

**Report to the Public Accountants' Council for the Province of Ontario (PAC) on the Institute of Chartered Accountants of Ontario (ICAO) Triennial Evaluation Report
For the Period from November 1, 2006 to October 31, 2009, Findings as of January 12, 2011**

	Page
Executive Summary	2
Summary of Risks Assessed and Review Results by PAC Standard	5
 Evaluation Details	
(I) Competency Map The PAC Handbook, Part I: Professional Competency Requirements for Public Accounting	10
(II) Standards 2 and 3 Post-secondary education requirements and pre-licensing education and study requirements	12
(III) Standards 4 and 5 Pre-licensing experience requirements and approved training offices	16
(IV) Standard 6 Examinations used for licensing public accountants	18
(V) Standard 7 Licensing of persons admitted to membership from accounting bodies in other jurisdictions	19
(VI) Standard 8 Mandatory post-licensing public accounting experience and continuing professional development	21
(VII) Standard 9 Practice inspections of public accountants	22
(VIII) Standard 10 Generally accepted accounting principles and generally accepted assurance standards	23
(IX) Standard 11 Rules of professional conduct	24
(X) Standard 12 Discipline procedure: complaints	24
(XI) Standards 13 and 14 Discipline procedure: prosecution and adjudication and Discipline procedure: appeal committee	27
(XII) Standard 15 Rules governing issuing a new licence to a former licensee	27
(XIII) Standard 16 Mandatory professional liability insurance	28
(XIV) Standard 17 Principles of governance relating to the licensing and governing the activities of members of the authorized designated body as public accountants	29
(XV) Standard 18 Disclosure and related matters	30

Executive Summary

To: The Public Accountants Council for the Province of Ontario (PAC)

From: Gary Porter, FCGA, CA, LPA

Re: Triennial Review of ICAO Compliance for the period November 1, 2006 to October 31, 2009

January 12, 2011

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) 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: ICAO*, issued in December 2008) reviewed and reported on whether the processes of qualifying and governing Licensed Public Accountants (LPAs) by the ICAO were substantially equivalent to the Council standards.

The first annual review, completed for the year ended October 31, 2008, was performed on the basis of review engagement standards and provided a report to Council regarding ICAO continuing compliance. After reviewing the documentation of changes, processes and results, performing pertinent analyses and making enquiries of ICAO senior staff, the evaluator reported that no evidence of non-compliance had been found.

This triennial review will provide the basis for a report by the Council to the Minister on ICAO compliance with PAC standards over the period.

This triennial review process has been carried out in the following manner:

1. It was performed by a team of evaluators with expertise in education, examination, experience, and regulatory/legal standards.
2. The triennial review has been carried out in accordance with the risk-based approach presented to Council on March 23, 2010. Extensive work has been done to ensure that the team is familiar with the current public accounting operations of the ICAO. Based on this understanding, the team has assessed where there may be risks of non-compliance with PAC

standards.

3. Reviews of documents, interviews with ICAO staff, CA Training Office (CATO) staff and others, sampling of certain files such as recently qualified licensees, discipline cases, licensee compliance files etc. have been performed to probe areas for risk of non-compliance.

The evaluators' report, which follows, identifies risks of non-compliance and findings.

The team members were assigned to Council Standard groupings in accordance with their areas of expertise. The report is organized around these groupings. They are:

Competencies, whether to be acquired through study and examination or by practical experience:
Charlie Vincent

Pre-professional and professional education: Wally Smieliauskas and Wendy Rotenberg

Examinations: Ed Weinstein

Practical experience and maintenance of standards for licensed public accountants (LPAs): Gary Porter

Legal and discipline matters: Alan Mark, Jeremy Devereux and Jennifer Teskey, Ogilvy Renault LLP

Overall Findings

During the reporting period, the ICAO was found to be in compliance with 47 of the 50 risks assessed by the evaluators. As of the date of this report, the ICAO is in compliance with each and every Council Standard assessed by the evaluators.

There was one compliance issue that was identified, during the reporting period, involving Standards 12(1), 13(1) and 14(1), which justifies further elaboration. A summary of the compliance issue that was identified, but has since been corrected by the ICAO, follows:

Standards 12(1), 13(1) and 14(1) – Investigation of Complaints and Disciplinary/Appeals Processes

During the triennial review, the ICAO conveyed to the legal/discipline evaluators its view that it was authorized to compel the production from its members of documents subject to legal privilege. The evaluators advised that the ICAO's investigative policies were, in their view, in contravention of laws as the ICAO has no statutory authority, under the *Chartered Accountants Act, 1956*, (the operative legislation until May 17, 2010), the *Chartered Accountants Act, 2010* (which came into force on May 18, 2010) or the Statutory Powers Procedure Act to compel production of privileged information or documents from members. The evaluators acknowledge that access to privileged documents, subject to appropriate safeguards, could enhance the ICAO's ability to discharge its oversight function. However, the evaluators were of the view that the ICAO had no implied authority to compel production of privileged documents and that members had no authority to produce privileged documents without their clients' consent.

The ICAO disputed the evaluators' findings of non-compliance in respect of Standards 12(1), 13(1) and 14(1). The ICAO asserted a different view regarding its powers.

On December 14, 2010, the ICAO delivered an undertaking to the Council wherein, *inter alia*, the ICAO has undertaken not to compel documents subject to legal privilege from members. The undertaking shall remain in effect until the earlier of: (i) the *Chartered Accountants Act, 2010* is amended to clarify

whether the ICAO has the right to compel privileged documents; or (ii) a judicial determination, based on the *Chartered Accountants Act, 2010*, or substantially similar legislation, provides similar clarification.

In light of this undertaking, and the other undertakings provided therewith, the evaluators are satisfied that the ICAO is now in substantial compliance with Standards 12(1), 13(1) and 14(1).

Respectfully submitted on behalf of the evaluation team.

Gary Porter, FCGA, CA, LPA

Summary of Risks Assessed and Final Review Results, by Competency Map / PAC Standard

This chart is included to present the final results of the review in summary as an aid to Council members. It does not replace the more detailed report presented hereafter. The detailed report prevails in the event of any perceived conflict between this summary and detailed report.

