

**CGA ONTARIO'S
PROFESSIONAL PRACTICE
ENTRANCE AND CONTINUING STANDARDS
(for unlicensed professional practices only)**

Revised: April 2010

STANDARDS FOR ENTRY INTO PROFESSIONAL PRACTICE

Rule R514 of CGA Ontario's *Code of Ethical Principles* deals with registration of a professional practice. It states: "A member shall, if engaged in a professional practice or the practice of public accounting part-time or full-time, register in accordance with the requirements prescribed by the association. This rule also shall apply to members who own, operate or control a professional corporation engaged in a professional practice or the practice of public accounting.

When is a member required to register for professional practice?

Members engaged or intending to engage in professional practice who prepare or offer to prepare financial statements (and corporate tax returns) and personal tax returns for a fee, are required to register annually with CGA Ontario. Members who perform or offer to perform bookkeeping work that results in their association, as defined in the *CICA Handbook* and CGA Ontario's *Code of Ethical Principles and Rules of Conduct*, with financial statements (not compiled, reviewed or audited by another CGA, CA or CMA) must register. Financial statements include interim and year-end statements, forecasts, projections and statements prepared for internal management use.

Please note that only CGAs licensed under the Public Accounting Act, 2004, can complete review engagements and audits for a fee and for third party use/reliance. These standards do **not** cover licensed CGAs.

A member who provides or offers to provide personal income tax preparation services for a fee must register with CGA Ontario and purchase professional liability insurance. Such member will also have to purchase CGA Canada's Public Practice Manual.

These registration rules also apply to members who prepare tax returns and/or financial statements as employees of non-arms length firms, that are not CGA, CA or CMA firms registered with, and regulated by, their respective associations. Such members are required to register and comply with the relevant entrance and continuing standards of CGA Ontario.

Practitioners are requested to register only if they are providing services that require them to be registered at the present time or intend to provide such services in the next six months.

What are the requirements for an initial registration in professional practice? Registration by a "new" practitioner is an initial registration.

Limited Registration for personal tax preparers only

1. Acquire and maintain a subscription to CGA Canada's *Public Practice Manual (PPM)*. Each sole proprietorship, partnership, association, professional corporation, or any other form of organization, must acquire and maintain a subscription to the PPM on an ongoing basis for **each** office/physical location of that sole proprietorship, partnership, association, professional corporation or other organization.
2. Purchase professional liability insurance (insurance can be purchased after you submit proof of subscription to the PPM and the registration form to us).
3. We will then register you after you purchase both the PPM and the insurance.

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Full registration for those associated with financial statements

All the following requirements must be completed BEFORE you can register in professional practice. Please make sure all the requirements are met before you submit your registration form.

1. The three seminars of the practice orientation program, which are: practice administration, compilation and review engagements and GAAP & GAAS review and update seminars.
2. Within 3 months of attending the orientation to practice seminar on compilation and review engagements, complete the review engagement case study.
3. Acquire and maintain a subscription to CGA Canada's *Public Practice Manual (PPM)*. Each sole proprietorship, partnership, association, professional corporation, or any other form of organization, must acquire and maintain a subscription to the PPM on an ongoing basis for **each** office/physical location of that sole proprietorship, partnership, association, professional corporation or other organization.
4. Acquire and maintain a subscription to both the *CICA Accounting and Assurance Handbooks*. Each sole proprietorship, partnership, association, professional corporation, or any other form of organization, must acquire and maintain a subscription to both the *CICA Accounting and Assurance Handbooks* on an ongoing basis for **each** office/physical location of that sole proprietorship, partnership, association, professional corporation or other organization. A part-time practitioner will be excused from the requirement to purchase the Handbooks if and only if he or she can prove to the satisfaction of CGA Ontario's practice inspector that he or she has easy and complete access to the Handbooks (as for instance, at his or her workplace).
5. **All CGAs who register in professional practice must have successfully completed all Advanced Personal and Corporate Taxation (TX2) course assignments or exam within two years prior to initial registration.** An average of 65 per cent is required for the course. You must follow the course schedule. If you do not successfully complete the assignments within the course schedule, you must repeat the course and pay a repeat fee. If you are still not able to successfully complete the assignments, you must pay the full course fee.

