ANNUAL REPORT 2018

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

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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 Council is accountable to the Attorney General, Government of Ontario (Minister). Council policies and decisions are to be independent of both government and the public accounting profession, in order to best protect the public interest. The Lieutenant Governor in Council appoints six of eleven Council Members, including its Chair, none of whom can be accountants, and Chartered Professional Accountants of Ontario[1] appoints five Council Members.[2] Similar to the Ontario Securities Commission, the Council's operating expenses are funded by the self-regulating profession, not the Government.

Where the public relies upon financial information verified, independently, by an accountant, then the public interest prevails over private interests, necessitating the highest of professional standards for such public accounting. 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 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 Act.

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.

For its first decade, Council oversaw public accounting designations for multiple accounting bodies. Since 2014, it has overseen a unified profession. After thorough, transparent and consistent examination, as of January 2012, all of the three Designated Bodies, namely, Certified General Accountants Association of Ontario (CGAO), Certified Management Accountants of Ontario (CMAO) and Chartered Professional Accountants of Ontario (CPA Ontario) were approved as Authorized Designated Bodies. These Authorized Designated Bodies unified their operations under the name CPA Ontario effective July

[1] Formerly known as the Institute of Chartered Accountants of Ontario
[2] The size of the Council is determined by Ontario Regulation 238/05 as amended

2, 2014.[3] For a period of ten years ending on November 1, 2022, all members of the three bodies carry a CPA designation in addition to their legacy designation.

The unification was concluded when the Ontario government enacted the *Chartered Professional Accountants of Ontario Act, 2017* (CPA Act) on May 17, 2017. Concurrently with the passage of the CPA Act, the *Public Accounting Act, 2004* (Act) was amended to achieve consistency between the two legislative instruments. As of May 17, 2017, the only Designated Body named under the Act is CPA Ontario.

THE COUNCIL STANDARDS

The Council Standards were approved in their initial form on June 20, 2006, amended and restated as of July 11, 2012, December 24, 2012, January 8, 2014 and September 12, 2017. The Council 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, mandatory professional liability insurance; and
- governance standards respecting the licensing and governing of the activities of its members as public accountants.

Council also issues Guidelines when it is deemed necessary or desirable to assist in carrying out or facilitating any of the purposes of the Act. Council Standards and Guidelines are published on the Council's website at www.pacont.org.

KEY ACTIVITIES OF THE COUNCIL

Key activities of the Council during its 2018 fiscal year (November 1, 2017 - October 31, 2018) and up to the date (December 11, 2018) when the Council approved this Annual Report were:

The Changing Environment for Public Accounting in Ontario

Council has been fulfilling the requirements under the Act since it became effective on November 1, 2005. The "superior quality" public accounting standards called for under the Act, besides being vigilantly maintained, have been updated to reflect domestic and international best practice. As noted above, the Council Standards were further amended and restated on September 12, 2017.

Over the years, however, the public accounting environment that Council was established to oversee for Ontario has undergone significant change that may mean change for the Council's role in the future.

Since the unification of the three Authorized Designated Bodies in 2014, CPA Ontario has assumed all responsibilities to govern the activities of all licensed public accountants in Ontario.

[3] At the time of unification CGAO and CMAO resigned their authorization to license and govern the activities of their members as public accountants

As discussed in previous Annual Reports, the impact of the 2012 Agreement on Internal Trade Labour Mobility Panel (AIT) decision, disallowing Ontario's exception for public accounting, and the unification of the three Authorized Designated Bodies, combined with a government-wide review of all agencies, boards and tribunals, allowed the Ontario Government to revisit the role played by the Council in its oversight of public accounting in Ontario. While the Council continues to fulfill the responsibilities laid down by its legislation, the Government of Ontario and the Council jointly engaged the consulting firm of Promontory Financial Services Group Canada (Promontory) to undertake a study of the future role of the Council. The report from Promontory was delivered in March 2015 and was reviewed with the Ministry of the Attorney General (Ministry).[4]

The review of the mandate of the Council was completed by the Government, as of May 2016. The Promontory recommendations to continue the mandate of the Council, including reducing its size, were accepted. In addition, the Government requested a further report on the status of the consolidation of the accounting bodies and its implications for the future of the Council. Discussions between the Council and the Ministry have taken place regarding the preparation of this report. CPA Ontario has also been consulted on its views on the future of Council. This Government agency review report is expected to be filed with the Treasury Board in the near future.