Standard	Risk	Compliant?	Page
Competency Map The ICAO competency map (CAmap) evolves to meet current needs. Each of the risks set out from I.A to I.H is a kind of change to the PAC competency map (PACmap) by the ICAO that could potentially result in the ICAO competency map not being substantially equivalent to the PAC competency map. For most years the changes were modest and incremental. As discussed in <i>Section I. Competency Map</i> , major changes were made for the 2008 year, and they have been carried forward in the ICAO competency map.	Topic I.A Reallocation, combining and splitting of PAC competencies that remain in the CICA Competency Map: elements of the competencies may be redefined, or simply not survive these actions	Yes	10
Competency Map	Topic I.B Elimination in the CICA Competency map of certain sub-competencies that are prescribed by PAC because they are not evaluated on the Uniform Examination (UFE)	Yes	11
Competency Map	Topic I.C Elimination of competencies prescribed by PAC because they are now considered to be beyond the point of writing the UFE (that is, not required for the newly-qualified LPA)	Yes	11
Competency Map	Topic I.D Elimination of competencies prescribed by PAC because the CICA determined that they were primarily duplications of other competencies, at least in part, or implicit in other competencies	Yes	11
Competency Map	Topic I. E Condensation or elimination of competency statements prescribed by PAC which are subordinate to particular competencies because of coverage elsewhere such as in sections of the CICA Handbook developed since the PACmap	Yes	11
Competency Map	Topic 1.F Lowering of proficiency-level requirements for competencies or sub-competencies prescribed by PAC	Yes	11

Standard	Risk	Compliant?	Page
Competency Map	Topic I.G Failure to maintain current Knowledge Reference Lists for each PAC Competency segment	Yes	11
Competency Map	Topic I.H Expansion by the ICAO of competencies prescribed by PAC or new ICAO competencies added	Yes	12
2 and 3 - General comments	A future concern: evaluating two streams of CA students with LPA licensing exam	N/A	12
2 - Admission of Students	Topic II.A Admitting students without required pre-requisites	Yes	13
2 - Curriculum Reform	Topic II.B Failing to adopt international standards over the next several years	Yes	13
2 - Core Knowledge Examination (CKE)	Topic II.C CKE does not screen out students who do not have required pre-requisites	Yes	14
3 - School of Accountancy (SOA) contents, instructors and instructional methods	Topic II.D SOA doesn't adequately cover and integrate the required competencies	Yes	14
3 - SOA practice examination and final examination	Topic II.E SOA doesn't include an appropriate sample of topics / integration in the SOA examination	Yes	15
3 - Contents of the Uniform Final Evaluation) UFE	Topic II.F The UFE fails to do adequate domain sampling for full coverage over several years	Yes	15
5 - Practice Inspectors (PIs)	Topic III.A Inadequate training of PIs regarding the assessment of workplace competency training	Yes	17
5 - Qualified Training Principals in CATOs	Topic III.B Ineffective oversight and development of students	Yes	17
4 - Keeping records of hours required by students	Topic III.C Inaccuracies in time-keeping or collusion to misrepresent hours required	Yes	17
4 / 5 - Record of CA Qualifying Experience (RQE) - competency training requirements for LPA students	Topic III.D Insufficient workplace development of LPA students in core competencies of Performance Measurement and Reporting / Assurance	Yes	18
6 - Reliability of pass-fail decisions	Topic IV.A Insufficient reliability of pass-fail decisions can lead to licensing of a few below standard candidates and/or denial of licensure to qualified candidates	Yes	19
6 - Consistency in setting CKE pass scores from year to year	Topic IV.B If the equating is not sufficiently matched, there is a fairness risk that the same quality of candidate will not consistently pass or fail year to year	Yes	19

Standard	Risk	Compliant?	Page
6 – Completeness of validity evidence for the CKE content	Topic IV.C If validity is not extended to include the predictive validity (typically, someone who succeeds on the exam provably succeeds on the job and vice versa) of the exam, there is a risk of having an exam that does not adequately screen entrants to the professional program	Yes	19
6- Candidates on the SOA and UFE are adequately informed about the meaning of their exam performance and how to make best use of the information	Topic IV.D The diagnostic aims of the SOA may not be adequately fulfilled and that students who fail the exam will not take appropriate remedial action in response to their performance	Yes	19
6 - Multiple choice questions avoid known sources of bias	Topic IV.E These types of questions can, in particular formats, (e.g. questions formatted in the negative such as “which of these choices is not true?”) create an unintentional bias in exam scoring by disadvantaging candidates who did not grow up speaking English	Yes	19
6 - Case-based exams adequately sample competencies and proficiencies over time	Topic IV.F Inadequate domain sampling over time means that the exam may eventually deviate from the competency requirements of the Council	Yes	19
7(7) - Procedures for admitting applicants from other jurisdictions inside and outside Canada	Topic V.A There are possible risks that an applicant from another accounting body may not have satisfied Standards 2, 3, 4 or 6	Yes	20
7(8) - The ICAO has been granted an exemption from having to implement additional by-laws or regulations or policies, or from having to seek PAC approval in respect of any assessments of any accounting bodies in other countries, beyond the policies and procedures that existed on June 9, 2004	Topic V.B There is risk associated with the ICAO licensing an applicant from an accounting body in another jurisdiction outside of Canada. Specifically, the policies and procedures that existed on June 9, 2004 for assessing the standards of accounting bodies in other countries (including any mutual recognition agreements) must be followed	Yes	20
8 - Continuing Professional Development (CPD)	Topic VI.A.i The quality of courses may not be adequate	Yes	21
8 - Continuing Professional Development	Topic VI.A.ii The range of CPD topics offered may not be adequate	Yes	21
8 - Continuing Professional Development	Topic VI.A.iii The quality of instructors may not be adequate	Yes	21
8 - Continuing Professional Development	Topic VI.A.iv The reporting of CPD hours may not be accurate or may be misrepresented	Yes	21
8 - Continuing Professional Development	Topic VI.A.v The verification by practice inspectors may not be sufficiently extensive	Yes	21