Proven cases of plagiarism will result in a zero grade awarded for the assignment and/or the exam; and offenders will be forthwith referred to CGA Ontario's discipline committee.

6. **All CGAs who register in professional practice must have successfully completed all Advanced External Auditing (AU2) course assignments or exam within two years prior to initial registration.** An average of 65 per cent is required for the course. You must follow the course schedule. If you do not successfully complete the assignments within the course schedule, you must repeat the course and pay a repeat fee. If you are still not able to successfully complete the assignments, you must pay the full course fee.

Proven cases of plagiarism will result in a zero grade awarded for the assignment and/or the exam; and offenders will be forthwith referred to CGA Ontario's discipline committee.

7. Document not less than two years' relevant senior level Canadian experience in a professional accounting firm as an employee or associate (member or student) within the five years immediately preceding the date of initial application.
8. Forward a completed Checklist for Registration in Professional practice and the Professional Practice Registration form to the Association office after all the requirements are met.
9. Purchase professional liability insurance (insurance can be purchased after you complete ALL the requirements and submit your registration form to us).
10. We will then proceed to register you after you have purchased professional liability insurance.

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For those members who are unable to meet this experience requirement, but wish to have a proprietary interest in a professional practice firm, a mentor option is available. **The member is responsible for selecting and negotiating the financial arrangement with the mentor (who has to be a CGA practitioner).** The mentor is to be engaged by the member to review the first ten financial statements files (and related tax work), prior to release of the files.

(If the member is not a licensed public accountant and knows or ought to have known that a third party will use or rely on the financial statements, he or she should not accept the engagement, unless it is a compilation engagement.)

Under the *Public Accounting Act*, 2004, the applicable test for whether any services fall within the definition of public accounting for which a licence is required, is whether “it can reasonably be expected that the services will be relied upon or used by a third party.”)

If the mentor is satisfied with the progress of the new practitioner after 3 compilation files have been mentored, he or she can terminate the mentoring at that stage.

If the mentor is not satisfied with the progress of the new practitioner, the practitioner will be required to complete the orientation to practice program for a second time. In such a case, the mentor can also recommend an extension of the mentoring requirement to more than 10 files.

The mentor is required to maintain a log of files reviewed with a summary of findings. The mentor will provide CGA Ontario with the log for consideration as part of the compliance program. The mentor must also let the mentee know that he or she is expected to retain a copy of the mentor’s report (and any correspondence between the mentor and the mentee) in a separate mentorship file, available for review by CGA Ontario’s practice inspector. CGA Ontario has a checklist that all mentors are encouraged to utilize. Completion of a checklist for each file mentored can serve as adequate documentation of the entire process. The Mentor guideline and checklists are available from the professional services department.

(A signed Mentor Appointment Confirmation form must be submitted to the Association. A sample engagement letter for the mentor to ratify the agreement is also enclosed. Please provide the mentor with this sample engagement letter.)

The mentoring requirement is in lieu of the Canadian practical experience requirement. If you do not have the required practical experience before registering as a practitioner with CGA Ontario, you have to engage the services of an eligible full time CGA practitioner to mentor your files.

The mentoring requirement should not be confused with the practice inspection standard. All practitioners preparing financial statements will be inspected by CGA Ontario’s practice inspectors once every three years: the first inspection has to be completed within one year of registration.

Please note these are two separate requirements of CGA Ontario.

The mentoring arrangement is a private arrangement between the mentor and the new practitioner, although both have a duty of care to report to CGA Ontario. The practice inspection is a mandatory requirement of CGA Ontario’s professional practice program and is carried out by senior practitioners appointed as practice inspectors by CGA Ontario.

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What are CGA Ontario’s on-going or continuing requirements with regard to a professional practice?

1. A firm must register with CGA Ontario every year.
2. A firm must renew its professional liability insurance every year.
3. A firm must maintain a subscription to CGA Canada’s *Public Practice Manual* every year. Each sole proprietorship, partnership, association, professional corporation, or any other form of organization, must acquire and maintain a subscription to the PPM on an ongoing basis for **each** office/physical location of that sole proprietorship, partnership, association, professional corporation or other organization.
4. A firm must maintain a continuing subscription to both the *CICA Accounting and Assurance Handbooks*. Each sole proprietorship, partnership, association, professional corporation, or any other form of organization, must acquire and maintain a subscription to both the *CICA Accounting and Assurance Handbooks* on an ongoing basis for **each** office/physical location of that sole proprietorship, partnership, association, professional corporation or other organization.

