

ANNUAL REPORT

2009

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

CONTENTS

	PAGE
About the Council	3
The Council Standards	4
Key Activities of the Council	5
Governance	9
Council Members	12
Council Committees	14
Management Discussion and Analysis	15
Statement of Management Responsibility	17
Financial Statements	18

ABOUT THE COUNCIL

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

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

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

The Council is responsible for:

- developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;
- determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
- overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and
- maintaining public confidence in public accounting through the appropriate prosecution of offences under the *Public Accounting Act, 2004*.

The Designated Bodies named in the *Public Accounting Act, 2004* are the:

- Certified General Accountants Association of Ontario (CGA Ontario)
- Institute of Chartered Accountants of Ontario (ICAO)
- Society of Management Accountants of Ontario (CMA Ontario)

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

At December 15, 2009, being the date of issuance of this Annual Report, the only Authorized Designated Body is the Institute of Chartered Accountants of Ontario.

THE COUNCIL STANDARDS

The Council's Standards were finalized and adopted on June 20, 2006 and are published on the Council's website at www.pacont.org. The Council's Standards require a Designated Body that seeks to be authorized to license and govern the activities of its members as public accountants to meet certain minimum standards relating to its:

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

The Council has adopted Council Guidelines dealing with aspects of the Council's Standards where it is in the public interest that the Authorized Designated Bodies have a consistent approach. Council Guidelines are published on the Council's website.

KEY ACTIVITIES OF THE COUNCIL

Key activities of the Council during its 2009 fiscal year (November 1, 2008 – October 31, 2009) included:

Oversight of the Assessment of Substantial Equivalence

The Council continued to monitor the progress of the independent evaluators (the Evaluation Team) retained by the Council to assess the substantial equivalence of the public accounting standards of the Designated Bodies. In this respect:

CGA Ontario

As noted in the 2008 Annual Report of the Council, the Evaluation Team delivered to the Council its *Interim Report on the Assessment of Substantial Equivalence: CGAO* dated November 10, 2008 (Interim CGA Ontario Report) on the assessment of whether the standards of CGA Ontario for students or members who seek to be licensed by CGA Ontario as public accountants (the CGA Ontario Public Accounting Standards) meet the standards developed and adopted by the Council pursuant to section 19 of the *Public Accounting Act, 2004* as the minimum standards that a Designated Body must meet in order for the Council to authorize such body to license and govern the activities of such members as public accountants (the Council Standards).

The Interim CGA Ontario Report reflects the status of the CGA Ontario Public Accounting Standards as at September 16, 2008 and the Evaluation Team's assessment thereof. Based upon its assessment, the Evaluation Team is of the opinion that as at September 16, 2008, the CGA Ontario Public Accounting Standards are not substantially equivalent to the Council Standards.

In this respect, the Evaluation Team has identified remedial actions which, if taken by CGA Ontario, should result in the CGA Ontario Public Accounting Standards being found by the Evaluation Team to be substantially equivalent to the Council Standards and to provably develop a public accountant with the competencies that are comparable to a public accountant produced by the benchmark program underlying the Council Standards. The remedial action identified by the Evaluation Team includes certain course modifications, the development of certain new courses, modification of existing course exams and procedures, and the development of two new exams.

CGA Ontario has advised the Council that it is in the process of implementing the necessary remedial action. The Council has been monitoring CGA Ontario's progress in this respect. The Evaluation Team will complete its assessment of substantial equivalence following the implementation of this remedial action. CGA Ontario has advised the Council that it expects to complete its implementation of the requisite remedial action during 2010.

CMA Ontario

As noted in the 2008 Annual Report, the Evaluation Team has commenced a preliminary review of the CMA Ontario program for students or members of CMA Ontario who seek to be licensed by CMA Ontario as public accountants. Although a preliminary work plan has been developed, certain of the components of the CMA Ontario program are not fully ready for the assessment process to begin. However, at the request of CMA Ontario, the Evaluation Team has been reviewing various proposed aspects of the CMA Ontario public accounting program.

ICAO

As noted in the 2008 Annual Report, the Evaluation Team delivered to the Council its *Final Report on the Assessment of Substantial Equivalence: ICAO* dated December 8, 2008 (Final ICAO Report) confirming that on the basis of its assessment, the ICAO standards for students or members who seek to be licensed by the ICAO as public accountants are substantially equivalent to the Council Standards and can provably develop a public accountant with the competencies that are comparable to a public accountant produced by the benchmark program underlying the Council Standards.

