

**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF ONTARIO**

**REGULATION 10-1**

**PRACTICE INSPECTION**

**Adopted by the Council pursuant to the *Chartered Accountants Act, 2010*, and the  
Bylaws on June 16, 2011**

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**REGULATION 10-1**

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**PRACTICE INSPECTION**

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Bylaws on June 16, 2011**

**Definitions**

1. In this regulation, words have the same meaning as they do in the Act and bylaws and:
  - 1.1 “Compilation Practice” means a practice that includes solely compilation engagements;
  - 1.2 “CPAB” means the Canadian Public Accountability Board;
  - 1.3 “full-time practice inspector” means a Chartered Accountant in good standing, formerly in public practice, employed on a full-time basis by the Institute to perform practice inspections;
  - 1.4 “Limited Assurance Practice” means a practice that includes less than 20 assurance and/or review engagements;
  - 1.5 “Non-Reportable Matters” means matters which are insignificant departures from professional standards not included in the Reportable Deficiencies, reminders of forthcoming but not yet implemented changes to professional standards, common practices in a particular industry (including those followed by other practitioners) or personal preferences of the inspector;
  - 1.6 “part-time practice inspector” means a Member who is a Chartered Accountant in good standing contracted by the Institute to carry out inspections;
  - 1.7 “Practice Inspection Year” shall commence on May 1 of any calendar year and end on April 30 of the following calendar year;
  - 1.8 “Practising Unit” means a Member and any Member employed by the Member, or a firm of Members and any Member employed by such firm who is engaged in the practice of public accounting or providing accounting services to the public in a particular office;
  - 1.9 “Reportable Deficiencies” means matters which are departures from professional standards and are further categorized as either “significant” (important to the quality of the work performed to support the report or important to the usefulness of the financial statements) or “other” (not so significant that they alone would cause the users of the financial statements to misunderstand the information presented).

**Entities Subject to Practice Inspection**

2. All Members and firms engaged in the practice of public accounting or in providing accounting services to the public shall be subject to practice inspection.
3. A Member may apply for an exemption from practice inspection if the Member:
  - 3.1 holds a public accounting licence pursuant to Bylaw 9; and
  - 3.2 files Form 10-A with the Director of Practice Inspection certifying that:
    - 3.2.1 the Member has not engaged in the practice of public accounting or provided accounting services to the public during the preceding 12 months; or
    - 3.2.2 the Member is or will be discontinuing engaging in the practice of public accounting and providing accounting services to public within three months from the date of a notice of inspection.

**Selection for Inspection**

4. A newly opened office, in which at least one Member is engaging in the practice of public accounting or providing accounting services to the public, shall be selected for inspection after completing its first year of operation.
5. An established office, in which at least one Member is engaging in the practice of public accounting or providing accounting services to the public, shall be selected for inspection within three years of the date of its last inspection.
6. All Members who engage in the practice of public accounting or provide accounting services to the public in a single office are:
  - 6.1 inspected during the inspection of the office; and
  - 6.2 considered to be a Practising Unit for the purposes of the inspection.
7. Notwithstanding anything else in this regulation, the Practice Inspection Committee may determine in its sole discretion that more frequent inspections or re-inspections are required of a Member, office or Practising Unit. Circumstances that may result in an increase in practice inspections or in re-inspection include, but are not limited to:
  - 7.1 a conclusion by the practice inspection committee that the Practising Unit had not met the requirements of the practice inspection program during the Practising Unit's most recent practice inspection;
  - 7.2 a significant change in the client and/or partnership profile of an office or firm;
  - 7.3 participation of an office in CPAB;

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- 7.4 an office seeking approval for the training of Students or increasing the number of Students it may train; or
- 7.5 two or more offices of the same firm being granted approval as one unit to train Students.

Any determination made pursuant to this section shall be final.

- 8. If a Member is the subject of an investigation by the Professional Conduct Committee or has been charged with professional misconduct, the Practice Inspection Committee may, in its sole discretion, postpone the inspection of the Member until after the conclusion of the matter.
- 9. Notwithstanding sections 4 through 7, an inspection may be deferred if, in the sole discretion of the Practice Inspection Committee or its delegate, circumstances require it.

