ANNUAL REPORT 2019

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

CONTENTS

ABOUT THE COUNCIL 2
THE COUNCIL STANDARDS 4
KEY ACTIVITIES OF THE COUNCIL 4
RISK EVENTS AND SIGNIFICANT BUSINESS FACTORS 8
PERFORMANCE MEASUREMENT FRAMEWORK 8
GOVERNANCE 10
COUNCIL MEMBERS DURING 2019 FISCAL YEAR 12
COUNCIL COMMITTEES 14
MANAGEMENT DISCUSSION AND ANALYSIS 15
STATEMENT OF MANAGEMENT RESPONSIBILITY 17
FINANCIAL STATEMENTS 18
CONTACT INFORMATION 28

ABOUT THE COUNCIL

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

Mandate

The mandate 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[3].

[1] Formerly known as the Institute of Chartered Accountants of Ontario
[2] The size of the Council is prescribed by Ontario Regulation 238/05 as amended
[3] Hereinafter in this report, references to Designated Bodies or Authorized Designated Bodies will be to CPA Ontario

Strategic Direction

During its first decade, Council oversaw public accounting designations for multiple accounting bodies. 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 were approved as Authorized Designated Bodies. These Authorized Designated Bodies unified their operations under the name Chartered Professional Accountants of Ontario (CPA Ontario) effective July 2, 2014.[4] Since that time the Council has overseen a unified profession. For a period of ten years ending on November 1, 2022, all members of the former three bodies will 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* 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.

It is reasonable to contend that public accounting in Ontario is meeting the expectations of the users of public accounting services. The Council receives very few requests for further reviews of decisions on public accounting matters rendered through the disciplinary process of CPA Ontario; since the enactment of the Act there have been less than ten prosecutions of individuals who contravened the public practice provisions of the Act; and a review of the number of complaints made against all members of CPA Ontario over the past five years indicates that, as a profession, public accountants are generally practising with high standards.

With these points in mind, it has been proposed to the Ministry of the Attorney General (Ministry) that the Council no longer oversee the development and maintenance of professional education and examination Standards for public accountants. This oversight would be replaced by requiring CPA Ontario to continue to be compliant with its Mutual Recognition Agreements (MRAs) and provide to the Council copies of any reviews done of CPA Ontario by the International Qualifications Appraisal Board. In addition, CPA Ontario would be required to certify annually to PAC through an attestation, along with supporting documentation, that the professional qualification policies to practise public accounting for Ontario CPAs meet or exceed the requirements of International Education Standard 8. IES 8 prescribes the professional competence that professional accountants are required to develop and maintain when performing the role of an Engagement Partner responsible for audits of financial statements.

With this potential change in mandate, it has also been proposed that the size of the Council be reduced from eleven to nine members.

Council has also proposed engaging a consultant to make further recommendations on the future mandate for the Council, as envisioned in the 2015 Promontory report (See Page 4 of this Annual Report). Until these recommendations have been received and considered by the Government of Ontario, the other functions of the Council such as carrying out annual and triennial reviews of CPA Ontario and overseeing changes in CPA Ontario by-laws and regulations will continue.

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

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, September 12, 2017 and November 26, 2019. 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 2019 fiscal year (November 1, 2018 - October 31, 2019) and up to the date (December 10, 2019) when the Council approved this Annual Report were:

The Changing Environment for Public Accounting in Ontario

Background

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 November 26, 2019.

Over the years, however, the public accounting environment that Council was established to oversee for Ontario has clearly undergone significant change. This 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.

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).[5]

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 to be delivered in or about 2019 on the status of the consolidation of the accounting bodies and its implications for the future of the Council. Discussions between the Council, CPA Ontario and the Ministry have taken place regarding the preparation of this contemplated 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.

Current Activities

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.

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. Effective January 1, 2019 changes were introduced in the new Competency Map to include new competencies for Data Analytics and Information Systems (DAIS), enhanced GST/HST taxation competencies and an enhanced reporting format. These changes were approved by the Council at its December 2018 meeting. The updating of the Competency Map will continue with further planned changes in 2020.