Monitoring and Oversight of Authorized Designated Bodies

The Council is required under the *Public Accounting Act, 2004* to conduct periodic reviews of the operations of each Authorized Designated Body at least once in every three years and to report on them to the Minister. The purpose of the periodic reviews is to:

- (i) determine whether the Authorized Designated Body continues to meet the Council Standards;
- (ii) determine whether the Authorized Designated Body is complying with the Council Standards;
- (iii) oversee the Authorized Designated Body in its capacity to license and govern the activities of its members as public accountants; and
- (iv) determine whether the purpose and objects of the Council are being met.

The Council has implemented procedures and processes to fulfill its obligations under the Act. Certain of these processes will be carried out on an annual basis with the remainder being carried out on a triennial basis.

At December 15, 2009, the only Authorized Designated Body is The Institute of Chartered Accountants of Ontario. The Council has completed its annual review of the Institute for the 12 month period ended October 31, 2008 and will complete its triennial review of the Institute in 2010. The reports, following their respective completion, will be filed with the Minister.

Council Guidelines

No new Council Guidelines were adopted by the Council during the 2009 fiscal year.

The Council Guidelines that have been adopted to date by the Council are published on the Council's website.

Bridging Program for Certain Potential Licensees

Work has begun, with the cooperation and involvement of the Designated Bodies, on developing minimum requirements for a bridging program for those members of Authorized Designated Bodies who have had substantial involvement in public accounting and who have an interest in becoming licensed to practise public accounting in Ontario but who may not have completely met all of the requirements of subsection 5(c) of the *Public Accounting Act, 2004*. Subsection 5 (c) of the Act provides that a person may be entitled to be licensed as a public accountant only if the

person meets the qualifications to be licensed as a public accountant established by the Designated Body at or after the time it became an Authorized Designated Body.

The fundamental principle underlying the bridging program will be to ensure that those licensees who have satisfied the requirements of the bridging program will have the capabilities, competence and current skills which have been found to be substantially equivalent to the requirements of the Authorized Designated Body to establish eligibility for licensure as a public accountant under the Act.

The provisions of the bridging program will be reflected in a Council Guideline which will be published on the Council's website following it being approved and adopted by the Council.

Complaints

Prosecutions

The Council is responsible for maintaining confidence in public accounting through appropriate prosecution of offences under the *Public Accounting Act, 2004*.

In this respect, the Council receives complaints about individuals who may be providing public accounting services without a licence. These complaints are investigated and followed up individually for action. The complaints range from non-licensed individuals advertising their services under captions for public accounting to non-licensed individuals issuing audit or review engagement reports in situations where it can be reasonably expected there will be third party reliance on these reports. The majority of these situations are dealt with by having the individual sign a voluntary undertaking to cease the offending activity. There have also been complaints about persons purporting to be licensed public accountants that involve allegations of fraudulent activity against financial institutions where the challenge is to locate the responsible person(s).

During 2009, the Council received five complaints that required follow-up:

- Two complaints were resolved by the receipt of a voluntary undertaking.
- One complaint was resolved through a successful prosecution of the individual for two counts of practising as a public accountant and holding himself out as a public accountant. The individual was fined \$5,000 for each count and a Victim Fine Surcharge amounting to \$2,500 was imposed.
- The review of one complaint is in process.
- The Council, following its investigation and review and on the advice of legal counsel, determined not to take further action in the case of one complaint.

In June, 2009, the prosecution which the Council had commenced against an individual in 2008 resulted in the individual being convicted of the offence of holding himself out during the two year period ended July 8, 2008 as being licensed as a Public Accountant or using any designation or initials or implying that he was a Public Accountant while not licensed under the *Public Accounting Act, 2004*. He was fined \$15,000 and ordered to pay costs of \$10,000 to the Council.

Details of the two successful convictions in 2009 are published on the Council's website under *Statutory Offences*.

Section 22 Reviews

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

The Council's ability to address a complaint made pursuant to s. 22 of the *Public Accounting Act, 2004* is limited to recommending whether or not to refer the complaint back to the licensing body to investigate the complaint more fully. The Council's ability to review does not extend to decisions of the licensing body's disciplinary or appeal committees.

