ANNUAL REPORT 2020

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 (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 appoints five Council Members.[1] 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 has been 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[2].

Proposed Steps to Wind Down the Council

An initial review of the mandate of the Council was completed by the Government, as of May 2016. This review included engaging the consulting firm of Promontory Financial Services Group Canada

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[1] The size of the Council is prescribed by Ontario Regulation 238/05 as amended

[2] Hereinafter in this report, references to Designated Bodies or Authorized Designated Bodies will be to CPA Ontario

(Promontory) to undertake a study of the future role of the Council. The report from Promontory was delivered in March 2015 and included recommendations to continue the mandate of the Council and to review it again in or about 2019 after the then recently completed unification of the three authorized designated accounting bodies had settled. It was subsequently determined that this further review was not necessary.

In 2019, Council proposed to the Ministry of the Attorney General (Ministry) that the Council would no longer oversee the development and maintenance of professional education and examination Standards for public accountants. This proposal was made based on significant changes that occurred in the public accounting profession in the past few years. These changes included:

- the completion of the unification of the three authorized designated accounting bodies into CPA Ontario when the Ontario government enacted the *Chartered Professional Accountants of Ontario Act, 2017* (CPA Act) on May 17, 2017. Subsequent to this, CPA Ontario's post - unification standards for education, experience and examination programs were assessed as being substantially equivalent to the Council standards;

- as of September 1, 2019, with the windup of the Public Accountant's Board of Nova Scotia, there was no other provincial regulatory body in Canada carrying out a public accounting regulatory role as done by the Council; and

- Council was of the view that it was reasonable to contend that the needs of users of public accounting in Ontario were being met. The Council receives very few requests for further reviews of disciplinary decisions on public accounting matters; 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.

Since 2019, Council has continued to work with the Ministry and CPA Ontario to act on the proposal to change Council's role.

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 2020 fiscal year (November 1, 2019 - October 31, 2020) and up to the date (December 8, 2020) when the Council approved this Annual Report were:

The Changing Role for the Council

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 recent years, however, and as described on Page 3 of this report, the public accounting environment that Council was established to oversee for Ontario has undergone significant change, leading to a proposed change in the responsibility for public accounting standards in Ontario. During 2020, the Council has been working with the Ministry and CPA Ontario to accomplish this change in responsibility.

Current Activities and Status of Public Accounting Standards

In 2019, the Council essentially completed its work to satisfy itself that the post-unification standards for education, experience and examination were substantially equal to those of the Council. In consultation with the Ministry and in anticipation of the pending changes outlined above, no further similar work has been performed by the Council in 2020.

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, CPA Canada, along with the provincial bodies of Charted Professional Accountants have continued 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.

In 2018, CPA Ontario conducted a major review and overhaul of its bylaws and regulations following unification 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 and approved by the Minister in November, 2019.

Monitoring and Oversight of CPA Ontario

The Council is required under the Act to conduct reviews of the operations of CPA Ontario 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 Certified General Accountants Association of Ontario (CGAO) and Certified Management Accountants of Ontario (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.

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 report dated August 17, 2020 for the CPA Ontario fiscal year ended October 31, 2019, 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. To date, there has been no reason to conduct a special review.

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*.

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 reserved 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:

	2020	2019	2018
Complaints outstanding at beginning of year	-	-	1
New complaints received during the year	-	1	-
Complaints resolved, including through voluntary undertakings	-	-	-
Complaints resolved through private prosecution	-	1	1
Complaints outstanding at end of year	-	-	-

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 2020 fiscal year the Council received three requests for a *section 22* review. Following the appropriate review and discussion of the three complaints, the Council determined that two of the complaints did not involve public accounting and one complaint did not warrant a request that CPA Ontario investigate it more fully. As reported in previous annual reports and on page 3 of this Annual Report, the occurrence of complaints has remained at quite low levels.

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 be 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. In addition, Council carries appropriate Directors' and Officers' indemnification and insurance
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 perceived by the public to have not been 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 their 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 2020
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	No prosecutions required
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 on a timely basis
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
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 (CPA 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.

As of the date of this report, and with the concurrence of the Ministry and CPA Ontario, the size of the Council has informally been reduced to five members appointed by the Lieutenant Governor in Council and four by Chartered Professional Accountants of Ontario. There is currently one vacancy among the Members appointed by the Lieutenant Governor in Council.

Appointment of the Chair and Vice-Chair

Gavin J. Tighe was appointed as Chair of the Council effective September 26, 2018 for a two-year term. Mr. Tighe is eligible for reappointment for one more two-year term as Chair. In accordance with the provisions of subsection 26 (2) of the Act, he continues to serve as Chair of the Council until his successor is appointed. 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, which have been conducted annually in the past, were not completed for this past year.

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.

