

**Public Accounting Licence Requirements for Assurance Engagements Specified in the *CICA Handbook -- Assurance***  
**Update: May, 2009**

Various sections in the *CICA Handbook – Assurance* that refer in some manner to the preparation of some form of report are listed below, along with: a brief description on type of report or output produced; the standards followed; who determines the procedures to be followed (auditor or client); whether the report is special purpose or general purpose, and if special purpose, whether there are third party users (whether specified or not).

The general rule for determining whether licensing of the lead engagement partner is required is whether a report is prepared in connection with a financial statement or any part of a financial statement (see “Output”), and whether the possibility exists of third party use or reliance; if in doubt, the decision should be in favor of licensing. Note, however, that licensing may not be required in circumstances when a report is prepared in connection with financial reporting or information in some other respect, such as compliance report on various systems, or when a report is prepared for restricted purposes for an “engaging party” other than management or shareholders who may or may not have access to information, notwithstanding that the report may still end up in the public domain. For some of these engagements a licence may still be recommended. The practitioner must use judgment based on facts in a particular situation.

The requirements for other sections in the *CICA Handbook - Assurance* where there are reporting requirements are provided in the following Appendices:

- A) Types of Assurance Engagements Where a Licence May Be Required
- B) Types of Assurance Engagements Ancillary to Engagements Where a Licence Is Required
- C) Types of Assurance Work Where a Licence Is Not Required

Note that amendments are periodically introduced to the licensing requirements, which may change the requirements noted below.

The engagements noted in the following table and the attached Appendices generally qualify as providing public accounting experience in a recognized capacity (that is, in a substantive way, per the Public Accountants Council (PAC)'s requirements for licensees to practice public accounting); note the distinction made in respect of compilations described in note (3).

**Abbreviations:**    **Cdn:** Canadian    **GAAP:** generally accepted accounting principles    **GAAS:** generally accepted auditing standards    **GAS:** generally accepted standards

Description		Output	How work determined (auditor/ client)	Reliance by others	Licence (Y/N) (1)
<b>GENERAL ASSURANCE AND AUDITING</b>					
<b>5400</b>	<b><i>The auditor’s standard report:</i></b> Opinion on whether general purpose financial statements prepared in accordance with generally accepted accounting principles (GAAP)	Opinion on financial statements	Auditor determines. Follow Cdn GAAS.	General purpose. Third party reliance.	<b>Y</b>
<b>5600</b>	<b><i>Auditor’s report on financial statements prepared using a basis of accounting other than GAAP:</i></b> Similar to 5400 except financial statements prepared on basis other than GAAP	Opinion on financial statements	Auditor determines. Follow Cdn GAAS.	Not general purpose. To be relied upon by specified users, who are likely third parties (2).	<b>Y</b>
<b>REVIEW ENGAGEMENTS</b>					
<b>8200</b>	<b><i>Public accountant’s review of financial statements:</i></b> Opinion on whether general purpose financial statements prepared in accordance with generally accepted accounting principles (GAAP)	Opinion on financial statements	Public accountant determines testing. Follow GAS for review engagements.	May be general purpose or may be addressed to specific users (who are likely third parties).	<b>Y</b>

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Description		Output	How work determined (auditor/ client)	Reliance by others	Licence Y/N (1)
<b>RELATED SERVICES</b>					
<b>9200</b>	<b>Compilation engagements</b> a) <i>Prepared in respect of historical statements</i> -Financial statements compiled based on information provided by management	Report with no opinion expressed	Standards applicable to compilation engagements	Could be third party users (3)	N (3)
	b) <i>Forecast or proforma financial statements:</i> See Section 7115.13 (re compilation report on proforma financial statements), which may be required for a securities offering, and AuG-6 “ <i>Examination of a financial forecast or projection included in a prospectus or other public offering document</i> ” - Third parties may request forecast version, eg. cash flow forecast prepared for bank. See also AuG-16 “ <i>Compilation of a financial forecast or projection</i> ”.	Report with no opinion expressed	Standards applicable to compilation engagements	Could be third party users (3).	N (3)
<b>PUBLIC SECTOR: Audits of Election Candidates</b>					
	Ontario Municipal Elections Act	Opinion	Auditor determines.	Third party reliance.	Y
	Ontario Election Finances Act	Opinion	Auditor determines.	Third party reliance.	Y
	Canada Elections Act	Opinion	Auditor determines.	Third party reliance.	N

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**TYPES OF ASSURANCE ENGAGEMENTS WHERE A LICENCE MAY BE REQUIRED**

**APPENDIX A**

Users are determined by terms of engagement. Each situation needs to be evaluated based on its own merits.