Finally, since the approval of the PEP and PREP, CPA Canada began a process to update and revise both programs. The Evaluation Team has continued to review those changes. These recommended changes have been approved by the Council.

The reports issued by the Evaluation Team and accepted by the Council in 2019 include:

- High level review of CPA Canada's 2019 Core 1 and 2 Materials dated January 2019;
- Report on Finance PREP Course and Exams dated January 2019;
- Introduction to "Development of Case Writing Skills" dated February 2019;
- Review of CPA Registrants dated May 2019; and
- Board of Examiners Response to the UFE vs. CFE Comparison Report dated July 2019.

[5] 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. See Council website for this report

In 2018, CPA Ontario conducted a major review and overhaul of its bylaws and regulations following the unification of the three Authorized Designated Bodies and the passage of the CPA Act. Concurrent with this review, the Council developed a list of desired amendments to its Standards to better align them with the amended CPA Ontario standards and to assist CPA Ontario in dealing with discipline matters. These changes were approved at the September 2019 Council meeting, sent to the Minister for approval on September 26, 2019 and were approved by the Minister on November 26, 2019.

Council Guideline No. 2010-6[6] provided time for members of CPA Ontario who had not yet met all the requirements to qualify for licensure. The deadline for such members to complete this process was July 2, 2019.

As the deadline for this process has now expired, and all associated applications have been determined, Council approved the repeal of this Council Guideline at its December 10, 2019 meeting.

Monitoring and Oversight of CPA Ontario

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, these reviews have only been required for CPA Ontario since July 2, 2014.

Four triennial reviews were completed for CPA Ontario for the periods ending October 31, 2009, 2012, 2015 and 2018. These reports concluded that CPA Ontario was in substantial compliance with all the Council Standards. The next triennial review is scheduled to be conducted in 2022 for the three-year period ending October 31, 2021.

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 an Authorized Designated Body 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 CPA Ontario, the Council is authorized to conduct special reviews 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 addressing complaints regarding an alleged violation of the CPA Code of Professional Conduct, bylaws, regulations, or CPA Act. The Council is responsible for maintaining confidence in public accounting through appropriate prosecution of offences under the *Public Accounting Act, 2004*.

[6] Council Guideline No. 2010-6 Criteria for Issuance of a Public Accounting Licence to a Member of a Newly Authorized Designated Body Who Has Substantial Involvement in Public Accounting But Who Does Not Meet All of the Requirements of Council Standards 2 (post-secondary education), 3 (pre-licensing education and study) and/or 4 (pre-licensing experience)

In this respect, the Council receives complaints about individuals who are alleged to 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 about 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:

	2019	2018	2017
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	1	-
Complaints outstanding at end of year	-	-	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 CPA Ontario may, under *section 22* of the Act, request the Council to review the manner in which the complaint was handled by CPA Ontario. The member of the public must have first made a complaint to CPA Ontario and exhausted the internal procedures of its handling of the complaint, including its 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 CPA Ontario investigate the complaint more fully.

During the 2019 fiscal year the Council received three requests for a *section 22* review. Following the appropriate review and discussion of one of the complaints, the Council requested that CPA Ontario investigate the complaint more fully. CPA Ontario subsequently carried out further investigation and then informed the Council that the member, being the subject of the complaint, had been found guilty of professional misconduct.

Following the appropriate reviews of the other two complaints, the Council determined not to request further investigation by CPA Ontario. As reported in previous annual reports and on page 3 of this Annual Report, the occurrence of complaints has remained at historic low levels. The Council has not

[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

attempted to determine the factors that might be influencing this trend but it may be partly indicative of the success that the Council has had to date with its prosecutions and other means to protect the public.