CPA Ontario, working with CPA Canada and the professional accounting bodies in the other provinces and territories, has essentially completed the process of developing public accounting standards that meet current legislative requirements in Ontario. The Council's independent Evaluation Team has issued a series of reports of its findings to date on these revised public accounting qualification programs for CPA Ontario

This CPA Ontario Public Accounting education program now consists of post-secondary education, the Professional Education Program (PEP), which includes the Common Final Examination (CFE), and, for those who have not completed some or all of the required post-secondary education courses, the Preparatory courses (PREP). These have been approved by the Council, subject to the ongoing monitoring of the CFE results by the Evaluation Team. This monitoring is to ensure that all Licensed Public Accountants (LPA) produced by the program, including those applicants who took PREP courses, meet the standards set by the Council.

In addition to the above changes, CPA Canada has continued with its ongoing process to update the CPA Competency Map and CPA Competency Map Knowledge Supplement. These documents, approved by the Council as at December 31, 2017, profile the competencies and professional experience required for a CPA to qualify as a licensed public accountant. The Council was updated at its June 2018 meeting that further proposed changes were being planned to become effective in 2019. These changes included introducing new competencies for Data Analytics and Information Systems, enhanced GST/HST taxation competencies and an enhanced reporting format. The updating of the Competency Map will continue with further planned changes in 2019.

Finally, since the approval of the PEP and PREP, CPA Canada began a process to update and revise both programs. The Evaluation Team is in a continuous process of reviewing those changes and periodically reporting to Council on these reviews.

[4] Promontory Financial Group Canada ULC, Advice on Future Role of Public Accounting Oversight in the Province of Ontario, Prepared for The Public Accountants Council for the Province of Ontario, February 27, 2015. Click here to view Promontory Report

The reports issued by the Evaluation Team and accepted by the Council in 2018 include:

- Reports on monitoring and review procedures undertaken to assess the qualifying examinations for licensure;
- A report dated October 31 stating that the preliminary Revised Competency Map is substantially equivalent to the existing Competency Map;
- A report dated November 12 confirming that Common Final Evaluation exams of the new CPA Canada program were substantially equivalent to the Uniform Final Evaluation exams of the previous CPA Canada program in their treatment of enabling competencies. The report included recommendations for further enhancements to testing of the candidates.

CPA Ontario conducted a major review and overhaul of its bylaws and regulations following the unification of the three accounting bodies and the passage of the CPA Act. These amendments were designed to clarify, simplify, and ensure coherence and comprehensiveness. As part of this review process, Council Guideline No. 2007-3[5] was amended[6] to reflect the continuing practice, with which Council concurs, of CPA Ontario accepting the inclusion of time spent in compilation-specific work in determining whether a licensee has practised in a substantive way.

Monitoring and Oversight of Authorized Designated Bodies

The Council is required under the Act to conduct reviews of the operations of each Authorized Designated Body at least once every three years and to report on them to the Minister.

The Council has continued to implement the required reviews. By virtue of the unification of the three Authorized Designated Bodies and the surrender by CGAO and CMAO of their authorization status, since July 2, 2014, these reviews have only been required for CPA Ontario.

Three triennial reviews were completed for CPA Ontario for the periods ending October 31, 2009, 2012 and 2015. These reports concluded that CPA Ontario was in substantial compliance with all the Council Standards. The next scheduled triennial review will be conducted in 2019 for the three-year period ending October 31, 2018.

Council has further determined that there is merit in conducting (albeit on a reduced scale from the triennial review exercise) annual monitoring and reporting reviews of the standards-related activities of Authorized Designated Bodies for those years when a triennial review is not required. To date, these reports, including the most recent one completed for the reporting year ended October 31, 2017 for CPA Ontario, have found no evidence that it was not materially in compliance with Council Standards.