During 2009, the Council received one request for a s. 22 review. Following a review, the Council determined not to refer the complaint back to the licensing body to investigate more fully.

Impact of Amendments to the Agreement on Internal Trade on Public Accounting

As noted in the Council's 2008 Annual Report, the Council was invited to, and did participate in the Province of Ontario orientation sessions relating to amendments to Chapter 7 (Labour Mobility) of the Agreement on Internal Trade.

The Council's focus was on the impact these amendments (which are being embodied in legislation) will have on the Council Standards and the ongoing ability of the Council to carry out its public interest mandate.

It was the Council's opinion that these amendments would, unless the Province of Ontario excepts public accounting from the requirements of Chapter 7, seriously impair the ability of the Council to continue to maintain its Standards for public accounting and to exercise oversight over the licensing and governance of public accountants by the Authorized Designated Bodies.

The Government of Ontario advised the self-regulating professions and the Council that if they were seeking to maintain additional certification requirements as a condition for the certification of workers certified in another province or territory, they must respectively file a proposal for an exception supported by a business case.

The Council filed a proposal for an exception and has received advice from the Government of Ontario that it will support the Council's proposal for an exception to enable the Council to maintain education and training, examination, practical experience and minimum number of hour requirements set by the Council for public accounting certification. The Council has also received advice that the exception will be posted on the website of the Ministry of Training, Colleges and Universities.

The Council has been further advised that the Government of Ontario's goal continues to be to reduce the number of exceptions Ontario takes over time. The Council has been requested by the Government of Ontario to continue efforts to work with other jurisdictions towards this end. The Council has advised the Government of Ontario that it will endeavour to do so.

GOVERNANCE

Composition of the Council

The Council is comprised of 17 Members:

- Nine Members appointed by the Lieutenant Governor in Council*
 - Two Members appointed by the Certified General Accountants Association of Ontario
 - Four Members appointed by the Institute of Chartered Accountants of Ontario
 - Two Members appointed by the Society of Management Accountants of Ontario
- * At December 15, 2009, being the date of issuance of this Annual Report, there is one vacancy in the number of Members required to be appointed by the Lieutenant Governor in Council.

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

The Chair and the Vice Chair of the Council are appointed by the Lieutenant Governor in Council for an initial term of two years from the date of their appointment. The Chair and Vice Chair may be reappointed for an additional term.

Compensation Framework

The compensation of the Members of the Council, including the Chair and Vice Chair, is prescribed by the Lieutenant Governor in Council in Regulations made under the *Public Accounting Act, 2004*.

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

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

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

The compensation of the Chair is \$250,000 per annum.

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

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

Succession Planning

The Council is not empowered under the *Public Accounting Act, 2004* to appoint its directors (who are referred to in the Act as “Council Members”) or its Chair or Vice Chair.

As noted above, the Act provides that of the 17 Council Members prescribed by the Act, two are to be appointed by the Certified General Accountants of Ontario, two are to be appointed by the Society of Certified Management Accountants of Ontario, four are to be appointed by The Institute of Chartered Accountants of Ontario, and nine are to be appointed by the Lieutenant Governor in Council who are collectively referred to as the “appointing bodies”.

In an effort to ensure that Council Members are experienced and qualified and to assist the appointing bodies, the Council, with the input of the Designated Bodies, has developed a Council Member Profile and a template to be used to assess the competency and diversity of the individual Council Members and of potential appointees to the Council. The information that is gathered is used to prepare a Competency and Diversity Matrix to assess the overall strength of the skills and diversity of the Council Members and to identify any gaps for the purpose of assisting the appointing bodies in their selection of persons to replace retiring Council Members and to fill any vacancies. The Council has requested the appointing bodies to use these tools in determining whether their respective appointees are experienced and qualified to serve as Council Members.

Appointment of the Chair

The term of office of the Chair of the Council, Glorianne Stromberg, will terminate on December 21, 2009.

The Council has been advised that the Lieutenant Governor in Council has nominated John Crow, who is currently a Council Member, for appointment as Chair of the Council. The Council has been further advised that the Ontario Legislative Assembly’s Standing Committee on Government Agencies does not wish to review this nomination and that John Crow’s appointment as Chair of the Council for a two year term will become effective on December 22, 2009.