RISK EVENTS AND SIGNIFICANT BUSINESS FACTORS

For the past several years, the Council has carried out its mandate with no major risk events or significant business factors that had substantial impact on its operations and financial health. The risk environment of the Council is reviewed annually and to date, Council has concluded that risks have been appropriately assessed and managed. At the same time, Members of the Council and management strive to remain aware of, vigilant and sensitive to, the evolving changes in the public accounting environment in Ontario and other jurisdictions to enable the Council to become aware of issues that may arise and to deal with them appropriately.

The Council categorizes its risks as follows:

Category of Risk	Risk Mitigation
Governance Performance Risk	Continuity of strong, diversified, and independent Members of Council, the Chair and the CEO
Mandate Risk	Constructive relationship with CPA Ontario, the Ministry of the Attorney General and continuing commitment for high public accounting standards
Management Performance Risk	Continuing strong and open relationship between the Council and the CEO
Litigation Risk	Protection pursuant to s.40 of the Act that no action can be undertaken against the Council for any act done in good faith
Operating Risk	All significant decisions and commitments must be approved by Members of the Council Regular monitoring of operating results

PERFORMANCE MEASUREMENT FRAMEWORK

Ultimately, the goals of the Council are to ensure that superior public accounting services are provided to the public by properly qualified Licensed Public Accountants (LPAs). These goals are supported by four programs:

- Maintaining public accounting standards that are aligned to international best practices;
- Overseeing CPA Ontario to ensure that it continues to meet the Council Standards;
- Overseeing the licensing of public accountants;
- Investigating and prosecuting offences under the *Public Accounting Act, 2004*; and
- Carrying out s.22 reviews of public complaints.

The Outcomes that are expected to result from these programs are:

- Newly licensed and existing public accountants have the required competencies and qualities to deliver superior public accounting services;
- CPA Ontario maintains public accounting standards that meet or exceed the Council Standards; and
- Public confidence in public accounting is maintained.

The table below sets out the Performance Measures and related Targets to be achieved by the Council. The listed Performance Measures relate to activities for which the Council has direct responsibility, although in some cases, the Targets are subject to how successful CPA Ontario is in administering the Council-approved public accounting standards. For example, if disciplinary complaints are not handled properly by CPA Ontario, there are likely to be more requests for a s.22 review when a member of the public is not satisfied with how a complaint was handled. In this case, the Target set is primarily focused on the time for the Council to complete its review.

The Targets included in the table below were set for future years but have been included here to show the results for the past year.

Performance Measurement	Indicators	Targets	Actual for 2019
Responding to requests from CPA Ontario to change bylaws and regulations for public accounting	Strong professional standards should result in continued public confidence in public accounting	Recommendations are ready for Council consideration within the calendar quarter that the requests are received	Target achieved
Number of prosecutions of individuals who practised public accounting without a licence	A strong and successful prosecution history should deter individuals from practising without a licence	No more than three per annum	One successful prosecution
The number of s.22 reviews (carried out when a member of the public is not satisfied with how a complaint against an LPA has been handled by CPA Ontario) remains at less than five per annum	A strong discipline process carried out by CPA Ontario should result in few s.22 review requests	No more than 5 per annum and the recommendations for Council to consider are made within the calendar quarter that the s.22 request is received	Three requests received and dealt with
Acknowledgements to deal with complaints and enquiries are handled within 24 hours of receipt	The public will have more trust in public accounting when its complaints are dealt with fairly and efficiently	Complaints are responded to within 24 hours	Target achieved

Performance Measurement	Indicators	Targets	Actual for 2019
The monitoring and oversight reviews of CPA Ontario are completed as required by legislation	Legislators are assured that strong public accounting standards remain in place	Annual and Triennial reviews are completed on schedule and contain no reportable matters	Target achieved

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 reappointment 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. Mr. Greenhalgh's last term as Vice-Chair will end on May 8, 2021.

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 last biennial performance review of the Council Members, Council and its committees was completed in March 2019 for the period ended

October 31, 2018. 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 currently 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 an effort to ensure that Council Members are 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 has been 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 takes an active role in assessing the qualifications of the nominees for appointment to the Council by the Lieutenant Governor in Council. It uses 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 works closely with the Public Appointments Secretariat of the Government of Ontario to see to it that such appointments meet the above criteria.