### **Arrangement of Inspections**

- 10. The Director of Practice Inspection shall send a notification of selection to a Practising Unit indicating that the unit will be inspected.
- 11. The Practising Unit shall complete and file a Planning Questionnaire (Form 10-B) with the Director of Practice Inspection within 31 days of service of the notification of selection.
- 12. The Director of Practice Inspection shall consider the information contained in the filed Planning Questionnaire and assign one or more full-time or part-time practice inspectors to conduct the inspection.
- 13. An inspector shall:
  - 13.1 be provided with, and produce on request, written confirmation of the appointment;
  - 13.2 have all the powers of an inspector under the Act;
  - 13.3 have the authority to require any person subject to the authority of the Institute to provide information in writing, produce documents and attend in person, upon reasonable notice, with the inspector to answer questions and produce documents; and
  - 13.4 report as directed by the Practice Inspection Committee at the conclusion of the inspection any draft Reportable Deficiencies and draft Non-Reportable Matters.
- 14. The Director of Practice Inspection shall give notice in writing of the name of the assigned inspector and the commencement date of an office visit inspection. The notice shall be given to the Practising Unit at least 30 days prior to the commencement date or such shorter period as may be mutually agreed by the Practising Unit and the Director of Practice Inspection, and shall include a

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- reminder of the professional responsibility to cooperate and of the possibility that some client documents might be subject to legal privilege, and shall further caution the Practising Unit that the failure to produce a document that is not privileged might constitute a breach of professional responsibilities.
15. Within 10 days of receipt of the notice pursuant to section 14, a Practising Unit may file an objection in writing to the named inspector on the grounds that the inspector may be lacking objectivity or for any other valid reason.
  16. The Director of Practice Inspection shall consider any written objection and may assign another inspector if satisfied that there is a reasonable basis for the objection. A decision made pursuant to this section is final.

### **Inspection Process**

17. On the commencement date of the inspection, the inspector shall attend at the office of the Practising Unit to assess adherence to professional standards. The inspector shall conduct an assessment on-site of the Practising Unit including, but not limited to, reviewing:
  - 17.1 documentation and implementation of the quality control system of the office;
  - 17.2 current engagement files; and
  - 17.3 related financial statements.
18. The inspector shall, in his or her sole discretion, determine the number and type of current engagement files to be reviewed, having regard to:
  - 18.1 the degree of reliance, if any, to be placed on quality controls;
  - 18.2 the size of the Practising Unit; and
  - 18.3 the harmonized inspection program policies established for all provincial institutes.
19. The number and specific engagement files subject to inspection shall be selected solely by the inspector and not by the Practising Unit.
20. The inspector shall monitor compliance with public accounting licensing requirements set out in Regulation 9-1, and:
  - 20.1 on request, a Member shall complete Form 10-C Practice Inspection Review – Public Accounting Experience and provide the Form to the inspector.
  - 20.2 If an inspected Member or firm does not appear to be in compliance with Regulation 9-1, the Director of Practice Inspection shall report the matter to the Public Accounting Licensing Board.

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21. The inspector shall consider whether a Practising Unit meets, or continues to meet, the standards and requirements for the employment and training of Students. In so doing, the inspector shall consider the harmonized inspection program policies established for all provincial institutes.
22. If an inspection pertains to a Compilation Practice or a Limited Assurance Practice, the Director of Practice Inspection may decide the inspection is to be conducted through the submission of documentation by the Practising Unit to the inspector, and the Director of Practice Inspection shall notify the Practising Unit in writing of that decision and shall provide:
  - 22.1 the name of the inspector, when assigned;
  - 22.2 a list of the engagement files selected for inspection from those listed on the Practising Unit's Planning Questionnaire; and
  - 22.3 a list of other documentation or information required to be submitted for review within a 21 day period.