Only a part-time practitioner will be excused from the requirement to purchase the Handbooks if and only if he or she can prove to the satisfaction of CGA Ontario’s practice inspector that he or she has easy and complete access to the Handbooks (as for instance, at his or her workplace).

5. A practitioner must accumulate every year a minimum of 20 “verifiable” professional development hours. These hours must be quantifiable, directly related to the competencies required of a CGA, relevant to the CGA’s current professional needs and/or longer term career interests and must contain significant intellectual or practical content.
6. A firm’s very first inspection takes place within a year of registration as a new professional practice firm. Thereafter, it is subject to practice inspection every three years; this period of three years can be reduced to a lesser interval, if the inspection is not satisfactory, or if in the practice inspector’s judgment, an earlier inspection is warranted.

Qualifications Necessary to be a CGA Ontario Mentor

Introduction

Since its implementation in 1997, CGA Ontario's mentor program has proved to be a very positive—some say crucial—addition to our compulsory program for new practitioners.

CGA Ontario requires that practitioners wishing to establish a firm must first have two years of accounting experience in a professional accounting firm as an employee, within the previous five years from the date of registration with CGA Ontario. **This experience must consist of:**

- preparation or supervision of compilation and review engagement files
- personal and corporate tax planning; and
- preparation of personal and corporate tax returns

at a senior level.

Largely the mentoring program was established for members wanting to enter the accounting field who do not have this requisite experience. The program, therefore, is in lieu of (and replaces) the requirement of two years of senior level experience.

CGA Ontario mentors accept serious and important responsibilities, indicative of the vital role that these member mentors play in helping to judge the feasibility of a certified general accountant wishing to establish an accounting firm.

In turn, CGA Ontario is most appreciative of the commitment to excellence displayed by these mentors.

Qualifications Necessary to be a CGA Ontario Mentor

1. You must be a CGA currently *registered* in professional practice or a certified general accountant currently *working* at a senior (i.e. managerial) level in a CGA firm that is registered in professional practice.
2. If you are an *employee*, you need to provide CGA Ontario with a satisfactory letter of reference from your CGA employer, as well as his or her permission in writing for you to act as a mentor.
3. You or your firm had a minimum of two (successive) successful practice inspections.
4. Demonstrate that you have reviewed the CGA Ontario publication, *Professional Practice Entrance Standards*. This is available on our website. Access the For Practitioners section.
5. The above publication includes a Mentor Appointment Confirmation form, to be signed by you. Please provide a copy to both CGA Ontario and the practitioner.
6. Also included in the above publication is a sample engagement letter. A copy of the engagement letter duly signed by you and confirmed by the practitioner must be forwarded to CGA Ontario.
7. You must review at least the *first 10 financial statement files* (and related tax work) prior to the files being released to the client.
8. You have the discretionary authority to terminate the mentoring program after you have mentored 3 files, if you are satisfied with the progress made by the practitioner (mentee).

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9. Please note that if you are not licensed as a public accountant, you cannot accept an engagement where you know or ought to know, that the financial statements will be used and/or relied upon by a third party unless it is a compilation engagement. Under the *Public Accounting Act, 2004*, the applicable test for whether any services fall within the definition of public accounting for which a licence is required, is whether “it can reasonably be expected that the services will be relied upon or used by a third party.”
10. As a bare minimum, the mentor has to maintain a log of files reviewed with a summary of findings. This log must be provided to CGA Ontario for consideration, as part of the compliance program.
11. The mentee must be instructed to retain a copy of the mentor’s report (and any correspondence between the mentor and the mentee) in a separate mentorship file, so that it can be reviewed at any time by CGA Ontario’s practice inspector.
12. Please note that a mentoring guideline is available from CGA Ontario’s professional services department. Completion of the guideline for each file mentored can serve as adequate documentation of the entire mentoring process.
13. Please also note that you are the new practitioner’s guide. It is your responsibility to assist (via guidance) new practitioners to complete their first few files, correct their mistakes and ensure that they adhere to the high CGA Ontario standards.
14. The new practitioner relies on you, and your considerable experience, knowledge and wisdom.
15. It is important to note that you have the authority (subject to an appeal to CGA Ontario’s professional standards and competence committee) to extend the mentoring program until you are satisfied with progress made by the practitioner.