The Council thanks Aldo Di Felice for his years of service to the Council from February 11, 2009 until February 10, 2019 and Ben Seto for his service on the Council from November 1, 2016 until October 31, 2019.

COUNCIL MEMBERS DURING 2019 FISCAL YEAR

Members Appointed by the Lieutenant Governor in Council

Name	Member of Council Since	Term Expires	Remuneration paid in 2019
Gavin J. Tighe Senior Partner Gardiner Roberts LLP Barristers and Solicitors (Toronto, Ontario)	September 26, 2018	September 25, 2020	$166,666.00
Aldo Di Felice President Telelatino Network Inc. (Toronto, Ontario)	February 11, 2009	February 10, 2019	$700.00
William Greenhalgh Chief Executive Officer and President of Stratx Inc. (Toronto, Ontario)	December 4, 2013	December 5, 2022	$7,000.00
Laura Hantho[8] Advisor (Toronto, Ontario)	August 28, 2013	December 11, 2020	$2,800.00
Shoba Khetrapal Corporate Director (Toronto, Ontario)	December 3, 2008	December 20, 2020	$4,900.00
Katherine Pal Managing Partner, Pal Insurance (Toronto, Ontario)	December 31, 2018	June 25, 2019	$700.00

[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	Remuneration paid in 2019
Christie Henderson, FCPA, FCA, LPA, CFP, TEP Managing Partner Henderson Partners LLP (Oakville, Ontario)	November 1, 2016	October 31, 2019	$4,900.00
Naveen Kalia, CPA, CA, LPA Partner Group Leader Financial Institutions Audit Practice KPMG (Toronto, Ontario)	November 1, 2016	October 31, 2020	$3,500.00
Blake Mercer, FCPA, FCGA, C. Dir Partner Mercer and Mercer (Milton, Ontario)	November 1, 2014	October 31, 2019	$4,200.00
William Molson, CPA, CA, CMA, LPA Sole Proprietor (Toronto, Ontario)	November 1, 2016	October 31, 2020	$2,800.00
Ben Seto, FCPA, FCA, LPA Partner Impact CPAs LLP (Richmond Hill, Canada)	November 1, 2016	October 31, 2019	$2,800.00

COUNCIL COMMITTEES

The Council appoints the Members and Chairs of its committees.

Audit Committee

Members: Laura Hantho (Chair)

Naveen Kalia

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.

Governance Committee

Members: Gavin J. Tighe

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.

Council and Committee Meetings

The following is the number of Council and Committee meetings held during the 12 months ended October 31, 2019:

Council	4
Audit Committee[9]	2
Governance Committee	3

[9] One of the two meetings of the Audit Committee was held by the Council sitting as the Committee of the Whole

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, 2019:

Member	Council Meetings Attended	Audit Committee* Meetings Attended	Governance Committee Meetings Attended
Gavin Tighe[1]	4 of 4	1 of 1	3 of 3
Aldo Di Felice[2]	1 of 1		
William Greenhalgh[3]	4 of 4		3 of 3
Laura Hantho[4]	4 of 4	1 of 1	
Christie Henderson[3]	4 of 4		3 of 3
Naveen Kalia[5]	4 of 4	1 of 1	
Shoba Khetrapal[6]	4 of 4		3 of 3
Katherine Pal[7]	1 of 1		
Blake Mercer[3]	4 of 4		2 of 3
William Molson	4 of 4		
Ben Seto	4 of 4		

1. Member of Governance Committee. Although not a Member of the Audit Committee, the Chair of Council attends the meetings of each Committee
2. Term on Council ended on February 10, 2019
3. Member of Governance Committee
4. Member and Chair of the Audit Committee
5. Member of the Audit Committee
6. Member and Chair of Governance Committee
7. Resigned from the Council on June 25, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The following information provides a summary review of the operations and results of the Council for the

**supra* note 9, at page 14

year ended October 31, 2019. 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 Council incurred a nominal excess of expenses over revenue of $2,034 in 2019 compared to an excess of revenue over expenses of $3,274 in 2018. The Council net assets amounted to $957,693 at October 31, 2019 compared to $959,727 at October 31, 2018.