Standard	Risk	Compliant?	Page
8 - Involvement in Public Accounting in a Substantive Way	Topic VI.B.i The system depends in part on the understanding and honesty of the LPA making the assertion regarding compliance with Council Guideline 2007-3 as part of licence renewal process	Yes	21
8 - Involvement in Public Accounting in a Substantive Way	Topic VI.B.ii The process depends on the ability of the PI to assess the submitted evidence during practice inspection	Yes	21
9 - Practice Inspection	Topic VII.A Unqualified Inspectors	Yes	22
9 - Practice Inspection	Topic VII.B An insufficient number of inspectors	Yes	22
9 - Practice Inspection	Topic VII.C Inadequate training of Inspectors	Yes	22
9 - Practice Inspection	Topic VII.D Inadequate oversight of Inspectors	Yes	22
10 – Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS) - current and impending changes with respect to standards, international requirements	Topic VIII.A Appropriate CPD may not be available	Yes	23
10 - GAAP and GAAS - current and impending changes with respect to standards, international requirements	Topic VIII.B Practice Inspectors and Practice Advisors may not be adequately trained for the changes	Yes	23
11 - Rules of Professional Conduct	Topic IX.A May not meet PAC requirements as the ADB makes changes	Yes	24
12(1) Investigation of Complaints	Topic X.A The possible impact of the professional conduct committee not adequately investigating complaints is potentially significant, owing either to lack of appropriate rigour or by failing to apply lawful processes as set out in the Statutory Powers Procedure Act (SPPA) and elsewhere	Yes	24
12(8) – PAC Review of the ADB’s Handling of the Complaint	Topic X.B Non-compliance with PAC requirements	Yes	26
13(1) and 14(1) – SPPA Compliance	Topic XI.A 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 may render any decisions of the applicable tribunals subject to judicial intervention through any subsequent judicial review application	Yes	27
15 – Issuing a New Licence to a Former Licensee	Topic XII.A An applicant who has previously qualified, but never applied for a licence or	Yes	27

Standard	Risk	Compliant?	Page
	who has allowed their licence to lapse, or who had their licence revoked might apply for licensure and inappropriately receive a licence		
16 – Mandatory Liability Insurance	Topic XIII.A The key risk is that those monitored only by affirmation to the ICAO may be uninsured or under-insured potentially to the detriment of the public where losses occur resulting from negligence on the part of the LPA	Yes	28
17(5) – Licence Application	Topic XIV.A Failure to implement a detailed application form for a public accounting licence could mean that the various PAC requirements (Standards 2 through 6) could be missed/overlooked	Yes	29
17(9) and 17(10) – Reporting Regarding LPA Roll and Licensure Activities	Topic XIV.B Provision of 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	Yes	29
18(1) – Ongoing Compliance with the Standards	Topic XV.A Insufficient maintenance of documentation to demonstrate on-going compliance with PAC requirements	Yes	30
18(5) - Filing of Annual Report with the Minister and PAC	Topic XV.B 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	Yes	30
18(6) - Filing of Supplemental Report with the Minister and PAC	Topic XV.B 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	Yes	30

(I) Competency Map The PAC Handbook, Part I: Professional competency requirements for public accounting

A. Standard(s) being reviewed

The *PAC Handbook, Part I: Professional Competency Requirements for Public Accountants* is the foundation for the application of Standards 2 through 6:

- 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.

The risks with regard to changes from the ICAO Competency Map 2009 to that for 2010 and possible non-compliance as described in section C. below are not assigned to one or another of these standards: they apply to all of the standards because of the nature of the PAC Competency Map.

B. General comments

During the period under review the CAmapping was substantially reorganized and amended. A detailed review was performed by the evaluators to reconcile the resulting CAmapping to the PACmap. Detailed comments have been submitted under separate cover.

C. Risks of non-compliance that were assessed

The risks being assessed relate to the CAmapping10. However, since the creation of that competency map is a cumulative process, all of the changes to the CICA competency maps since the initial evaluation of the ICAO with regard to ADB status have been taken into account, as they are embodied in the CAmapping10. Each of the eight assessed risks of non-compliance described below in D as Topic 1.A to Topic 1.H is a statement of an action taken by the CICA to change its competency map from the PACmap. Any change to the CAmapping10 has a potential risk of non-compliance with the PACmap.

D. Overall conclusion

The ICAO competency map 2009 for 2010 is in substantial compliance with the PAC competency map.

Details of the conclusions for the risks from I.A to I.H are set out below. Taken together the evaluation of each of the risks provides the basis for the conclusion that there is substantial compliance.

Topic I.A Risk: Reallocation, combining and splitting of competencies prescribed by PAC which remain in the CICA Competency Map: elements of the competencies may be redefined, or simply not survive these actions.

D. Conclusions and observations

Conclusion: Substantial compliance with the PACmap

Topic I.B Risk CICA competency map elimination of competencies prescribed by PAC because they were not evaluated on the UFE (as stated by the CICA).

D. Conclusions and observations

Conclusion: Substantial compliance with the PACmap

Topic I.C Risk Elimination of competencies prescribed by PAC because they are now considered to be beyond the point of writing the UFE (that is, not required for the newly-qualified LPA).

D. Conclusions and observations

Conclusion: These eliminations were assessed within the context of the very high number of associated PAC competencies remaining in the ICAO 2010 competency map (usually adjacent to and related to the competencies dropped). While there may be some argument that they could remain in the ICAO Competency Map at a C level, they are not extensive enough to have a major impact on compliance: there is substantial compliance with the PACmap.

Topic I.D Risk Elimination of competencies prescribed by PAC because the CICA determined that they were primarily duplications of other competencies, at least in part, or implicit in other competencies.

D. Conclusions and observations

Conclusion: Elimination of these competencies did not compromise the substantial equivalence of the ICAO competency map 2009 for 2010 in comparison to the PACmap.

Topic I.E Risk Condensation or elimination of competency statements prescribed by PAC and which are subordinate to particular competencies because of coverage elsewhere such as in sections of the CICA Handbook developed since the PACmap.

D. Conclusions and observations

Conclusion: Condensation or elimination of these competencies did not compromise the substantial equivalence of the ICAO competency map 2009 for 2010 in comparison to the PACmap. The competency requirements that were condensed or eliminated for this reason remain in effect in the ICAO competency map, which requires adherence to the CICA Handbook's requirements.

Topic I.F Risk Lowering of proficiency-level requirements prescribed by PAC for competencies or sub-competencies.

D. Conclusions and observations

Conclusion: Substantial compliance with the PACmap

Topic I.G Risk Failure to maintain current Knowledge Reference Lists for each PAC Competency segment.

D. Conclusions and observations

Conclusion: Substantial compliance with the intent of the PACmap with regard to keeping knowledge requirements current.

Topic I.H Risk Competencies prescribed by PAC which are expanded or for which new ICAO competencies are added.

D. Conclusions and observations

Conclusion: These changes do not compromise the substantial equivalence of the ICAO competency map in comparison to the PACmap.