COUNCIL MEMBERS DURING 2020 FISCAL YEAR

Members Appointed by the Lieutenant Governor in Council

Name	Member of Council Since	Term Expires	Remuneration paid in 2020
Gavin J. Tighe Senior Partner Gardiner Roberts LLP Barristers and Solicitors (Toronto, Ontario)	September 26, 2018	September 25, 2020	$166,666.00
William Greenhalgh Chief Executive Officer and President of Stratx Inc. (Toronto, Ontario)	December 4, 2013	December 5, 2022	$5,000.00
Laura Hantho Advisor (Toronto, Ontario)	August 28, 2013	December 11, 2020	$3,500.00
Shoba Khetrapal Corporate Director (Toronto, Ontario)	December 3, 2008	December 20, 2020	$3,500.00

Members Appointed by Chartered Professional Accountants of Ontario

Name	Member of Council Since	Term Expires	Remuneration paid in 2020
Christie Henderson, FCPA, FCA, LPA, CFP, TEP Managing Partner Henderson Partners LLP (Oakville, Ontario)	November 1, 2016	December 31, 2021	$3,500.00
Naveen Kalia, CPA, CA, LPA Partner Group Leader Financial Institutions Audit Practice KPMG (Toronto, Ontario)	November 1, 2016	October 31, 2021	$3,500.00
Blake Mercer, FCPA, FCGA, C. Dir Partner Mercer and Mercer (Milton, Ontario)	November 1, 2014	December 31, 2021	$3,500.00
William Molson, CPA, CA, CMA, LPA Sole Proprietor (Toronto, Ontario)	November 1, 2016	October 31, 2021	$2,100.00

Shoba Khetrapal's over twelve years of service on the Council will end on December 20, 2020. During her term she served as Vice - Chair of the Council for the maximum allowed time from 2012 to 2017. Ms. Khetrapal was also a Member of the Audit Committee from 2009 to 2013 and has been a Member of the Governance Committee from 2013 and the Chair of that Committee since 2017.

Council wishes to take this opportunity to thank and recognize Ms. Khetrapal for her leadership, tireless efforts and dedication to the advancement of the Council's mission.

Laura Hantho was first appointed to the Council in August 2013. Her term on the Council will end on December 11, 2020. Since 2015, Ms. Hantho has been a Member of the Audit Committee and appointed as Chair of that Committee in 2019.

Council wishes to thank Ms. Hantho for her stewardship, diligence and important contributions to the affairs of the Council.

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, 2020:

Council	3
Audit Committee	2
Governance Committee	2

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, 2020:

Member	Council Meetings Attended (The March and June meetings were combined)	Audit Committee Meetings Attended	Governance Committee Meetings Attended
Gavin Tighe[1, 2]	3 of 3	2 of 2	2 of 2
William Greenhalgh[2]	3 of 3		2 of 2
Laura Hantho[3]	3 of 3	2 of 2	
Christie Henderson[2]	3 of 3		2 of 2
Naveen Kalia[5]	3 of 3	2 of 2	
Shoba Khetrapal[4]	3 of 3		2 of 2
Blake Mercer[2]	3 of 3		2 of 2
William Molson	3 of 3		

1. Member of Governance Committee. Although not a Member of the Audit Committee, the Chair of Council attends the meetings of each Committee
2. Member of Governance Committee
3. Member and Chair of the Audit Committee
4. Member and Chair of the Governance Committee
5. Member of Audit Committee

MANAGEMENT DISCUSSION AND ANALYSIS

The following information provides a summary review of the operations and results of the Council for the year ended October 31, 2020. 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 earned an excess of revenue over expenses of $51,779 in 2020 compared to an excess of expenses over revenue of $2,034 in 2019. The Council net assets amounted to $1,009,472 at October 31, 2020 compared to $957,693 at October 31, 2019.

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 $1,060,000 in 2020 ($1,180,000 in 2019).

The other regular source of revenue is interest income earned from investments, amounting to $21,006 ($20,102 in 2019).

In addition to the annual assessment fees, Council Standards assessments costs of $11,983 in 2020 ($242,623 in 2019*)* 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. In 2019, there were also costs assessed for 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 $657,879 ($686,394 in 2019), legal advisory of $116,765 ($132,903 in 2019), office rent of $118,568 ($124,512 in 2019) and Council fees, travel and meetings expenses amounting to $26,376 ($37,370 in 2019). 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 decreased to $9,228 in 2020 from $111,129 in 2019 due to the substantial completion of the updating of the Council Standards in 2019 and reduced costs in 2020 for travel related to attendance at international meetings.

Legal and other costs of hearings and prosecutions decreased to $9,624 in 2020 from $15,627 in 2019. There were no prosecutions required in 2020 (one in 2019).

Office costs for general administrative matters declined to $24,104 in 2020 from $27,854 in 2019.

Cash Flow and Liquidity

The Council's cash flow from operating activities increased by $176,654 (compared to a decrease of $113,626 in 2019). The details for these amounts are set out in the Statement of Cash Flows. The cash flow from investing activities increased cash by $241,414 in 2020 compared to an increase of $81,124 in 2019. These changes increased the Cash and Equivalents to $495,976 in 2020 from $77,908 in 2019.

The Council's net assets are $1,009,472 in 2020 ($957,693 in 2019).

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 remains in a strong financial position for the upcoming year.