You can also require the practitioner to take relevant professional development courses.

16. **Please do ensure that your mentee has subscribed to the Public Practice Manual and both the Accounting and Assurance Handbooks, and maintained these subscriptions on an on-going basis.**

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EXEMPTIONS

1. The exemptions sub-committee of CGA Ontario's professional standards and competence committee will under normal circumstances not accept requests for exemption from both Advanced Personal and Corporate Taxation (TX2) and Advanced External Auditing (AU2). Members with ample auditing experience can apply for exemption from AU2. Similarly, members with appropriate tax experience can apply for exemption from TX2.
2. Requests for exemption from attending the orientation to practice program and completing the review engagement case study shall be assessed for those members who can provide proof of attendance/completion within two years prior to the date of application for registration. If the new practitioner has not attended a part or parts of the orientation to practice program (or such similar seminars) within 2 years prior to the registration date, but wants to be considered for an exemption there from, he or she can apply to CGA Ontario's exemptions sub-committee (which is a sub-committee of the professional standards and competence committee). The Committee might grant an exemption based on the practitioner's past experience, but only in the most exceptional cases. This past experience should cover substantial accounting work for at least three out of the five years prior to the request for exemption, preparing compilation and review engagements at a senior (managerial) level. This experience should be vouched for by the employer.
3. Requests for exemption from CGA Canada's Advanced Personal and Corporate Taxation (TX2) home study assignments shall be assessed by CGA Ontario's exemptions sub-committee. The request shall be supported by written confirmation from the member's employer describing his or her tax experience. The experience must be of **at least** three years in duration within the five years of initial registration as a practitioner (attached is a checklist to be completed by the employer). Exemptions based on alternative taxation courses or seminars may be considered by the committee.
4. Requests for exemption from CGA Canada's Advanced External Auditing (AU2) home study assignments shall be assessed by CGA Ontario's exemptions sub-committee. The request shall be supported by written confirmation from the member's employer describing his or her audit experience. The experience must be of **not less than** three years in duration gained within the 5 years preceding initial registration as a practitioner (attached is a checklist to be completed by the employer). Exemptions based on alternate auditing courses or seminars must be approved by the committee.
5. Requests for exemption from the Mentor Program shall be assessed and granted provided the member can submit written confirmation from his or her professional practice employer that he or she was employed for a period of **at least** two years within the last five years (attached is a sample employer letter). **The minimum experience to be considered is two years employment experience in a CGA, CA or CMA professional accounting firm. Experience must be at a senior level and include adequate preparation and/or supervision of compilation and review engagement files, personal and corporate tax planning, and preparation of personal and corporate tax returns.**

Note: These standards can change without prior notice.

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**Request for Exemption from the Mentoring Requirement
Sample Confirmation Letter from Employer**

CGA Ontario
240 Eglinton Ave E
Toronto ON M4P 1K8

Attention: Sarosh Contractor, CGA
Manager, Professional Services

Dear Sir:

Re: _____, CGA

I confirm that [NAME OF PROFESSIONAL CGA, CA, CMA ACCOUNTING FIRM] employed the above named CGA from [DATE] to [DATE]. His (her) experience during this period of employment included preparation or supervision of compilation and review engagement files, personal and corporate tax planning, and preparation of personal and corporate tax returns, at a senior level.

In my opinion, he or she has now obtained the relevant experience to start a professional practice of his or her own.

Sincerely,

[Employer]

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Instruction Sheet

Attached are sample confirmation letters to be obtained from your employer in support of your request for exemption from completing the assignments of Advanced Personal and Corporate Taxation (TX2) and Advanced External Auditing (AU2).

Please take the time to clarify your experience in a few words. Comments from your employer will also help. For example, please list the number of audit files you have completed, the type of audits done by you, your particular strengths, and so on.

In the sample confirmation letters,

- a) Work at the junior level refers to areas where you have obtained a general or background knowledge.
- b) Work completed at the intermediate level refers to areas where you have a broad understanding of concepts, principles and procedures and where you have developed a working knowledge of procedures.
- c) Work at the senior level refers to areas where you have attained an in-depth understanding of concepts and principles and where you have developed a sound conceptual, practical and comprehensive technical knowledge of procedures.