Performance Reviews

The Council has instituted a process for periodically reviewing the performance of the Council, the Committees of the Council, the Chair, the Members of the Council and the Chief Executive Officer of the Council. The Council completed these Performance Reviews in 2008 and 2009. In future, these Performance Reviews will be conducted bi-annually except for the Performance Reviews of the Chair and the Chief Executive Officer which will be conducted annually.

Number of Council and Committee Meetings held during the 12 months ended October 31, 2009

The following is the number of Council and Committee meetings held during the 12 month period ended October 31, 2009:

Council	5
Audit Committee	2
Governance Committee	1

Summary of Attendance at Council and Committee Meetings held during the 12 months ended October 31, 2009

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2009:

<u>Member</u>	<u>Council Meetings Attended</u>	<u>Committee Meetings Attended</u>
James C. Baillie ¹	4 of 5	1 of 2
Ron Colucci	5 of 5	1 of 1
John Crow	5 of 5	1 of 2
Aldo Di Felice ²	4 of 5	-
Lili-Ann Foster	4 of 5	1 of 1
Colleen Gibb	5 of 5	-
David Hipgrave ³	4 of 5	1 of 1
William G. Horton ⁴	4 of 5	-
Nigel Jacobs ⁵	5 of 5	-
Howard E. Johnson ⁶	1 of 5	-
Shoba Khetrapal ⁷	4 of 5	1 of 2
John Nazzarro	5 of 5	-
Ralph Neville	5 of 5	-
Erik Peters	5 of 5	2 of 2
Maureen Sabia	5 of 5	2 of 3
Glorianne Stromberg	5 of 5	3 of 3
Michael Walke	5 of 5	1 of 1

- 1 First appointed December 3, 2008
- 2 First appointed February 11, 2009
- 3 Ceased to be a Council Member August 24, 2009
- 4 First appointed February 11, 2009
- 5 First appointed November 1, 2008
- 6 First appointed August 24, 2009
- 7 First appointed December 3, 2008

COUNCIL MEMBERS

Members Appointed by the Lieutenant Governor in Council

<u>NAME</u>	<u>Term Expires</u>
James C. Baillie Of Counsel, Torys LLP Initial Chair of the Audit and Assurance Oversight Council (Toronto, Ontario)	December 2, 2010
John Crow Corporate Director Former Governor of the Bank of Canada (Toronto, Ontario)	October 31, 2012
Aldo Di Felice President Telelatino Network Inc. (Toronto, Ontario)	February 10, 2011
Lili-Ann Foster President and CEO of Renaud Foster Management Consultants (Ottawa, Ontario)	October 24, 2012
William G. Horton Barrister William G. Horton Professional Corporation (Toronto, Ontario)	February 10, 2011
Shoba Khetrpal Corporate Director (Toronto, Ontario)	December 2, 2010
Maureen Sabia Vice-Chair of the Council Chairman, Canadian Tire Corporation, Limited (Toronto, Ontario)	October 31, 2010
Glorianne Stromberg Chair of the Council and Secretary (Toronto, Ontario)	December 21, 2009

Members Appointed by the Certified General Accountants Association of Ontario

<u>Name</u>	<u>Term Expires</u>
Ron Colucci, FCGA Operates an accounting, income tax and business advisory practice (Mississauga, Ontario)	October 31, 2010
John Nazzarro, CGA Partner in the Firm of Nazzarro Clark, Certified General Accountants (Concord, Ontario)	October 31, 2010

Members Appointed by the Institute of Chartered Accountants of Ontario

<u>Name</u>	<u>Term Expires</u>
Colleen E. Gibb, FCA, CFE Partner in the Firm of Gibb Widdis, Chartered Accountants (Ancaster, Ontario)	October 31, 2010
Ralph T. Neville, FCA Consultant Formerly Senior Tax Partner with BDO Dunwoody LLP (Oakville, Ontario)	October 31, 2010
Erik Peters, FCA Retired Auditor-General of Ontario Member of the Auditing and Assurance Standards Oversight Council (Ottawa, Ontario)	October 31, 2010
Michael Walke, CA Audit and Assurance Partner, PricewaterhouseCoopers LLP (Toronto, Ontario)	October 31, 2010

Members Appointed by the Society of Management Accountants of Ontario

<u>Name</u>	<u>Term Expires</u>
Nigel Jacobs, FCMA Chief Executive Officer of Taylor Leibow LLP, Chartered Accountants (Hamilton, Ontario)	October 31, 2010
Howard E. Johnson, MBA, FCMA, CA, CBV, CPA, ASA, CF, C DIR Managing Director Campbell Valuation Partners Limited (Toronto, Ontario)	October 31, 2010

COUNCIL COMMITTEES

Audit Committee

Members: James C. Baillie (Chair)*
John Crow
Shoba Khetrapal
Erik Peters
Maureen Sabia**

* James C. Baillie was appointed as Chair of the Audit Committee on January 27, 2009.