The annual and triennial reports, once accepted by the Council, are submitted to the Minister and published on the Council website. In addition to the above annual and triennial reviews for Authorized Designated Bodies, the Council is authorized to conduct special reviews of an Authorized Designated Body if it concludes that it is in the public interest to do so.

Complaints

Prosecutions

Like most self-regulating professions, CPA Ontario is responsible for complaints regarding an alleged violation of the CPA Code of Professional Conduct, bylaws, regulations, or CPA Act. The Council is

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

[6] Approved by Council in September 2018

responsible for maintaining confidence specifically 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 have ranged over the past few years from those relating primarily to non-licensed individuals advertising their services under captions for public accounting to ones concerning non-licensed individuals issuing audit or review engagement reports in situations where it can be reasonably expected that there will be third party reliance on those reports. Most of these situations have been resolved by having the individual sign an undertaking to cease the offending activity. If it is determined that an undertaking would be insufficient deterrent for the individual to cease the offending activity, the Council may initiate a private prosecution under the *Provincial Offences Act*.

The complaints and prosecution activities for the past three fiscal years are summarized as follows:

	2018	2017	2016
Complaints outstanding at beginning of year[7]	1	1	-
New complaints received during the year	-	1	1
Complaints resolved, including through voluntary undertakings	-	1	-
Complaints resolved through private prosecution	1	-	-
Complaints outstanding at end of year	-	1	1

Information regarding convictions is published on the Council's website under Professional Misconduct (*Statutory Offences)*.

Section 22 Reviews

A member of the public who is not satisfied with the manner in which a complaint about the conduct of a Licensed Public Accountant was handled by the licensing Authorized Designated Body, may under *section 22* of the Act 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 request for a review made pursuant to *section 22* is limited to deciding whether to recommend that the licensing body 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 the 2018 fiscal year the Council received one request for a *section 22* review. Following the appropriate review and discussion, the Council determined not to refer this request for review back to CPA Ontario to investigate the complaint more fully.

It is noteworthy that the occurrence of complaints has remained at historic low levels for the past three years. The Council has not attempted to determine the factors that might be influencing this trend but it

[7] A complaint was received in 2017 about an individual apparently practising as a public accountant. This complaint was connected to a CPA Ontario investigation of one of its members and for efficiency purposes, the prosecution was conducted by CPA Ontario and successfully concluded in 2018

may be partly indicative of the success that the Council has had to date with its prosecutions and other means to protect the public.

GOVERNANCE

Composition of the Council

In accordance with the regulations enacted under the Act, effective January 1, 2018, the Council comprises 11 Members:

- Six Members appointed by the Lieutenant Governor in Council.
- Five Members appointed by Chartered Professional Accountants of Ontario.

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

The Chair and Vice-Chair of the Council are appointed by the Lieutenant Governor in Council and hold office for two years from the date of appointment or until their successor is appointed. The Chair and Vice-Chair may be reappointed for an additional term. The Vice-Chair may be appointed as Chair for up to two terms in addition to any terms that person may have served as Vice-Chair.

Appointment of the Chair and Vice-Chair

Gavin J. Tighe was appointed as Chair of the Council effective September 26, 2018, succeeding Michael Bryant who had been the Chair of the Council since February 19, 2014. Mr. Tighe is eligible for one more two-year term as Chair. William Greenhalgh has been the Vice-Chair of the Council since his appointment on March 28, 2017. Unless reappointed, Mr. Greenhalgh’s term as Vice-Chair will end on March 27, 2019. He is eligible for one more two-year term as Vice-Chair.

Members of the Council thank Mr. Bryant for his leadership and contributions to the affairs of the Council during his four-year term.

Officers

The Council’s Officers are:

Chair:	Gavin J. Tighe
Vice-Chair:	William Greenhalgh
Chief Executive Officer:	Keith Bowman
Secretary:	Gavin J. Tighe

Performance Reviews

The Council has established a performance review process. Performance reviews of the Council and its committees and Council Members are conducted every two years. The next biennial performance reviews of the Council Members, Council and its committees for the period ended in 2018 are presently underway. Performance reviews of the Chair and the Chief Executive Officer are conducted annually.