(II) Standards 2 and 3 Post-secondary education requirements and pre-licensing education and study requirements

A. Standard(s) being reviewed

Topic II.A: PAC Standard 2 – Post-secondary education requirements: Admission of Students

Topic II.B PAC Standard 2 – Post-secondary education requirements: Curriculum Reform

Topic II.C: PAC Standard 2 – Post-secondary education requirements: CKE

Topic II.D: PAC Standard 3 – Pre-licensing education and study requirements: SOA contents, instructors and instructional methods

Topic II.E: PAC Standard 3 – Pre-licensing education and study requirements: SOA practice examination and final examination

Topic II.F: PAC Standard 3 – Pre-licensing education and study requirements: contents of the UFE

B. General comments

We note that 2010 is a crucial transition period for the profession as a result of the switch to Canadian Auditing Standards (CASs) and International Financial Reporting Standards (IFRSs) or Accounting Standards for Private Enterprises (ASPEs) on engagements beginning after Dec. 14, 2010. This has a particular impact on CA students who passed the 2009 UFE as many will likely get licensed only in 2011.

PAC Standard 10 requires that newly licensed CAs know and use the appropriate GAAS and GAAP. This means we need assurance that these newly-licensed CAs know CASs and IFRSs. Because of the huge and complex changes involved, this represented the potentially biggest risk area for the engagement at the start of our engagement. To appropriately assess how well this risk is controlled by ICAO we needed to take an integrated approach when evaluating compliance with PAC standards 2, 3 and 4 for the candidates who are currently in the process of being licensed for 2011.

Another risk relates to the evaluation of licensing candidates in the very near future, given changes that have occurred during this triennial review period in the experience requirements for students. The use of a single SOA curriculum and a single final UFE may be inappropriate for evaluation of the knowledge of licensing candidates now that competency requirements are no longer uniform for students who will be eligible to attend the SOA and write the UFE in the upcoming year.

Topic II.A: PAC Standard 2 – Post-secondary education requirements: Admission of Students

C. Risks of non-compliance that were assessed

Topic II.A Risk The risk is that entering students do not possess the required prerequisite knowledge to be prepared for, and to properly benefit from, the Professional program (Standard 3).

Students satisfy the requirements to be admitted to attempt the CKE by studying at a great variety of educational institutions in Ontario and elsewhere. These courses and programs are assessed by the ICAO. In some instances individual courses are assessed, and in other cases combinations of courses are assessed as comprehensive programs from accredited schools. The route to completion of requirements and performance evaluation of each individual student is monitored by the ICAO before entry to the CKE, which is the gateway to the ICAO professional program and serves to determine satisfaction of PAC Standard 2 requirements by individual students.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 2 regarding admission of students.

Topic II.B: PAC Standard 2 – Post-secondary education requirements: Curriculum Reform

C. Risks of non-compliance that were assessed

Topic II.B Risk The risk is non-compliance with the requirement to adopt international standards over the next several years. For the three-year period ending October 31, 2009 the risk is zero. However, for this report to be considered not misleading we feel it appropriate to disclose the subsequent event of looming adoption of international standards, and flag this event as having major consequences for post secondary accounting education and future CKEs, as noted in our commentary in B, above.

Given the huge changes in accounting education as described above and new exemptions from experience requirements described below, the need to identify criteria for exemptions from SOA for particular programs in Topic A, above, is more urgent than ever.

The adoption of ASPE, CASs and IFRS beginning in January 1, 2011 will cause huge changes in post secondary accounting /assurance requirements. These can be characterized as being more principles-based reasoning and less rules-based reasoning.

For example, International Education Standard (IES) 8 identifies the following as a key audit professional skill: “evaluating applications of relevant financial reporting standards.” In an IFRS environment, such evaluation cannot be done unless the auditor understands the basic principles of financial reporting. This has two ramifications for the ICAO, looking ahead. First, future competencies may need to be oriented towards the principles-based items identified in international education standards (IESs) for professional accountants, of which there are already eight issued. Second, the CKE will need to have significantly more principles-oriented questions in future offerings.

As noted in the introduction such changes will need to be accompanied by coordination with universities on changes in the content of university courses toward a more principles-based curriculum. This is somewhat of a chicken and egg problem and it is not clear to us how the process should begin. But given the fundamental and pervasive nature of the mindset changes required, we feel that a stand back retrospective such as this three-year review may be a good place to start looking ahead.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 2 regarding post-secondary education requirements.

Topic II.C: PAC Standard 2 – Post-secondary education requirements: CKE

C. Risks of non-compliance that were assessed

Topic II.C Risk The risk is that the CKE exam does not appropriately screen whether applicants possess the required university-level knowledge that underlies the required competencies as prescribed by the ICAO in accordance with PAC Standards.

The CKE is an important screen of applicant quality. Preparation for the CKE involves simultaneous review of all background subjects and this is an integrative learning experience. Students arrive at the CKE from a variety of university programs and the courses they have taken, and instructors they have had can be quite different. The CKE thus serves as a quality control, and also as a refresher for students prior to the School of Accountancy.

D. Conclusions and observations

The ICAO admission requirements (Topic A), combined with the CKE (Topic C), are compliant with PAC Standard 2.

Topic II.D: PAC Standard 3 – Pre-licensing education and study requirements: SOA contents, instructors and instructional methods

C. Risks of non-compliance that were assessed

Topic II.D Risk The risk is that the SOA may not adequately cover and integrate the required competencies, and at the appropriate levels of proficiency.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 3 - Pre-licensing education and study requirements: SOA contents, instructors and instructional methods.

The evaluation team was asked by the ICAO to pay particular attention to the expanded and improved self-study preparation material for the SOA. The self study material consists of a “boot camp” and “snippets” of IFRS coverage and is recognized by ourselves and by the SOA participants as an important component of the instructional content offered at the SOA.

Topic II.E: PAC Standard 3 – Pre-licensing education and study requirements:
SOA practice examination and final examination

C. Risks of non-compliance that were assessed

Topic II.E Risk The risk is that the evaluation of students, and feedback they receive, will not include an appropriate sample of topics from the underlying knowledge areas and integration of these topics. Failure to do so would result in inadequate preparation for students for the Uniform Evaluation and for entry to public practice.

The School of Accountancy should summarize and integrate the knowledge underlying the core competencies of Assurance and Performance Measurement, with the other underlying knowledge areas such as Finance and Tax. The SOA Practice Exam and Actual Exam should likewise sample from this domain of knowledge and provide opportunities to practice and demonstrate integration skills.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 3 - Pre-licensing education and study requirements: SOA practice examination and final examination.