### **Inspection Report**

23. At the conclusion of the inspection, the inspector shall prepare a draft report, including setting out any Reportable Deficiencies. The draft report may also include Non-Reportable Matters.
24. The inspector shall discuss the Reportable Deficiencies, if any, in the draft report with a representative of the Practising Unit, if a representative is readily available at the conclusion of the inspection. The inspector may, in his or her sole discretion, subsequently revise the draft report in light of any discussions with the Practising Unit's representative.
25. The Director of Practice Inspection will provide the draft report to the Practising Unit and invite it to make comments within 21 days. Where Reportable Deficiencies have been identified, the Director of Practice Inspection may ask the Practising Unit to provide written comments on any actions the unit plans to take to address each deficiency. If the Practising Unit disagrees with a Reportable Deficiency listed in the report, the unit may provide an explanation and file documentation to support its position.
26. Prior to consideration by the Practice Inspection Committee, the Director of Practice Inspection or his delegate (a "detailed reviewer") shall review the draft report, to ensure consistency within the inspection program. This review will also include a review of any comments and file documentation received from the Practising Unit.
27. The detailed reviewer shall amend the draft report as appropriate, taking into consideration any matters arising from sections 25 and 26, concluding with recommendations as to a course of action and student training approval, and shall submit a final report to the Practice Inspection Committee for review.

**Consideration and Determination**

28. The Practice Inspection Committee shall consider the final report, the comments, if any, of the Practising Unit, and other such documents as appropriate, and, in the case of a re-inspection, the materials pertaining to that inspection, and shall do one or more of the following:
- 28.1 deem the inspection complete;
  - 28.2 require the Practising Unit to provide further written submissions on the intended correction of any identified deficiencies, and consider the matter further once such submissions have been received or the time for making submissions has expired;
  - 28.3 order the Practising Unit or a Member be subject to full or partial re-inspection within one year;
  - 28.4 require the Practising Unit or Member undertake certain specified actions;
  - 28.5 amend or revoke the approval of a Practising Unit to employ Students;
  - 28.6 refer the Practising Unit or Member to the Professional Conduct Committee for investigation; or
  - 28.7 report to the Registrar or the Public Accounting Licensing Board on any matter.
29. The Practice Inspection Committee shall not refer a matter to the Professional Conduct Committee solely for the failure to produce a document subject to a valid claim of legal privilege that has not been waived.
30. In determining the action to be taken pursuant to section 28, the Practice Inspection Committee may consider, but is not limited to:
- 30.1 the degree to which the requirements of the practice inspection program have been met;
  - 30.2 the nature and severity of any identified deficiencies;
  - 30.3 the cooperation of the Practising Unit or Member;
  - 30.4 the public interest; and
  - 30.5 on a re-inspection, the results of any previous inspections of the Practising Unit or Member, and the response of the Practising Unit or Member to those inspections.
31. A decision made by the Practice Inspection Committee pursuant to section 28 is final.

32. The Practice Inspection Committee shall ensure its decision pursuant to section 28 is communicated in writing to the Practising Unit or Member.

**Re-inspection**

33. A full or partial re-inspection of a Practising Unit or Member shall be conducted in accordance with this Regulation, with necessary amendments thereto.

**File Retention**

34. Any file created during the course of an inspection shall be retained until the inspection has been deemed complete, and thereafter for a period of twelve months after the conclusion of Practice Inspection Year in which the inspection occurred.
35. Notwithstanding section 34, the Institute shall retain information required for administrative purposes including, but not limited to:
- 35.1 evidence that an inspection has been completed;
  - 35.2 documentation identifying the Practising Units or Members and client files inspected; and
  - 35.3 documentation that may assist in future inspection planning.