Description		Output	How work determined (auditor/ client)	Reliance by others
<b>5805</b>	<b><i>Audit report on financial information other than financial statements:</i></b> Financial information may or may not be in accordance with GAAP, but could be a basis set out in a contract, regulation, etc.	Opinion on financial information	Auditor determines. Follow Cdn GAAS.	Special purpose report. May address to client or “engaging party”. May be third party users.
<b>5815</b>	<b><i>Audit report on compliance with agreements, statutes and regulations:</i></b> Reporting in accordance with criteria established therein. Should only be given when matters are within professional competence of the auditor. May be included in some cases with auditor’s report accompanying the financial statements.	Opinion re compliance	Auditor determines. Follows Cdn GAAS.	Special purpose report. May address to client or “engaging” party. May be third party users.
<b>7600</b>	<b><i>Reports on the application of accounting principles.</i></b> Management or others may consult with other than the incumbent accountant on the application of accounting principles to certain specific (not hypothetical) transactions and/ OR on the type of opinion that may be rendered.	“Reporting accountant” (ie. not the incumbent accountant) issues report	Standards per 7600.08: Require adequate training and proficiency in subject matter, proper planning and supervision.	Specific purpose. Specified users. Address to reporting entity. May be third parties users.
<b>8500</b>	<b><i>Review of financial information other than financial statements:</i></b> Financial information may or may not be in accordance with GAAP; but could be a basis set out in a contract, regulation, etc.	Opinion on financial information	Public accountant determines. Follow GAS for review engagements.	Special purpose report. May address to client or engaging party. May be third party users.
<b>8600</b>	<b><i>Reviews of compliance with agreements and regulations:</i></b> Similar to 8200 except financial statements prepared on basis other than GAAP	Opinion on financial statements	Public accountant determines. Follow GAS for review engagements.	Not general purpose. May address to client or engaging party. May be third party users.

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**TYPES OF ASSURANCE ENGAGEMENTS ANCILLARY TO ENGAGEMENTS WHERE A LICENCE IS REQUIRED**

**APPENDIX B**

The following is a list of sections describing types of assurance work conducted by auditors in conjunction with financial statement audits, which may require a separate form of communication. The lead engagement partner of the financial statement audit who provides these services is required to be licensed; however, in some situations the auditors can use the work of others (for instance, see Section 5925), while maintaining overall responsibility.

	<b>Description</b>	<b>Output</b>	<b>How work determined (auditor/ client)</b>	<b>Reliance by others</b>
<b>5925</b>	<b><i>An audit of internal control over financial reporting that is integrated with an audit of financial statements</i></b> Prepared by entity’s auditor, unless precluded by independence or otherwise. Test both design and operating effectiveness of controls over relevant assertions of significant accounts and disclosures. <b>Auditor may use the work of others (eg. internal audit) to reduce extent of work otherwise performed (5925.26)</b>	Opinion on effectiveness of entity’s internal control over financial reporting	Auditor determines procedures, and uses same materiality considerations used in planning audit of financial statements.	Special report. Can be third parties users.
<b>7050</b>	<b><i>Auditor review of interim financial statements:</i></b> Not conducting an audit. Scope is limited to a review to assist audit committee or another body within entity. Normally disclaim any obligation to any third party, but entity or securities legislation may require inclusion in a public document. Similar to Sec 8200.	Review report, similar to section 8200 (except not an audit)	Audit Committee determines nature and extent of work. Follow standards for this type of engagement.	Prepared for Audit committee. Not general purpose. May be part of public document.
<b>7110</b>	<b><i>Auditor involvement with offering documents of public &amp; private entities:</i></b> Auditor may provide consent to use in offering document of a report (audit or review) on financial statements, or on other information such as a forecast; or any other report that securities legislation may require.	Consent for audit report to be included in offering document	Follow Cdn GAS standards for this type of engagement.	Prepared to include in an offering document; to assist third party investors
<b>7115</b>	<b><i>Auditor involvement with offering documents of public and private entities – current legislative &amp; regulatory requirements:</i></b> Sets out responsibilities incremental to those in Section 7110, which prevail under current legislative and regulatory requirements. Consent and comfort letters on audited financial statements include a disclaimer re third parties.	Consent + comfort letter. And/or Compilation report on pro forma financial statements	Follow Cdn GAS standards for this type of engagement.	Address to regulatory authorities; disclaimer re use by third parties; these letters can be public.
<b>7200</b>	<b><i>Auditor assistance to underwriters and others [re security offering]:</i></b> Auditor may be asked to provide comfort letters on unaudited financial statements; to report on application of specific procedures to selected items of a financial nature that are included in or incorporated by reference in offering document, and/or to attend due diligence meetings.	Comfort letter(s), if required, to be issued in accordance with Section 7110	May state that audit not performed and may not otherwise refer to standards.	Specific purpose. Addressed to party requesting comfort (eg. underwriter) and to directors of issuer.
<b>AuG-13</b>	<b><i>Special reports on regulated financial institutions</i></b> a) Derivative report prepared in addition to report on financial statements to shareholders (very limited application - see also AuG-17 which relates to certain transactions reportable under the well-being reporting requirement) b) Non-derivative report whereby carry out additional procedures	Derivative report [very limited application]  May be an opinion	Not opining on matters specified in legislation; no additional audit procedures  Regulation may specify	Special report may be addressed to regulator  May report to regulator
<b>AuG-25</b>	<b><i>Auditor’s report on summarized financial statements</i></b> See comments under section 5400	Opinion	Auditor specifies.	Third party reliance