We note that a stronger link between SOA contents and the SOA exam was achieved through the introduction of a comprehensive case practice exam and a comprehensive case paper, beginning with the 2009 SOA.

Earlier comments about domain sampling apply to SOA practice and actual exams, just as they do to the CKE and UFE.

Topic II.F: PAC Standard 3 – Pre-licensing education and study requirements: contents of the UFE

C. Risks of non-compliance that were assessed

Topic II.F Risk The risk is that the UFE provides inadequate domain sampling.

The extent and depth of knowledge required of all of the PAC competencies exceeds what is reasonable and possible to examine in a single examination or set of exams. The principle of "Domain Sampling" must be applied, such that a selection of examinable topics representative of the PAC competency map requirements is needed in order to ensure that candidates are prepared and ready for licensing upon completion of the UFE.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 3 - Pre-licensing education and study requirements: UFE.

(III) Standards 4 and 5 Pre-licensing experience requirements and Approved Training Offices

A. Standard(s) being reviewed

Topic III.A: PAC Standard 5 – Approved training offices: Practice Inspection re competency acquisition

Topic III.B: PAC Standard 5 / PAC Handbook Part II: Oversight of students' competency development

Topic III.C: PAC Standard 4 / PAC Handbook Part II: Provision and tracking of hours required

Topic III.D: PAC Standard 4 / PAC Handbook Part II: Record of CA Qualifying Experience

Note: The ICAO has replaced the PAC Handbook Part II with the *CA Practical Experience Requirements* and the *Guide to CA Practical Experience Requirements*. Taken together they are substantially equivalent to the PAC Handbook, Part II and are the ICAO-based reference for the comments made in this part of the report.

B. General comments

The cornerstone of the ICAO's prescribed practical experience requirement is the use of Approved Training Offices (ATOs) or more recently – CA Training Office (CATOs). CATOs must offer a sufficient quantity and variety of appropriate experience to prepare candidates to practise as chartered accountants, and, in the case of public accounting stream students, to practise as LPAs.

As described in the PAC Competency Map evaluation section of this report at "Evaluation Details, Part 1", there were major changes in work experience requirements as a result of the CAm08 revisions. The competency map was changed to contain "UFE-only" competencies, and there was a significant increase in work experience competencies, not examinable on the UFE. The ICAO established a new set of practical experience requirements and provided the "CA Practical Experience Requirements" and the "Guide to CA Practical Experience Requirements" to assist students and CATOs in this newer and more demanding work-experience training environment.

As noted in the Competency evaluation section, requirements and guidelines were written to apply to both CA students pursuing licensure and CA students in the TOPP program who are not pursuing licensure (although they must write the same UFE). The difference between the two groups is in the nature and extent of work experience they must acquire, and the methods by which they acquire it.

The CATO is required to have "Line Managers", "Training Principals" and "Counselling Members" to ensure that work experience competency development takes place. The Line Manager is not a new role, and is responsible for the direct supervision of the CA student on a particular job, and must be endorsed by the CATO as appropriate for the particular assignment or task. There are two new roles: the Training Principal is responsible to the Institute / Ordre for the CATO's training of CA students. The Counselling Member is responsible for mentoring and advising a student in their progress towards becoming an LPA.

Key Controls

Practice Inspection is assigned the task of approving CATOs and the number of students they may have. They are also responsible for reviewing and assessing the CATO re amount and range of work and competency development as part of the practice inspection process.

The Public Accounting Experience Certification Report, a pre-certification requirement, is signed by the candidate and the supervisor in the CATO attesting to months and specific hours requirements and meetings re competencies at least annually.

Topic III.A: PAC Standard 5 – Approved training offices: Practice Inspection re competency acquisition

C. Risks of non-compliance that were assessed

Topic III.A Risk Inadequate training of PI staff in competency systems resulting in inappropriate assessment of CATO in Practice Inspections possibly making the competency system related to practice experience ineffective

D. Conclusions and observations

The overall conclusion is that the ICAO is in substantial compliance with Standard 5.

PIs do not normally interview students unless other problems (such as re-inspection requirement) exist.

Topic III.B: PAC Standard 5 / PAC Handbook Part II: Oversight of students' competency development

C. Risks of non-compliance that were assessed

Topic III.B Risk Unqualified training principals in CATOs, resulting in ineffective oversight of students

D. Conclusions and observations

The overall conclusion is that the ICAO is in substantial compliance with Standard 5.

Topic III.C: PAC Standard 4 / PAC Handbook Part II: Provision and tracking of hours required

C. Risks of non-compliance that were assessed

Topic III.C Risk Inaccuracies in time-keeping or collusion between student and Training Principals/Counselling Members to misrepresent hours attained by type and/or in total

Collusion between student and training principals/counselling members to misrepresent hours attained by type and/or in total

D. Conclusions and observations

The overall conclusion is that the ICAO is in substantial compliance with Standard 4. Files of recent successful LPA stream CA candidates indicated certification by the CATO that the hours

in detail had been attained. No substantial risks owing to the strong commercial incentive in every CATO to fully and accurately record hours by category.

Topic III.D: PAC Standard 4 / PAC Handbook Part II: RQE

C. Risks of non-compliance that were assessed

Topic III.D Risk Insufficient development of the LPA student in the core competencies of Performance Measurement and Reporting and Assurance

D. Conclusions and observations

The overall conclusion is that the ICAO is in substantial compliance with Standard 4.

(IV) Standard 6 Examinations used for licensing public accountants

A. Standard(s) being reviewed

Standard 6 Examinations used for licensing Public Accountants

B. General comments

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

A high quality examination program is a critical part of demonstrating competencies and capabilities. Demonstration takes place at three times. First, the student demonstrates their contemporaneous mastery of the requisite knowledge needed to enter the ICAO post-university professional program by successfully passing the CKE. This constitutes a confirmation that the post-secondary education requirements of Council Standard 2 are fully satisfied, enabling the student to benefit from the professional education governed by Standard 3.

At the end of the SOA professional program, the student demonstrates integration of content on the SOA. The final demonstration of readiness for independent practice is the UFE of the Canadian Institute of Chartered Accountants (CICA). In order for these exams to fulfill their role, they must be properly developed and administered. In addition, the reliability of scores and pass/fail decisions is critical for demonstrating competence, as are clear linkages between the exams and the capabilities and competencies they aim to demonstrate.