Compensation Framework

The compensation of the Members of the Council, including the Chair and Vice-Chair, is determined by Order of the Lieutenant Governor in Council made under the Act.

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 $166,666 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 Act to appoint its directors (who are referred to in the Act as Council Members) or its Chair or Vice-Chair.

As noted above the Council comprises eleven Members, six of whom are appointees of the Lieutenant Governor in Council and five of whom are appointees of CPA Ontario. These entities are collectively referred to as the "appointing bodies".

In the past, and in an effort to ensure that Council Members were experienced and qualified, the Council, with the input of the appointing bodies, developed a Council Member Profile and a template used to assess the competency and diversity of the individual Council Members and of potential appointees to the Council. The information was 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 took an active role in assessing the qualifications of the nominees for appointment to the Council by the Lieutenant Governor in Council. It used the network of contacts available to its Members in a systematic way so as to contribute to the pool of potential candidates eligible for appointment by the Lieutenant Governor in Council, and it also worked closely with the Public Appointments Secretariat of the Government of Ontario to see to it that such appointments meet the above criteria.

The Council also wishes to thank Ian Shewan for his eight-year service on the Council, including acting as Chair of the Audit Committee for the past three years.

COUNCIL MEMBERS DURING 2018 FISCAL YEAR

Members Appointed by the Lieutenant Governor in Council

Name	Member of Council Since	Term Expires
Michael Bryant Former Attorney General of Ontario Chair of the Council and Secretary (Toronto, Ontario)	February 19, 2014	September 25, 2018
Gavin J. Tighe Senior Partner Gardiner Roberts LLP Barristers and Solicitors (Toronto, Ontario)	September 26, 2018	September 25, 2020
Aldo Di Felice President Telelatino Network Inc. (Toronto, Ontario)	February 11, 2009	February 10, 2019
William Greenhalgh Chief Executive Officer and President of Stratx Inc. (Toronto, Ontario)	December 4, 2013	December 2, 2019
Laura Hantho[8] Advisor (Toronto, Ontario)	August 28, 2013	December 11, 2019
Shoba Khetrapal Corporate Director (Toronto, Ontario)	December 3, 2008	December 20, 2019
Ian Shewan Partner Lerners LLP (London, Ontario)	July 8, 2010	July 7, 2018

[8] Laura Hantho's previous term ended on August 27, 2018. She was reappointed to Council for one year effective December 12, 2018

Members Appointed by Chartered Professional Accountants of Ontario

Name	Member of Council Since	Term Expires
Christie Henderson, FCPA, FCA, LPA, CFP, TEP Managing Partner Henderson Partners LLP (Oakville, Ontario)	November 1, 2016	October 31, 2019
Naveen Kalia, CPA, CA, LPA Partner Group Leader Financial Institutions Audit Practice KPMG (Toronto, Ontario)	November 1, 2016	October 31, 2020
Blake Mercer, FCPA, FCGA, C. Dir Partner Mercer and Mercer (Milton, Ontario)	November 1, 2014	October 31, 2019
William Molson, CPA, CA, CMA, LPA Sole Proprietor (Toronto, Ontario)	November 1, 2016	October 31, 2020
Ben Seto, FCPA, FCA, LPA Partner, Impact CPAs LLP (Richmond Hill, Canada)	November 1, 2016	October 21, 2019

COUNCIL COMMITTEES

The Council appoints the Members and Chairs of its committees.

Audit Committee

Members:[9]

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 comprises at least three Members appointed by Council. The majority are Members appointed by the Lieutenant Governor in Council. The Chair, Vice-Chair and the Secretary of the Council may not serve as members of the Audit Committee. The Chair of the Audit Committee is appointed by the Council.

Governance Committee

Members: Michael Bryant[10]
Gavin J. Tighe[11]
Shoba Khetrapal (Chair)
William Greenhalgh
Christie Henderson
Blake Mercer

The Governance Committee's responsibilities include recommendations for committee structure and Council membership and overseeing the process for performance assessment of the Council and its committees, Council Members, the Chair and the Chief Executive Officer. The Governance Committee comprises at least three Members appointed by the Council. The Chair of the Governance Committee is appointed by the Council.