For notes, refer to page 7

**TYPES OF ASSURANCE WORK WHERE A LICENCE IS NOT REQUIRED**

**APPENDIX C**

**1) PUBLIC SECTOR COMPLIANCE AND VALUE FOR MONEY AUDITS (note (4))**

By their nature, these forms of engagement do not requiring licensing as they do not involve preparing a report in connection with a financial statement or any part of a financial statement. Other Acts governing the public sector entity, however, may still require the work to be performed by a licensed public accountant.

Description		Output	How work determined (auditor/ client)	Reliance by others
PS 5300	<i>Auditing for compliance with legislative and related authorities in the Public Sector</i>	Opinion	Auditor determines.	Third party reliance.
PS 5400	<i>Value-for-Money Auditing in the Public Sector</i> See Public Sector Handbook. See also the applicable Act(s).	Opinion	Auditor determines.	Third party reliance.

**2) RELATED ENGAGEMENTS FOR WHICH A LICENCE IS NOT REQUIRED (note (5))**

Description		Output	How work determined (auditor/ client)	Reliance by others
5030	<i>Quality control: Engagement file quality reviews</i> Required for financial statement audits of public enterprises, and others as determined necessary. Involves an objective evaluation of significant judgments, conclusions, and other matters identified during engagement.	Ideally a written assessment	May be specified by person requesting the review or by EFQ reviewer, who may or may not be internal to firm.	Not general purpose. Used by person conducting the review.
5030	<i>Quality control: Monitoring</i> Review of policies and procedures relating to system of quality control	Ideally a written assessment	Determined by monitor (internal or external).	Used by firm being monitored.
5970	<i>Auditor’s reports on controls at a service organization</i> Issuing reports on processing of transactions by a service organization for use by user organization and their auditors. Need to meet certain aspects of assurance standards. Two types of reports may be issued: (a) Reports on controls placed in operation; (b) Reports on controls (see (a)) and tests of operating effectiveness of controls.	Opinion on either (a) or (b) as noted under “Description”	Both service organization and service auditor have responsibilities. Follow standards for audits of controls at a service organization.	Not general purpose. Relied upon by users and their auditors (per 5970.01), not third parties.
9100	<i>Report on results of applying specified auditing procedures to financial information other than financial statements:</i> Not assurance since not applying all procedures that may be required in audit or review.	Report on application of specified auditing procedures	Client specifies procedures, not public accountant.	Special report. Can be third parties users.
9110	<i>Agreed upon procedures regarding internal control over financial reporting:</i> Not assurance since not applying all procedures that may be required in audit or review.	Report on application of specified auditing procedures	Client specifies procedures, not public accountant.	Special report. Can be third parties users.

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**TYPES OF ASSURANCE WORK WHERE LICENCES NOT REQUIRED (continued)**

**APPENDIX C**

<p><b>Sys-Trust™ and Web-Trust™</b></p>	<p><b>Various types of reports on management assertions or on specific subject matter identified in engagement. (6)</b>                  For example, reports may be issued on: effectiveness of controls (to achieve criteria); effectiveness of controls and compliance with criteria; suitability of design of system controls (pre-implementation); one or more (not all) of Trust Services principles: security; availability; processing integrity; online privacy; confidentiality.</p>	<p>Opinion related to controls. A Sys-Trust™ and/or Web-Trust™ seal may be issued for client use when report unqualified</p>	<p><i>Trust Services Principles and Criteria</i> (as issued by the Assurance Services Development Board) are used to determine scope of work.</p>	<p>Special purpose. Normally engaging party is the client. Can be used by various interested parties.</p>
<p><b>TPSP audit</b></p>	<p><b><i>Audit of controls at a third party service provider (TPSP) (6)</i></b>                  May be required in order to be able to issue a SysTrust or WebTrust report/seal for a particular client. Incorporates certain aspects of Section 5970, but deals with operating effectiveness of controls.</p>	<p>Opinion on reliability of controls over contracted TPSP services. May include details of testing and description of controls.</p>	<p>Determined based on needs of client. Controls to be evaluated within framework of <i>Trust Services Principles and Criteria</i>.</p>	<p>Restricted users. Normally used by TPSP's management, customers, and their auditors.</p>