** Maureen Sabia retired as Chair of the Audit Committee on January 27, 2009 following her appointment as Vice Chair of the Council.

The Chair of the Council is a permanent invited guest at all meetings of the Audit Committee.

The Audit Committee's responsibilities include the review of the Council's financial statements, the Council's risk management processes, systems of internal controls and compliance with applicable laws and regulations. The Audit Committee is chaired by a Member appointed by the Lieutenant Governor in Council and a majority of its Members are appointees of the Lieutenant Governor in Council.

Governance Committee

Members: Lili-Ann Foster (Chair)
Ron Colucci
David Hipgrave*
Maureen Sabia
Glorianne Stromberg
Michael Walke

* Ceased to be a Member August 24, 2009

The Governance Committee's responsibilities include recommendations for committee structure and membership and Council assessments.

The Members of the Governance Committee include a nominee of each of the Certified General Accountants Association of Ontario, the Institute of Chartered Accountants of Ontario, and the Society of Management Accountants of Ontario as well as three nominees of the Lieutenant Governor in Council, one of whom acts as the Chair of the Governance Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

The following information provides a summary review of the operations and results of the Council for the year ended October 31, 2009. It is intended to assist readers in understanding the operations of the Council. This should be read along with the accompanying financial statements.

The Council is a corporation without share capital that was continued under the *Public Accounting Act, 2004*. The Act was proclaimed into force on November 1, 2005. As a not-for-profit corporation, the Council is exempt from income taxes.

Operations

The net operating costs of the Council are funded by the three Designated Bodies. Designated Body Assessment Fees are set based on the estimated net operating expenses of the Council adjusted for an amount to continue building the net assets to cover approximately six months' operating expenses. These assessment fees amounted to \$1,150,000 in 2009 (\$1,050,000 in 2008).

In addition to the annual assessment fees, Council Standards Assessments costs of \$579,999 (\$902,562 in 2008), which were incurred in the process of determining whether the standards of the respective Designated Bodies are substantially equivalent to those of the Council, are billed and recoverable from the Designated Bodies.

The other source of revenue is Interest Income earned from temporary investments amounting to \$35,801 in 2009 (\$55,950 in 2008).

The main expenses relating to the other operations of the Council are salaries and benefits totalling \$600,639 (\$606,901 in 2008), and Council Fees, Travel and Meetings totalling \$83,992 (\$66,542 in 2008).

Costs for Legal and Other Costs of Hearings and Prosecutions increased to \$112,546 from \$56,516 in 2008. These increased costs were due to two successful prosecutions of non-licensed individuals acting as and holding themselves out to be public accountants. Other costs incurred for non-recoverable standards-related matters, rent, and general administrative matters were similar to 2008. Total expenses, excluding the recoverable standards assessment expenses, increased to \$1,151,295 in 2009 from \$1,051,329 in 2008.

Cash Flow and Liquidity

The Council's Cash Flow From Operations decreased by \$68,562 in 2009 (decreased by \$181,867 in 2008). The change in Cash Flow From Operations resulted primarily from the decrease in the amounts payable during the respective years. As at year-end, the Council had \$1,234,963 (\$1,388,180 in 2008) in cash and investments. The Council's established policy is to maintain minimum net assets approximating 50% of estimated annual net operating expenses.

During 2009, the Council invested its excess funds in: (i) interest bearing debt obligations of or guaranteed by the Government of Canada, or (ii) interest bearing debt obligations that meet certain eligibility criteria of or guaranteed by a Province of Canada or by a Canadian chartered bank.