The operating costs of the Council are entirely funded by annual assessment fees charged to CPA Ontario. There is no financial support from the Government of Ontario. The annual assessment fees are based on the estimated operating expenses of the Council adjusted for an amount to maintain net assets of approximately 50% of estimated annual operating expenses. These assessment fees were set at $1,180,000 in 2019 ($1,075,000 in 2018).

The other regular source of revenue is interest income earned from investments, amounting to $20,102 ($11,711 in 2018).

In addition to the annual assessment fees, Council Standards assessments costs of $242,623 in ($377,823 in 2018*)* 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, the proposed revisions to the CPA Canada Competency Map and the costs to complete the Triennial Review of the operations of CPA Ontario for the three-year period ended October 31, 2018.

The main expenses relating to the other operations of the Council are salaries and benefits of $686,394 ($640,988 in 2018), legal advisory of $132,903 ($127,950 in 2018), office rent of $124,512 ($114,915 in 2018) and Council fees, travel and meetings expenses amounting to $37,370 ($38,860 in 2018). The amount of these latter costs is directly related to the number and length of Council and committee meetings held during the year.

Council Standards costs increased to $111,129 in 2019 from $43,037 in 2018 due to the completion of the updating of the Council Standards and costs for travel related to attendance at international meetings.

Legal and investigative costs for hearings and prosecutions decreased to $15,627 in 2019 from $17,565 in 2018 mainly for costs related to section 22 proceedings. One prosecution under section 13 of the Act was successfully completed in 2019.

Office costs for general administrative matters declined to $27,854 in 2019 from $35,710 in 2018.

Cash Flow and Liquidity

The Council's cash flow from operating activities decreased by $113,626 (compared to a decrease of $391,999 in 2018). The details for these amounts are set out in the Statement of Cash Flows. The cash flow from investing activities increased cash by $81,124 in 2019 compared to a decrease of $11,132 in 2018. These changes decreased the Cash and Equivalents from $110,410 in 2018 to $77,908 in 2019.

As at the fiscal year-end, the Council had $970,701 ($1,082,843 in 2018) in cash and investments.

The Council's net assets are $957,693 in 2019 ($959,727 in 2018).

Council invests in interest-bearing debt obligations of or guaranteed by a Federal or Provincial government of Canada or by a Canadian chartered bank that meet certain specified eligibility criteria.

Financial Outlook

The Council has approved an operating budget, excluding Standards assessments, of $1,270,000 for the 2020 fiscal year, $10,000 less than the operating budget that was approved for the 2019 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. During the year, the Audit Committee also conducted a comprehensive evaluation of the audits of the Council's Financial Statements between 2014 and 2018 with the recommendation that Tinkham LLP continue as the external auditor.

Signed: "Keith Bowman"	Signed: "Gavin J. Tighe"
Keith Bowman Chief Executive Officer	Gavin J. Tighe Chair

Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL
FOR THE PROVINCE OF ONTARIO

October 31, 2019

TINKHAM LLP | CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To The Public Accountants Council for the Province of Ontario

Opinion

We have audited the financial statements of The Public Accountants Council for the Province of Ontario ("the Council"), which comprise the balance sheet as at October 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at October 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Council's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

TORONTO, Ontario

December 10, 2019

Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Balance Sheet

As at October 31		**2019**		2018
Assets				
Current assets				
Cash	**$**	**77,908**	$	110,410
Prepaid expenses		**16,999**		16,892
		94,907		127,302
Investments (note 3)		**892,793**		972,433
Capital assets (note 4)		**111,155**		147,233
	$	**1,098,855**	$	1,246,968
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 5)	**$**	**52,896**	$	97,035
Due to CPA Ontario		**88,266**		190,206
		141,162		287,241
Net Assets		**957,693**		959,727
	$	**1,098,855**	$	1,246,968