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 2019, the Audit Committee 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"

Keith Bowman
Chief Executive Officer

Signed: "Gavin J. Tighe"

Gavin J. Tighe
Chair

Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL
FOR THE PROVINCE OF ONTARIO

October 31, 2020

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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, 2020, 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, 2020, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Council is awaiting announcement from the Attorney general regarding its future operations. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Council's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

LLP

TORONTO, Ontario
December 8, 2020

Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at October 31		**2020**		2019
Assets				
Current assets				
Cash	**$**	**495,976**	$	77,908
Short term investments (note 4)		**263,050**		636,686
Prepaid expenses		**17,598**		16,999
		776,624		731,593
Investments (note 4)		**406,963**		256,107
Capital assets (note 5)		**78,682**		111,155
	$	**1,262,269**	$	1,098,855
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	**$**	**42,797**	$	52,896
Due to CPA Ontario		**210,000**		88,266
		252,797		141,162
Net Assets		**1,009,472**		957,693
	$	**1,262,269**	$	1,098,855

Commitment (note 7)

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

Statement of Operations and Changes in Net Assets

Year ended October 31	**2020**	2019
Revenues		
CPA Ontario assessment fees	**$ 1,060,000**	$ 1,180,000
Recovery of Standards assessment expenses	**11,983**	242,623
Investment income	**21,006**	20,102
	1,092,989	1,442,725
Expenses		
Salaries and benefits	**657,879**	686,394
Rent	**118,568**	124,512
Legal advisory	**116,765**	132,903
Amortization	**34,845**	36,079
Council fees, travel and meetings	**26,376**	37,370
Office	**24,104**	27,854
Insurance	**12,981**	12,577
Audit	**12,848**	12,848
Standards assessments	**11,983**	242,623
Legal and other costs of hearings and prosecutions	**9,624**	15,627
Consultants	**6,009**	4,843
Standards	**9,228**	111,129
	1,041,210	1,444,759
Excess (deficiency) of revenues over expenses for the year	**51,779**	(2,034)
Net assets, beginning of year	**957,693**	959,727
Net assets, end of year	**$ 1,009,472**	$ 957,693

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

Year ended October 31	**2020**	2019
Operating activities:		
Cash received from CPA Ontario for assessment fees	**$ 1,170,000**	$ 1,055,000
Cash received for recovery of assessment expenses	**23,717**	265,683
Cash received from investment income	**-**	18,618
Cash paid for operating expenses	**(1,017,063)**	(1,452,927)
Net cash provided (used) by operating activities	**176,654**	(113,626)
Investing activities:		
Cash received (paid) from sale (purchase) of investments (net)	**243,786**	81,124
Cash paid to purchase capital assets	**(2,372)**	-
Net cash provided by investing activities	**241,414**	81,124
Increase (decrease) in cash	**418,068**	(32,502)
Cash, beginning of year	**77,908**	110,410
Cash, end of year	**$ 495,976**	$ 77,908

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 Material uncertainty related to going concern

There is material uncertainty related to the use of the going concern basis of presentation for the financial statements as the Council is anticipating announcement from the Ministry of the Attorney General subsequent to the issuance of these financial statement which may terminate, transfer or assign the Council's mandated operations. As such, the Council may be required to wind-up operations within the next reporting period.

These financial statements do not include costs to liquidate assets of the Council, settle contingent liabilities or future administrative costs and professional fees to wind-up the activities of Council. Future costs will be incurred up to date of wind up. These costs will include insurance coverage, legal fees, employee termination expenses and other operating costs up to date of wind up and may include lease termination expenses for the lease commitment described in note 7. Future investment income is expected to be earned on investments.

3 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

When conditions indicate a capital asset no longer contributes to the Council's ability to provide services or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount, its net carrying amount is written down to its fair value or replacement cost.

3 Significant accounting policies, continued

(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.

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.

4 Investments

As at October 31		**2020**		2019
Government of Canada savings bond, interest fixed at 1.47%, due September 15, 2020	**$**	**-**	$	636,686
Province of Manitoba savings bond, interest fixed at 1.83%, due March 5, 2021		**103,258**		100,849
Province of British Columbia savings bond, interest fixed at 1.75%, due July 9, 2021		**159,792**		155,258
Province of British Columbia savings bond, interest fixed at 0.39%, due July 9, 2022		**299,013**		-
Province of Alberta savings bond, interest fixed at 1.83% due December 1, 2022		**107,950**		-
	$	**670,013**	$	892,793
Less: current portion		**263,050**		636,686
Long-term investments	**$**	**406,963**	$	256,107

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.

5 Capital assets

As at October 31		**2020**				2019		
		Cost		**Accumulated Amortization**		Cost		Accumulated Amortization
Furniture and equipment	**$**	**105,273**	**$**	**93,072**	$	102,901	$	81,021
Leasehold improvements		**153,857**		**87,376**		153,857		64,582
	$	**259,130**	**$**	**180,448**	$	256,758	$	145,603
Net book value			**$**	**78,682**			$	111,155

6 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are Employer Health Tax payable and payroll withholding taxes payable totaling $18,370 (2019 - $18,378).

7 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 three 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 2021 will be approximately $117,845, excluding HST.

8 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.

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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