**Confidentiality**

36. A member of the Practice Inspection Committee, or any person acting on behalf of the Committee, shall not make use of or disclose the contents of any report or of any files, working paper files, books, documents or other material inspected, or any confidential information concerning the affairs of any Practising Unit Member or of clients obtained in the course of a practice inspection, except to the Practice Inspection Committee.
37. Notwithstanding section 36, the Institute, a member of the Practice Inspection Committee or person acting on their behalf may:
- 37.1 provide the Professional Conduct Committee with information and documentation regarding a failure to maintain professional standards, including a failure to co-operate with the inspection process;
  - 37.2 provide the Public Accounting Licensing Board with a report on any practice inspection conducted within the immediate last five years which is associated with a Member or firm applying for or renewing a public accounting licence or a certificate of authorization;
  - 37.3 provide the Public Accounting Licensing Board with a report on a practice inspection which follows the conditional granting of a public accounting licence or certificate of authorization under Regulation 9-1;

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- 37.4 provide the Public Accounting Licensing Board with a report in respect of a Member or firm holding a licence or certificate under Regulation 9-1 that has:
  - 37.4.1 failed to provide any information or documents requested regarding compliance with any of the requirements of the Bylaws or Regulations;
  - 37.4.2 provided any information or documents appearing to be incomplete or misleading;
  - 37.4.3 provided any information or documents indicating that the Member or firm appears not to meet the criteria established in the Bylaw 9 and its related regulations; or
  - 37.4.4 apparently breached or failed to comply with the Bylaws or Regulations.
- 37.5 provide a report to the Registrar regarding a Member who does not appear to be in compliance with the requirements of the Bylaws or Regulations; and
- 37.6 make such disclosure as is permitted by law, including disclosure to a regulatory authority with which the Institute has a Memorandum of Understanding or agreement on the terms and conditions contained in that Memorandum or agreement.

### **Employment of Students**

- 38. A Practising Unit may apply (Form 10-D) to the Practice Inspection Committee:
  - 38.1 for approval to employ Students; or
  - 38.2 to increase the number of Students it is authorized to employ.
- 39. On receipt of an application pursuant to section 38, the Practice Inspection Committee may:
  - 39.1 request documentation or information from the applicant;
  - 39.2 undertake any investigative procedures to ensure that the applicant meets the standards required to employ Students; and
  - 39.3 designate any person to perform such investigative procedures.
- 40. The Practice Inspection Committee may approve a Practising Unit for employment of Students if it:
  - 40.1 is able to provide Students with the necessary chargeable hours required in Regulation 9-1;

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- 40.2 is able to provide a diverse mix of assignments to ensure well-rounded training;
  - 40.3 is able to provide, where applicable, the experience to Students prescribed in the Public Accountants Council Handbook;
  - 40.4 exhibits adherence to standards prescribed in the harmonized inspection program policies established for all provincial institutes across Canada;
  - 40.5 exhibits adherence to the CA Practical Experience Requirements; and
  - 40.6 exhibits adherence to the Standards of the Public Accountants Council for the Province of Ontario.
41. A decision made by the Practice Inspection Committee pursuant to section 38 is final. The Practice Inspection Committee shall specify the terms of any approval in writing, including the maximum number of Students to be employed by the Practising Unit.
42. The Practice Inspection Committee may at any time, either on its own initiative or at the request of a person acting on behalf of the Institute, conduct a reappraisal of existing terms of approval of a Practising Unit. Circumstances that may result in a reappraisal include, but are not limited to:
- 42.1 significant change in a Practising Unit such as a merger, a significant loss of partners or loss of counselling members involved in the training program;
  - 42.2 significant change in the number of Students employed;
  - 42.3 Student complaints received regarding the training;
  - 42.4 past Student program issues having been identified; or
  - 42.5 consistent Student failures.
43. In conducting a reappraisal, the Practice Inspection Committee shall have the powers as though the reappraisal were a practice inspection.
44. At the conclusion of the reappraisal, the Practice Inspection Committee shall:
- 44.1 confirm the existing terms of approval;
  - 44.2 amend the existing terms of approval; or
  - 44.3 revoke the approval in accordance of this Regulation.
45. The decision of the Practice Inspection Committee on reappraisal is final.
46. Every Practising Unit approved to employ one or more Students shall be responsible for:

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- 46.1 giving practical experience and instruction and for affording such opportunities as are necessary to enable each Student to acquire the art, skill, science and knowledge of a chartered accountant;
  - 46.2 giving instruction and training, where applicable, to enable Students to acquire the competencies and capabilities required to provide public accounting services;
  - 46.3 maintaining records showing the disposition of each Student's time, including chargeable hours, while employed and the type of work allocated to him or her;
  - 46.4 submitting records to the Institute at such time as the Student terminates employment or has completed training; and
  - 46.5 adhering to the standards set out in the CA Practical Experience Requirements, the harmonized inspection program policies established for all provincial institutes across Canada, and the Standards of the Public Accountants Council for the Province of Ontario.
47. The Practice Inspection Committee may, either at its own initiative or on the request of a person acting on behalf of the Institute, monitor any entity approved as a training office, whether or not such entity is a Practising Unit, including, but not limited to:
- 47.1 requiring the training office to provide information and documentation;
  - 47.2 undertaking any investigative procedures to ensure that the training office is fulfilling its obligations as a training office; and
  - 47.3 designating any person to conduct such an investigation.
48. If a training office fails to:
- 48.1 continue to meet the standards for employment of Students;
  - 48.2 supply documentation or information within 30 days of a specific written request; or
  - 48.3 co-operate in any manner with an investigative procedure;
  - 48.4 the Practice Inspection Committee may, if the training office is a Practising Unit, revoke any approval for employment of Students and shall, in all other cases, report the failure to the Director of CA Training Offices.

### **Practice Inspection Committee**

49. The Practice Inspection Committee shall be comprised of seventeen (17) members, more or less, including a Chair, appointed by the Council. The

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Committee should be representative of the Institute's membership by geographic location and should be composed of:

- 49.1 eight (8) members, more or less, from local firms;
  - 49.2 six (6) members, more or less, from national firms; and
  - 49.3 three (3) members, more or less, from regional firms.
50. At least 75% members of the Practice Inspection Committee shall:
- 50.1 be at the partner level (or equivalent);
  - 50.2 have been a Chartered Accountant in good standing for greater than 10 years;
  - 50.3 hold a public accounting licence.
51. Members of the Practice Inspection Committee shall be appointed for an initial one year term, and are eligible for reappointment for three additional three year terms. Thereafter, a Member is eligible for reappointment to the Committee only after retiring from the Committee for at least a three year period.
52. Notwithstanding section 50, the Chair of the Committee may serve up to two additional years as Chair, and is not thereafter eligible for reappointment as Chair.
53. Notwithstanding sections 50 and 51, any member, whose term of office would otherwise expire, shall remain a member of the Committee until such time as all practice inspection decisions he or she is considering and any ancillary matters have been concluded.
54. The quorum for a meeting of the Practice Inspection Committee shall be a majority of its members.
55. The Practice Inspection Committee may sit in panels, and the quorum for a panel shall be a majority of the panel.
56. The Practice Inspection Committee has the power to:
- 56.1 carry out a program of practice inspection and appoint inspectors for that program in accordance with the Act, Bylaws and this Regulation;
  - 56.2 require the cooperation of any Member, Student, Applicant or firm, and the production of any working paper files, books, documents or other material in his, her or its possession, custody or control which it may require from time to time;
  - 56.3 approve, monitor, investigate, and revoke the approval of an entity as a training office;

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- 56.4 require the Member or firm subject to the practice inspection to pay the fees and costs associated by that inspection, as established by the Council from time to time;
- 56.5 implement and act under any Memorandum of Understanding or agreement with a regulatory authority;
- 56.6 retain the services of any individual on a fee basis or otherwise and to authorize any such individual to enquire into all matters which may be brought to his or her attention by the committee or its chair and through its chair to authorize any such individual to interview any Member, Student, Applicant or firm, and to examine any working paper files, books, documents or other material; and
- 56.7 perform all other acts necessary and ancillary to its powers.

### **Failure to Comply**

- 57. A failure to comply with any section of this regulation, including a failure to comply with any order or requirement of the Practice Inspection Committee, is a breach of member obligations as defined in Regulation 4-3.