Financial Outlook

The Council has approved an operating budget of \$1,640,000 for the 2010 fiscal year compared with an operating budget that was set at \$1,620,000 for 2009. The majority of expenses are forecast to be similar to those incurred in 2009. The costs for Council meetings and Hearings and Prosecutions are subject to the activity required for each of these respective activities. It is expected that Standards costs will increase in connection with the development of policies and procedures for the oversight of the Authorized Designated Bodies and for carrying out a review of the sufficiency of the requirements of the Council Handbook.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The annual financial statements and all financial and other information contained in this Annual Report are the responsibility of the management of The Public Accountants Council for the Province of Ontario. Management has prepared the financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP), applying best estimates and judgments based on currently available information. The significant accounting policies are described in note 2 to the financial statements.

Financial information contained in this Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity and reliability of financial information, and has established systems of internal procedural and accounting controls designed to achieve this. In addition, these systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Members of the Council are responsible for ensuring that management fulfills its responsibilities including those for financial reporting and internal control. The Council has created an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditors, both with and without management present, to review the activities of each, as well as to review the financial statements.

Tinkham & Associates LLP have been appointed by the Council as auditors to express their opinion on the fair presentation of the financial statements. They have had full and unrestricted access to the Audit Committee and management to discuss matters pertaining to their audit. The Audit Committee reviews the auditors' performance annually and makes a recommendation to the Members of the Council with respect to their reappointment for the coming year.

(Signed) "Keith Bowman"

Keith Bowman
Chief Executive Officer

(Signed) "Glorianne Stromberg"

Glorianne Stromberg
Chair

FINANCIAL STATEMENTS

Financial statements of

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

October 31, 2009

Tinkham & Associates LLP

CHARTERED ACCOUNTANTS

D C Tinkham, B Comm, CMC, FCA

Associates

P J Brocklesby, BBA, CA

L Link, BBA, CA

M Tkachenko, BBA, CA

L A Charlebois, BBA, CA

P J Kociuba, BBA, CA

L S Boorany, BBA, CA

2842 Bloor Street West, Suite 300

Toronto, Ontario, Canada M8X 1B1

Telephone (416) 233-2139

1(877) 283-3305

Facsimile (416) 233-1788

associates@tinkhamca.com

AUDITORS' REPORT

To The Public Accountants Council for the Province of Ontario

We have audited the balance sheet of The Public Accountants Council for the Province of Ontario as at October 31, 2009 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at October 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

TORONTO, Ontario

November 16, 2009

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at October 31	2009	2008
Assets		
Current		
Cash	\$ 75,078	\$ 347,105
Short term investments (note 3)	433,355	-
Prepaid expenses	7,564	5,095
	515,997	352,200
Investments (note 3)	801,608	1,041,075
Capital (note 4)	109,382	166,387
	\$ 1,426,987	\$ 1,559,662
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 104,829	\$ 273,937
Due to Designated Bodies	355,736	353,809
	460,565	627,746
Net assets		
Invested in capital assets	109,382	166,387
Unrestricted	857,040	765,529
	966,422	931,916
	\$ 1,426,987	\$ 1,559,662

Commitment (note 5)

See accompanying notes to financial statements.

On behalf of the Council:

(Signed) "Glorianne Stromberg"
Glorianne Stromberg

(Signed) "James C Baillie"
James C Baillie

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Operations

Year ended October 31	2009	2008
Revenues		
Designated Bodies assessment fees	\$ 1,150,000	\$ 1,050,000
Recovery of Standards assessment expenses	579,999	902,562
Interest	35,801	55,950
	1,765,800	2,008,512
Expenses		
Standards assessments	579,999	902,562
Salaries and benefits	600,639	606,901
Rent	121,753	119,546
Legal and other costs of hearings and prosecutions	112,546	56,516
Council fees, travel and meetings	83,992	66,542
Office	82,614	75,627
Amortization	66,582	54,352
Standards	47,208	24,463
Legal advisory	13,174	15,683
Audit	12,554	13,600
Insurance	10,233	12,208
Consultants	-	5,891
	1,731,294	1,953,891
Excess of revenues over expenses for the year	\$ 34,506	\$ 54,621

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Changes in Net Assets

Year ended October 31	Invested in Capital Assets	Unrestricted	2009 Total	2008 Total
Net assets, beginning of year	\$ 166,387	\$ 765,529	\$ 931,916	\$ 877,295
Purchases of capital assets	9,577	(9,577)	-	-
Excess of revenues over expenses for the year	(66,582)	101,088	34,506	54,621
Net assets, end of year	\$ 109,382	\$ 857,040	\$ 966,422	\$ 931,916