Request for Exemption from completing all the assignments of the Advanced Personal and Corporate Taxation (TX2) course Sample Confirmation Letter from Employer

CGA Ontario
240 Eglinton Ave E
Toronto ON M4P 1K8

Attention: Sarosh Contractor, CGA
Manager, Professional Services

Dear Sir:

Re: _____, CGA

I confirm that the above noted CGA was employed from [date] to [date] in the professional accounting firm of [name of CGA, CA, or CMA firm]/our company [name of company].

During this period of employment, he/she has dealt with a variety of tax situations involving individuals, trusts, partnerships, and corporations. He/she has considerable tax experience at various levels involving a wide variety of tax planning areas and, in particular, in the areas marked by me on the following checklist:

TOPIC	Junior Level	Intermediate Level	Senior Level	Comments
SHAREHOLDER BENEFITS				
Benefits conferred on a shareholder				
Shareholder loans				
Non-resident shareholders				
Deemed dividends				
Ethical issues in tax planning				
PROPERTY TRANSFERRED TO A TAXABLE CANADIAN CORPORATION				
Objectives, advantages and disadvantages of using Section 85				
Tax consequences of various transactions				
Election forms				
REORGANIZATIONS				
Non-arm's length sale of shares				
Reorganization of capital				
Convertible property				
Share-for-share exchange				
Amalgamations				
Winding up subsidiary (90% or more ownership)				
Winding up a Canadian corporation				
Deemed proceeds or capital gain under subsection 55(2)				
Arm's length transactions at less than FMV				
VARIOUS TAX CONSIDERATIONS				
Anti-avoidance rules				
Incorporated or unincorporated business				
Capital gains deduction				
Deferred compensation				
Debt forgiveness and seizure of real property				

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TOPIC	Junior Level	Intermediate Level	Senior Level	Comments
PURCHASE OR SALE OF A BUSINESS				
Purchase or sale of shares				
Purchase or sale of assets				
Acquisition of control				
PARTNERSHIPS				
Definition				
Computation of income				
Computation of ACB - partnership interest				
Transfer of property to a partnership				
Admission of a new partner				
Withdrawal of a partner				
Dissolution of a partnership				
Limited partnership				
Transfer of property from partnership to a corporation				
Information return				
DEATH OF A TAXPAYER				
Income in year of death				
Deemed disposition of property at death				
Deferred income plans				
Death benefit				
Deductions, tax credits and alternative minimum tax				
Filing of income tax and benefit returns				
Types of returns available that can be filed				
Capital losses realized by the estate				
Death of a shareholder of a private company				
Planning				
TRUSTS				
Creation of a trust				
Taxation of a trust resident in Canada				
Taxation of beneficiaries				
Deemed disposition of trust property after 21 years				
Income interest of a trust				
Capital interest and liquidation of a trust				
Non-resident trust				
Use of a trust				
TRANSFER OF PROPERTY BETWEEN FAMILY MEMBERS				
Gifts and non-arm's length transactions				
Attribution rules				
Estate freezes				

Sincerely,
[Employer]

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**Request for Exemption from completing all the assignments of the Advanced External Auditing (AU2) course
Sample Confirmation Letter from Employer**

CGA Ontario
240 Eglinton Ave E
Toronto ON M4P 1K8

Attention: Sarosh Contractor, CGA
Manager, Professional Services

Dear Sir:

Re: _____, CGA

I confirm that the above noted CGA was employed from [date] to [date] in the professional accounting firm of [name of CGA, CA, or CMA firm].

