environment**

The determination of whether an Applicant has the required capabilities and competencies to provide public accounting services shall be made with reference to whether the Applicant has:

- (i) within the past five years participated in a recognized capacity in public accounting engagements in a practising office that has successfully completed a practice review to assess that its quality control system, its current engagement files, and related financial statements adhere to professional standards; or
- (ii) will be a member of a newly established firm or practising office including a firm or practising office that will be established shortly following the date of a successful application for licensure; provided it is a condition of the granting of a licence to the member that the firm or practising office is subject to a practice inspection to be conducted by the ADB within 12 months following the date of the issuance of the member’s licence that results in a determination by the ADB that the member’s firm or practising office has maintained an appropriate level of professional standards.

## **2. Practice Capacity**

The following persons shall be regarded as having participated in a recognized capacity in providing public accounting services:

- (i) each member of a firm or practising office who has responsibility for the entire public accounting engagement or who directly participates in a public accounting engagement, including any related subsidiary engagement, as a member of the engagement team;
- (ii) each member of a firm or practising office who can directly influence the outcome of a public accounting engagement, such as members who provide:
  - direct supervision, management or other oversight of the leadership of the engagement team(s);
  - consultation regarding professional standards;
  - consultation or opinions regarding taxation provisions or other technical or industry-specific issues, transactions or events;
  - quality control or second partner review.
- (iii) a practice inspector appointed by the ADB or by the Canadian Public Accountability Board to conduct practice inspections of licensees, firms and practising offices.

## **3. Continuing Professional Development**

The Applicant must have completed the minimum number of hours of continuing professional development prescribed by the ADB, including the specified minimum number of verifiable hours prescribed by the ADB, in activity that is quantifiable and directly related to the competencies needed to provide public accounting services.

## **4. Eligible Hours**

The licensing board of the ADB shall specify the minimum number of hours that it expects an Applicant to have to support a determination that the Applicant has been practising public accounting in a substantive way; provided, however, that such minimum number of hours shall not be less than 2,500 hours consisting of:

- (i) a minimum of 1,250 eligible hours in public accounting services within the immediate past five years; and
- (ii) up to 1,250 eligible hours in designated services within the immediate past five years.

*Eligible hours are:*

- chargeable hours acquired as a result of participating in a recognized capacity in providing public accounting services; and
- other hours acquired in designated services.

*Chargeable hours* are hours normally chargeable to clients of a public accounting practice, provided that work of a routine clerical nature shall not be included in the computation of chargeable hours.

*Designated services* are services that require competencies that are complementary to those required to provide public accounting services. Designated services are:

- taxation services related to assessing the appropriateness of taxation provisions and related financial reporting;
- performance measurement relating to the evaluation, development and interpretation of an entity's financial and non-financial information that measures and enhances an entity's organizational performance;
- forensic accounting;
- research on the interpretation or application of either or both of Generally Accepted Accounting Principles ("GAAP") and Generally Accepted Assurance Standards ("GAAS") or on professional standards;
- financial reporting involving the review of accounting principles and financial statement disclosure and the appropriateness of internal controls for the purpose of presenting fairly the financial statements of an entity;
- corporate finance services related to assisting a client in obtaining financing by explaining the financial statements to a financial institution, and assisting a client in analyzing the accounting effects of certain transactions;
- research conducted for, or advice given to, assurance clients on matters related to assurance engagements;
- training of other accountants or staff of the practice or firm in respect of the performance of assurance services where such training is a formal role for the Applicant.

## **5. Ethical and Independence Requirements**

Underlying all of the other criteria for the determination of whether the Applicant has been engaged in the practice of public accounting in a substantive way are the requirements contained in GAAS and the rules of professional conduct adopted by the ADB that a firm and members of a firm practising public accounting comply with the applicable ethical requirements and the related independence policies and procedures.

These requirements include the following principles of professional ethics:

- integrity;
- objectivity;
- professional competence and due care;
- confidentiality;
- professional behaviour.

Because the fundamental principle of objectivity for assurance engagements cannot be maintained if an individual or their firm lacks independence, independence policies and procedures must be an integral part of the Applicant's practice environment where the Applicant's experience has been acquired.

Where an Applicant has breached or is under investigation for failure to observe any of these ethical and independence requirements, the licensing board of the ADB when considering the eligibility of the Applicant for licensure must satisfy itself that there are no circumstances which would preclude the Applicant from having his or her licence renewed.

### **Exercise of Discretion**

In circumstances where the Applicant has not met the minimum criteria set out in this Council Guideline but satisfies the ADB's licensing board that the Applicant otherwise has the required capabilities, competence and current skills to provide public accounting services, the ADB's licensing board may use its professional judgement to renew the Applicant's licence to practice public accounting, provided that the ADB's licensing board documents in writing its reasons for exercising its professional judgement to do so.

The ADB shall include in the supplemental reports that it is required to file with the Council pursuant to Section 18(6) of the Council's Standards the number of license renewals where the ADB's licensing board has exercised its professional judgement to renew a license of an Applicant that has not met the minimum criteria set out in this Council Guideline together with an outline of its supporting reasons and any further information that the Council may request.

### **References:**

Section 2 of the *Public Accounting Act, 2004*

Sections 8(1), 15(1) and 18(6) of the Council's Standards

**Approved and Adopted** by the Council on October 23, 2007.

Original Signed: "Glorianne Stromberg"

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Chair and Secretary