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Cash Flows

Year ended October 31	2009	2008
Cash provided by (used for):		
Operating activities		
Excess of revenues over expenses for the year	\$ 34,506	\$ 54,621
Adjustments for items which do not affect cash		
Amortization	66,582	54,352
	101,088	108,973
Changes in non-cash working capital balances		
Due to Designated Bodies	1,927	(273,696)
Net decrease (increase) in prepaid expenses	(2,469)	5,289
Net (decrease) in accounts payable	(169,108)	(22,433)
	(169,650)	(290,840)
Net cash provided (used) for operating activities	(68,562)	(181,867)
Investing activities		
(Purchase) sale of short term investments	(433,355)	1,505,044
(Purchase) sale of long term investments	239,467	(1,041,075)
(Purchases) of capital assets	(9,577)	(16,301)
	(203,465)	447,668
Increase (decrease) in cash	(272,027)	265,801
Cash, beginning of year	347,105	81,304
Cash, end of year	\$ 75,078	\$ 347,105

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Notes to Financial Statements

October 31, 2009

1 Purpose of the organization

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

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

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

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

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

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

The Designated Bodies are the Certified General Accountants of Ontario, the Institute of Chartered Accountants of Ontario and the Society of Management Accountants of Ontario. The Council's operations are funded by the Designated Bodies.

2 Accounting policies

(a) Capital assets

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

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

(b) Investments

Investments are recorded at fair value which is based on quoted market values.

(c) Revenue recognition

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

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

(d) Financial instruments

Cash and investments are designated as available for sale and measured at fair value. Accounts payable and accrued liabilities, and due to Designated Bodies are classified as other financial liabilities and are measured at amortized cost.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Notes to Financial Statements

October 31, 2009

2 Accounting policies continued

(e) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3 Investments

	2009	2008
Current:		
Guaranteed investment certificates, cashable, maturing June 9, 2010 bearing interest at rates from 0.45% to 0.55%	\$ 433,355	\$ -
Long term:		
Deposit notes, due June 1 to July 14, 2011, semi-annual yield to maturities ranging from 1.60% to 1.78%	300,264	-
Ontario savings bond, interest at 0.75% initially and increasing to 4.50% due June 21, 2014	501,344	-
Government of Canada bond, due September 1, 2010, 2.40% yield to maturity	-	1,041,075
	\$ 801,608	\$ 1,041,075

The guaranteed investment certificates are cashable without penalty. The deposit notes, Ontario Savings Bond and Government of Canada bond are fully marketable and can be sold at market value at any time.

Council invests in interest bearing debt obligations of or guaranteed by the Government of Canada, and of or guaranteed by a Province of Canada or by a Canadian chartered bank that meet certain specified eligibility criteria. All investments are readily convertible into known amounts of cash. Council does not purchase investments for speculative purposes.

4 Capital assets

			2009
	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and systems	\$ 171,779	\$ 113,172	\$ 58,607
Leasehold improvements	117,172	66,397	50,775
	\$ 288,951	\$ 179,569	\$ 109,382

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Notes to Financial Statements

October 31, 2009

4 Capital assets continued

	2008		
	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and systems	\$ 162,202	\$ 70,024	\$ 92,178
Leasehold improvements	117,172	42,963	74,209
	\$ 279,374	\$ 112,987	\$ 166,387

5 Lease commitment

Effective November 1, 2006, Council amended the terms of the lease to increase the space and extend the lease term to December 31, 2011. The minimum lease commitment plus the proportionate share of realty taxes and operating expenses for 2010 is estimated to be \$129,000.

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

2010	\$ 46,956
2011	46,956
2012	7,826

6 Financial instruments

The Council's financial instruments consisting of cash, accounts payable and accrued liabilities and due to Designated Bodies are all short term in nature and therefore the fair values of these financial instruments approximate their carrying value. Investments are all denominated in Canadian dollars and have been recorded at fair value. Fair value is determined by reference to published price quotations in an active market. In Council's opinion there are no significant credit, market, interest rate or currency risks arising from its financial instruments.

CONTACT INFORMATION

The Public Accountants Council for the Province of Ontario
1200 Bay Street – Suite 901
Toronto ON M5R 2A5

Phone: **416.920.1444**
 1.800.387.2154

Fax: **416.920.1917**

E-Mail: **generalinquiries@pacont.org**

Website: **www.pacont.org**