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## Notes to Tables Outlining Public Accounting Licence Requirements for Assurance Engagements

- (1) **There is an exemption, under certain conditions, to the requirement to be licensed for those who provide public accounting services without reward.** The relevant sections of the *Public Accounting Act, 2004* (the "Act") are provided below. See also note (4).

Per Section 2 "Public accounting services" of the Act,

"(1) For the purposes of this Act and subject to any limitations that are prescribed, the practice of public accounting means providing, on a basis that is independent of the person for whom the services are being provided, either of the following services:

1. Assurance engagements, including an audit or review engagement, conducted with respect to the correctness, fairness, completeness or reasonableness of a financial statement or any part of a financial statement or any statement attached to a financial statement, if it can reasonably be expected that the services will be relied upon or used by a third party.
2. Subject to subsection (3), compilation services, if it can reasonably be expected that all or any portion of the compilations or associated materials prepared by the person providing the services will be relied upon by a third party.

(2) Assurance engagements described in paragraph 1 of subsection (1) may or may not include the rendering of an opinion or other statement by the person who is providing the services.

(3) If the compilations or associated materials prepared by the person in providing compilation services that otherwise fall within paragraph 2 of subsection (1) contain a notice in the prescribed form that provides that any assurance given by the person is limited to the accuracy of the computations required in order to complete the compilation, the provision of the compilation services does not constitute public accounting for the purposes of this Act."

Per Section 4 "Limitation on public accounting services" of *Ontario Regulation 238/05* to the Act, "For the purpose of section 2 of the Act [see above], the practice of public accounting does not include providing any of the services listed in that section, if they are provided without reward,

- (a) by a person who is a member of a professional accounting body that administers a process for addressing public complaints against its members and who is insured against professional liability; and
- (b) on a basis that is independent of the person for whom the services are being provided."

- (2) As noted in section 5600.05, the auditor cannot control to whom an entity distributes financial statements. Broad distribution of reports prepared for specified users does not make them general purpose; however, the auditor's report needs to clearly state the purpose of the financial statements and specified users in the event of possible wide distribution of such financial statements.
- (3) The *CICA Handbook- Assurance* section 9200 describes certain circumstances when management is the user of the information in a compilation engagement. The Act, however, only considers licensing requirements for compilation services, as noted in paragraph 2 of Section 2(1), "if it can reasonably be expected that all or any portion of the compilations or associated materials prepared by the person providing the services will be relied upon by a third party". A public accounting license is not required for those compilation engagements described by this Section, if as noted in Section 2(3), "If the compilations or associated materials prepared by the person in providing compilation services that otherwise fall within paragraph 2 of subsection (1) contain a notice in the prescribed form that provides that any assurance given by the person is limited to the accuracy of the computations required in order to complete the compilation, the provision of the compilation services does not constitute public accounting for the purposes of this Act." A public accounting **licence must be held** if a compilation engagement is performed **without** the prescribed notice to reader wording, if it can be reasonably expected that all or any portion of the compilation or associated materials will be relied upon or used by a third party.

Note that the chargeable hours spent on a compilation engagement in respect of which it can be reasonably expected that all or any portion of the compilation or associated materials will be relied upon or used by a third party would qualify as providing public accounting experience in a recognized

capacity (that is, "in a substantive way", per the PAC's requirements for licensees to practise public accounting). Chargeable hours incurred on compilation engagements prepared where there is no reasonable expectation of third party reliance do not qualify as providing public accounting experience in a recognized capacity; Canada Revenue Agency is not consider to be a third party for this purpose.

- (4) Although the *Public Accounting Act, 2004*, section 3(2) provides certain licensing exemptions (e.g. with respect to public authorities, including Crown corporations and bank, loan and trust companies, etc.), there are generally separate governing acts that specify whether a licence is required. Reference must be made to the prevailing statute.
- (5) CPAB may have additional requirements regarding the qualification of the reviewer for these types of engagements performed in respect of public enterprises.
- (6) A practitioner is required to be qualified (ie. "licensed") by the CICA to perform *SysTrust* and *WebTrust* audits.