C. Risks of non-compliance that were assessed

The issues identified below were found in our authorization review of the ICAO. None of these issues were sufficient to conclude that there was a material deficiency with the exam, but all pose potential risks.

Topic IV.A Risk Reliability of pass-fail decisions is not documented to the level of ‘best practices’ for CKE, SOA or UFE exams. Insufficient reliability of pass-fail decisions can lead to licensing of a few below standard candidates and/or denial of licensure to qualified candidates.

Topic IV.B Risk There is no statistical equating of CKE scores from year-to-year but rather the process relies completely on judgment. If the equating is not sufficiently matched, there is a fairness risk that the same quality of candidate will not consistently pass or fail from one year to the next.

Topic IV.C Risk The validity evidence for the CKE has largely been limited to the validity of its content. If validity is not extended to include the predictive validity of the exam (typically, someone who succeeds on the exam provably succeeds on the job and vice versa), there is a risk of having an exam that does not adequately screen entrants to the professional program.

Topic IV.D Risk Candidates on the SOA and UFE are not fully informed about the meaning of their exam performance and how to make best use of the information. The result is that the diagnostic aims of the SOA may not be adequately fulfilled and that students who fail the exam will not take appropriate remedial action in response to their performance.

Topic IV.E Risk Some questions on the CKE made use of multiple choice formats which are known to disadvantage people who are not native-speakers of English. This includes the use of “not” in question stems, as well as many items that require candidates to review a list of possible answers and select the combination of correct answers that is best. Continuous use of these kinds of questions creates a risk that the exam is not equitable. These types of questions can create an unintentional bias in exam scoring, thereby disadvantaging candidates who did not grow up speaking English.

Topic IV.F Risk Case-based exams like the SOA and UFE can only cover a small portion of the competencies and capabilities that candidates need to demonstrate. To ensure the exams are fulfilling their role in fostering competency in all areas, there is a need to ensure that the most significant areas of competency are assessed over a five-year span. In the absence of verification like this, the exam may eventually deviate from the competency requirements of the Council.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 6.

(V) Standard 7 Licensing of persons admitted to membership from accounting bodies in other jurisdictions

A. Standard(s) being reviewed

Topic V.A: Standard 7(7) - Licensing of applicants from accounting bodies in another jurisdiction in Canada or in a jurisdiction outside Canada

Topic V.B: Standard 7(8) - Licensing of applicants from accounting bodies in other countries – Mutual Recognition Agreement (MRA)

Topic V.A: Standard 7(7) - Licensing of applicants from accounting bodies in another jurisdiction in Canada or in a jurisdiction outside Canada

B. General comments

Pursuant to Standard 7(7), in cases where an authorized designated body (“ADB”) does not implement a process to assess the standards of an accounting body in a jurisdiction in Canada or outside of Canada as having standards that are substantially equivalent to the PAC Standards and does not satisfy PAC that such body is substantially equivalent, then the ADB must require applicants from any such body to meet the requirements of PAC Standards 2 through 6 in order to become a licensee.

C. Risks of non-compliance that were assessed

Topic V.A Risks There are possible risks in the intake and application review process that an applicant from an accounting body in another jurisdiction in Canada or from an accounting body in a jurisdiction outside of Canada that is seeking licensure by the ICAO may not have satisfied Standards 2, 3, 4 or 6.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 7(7).

Topic V.B: Standard 7(8) - Licensing of applicants from accounting bodies in other countries – Mutual Recognition Agreement (MRA)

B. General comments

Pursuant to Standard 7(8), the ICAO has been granted an exemption from having to implement additional by-laws or regulations or policies, beyond the policies and procedures that existed on June 9, 2004, and from having to seek PAC approval in respect of any assessments already made of any accounting bodies in other countries. Furthermore, all determinations the ICAO made regarding other accounting bodies, all MRAs with accounting bodies outside Canada and all policies and procedures and reciprocity examinations in respect of accounting bodies outside Canada are continued.

C. Risks of non-compliance that were assessed

Topic V.B Risks Given that the policies and procedures that existed on June 9, 2004 for assessing the standards of accounting bodies in other countries (including any mutual recognition agreements) are deemed to continue, there is low risk associated to the ICAO inappropriately licensing an applicant from an accounting body in another jurisdiction outside of Canada.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 7(8).

(VI) Standard 8 Mandatory post-licensing public accounting experience and continuing professional development (CPD)

A. Standard(s) being reviewed

Topic VI.A: Standard 8: CPD

Topic VI.B: Standard 8: Involvement in Public Accounting in a Substantive Way

Topic VI.A: Standard 8: CPD

B. General comments

The Continuing Professional Development program is based on the requirements of member accounting bodies in the International Federation of Accountants (IFAC). The program requires a minimum of 20 hours annually and 120 hours over a 3 year period. Of these, 50% must be verifiable. Failure to comply or co-operate can lead to a discipline process. ICAO provides a wide variety of seminars and webinars and CICA provides courses and in depth programs involving at home and in residence study sessions. In addition the LPA may obtain CPD elsewhere so long as it may be demonstrated to relate to his or her professional practice. The requirements comply with IFAC rules.

C. Risks of non-compliance that were assessed

Topic VI.A.i Risks The quality of courses may not be adequate.

Topic VI.A.ii Risks The range of CPD topics offered may not be adequate

Topic VI.A.iii Risks The quality of instructors may not be adequate

Topic VI.A.iv Risks The reporting of CPD hours may not be accurate or may be misrepresented

Topic VI.A.v Risks The verification by PIs may not be sufficiently extensive

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 8.

Courses appear to be adequate in number and development process appears adequate and controlled. Evaluation of every seminar by participants seems to be the main means of evaluating course leaders. PIs evaluate PD Logs in two ways. Do the hours support compliance? Is the nature of courses taken consistent with the nature of work performed?

Topic VI.B: Standard 8: Involvement in Public Accounting in a Substantive Way

B. General comments

Council Guideline 2007-3 establishes criteria for assessing and quantifying whether applicants for renewal of a public accountant's licence were involved in the practice of public accounting in a substantive way. At the time of renewal of a licence through ICAO, the applicant must assert whether they have met the criteria. During the PI process they are required to submit specific information on their involvement, hours by category etc. The PI reviews this detail as part of the inspection.

C. Risks of non-compliance that were assessed

Topic VI.B.i The system depends in part on the understanding and honesty of the LPA making the assertion regarding compliance with Council Guideline 2007-3 as part of licence renewal process.

