

Tracking Experience to Meet Public Accounting Licensing Requirements

This article is the second in a series of Institute communications to provide information for members and public accounting licensees on how to manage in today's public accounting environment. The initial article, *Public Accounting Licensing: Background and Requirements*, published in the Spring 2010 issue of *CheckMark* (which can be found online in *CheckMark* under the *Institute* tab at www.icao.on.ca), provided background on the development of the *Public Accounting Act, 2004*, the role of the Public Accountants Council of Ontario (PAC), the circumstances in which a member is required to be licensed as a public accountant, and the requirements (referred to as Basic and Additional) that members must meet to be licensed as public accountants.

Members who fulfilled their practical experience requirement in the traditional public accounting stream have met the Basic Requirements to be licensed. This article focuses on the Additional Requirements for ongoing currency of experience that were introduced by the PAC. In particular, we will discuss the requirements to track eligible hours spent in specific activities that meet the Additional Requirements to be granted or renew a public accounting licence (licence).

Additional Requirements

A member who has (at some point in their career) fulfilled the Basic Requirements must have practised public accounting in a substantive way within the immediate past five years of the date of applying to obtain or to renew a licence; that is, the member must:

- have participated in a recognized capacity in providing public accounting services in a practising office that has had a satisfactory result in its most recent practice inspection;
- have obtained a minimum of 2,500 eligible hours in public accounting services and/or other designated services, of which at least 1,250 hours must have been in public accounting; and
- have fulfilled the minimum annual continuing professional development (CPD) hours and the minimum total of 120 CPD hours in the last three-year reporting period, in activity directly related to the competencies needed to provide public accounting services.

Eligible hours: public accounting services and designated services

As noted, in the immediate past five years, the member must have participated in a recognized capacity (see below) in providing public accounting and/or other designated services, and have obtained a minimum of 2,500 eligible hours, which are described in each of these contexts below:

- *Public accounting services* are those assurance and compilation services provided on a basis that is independent of the person for whom the services are provided, and where it can be reasonably expected that the service will be relied upon or used by a third party.

Eligible hours are those chargeable hours acquired as a result of participating in a recognized capacity in providing public accounting services. *Chargeable hours* are those normally chargeable to clients of a public accounting practice, but do not include hours related to work of a routine clerical nature - as this type of work is not considered to be either assurance or compilation services.

- *Designated services* are services that require competencies that are complementary to those required to provide public accounting services.

Eligible hours are those hours acquired in designated services (as distinct from *chargeable hours*). Note that work of a routine clerical nature does not qualify as providing designated services.

Value billing

Members who bill clients on a value billing basis, rather than on actual hours spent on the engagement, must still track and report the actual hours that they spend on such engagements to ensure consistency and reliability of the hours reported to the Institute, even if the hours are not chargeable. It is not sufficient to substitute an estimate based on how many hours are theoretically spent during the year and the proportion of the time that was spent providing assurance type services.

Specific types of activities that qualify for eligible hours

For more information and examples of the types of activities that fall under the public accounting services and designated services categories that are required to be tracked on the *Public Accounting Experience Certification Report (Experience Certification Report)*, refer to the table *Understanding the Public Accounting Experience Certification Report: Practical Examples*, which is posted in the *Public Accounting* section of the Institute's website.

Participating in a recognized capacity

A member applying for a licence must have *participated in a recognized capacity in providing public accounting*

services. Recognized capacity means that the member has held one or more of the following positions when providing the public accounting services:

- Directly participating in a public accounting engagement, including any related subsidiary engagement, as a member of the engagement team;
- A position in which the member could directly influence the outcome of a public accounting engagement, such as: providing consultation regarding professional standards; consultation or opinions regarding taxation provisions or other technical or industry-specific issues, or transactions or events; or quality control reviews.

In addition to these scenarios, for members applying to renew a licence, participating in a recognized capacity may also include less direct involvement, as experience leads to the member having responsibility for the entire public accounting engagement, or providing other oversight or leadership of the engagement team(s).

Tracking and reporting experience

All members, whether applying for a new licence or renewing their licence, need to track the information to provide evidence that they meet the experience and other requirements outlined by the Institute's bylaws.

Members applying for a new licence are required to provide the *Experience Certification Report* with their licence applications. As well, members who are applying to renew their licence who otherwise meet all of the Basic Requirements and Additional Requirements, but do not meet the minimum of 2,500 eligible hours, will need to file their Experience Certification Report with their renewal application, and their application will be sent to the Institute's Public Accounting Licensing Board (PALB) to review. The PALB has the authority to exercise discretion to grant or renew a licence when satisfied that the member otherwise has the required capabilities, competence and current skills to provide public accounting services.

Members applying to renew their licence who satisfy the 2,500 minimum eligible hour Additional Requirements are not required to file the *Experience Certification Report* at the time of renewal; however, they are required to have it available for review if requested by the Institute. Information on specific requirements is provided as part of the annual renewal process.

Questions

Information is updated periodically in the *Public Accounting* area (top left button) of the Institute's website at: www.icao.on.ca.

Please contact a member advisor at: 416-962-1841, ext. 456 or 1800-387-0735, ext. 456 if you have any further questions.