Commitment (note 6)

On behalf of the Council:

Signed: Gavin Tighe

Signed: Laura Hantho

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		**2019**		2018
Revenues				
CPA Ontario assessment fees	**$**	**1,180,000**	$	1,075,000
Recovery of Standards assessment expenses		**242,623**		377,823
Investment income		**20,102**		11,711
		1,442,725		1,464,534
Expenses				
Salaries and benefits		**686,394**		640,988
Standards assessments		**242,623**		377,823
Legal advisory		**132,903**		127,950
Rent		**124,512**		114,915
Standards		**111,129**		43,037
Council fees, travel and meetings		**37,370**		38,860
Amortization		**36,079**		38,688
Office		**27,854**		35,710
Legal and other costs of hearings and prosecutions		**15,627**		17,565
Audit		**12,848**		10,825
Insurance		**12,577**		12,457
Consultants		**4,843**		2,442
		1,444,759		1,461,260
Excess (deficiency) of revenues over expenses for the year		**(2,034)**		3,274
Net assets, beginning of year		**959,727**		956,453
Net assets, end of year	**$**	**957,693**	$	959,727

See accompanying notes to financial statements.

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

Year ended October 31	**2019**	2018
Operating activities:		
Cash received from CPA Ontario for assessment fees	**$ 1,055,000**	$ 615,000
Cash received for recovery of assessment expenses	**265,683**	380,620
Cash received from investment income	**18,618**	11,711
Cash paid for operating expenses	**(1,452,927)**	(1,399,330)
Net cash used by operating activities	**(113,626)**	(391,999)
Investing activities:		
Cash received (paid) from sale (purchase) of investments (net)	**81,124**	(11,132)
Cash paid to purchase capital assets	**-**	(18,024)
Net cash provided (used) by investing activities	**81,124**	(29,156)
Decrease in cash	**(32,502)**	(421,155)
Cash, beginning of year	**110,410**	531,565
Cash, end of year	**$ 77,908**	$ 110,410

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.

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 Authorized Designated Body thereunder. CPA Ontario is responsible to fund the activities of the Council and to license and govern the activities of its members as public accountants in Ontario.

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 CPA Ontario must meet in order to be authorized to license and govern the activities of its members as public accountants;

Overseeing CPA Ontario's continuous compliance with the Council's standards since it has been authorized to license and govern the activities of its members as public accountants; and

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

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 CPA Ontario to fund the activities 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 standards of CPA Ontario 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)

Interest income, which is recognized as earned, and realized and unrealized gains and losses based on quoted market prices, are recorded as investment income 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		**2019**		2018
Government of Canada savings bond, interest fixed at 1.47%, due September 15, 2020	**$**	**636,686**	$	-
Province of British Columbia savings bond, interest fixed at 1.75%, due July 9, 2021		**155,258**		-
Province of Manitoba savings bond, interest fixed at 1.83%, due March 5, 2021		**100,849**		-
Ontario savings step up bond, interest at 1.25% initially and increasing to 2.50%, due June 21, 2019		**-**		551,785
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
	$	**892,793**	$	972,433

Council invests in interest-bearing debt obligations of or guaranteed by a Federal or Provincial government 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		**2019**		2018
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Furniture and equipment	**$ 102,901**	**$ 81,021**	$ 102,901	$ 67,736
Leasehold improvements	**153,857**	**64,582**	153,857	41,789
	$ 256,758	**$ 145,603**	$ 256,758	$ 109,525
Net book value		**$ 111,155**		$ 147,233

5 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are Employer Health Tax payable and payroll withholding taxes payable totaling $18,378 (2018 - $21,074).

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 four years are $55,640 per annum, excluding HST.

The minimum annual lease payment, plus the Council's proportionate share of realty taxes and operating expenses for 2020 will be approximately $104,385, excluding HST.

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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