Topic VI.B.ii The process depends on the ability of the PI to assess the submitted evidence during practice inspection.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 8.

(VII) Standard 9 Practice inspections of public accountants

A. Standard(s) being reviewed

Standards 4, 8 and 9

B. General comments

A high quality practice inspection program is a central element of the governance 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, CPD requirement, and hours of involvement required to retain a licence.

C. Risks of non-compliance that were assessed

VII.A Qualification of Inspectors

VII.B Sufficient number of inspectors

VII.C Training of Inspectors

VII.D Oversight of Inspectors

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 9.

(VIII) Standard 10 Generally accepted accounting principles and generally accepted assurance standards

A. Standard(s) being reviewed

Standard 10

B. General comments

An authorized designated body shall require every licensee, partnership or professional corporation to use the generally accepted accounting principles and generally accepted assurance standards set out in the *CICA Handbook – Accounting* and the *CICA Handbook – Assurance* of the Canadian Institute of Chartered Accountants as the same are amended from time to time, in accordance with the generally accepted standards of practice of the public accounting profession.

It is now possible for Public Companies to early adopt IFRS or for any private entity to early adopt IFRS or ASPE. In addition, with respect to GAAS, Canadian Standards for Quality Control 1 (CSQC) became effective on Dec 15, 2009, by which time firms' QC systems had to be compliant. Audits of financial statements for periods ending on or after December 15, 2010 will require the auditor to apply Canadian Auditing Standards which are based substantially on International Standards on Auditing (ISAs).

C. Risks of non-compliance that were assessed

VIII.A That CPD is not available or accessible or of adequate quality for practitioners with early-adopting clients to be prepared, and that CPD is not available or accessible or of adequate quality for auditors regarding timely transition to CAS.

VIII.B That PIs (and Practice Advisors) are not adequately trained to carry out their responsibilities where files or queries involve either of these new GAAP variants and, in the case of PIs, that they will not have the tools in the form of guides and checklists to inspect files using new forms of GAAP or for the new CAS. Also, there are extra requirements, prohibitions and options available to entities adopting IFRS (IFRS 1) or ASPE (Section 1500). There is a risk these will not be adequately understood by ADB PIs and Practice Advisors.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 10.

It should be noted that there is no means to verify in advance that LPAs are adequately preparing themselves for the transition from current Canadian GAAP to the several new forms of GAAP for different classes of entities.

Practice Inspection will provide a means to assess the adequacy of LPA preparedness on a post-transition basis. So far as may be determined, this problem has existed in other transitions to IFRS around the world. Post-facto inspections have been accepted as the best means of assuring successful transition.

(IX) Standard 11 Rules of professional conduct

A. Standard(s) being reviewed

Standard 11

B. General comments

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.

C. Risks of non-compliance that were assessed

Topic IX.A Risk In light of ongoing efforts to harmonize Rules of Professional Conduct among the ICAO, the Certified General Accountants of Ontario (“CGAO”) and the Certified Management Accountants of Ontario (“CMAO”) within the context of the PAC Standards, the potential risk of non-compliance with the applicable PAC Standards is low.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 11.

(X) Standard 12 Discipline procedure: complaints

Topic X.A: Standard 12(1) Investigation of Complaints

Topic X.B: Standard 12(8) – PAC Review of the ADB’s Handling of the Complaint

Topic X.A: Standard 12(1) Investigation of Complaints

A. Standard(s) being reviewed

Standard 12(1) Investigation of Complaints

B. General comments

Standard 12(1) requires all ADBs to establish a process for the investigation of all complaints against a licensee, partnership or professional corporation. 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.

C. Risks of non-compliance that were assessed

Topic X.A Risk The possible impact of the professional conduct committee not adequately investigating complaints is potentially significant, owing to either lack of appropriate rigour or to failing to apply lawful processes. Indeed, failure to adequately or to lawfully investigate complaints, would call into question the validity of the complaints and disciplinary process.

D. Conclusions, observations and recommendations

The ICAO is in substantial compliance with Standard 12(1). As detailed below, the ICAO was not in compliance with Standard 12(1) during the period covered by this report, however, such concerns have since been addressed by the ICAO.

On November 29, 2007, ICAO Council adopted a series of bylaw amendments “for privileged documents”. Specifically, amendments were made to the ICAO bylaws which required a member or firm to provide information or to produce documents even if the information or documents were privileged or confidential. Furthermore, the bylaw amendments were contrary to sections 15(2)(a) and 32 of the SPPA, as they made any such privileged communications admissible in an ICAO proceeding.

The bylaws were removed from the ICAO’s website on April 1, 2008. In addition, the ICAO advised that the bylaws in issue were not submitted to the ICAO membership for approval at the next annual general meeting. As such, the bylaws are no longer in effect.

However, during the triennial review, the ICAO conveyed to the legal/discipline evaluators that it maintained that it was authorized to compel the production from its members of documents subject to legal privilege. The ICAO relied on, at least in part, subsection 49(1)(c) of the *Chartered Accountants Act, 2010* as authority for such compulsion powers (we note that the *Chartered Accountants Act, 2010* was not in force until after the reporting period covered by this review). Specifically, subsection 49(1)(c) of the *Chartered Accountants Act, 2010* provides: “In conducting an investigation under this Act, an investigator may, require the production of and examine any document or thing that the investigator believes is relevant to the investigation, including a client file.”

It is the view of the evaluators that the ICAO has no statutory authority, under the *Chartered Accountants Act, 1956*, the *Chartered Accountants Act, 2010* or the SPPA to compel production of privileged information or documents from members. The Supreme Court of Canada clearly articulated in *Canada (Privacy Commissioner) v. Blood Tribe Department of Health*, [2008] 2 S.C.R. 574 that unless there is clear statutory language allowing an administrative tribunal access to privileged records, it simply cannot compel or inspect such documents.

Furthermore, in the view of the evaluators, case law does not support the production of privileged documents contained in an ICAO member’s audit file. ICAO members have no authority to act as the agent of their clients to waive the privilege which is still attached to the documents in their possession. Nor can there be an implied authority, for the audit responsibilities of the auditor do not require the surrender of the client’s privileged documents to third parties. The mere possession of the documents by ICAO members does not carry the authority to waive the privilege which belongs to the clients of the members and not to the members themselves (see *Philip Services Corp. (Receiver of) v. Ontario (Securities Commission)*, [2005] O.J. No. 4418 (Div. Ct.)).