Council and Committee Meetings

The following is the number of Council and Committee meetings held during the 12 months ended October 31, 2018:

Council	4
Audit Committee	2[12]
Governance Committee	1

[9] As at the date of publication of the Annual Report, the responsibilities of the Audit Committee were assumed by Council until two new LGIC appointees are in place
[10] Membership on the Council and the Committee ended on September 25, 2018
[11] Membership on the Council and the Committee was effective as of September 26, 2018
[12] Council sat as the Audit Committee of the Whole in place of the Committee's second meeting

Attendance at Council and Committee Meetings

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2018:

Member	**Council Meetings Attended**	**Audit Committee [8] Meetings Attended**	**Governance Committee Meetings Attended**
Michael Bryant[1, 2, 3]	4 of 4	1 of 1	1 of 1
Aldo Di Felice	3 of 4		
William Greenhalgh[4]	4 of 4		1 of 1
Laura Hantho[5]	3 of 4	1 of 1	
Christie Henderson[4]	4 of 4		1 of 1
Naveen Kalia[6]	4 of 4	1 of 1	
Shoba Khetrapal[4]	3 of 4		1 of 1
Blake Mercer[4]	3 of 4		1 of 1
William Molson	3 of 4		
Ben Seto	4 of 4		
Ian Shewan[7]	3 of 4	1 of 1	

1. Chair of Council until September 25, 2018
2. Although not a Member of the Audit Committee, the Chair of Council attends the meetings of each Committee
3. Member of Governance Committee until September 25, 2018
4. Member of Governance Committee
5. Member of the Council and the Audit Committee until August 27, 2018
6. Member of Audit Committee
7. Member of the Council and the Audit Committee until July 7, 2018
8. Council sat as the Audit Committee of the Whole in place of the Committee’s second meeting

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, 2018. 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 Act. 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 operating costs of the Council are entirely funded by annual assessment fees charged to CPA Ontario. These fees are set based on the estimated operating expenses of the Council adjusted for an amount to maintain the net assets of approximately 50% of estimated annual operating expenses. These assessment fees were set at $1,075,000 in 2018 ($1,015,000 in 2017).

The other regular source of revenue is interest income earned from investments, amounting to $11,711 ($11,506 in 2017).

In addition to the annual assessment fees, Council Standards assessments costs of $377,823 in ($370,091 in 2017*)* were incurred in the process of determining whether the standards and operating policies of CPA Ontario are substantially equivalent to those of the Council and in particular the assessment of the CPA Ontario policies in respect of its new public accounting program and the proposed revisions to the CPA Canada Competency Map.

The main expenses relating to the other operations of the Council are salaries and benefits of $640,988 ($626,407 in 2017), legal advisory of $127,950 ($112,963 in 2017), office rent of $114,915 ($106,065 in 2017) and Council fees, travel and meetings expenses amounting to $38,860 ($52,536 in 2017). The amount of these latter costs is directly related to the number and length of Council and committee meetings held during the year and is lower this year as a result of reducing the Council size to eleven members in 2018.

Non-recoverable Standards costs increased to $43,037 in 2018 from $4,195 in 2017 due to preliminary work done on updating the standards and higher costs for travel related to attendance at international meetings.

Legal and investigative costs for hearings and prosecutions increased to $17,565 in 2018 mainly for costs related to Section 22 proceedings. As noted in footnote 7 on page 6, there was one prosecution carried out by CPA Ontario that concluded in conviction of the offender regarding offences committed under the CPA Act and the *Public Accounting Act, 2004*. CPA Ontario was authorized to act on behalf of the Council at no cost to the Council.

Office costs for general administrative matters at $35,710 in 2018 ($46,666 in 2017) were less as the 2017 costs included the Council's move to the new office. Total expenses, excluding the recoverable standards assessment expenses increased to $1,083,437 ($1,016,812 in 2017).

Cash Flow and Liquidity

The Council's cash flow from operating activities decreased by $391,999 (compared to an increase of $54,421 in 2017). The details for these amounts are set out in the Statement of Cash Flows. The cash flow from investing activities decreased cash by $29,156 in 2018 compared to a decrease of $169,264 in 2017. These changes decreased the Cash and Equivalents from $531,565 in 2017 to $110,410 in 2018.

