

Practice Advisory

Claiming Hours Not Charged to Clients as Eligible Hours for Public Accounting Licence Renewal— New Provisions For Licensees

Members preparing to renew their public accounting licences as of November 1, 2012 should be aware of a significant change to the public accounting licensing regulation. This change enables certain licensees who are involved in providing public accounting services, but may not necessarily be members of the engagement team(s), to receive recognition for hours spent in relation to the engagements when the hours are not charged or billed to clients. Such licensees are those who have responsibility for the entire public accounting engagement(s) of a firm or practising office, who provide second partner reviews or who have responsibility for the direct management, supervision or oversight of the leadership of the engagement team(s) that is significantly more than administrative in nature. For this purpose, management, supervision or oversight includes reviewing assurance files of major clients or high-risk clients, interpretation or application of either or both of GAAP and GAAS or on professional standards, or advice given to assurance clients on matters related to assurance engagements.

The change to the public accounting licensing regulation responds to concerns raised by practitioners and the Small Practices Advisory Committee that members in such roles in their practices personally may not have obtained “chargeable hours”, by which they mean hours that actually have been charged to the client, in respect of public accounting engagements, but have needed to be just as current in respect of technical standards and practical application of those standards as the lead engagement persons signing the assurance engagement reports.

Applying to PALB to have hours recognized as eligible

The hours spent in any such capacity do not have to be hours that are charged or billed to clients but must be tracked and documented by the member and reported on the licence renewal application declaration of compliance. Similarly, licensees in practices that provide public accounting services on a fixed fee basis should track and document the hours that they spend in any of these capacities. All such documented hours may be claimed towards the required minimum of 1,250 public accounting hours and the required minimum of 2,500 total eligible hours that must have been obtained within the immediate past five years prior to the date of the renewal of the licence. Every member claiming such hours for licensing renewal purposes may be required to provide the documentation of the hours for verification during the next practice inspection of the firm or practising office.

Every licensee involved with public accounting engagements in any of these capacities and in respect of which the hours have not been charged to the clients must, on the licence renewal application, make a request to the Public Accounting Licensing Board (PALB) to recognize the hours spent in this capacity as eligible hours and accordingly grant a renewal of the licence. Licensees making such a request must provide the PALB with both a completed experience certification form reporting the documented hours obtained within the immediate past five years and a written description of sufficient detail to illustrate the responsibilities carried out or the management, supervisory or oversight functions performed in respect of the public accounting engagements.

Please contact a Practice Advisor at 416-962-1841 ext. 4456 or toll-free at 1-800-387-0735, ext. 4456 or by email at practiceadvisory@cpaontario.ca if you have any additional questions.