Given the lack of authority of the ICAO to compel the production of privileged documents and the fact that the member does not have the right to produce privileged client documents to the ICAO, any request by the ICAO for members to produce privileged client documents, or any policy/procedure which requires or recommends such practices, are not in compliance with laws. Any such request

would force a member to choose between a breach of its obligation to cooperate with its regulator and a breach of its legal obligations to its client.

In response, the ICAO noted that the evaluators had not identified any instance of a privileged document actually having been compelled from a member. The ICAO also highlighted that its discipline tribunals are subject to and comply with the SPPA, which requires that privileged documents be excluded from evidence. The ICAO disputed the evaluators' findings of non-compliance in respect of Standards 12(1), 13(1) and 14(1).

The evaluators conveyed to the ICAO that the issue is not whether there has been any instance of a privileged document actually having been compelled improperly by the ICAO. The issue is whether the ICAO has a process, including an investigative process, that complies with and respects the law.

On December 14, 2010, the ICAO delivered an undertaking to the Council wherein, *inter alia*, the ICAO has undertaken not to compel documents subject to legal privilege from members. The undertaking shall remain in effect until the earlier of: (i) the *Chartered Accountants Act, 2010* is amended to clarify whether the ICAO has the right to compel privileged documents; or (ii) a judicial determination, based on the *Chartered Accountants Act, 2010*, or substantially similar legislation, provides similar clarification.

In light of this undertaking, and the other undertakings provided therewith, the evaluators are satisfied that the ICAO is in substantial compliance with Standards 12(1), 13(1) and 14(1).

Topic X.B: Standard 12(8) – PAC Review of the ADB's Handling of the Complaint

A. Standard(s) being reviewed

Standard 12(8) – PAC Review of the ADB's Handling of the Complaint

B. General comments

Standard 12(8) requires that a complainant be notified in writing of his or her right to request to have a complaint that was dismissed in the investigative process, or dealt with by admonishing the licensee, reviewed by an independent reviewer. Such independent reviews shall be performed provided a request is made within 30 days of the complainant being notified that the complaint has been dismissed or the licensee has been admonished. Furthermore, Standard 12(8) and s. 22 of the *Public Accounting Act, 2004* require that the complainant be notified in writing of the outcome of the independent review and that if the complainant is unsatisfied with the manner in which the complaint was handled, the complainant may request that PAC review the ADB's handling of the complaint.

C. Risks of non-compliance that were assessed

Topic X.B Risk The potential risk of non-compliance with this PAC Standard is low given the ICAO's standard form communications to complainants regarding the right to independent review and review by PAC (standard forms as provided during the initial review). There is potential, however, for such investigations and review procedures to occur on a protracted basis, thereby raising the overall risk of non-compliance with this PAC Standard.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 12(8).

(XI) Standards 13 and 14 Discipline procedure: prosecution and adjudication, and Discipline procedure: appeal committee

A. Standard(s) being reviewed

Standards 13(1) and 14(1) – SPPA Compliance

B. General comments

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.

C. Risks of non-compliance that were assessed

Topic XI.A Risk 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.

D. Conclusions and observations

The ICAO is in substantial compliance with Standards 13(1) and 14(1).

Please refer to section D “Conclusions, observations and recommendations” for Standard 12(1) which is equally applicable to the evaluators’ conclusions in respect of Standards 13(1) and 14(1).

(XII) Standard 15 Rules governing issuing a new licence to a former licensee

A. Standard(s) being reviewed

Standard 15

B. General comments

Standard 15 provides rules for ADBs regarding the issuance of a new licence to a former licensee. In particular, Standard 15 set conditions surrounding the issuance of a new licence to a former licensee who has not satisfied the continuing professional development requirements. 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.

C. Risks of non-compliance that were assessed

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

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 15.

(XIII) Standard 16 Mandatory professional liability insurance

A. Standard(s) being reviewed

Standard 16

B. General comments

(1) An authorized designated body shall require all licensees to maintain, and provide satisfactory proof of maintaining, professional liability insurance coverage.

(2) The authorized designated body's minimum requirements for such insurance are set out in the standard.

C. Risks of non-compliance that were assessed

The principal means by which this standard is effectively enforced are:

1. Practitioners insured through Association of Insured Chartered Accountants (AICA) are reported to ICAO directly by AICA, or
2. All licensees affirm that they are meeting the standard.

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

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 16.

(XIV) Standard 17 Principles of governance relating to the licensing and governing the activities of members of the authorized designated body as public accountants

A. Standard(s) being reviewed

Topic XIV.A: Standard 17(5) – Licence Application

Topic XIV.B: Standards 17(9) and 17(10) – Reporting Regarding LPA Roll and Licensure Activities

Topic XIV.A: Standard 17(5) – Licence Application

B. General comments

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

C. Risks of non-compliance that were assessed

Topic XIV.A Risk 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.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 17(5).

Topic XIV.B: Standards 17(9) and 17(10) – Reporting Regarding LPA Roll and Licensure Activities

B. General comments

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.

C. Risks of non-compliance that were assessed

Topic XIV.B Risk 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 possibility of such an occurrence would otherwise be likely, as said disclosure is provided to PAC, there is already some level of oversight/monitoring taking place.

D. Conclusions and observations

The ICAO is in substantial compliance with Standards 17(9) and 17(10).

(XV) Standard 18 Disclosure and related matters

A. Standard(s) being reviewed

Topic XV.A: Standard 18(1) – Ongoing Compliance with the Standards

Topic XV.B: Standards 18(5) and 18(6) – Filing of Annual and Supplemental Reports with the Minister and PAC

Topic XV.A: Standard 18(1) – Ongoing Compliance with the Standards

B. General comments

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

C. Risks of non-compliance that were assessed

Topic XV.A Risk In light of the ICAO's representation during the initial review that it maintains all records indefinitely, there is low risk that the ICAO does not have sufficient and appropriate documentation to support its ongoing compliance with the PAC Standards.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 18(1).

Topic XV.B: Standards 18(5) and 18(6) – Filing of Annual and Supplemental Reports with the Minister and PAC

A. Standard(s) being reviewed

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

B. General comments

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.

C. Risks of non-compliance that were assessed

Topic XV.B Risk 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 possibility of such an occurrence would otherwise be likely, as said disclosure is provided to PAC annually, there is already some level of oversight/monitoring taking place.

D. Conclusions and observations

The ICAO is in substantial compliance with Standard 18(5).

As of the date of this report, the ICAO is in substantial compliance with Standard 18(6).