As at the fiscal year-end, the Council had $1,082,843 ($1,492,866 in 2017) in cash and investments.

The Council's net assets are $959,727 in 2018 ($956,453 in 2017). The Council's established policy is to achieve minimum net assets approximating 50% of estimated annual operating expenses.

During 2018, the Council invested its available funds in interest-bearing debt obligations that meet certain eligibility criteria of, or are guaranteed by, a Province of Canada or a Canadian chartered bank.

Financial Outlook

The Council has approved an operating budget, excluding Standards assessments, of $1,280,000 for the 2019 fiscal year, $20,000 less than the operating budget that was approved for the 2018 fiscal year. The Council remains in a strong financial position while it continues to fulfill its responsibilities to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards.

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 Accounting Standards for not-for-profit organizations, 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 established an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditor, both with and without management present, to review the activities of each, as well as to review the financial statements. Tinkham LLP has been appointed by the Council as auditor to express its opinion on the fair presentation of the financial statements.

Tinkham LLP has had full and unrestricted access to the Audit Committee and management to discuss matters pertaining to its audit.

The Audit Committee reviews the auditor's performance annually and makes a recommendation to the Members of the Council with respect to its reappointment for the coming year.

Signed: "Keith Bowman"
Keith Bowman
Chief Executive Officer

Signed: "Gavin J. Tighe"
Gavin J. Tighe
Chair

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Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL
FOR THE PROVINCE OF ONTARIO

October 31, 2018

TINKHAM LLP | CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To The Public Accountants Council for the Province of Ontario

We have audited the accompanying financial statements of The Public Accountants Council for the Province of Ontario, which comprise the balance sheet as at October 31, 2018 and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Public Accountants Council for the Province of Ontario as at October 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

TORONTO, Ontario
December 11, 2018

Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Balance Sheet

As at October 31		**2018**		2017
Assets				
Current assets				
Cash	**$**	**110,410**	$	531,565
Prepaid expenses		**16,892**		16,950
		127,302		548,515
Investments (note 3)		**972,433**		961,301
Capital assets (note 4)		**147,233**		167,897
	$	**1,246,968**	$	1,677,713
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 5)	**$**	**97,035**	$	73,851
Due to CPA Ontario		**190,206**		647,409
		287,241		721,260
Net Assets		**959,727**		956,453
	$	**1,246,968**	$	1,677,713

Commitment (note 6)

On behalf of the Council:

Gavin Tighe

Naveen Kalia

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Statement of Operations and Changes in Net Assets

Year ended October 31	**2018**	2017
Revenues		
CPA Ontario assessment fees	**$ 1,075,000**	$ 1,015,000
Recovery of Standards assessment expenses	**377,823**	370,091
Investment income	**11,711**	11,506
	1,464,534	1,396,597
Expenses		
Salaries and benefits	**640,988**	626,407
Standards assessments	**377,823**	370,091
Legal advisory	**127,950**	112,963
Rent	**114,915**	106,065
Standards	**43,037**	4,195
Council fees, travel and meetings	**38,860**	52,536
Amortization	**38,688**	31,463
Office	**35,710**	46,666
Legal and other costs of hearings and prosecutions	**17,565**	7,897
Insurance	**12,457**	12,426
Audit	**10,825**	11,848
Consultants	**2,442**	4,346
	1,461,260	1,386,903
Excess of revenues over expenses for the year	**3,274**	9,694
Net assets, beginning of year	**956,453**	946,759
Net assets, end of year	**$ 959,727**	$ 956,453

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Statement of Cash Flows

Year ended October 31	2018	2017
Operating activities:		
Cash received from CPA Ontario for assessment fees	**$ 615,000**	$ 1,010,000
Cash received for recovery of assessment expenses	**380,620**	342,316
Cash received from investment income	**11,711**	11,506
Cash paid for operating expenses	**(1,399,330)**	(1,309,401)
Net cash provided (used) by operating activities	**(391,999)**	54,421
Investing activities:		
Cash received (paid) from sale (purchase) of investments (net)	**(11,132)**	14,183
Cash paid to purchase capital assets	**(18,024)**	(183,447)
Net cash used by investing activities	**(29,156)**	(169,264)
Decrease in cash	**(421,155)**	(114,843)
Cash, beginning of year	**531,565**	646,408
Cash, end of year	**$ 110,410**	$ 531,565

See accompanying notes to financial statements.

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.

On May 17, 2017 the Ontario government enacted the Chartered Professional Accountants of Ontario Act, 2017 ("CPA Act") to govern the activities of CPA Ontario. Concurrently with the passage of the CPA Act, the Public Accounting Act, 2004 was amended pursuant to which CPA Ontario is the only Designated Body thereunder. CPA Ontario is responsible for the funding obligations to the Council and for the oversight of all public accountants in Ontario.

2 Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(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 and equipment	- 10% to 33% annually
Leasehold improvements	- over the term of the initial lease

(b) Investments

Management has elected to value all investments 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 Body 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 Body are substantially equivalent to the Council's standards. The related recoveries of costs incurred are recognized as revenue when approved as recoverable.

2 Significant accounting policies, continued

(c) Revenue recognition (continued)

Investment income, including changes in fair values of investments, is recognized in the statement of operations and changes in net assets.

(d) Financial instruments

The Council initially measures its financial assets and liabilities at fair value. Council subsequently measures all its financial assets and financial liabilities at amortized cost, except for its investments in government bonds and deposit notes that are quoted in an active market, which are measured at fair value.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to CPA Ontario.

Council recognizes its transaction costs in net income in the year incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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

As at October 31		**2018**		2017
Ontario savings step up bond, interest at 1.25% initially and increasing to 2.50% due June 21, 2019	**$**	**551,785**	$	303,696
Canadian Imperial Bank of Commerce deposit note, interest fixed at 1.64% due July 12, 2021		**296,651**		-
Ontario savings step up bond, interest at 1.50% initially and increasing to 2.55% due June 21, 2023		**123,997**		-
Ontario savings step up bond, interest at 0.60% initially and increasing to 1.65% due June 21, 2022		**-**		586,895
Ontario savings step up bond, interest at 1.25% initially and increasing to 2.25% due June 21, 2018		**-**		70,710
	$	**972,433**	$	961,301

The Ontario Savings Bonds and Canadian Imperial Bank of Commerce deposit note can be sold at market value at any time. Council invests in interest-bearing debt obligations 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

As at October 31		**2018**		2017
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Furniture and equipment	**$ 102,901**	**$ 67,736**	$ 100,810	$ 67,775
Leasehold improvements	**153,857**	**41,789**	153,857	18,995
	$ 256,758	**$ 109,525**	$ 254,667	$ 86,770
Net book value		**$ 147,233**		$ 167,897

5 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are Employer Health Tax payable and payroll withholding taxes payable totaling $21,074 (2017 - $17,182).

6 Lease commitment

The Council has entered into a lease agreement for office space that extends until September 30, 2023. The minimum annual lease payments over the next five years are $55,640 per annum.

The minimum annual lease payment, plus the Council's proportionate share of realty taxes and operating expenses for 2019 will be approximately $101,714.

7 Financial instruments

The Public Accountants Council for the Province of Ontario is exposed to various risks through its financial instruments which are comprised of cash, investments, accounts payable and accrued liabilities and due to CPA Ontario. The following analysis provides a measure of the Council's risk exposure and concentrations.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Council is exposed to credit risk through its cash and investments.

Amounts on deposit with insured financial institutions greater than $100,000 are not insured.

The Council manages its credit risk by restricting its investments to the financial obligations of governments and major financial institutions.

Liquidity risk

Liquidity risk is the risk that Council will not be able to meet a demand for cash or fund its obligations as they come due. The Council meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

7 Financial instruments, continued

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

The Council mitigates its exposure to interest rate risk by laddering maturity dates of its interest-bearing investments.

The primary objective of the Council with respect to its investments is to ensure the security of principal amounts invested, provide a high degree of liquidity, and achieve a satisfactory investment return.

The Council is not exposed to significant currency risk or other price risk.

Changes in risk

There have been no changes in risk exposures from the prior year.

CONTACT INFORMATION

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