During this period of employment, he/she has obtained considerable experience in the field of external auditing, particularly in the areas marked by me on the following checklist:

Level of Engagement Involvement and Knowledge - Indicate Not Applicable (N/A) when appropriate	Junior Level	Intermediate Level	Senior Level	Comments
ACCEPTANCE OF A COMPILATION ENGAGEMENT				
Appropriateness of accepting a compilation engagement				
The concept of association with financial information				
Engagement Letters				
Standards and ethics				
To ascertain and disclose independence issues				
PLANNING A COMPILATION ENGAGEMENT				
Completion of planning checklists				
Preparation of client profile				
Assignment of staff				
Supervision of staff				
Engagement letters				
Determination if an audit waiver is required				
Determining the reasons for a compilation engagement				
CONDUCTING A COMPILATION ENGAGEMENT				
Documentation in support of significant balances				
Dealing with matters which appear to be false or misleading				
Preparation of any necessary adjusting journal entries				
Disclosure of departures from GAAP making the financials false or misleading				
Disclosure of lack of independence				
Date format and wording of Notice to Reader				
Review of draft statements and returns with client				
Client representation letters and its dating				
Client relations				

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Level of Engagement Involvement and Knowledge - Indicate Not Applicable (N/A) when appropriate	Junior Level	Intermediate Level	Senior Level	Comments
ACCEPTANCE OF A REVIEW ENGAGEMENT				
Appropriateness of accepting a review engagement				
Concept of independence				
The concept of association with financial information				
Engagement Letters				
Standards and ethics				
PLANNING A REVIEW ENGAGEMENT				
Preparation of a planning memorandum				
Assessment of overall risk				
Determination of materiality threshold				
Documentation of knowledge of client's business				
Related party transactions				
Assignment of staff				
Supervision of staff				
Determination if an audit waiver is required				
Determination of the basis of the review engagement in accordance with the Handbook				
CONDUCTING THE REVIEW				
Concept of plausibility of client provided information				
Determination of appropriate review procedures to perform				
Determination that extended procedures be performed				
Discussions with appropriate client personnel				
Inquiry of management				
Performance of analytical procedures				
Performance of variance analysis				
Performance of ratio analysis				
Financial Statement compliance with GAAP disclosures				
Preparation of any necessary adjusting journal entries				
Review of draft statements and returns with client				
Client representation letters				
Client review of draft statements and tax returns				
REPORTING ISSUES IN A REVIEW ENGAGEMENT				
Review engagement reports---date, format & recording				
Date and wording of Review Engagement Report				
Subsequent discovery of a material misstatement				
Comparatives				
Segment disclosures				

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Level of Engagement Involvement and Knowledge – Indicate Not Applicable (N/A) when appropriate	Junior Level	Intermediate Level	Senior Level	Comments
ACCEPTANCE OF AN AUDIT ENGAGEMENT				
Appropriateness of accepting an audit engagement				
Concept of independence				
The concept of association with financial information				
Engagement Letters				
Standards and ethics				
PLANNING THE AUDIT ENGAGEMENT				
Planning nature, timing and extent of audit procedures				
Use of analysis in planning				
Assessment of overall risk (engagement risk) at financial statement level				
Assessment of control risk				
Determination of materiality and inherent risk (risk of material misstatement)				
Development of appropriate audit response to assessed risks by assertion.				
Type of procedures to be performed based on above assessed risks				
Documentation of knowledge of client's business				
Related party transactions				
Fraud and illegal acts at the planning stage				
Assignment of staff				
Supervision of staff				
Determination if an audit waiver is required				
ASSESSING INTERNAL CONTROLS				
Control models and corporate governance				
Determining preliminary control risk				
Impact if IT environments on auditing				
Internal controls in IT environment				
Control risk assessment in an IT environment				
Manual versus computerized internal controls				
TESTING INTERNAL CONTROLS				
Testing control environment				
Testing general computer controls				
Testing application controls				
Computer-assisted audit techniques				
Using the work of internal auditor				
STATISTICAL SAMPLING				
Sampling concepts				
Attribute sampling				
Dollar unit sampling				
Evaluation of statistical sampling				

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Level of Engagement Involvement and Knowledge - Indicate Not Applicable (N/A) when appropriate	Junior Level	Intermediate Level	Senior Level	Comments
TESTING AND EVIDENCE				
Assessing appropriateness and sufficiency of evidence				
Associating risk components to assertions and evidence				
Audit techniques in an IT environment				
Testing estimates, related parties and going concern				
Fraud considerations				
Using a specialist				
Aggregation of misstatements and evaluation of financial statements				
REPORTING ISSUES				
Audit reports				
Date and wording of Auditor's Report				
Communication with the audit oversight committee				
Subsequent discovery of a material misstatement				
Comparatives				
Segment disclosures				
Foreign reporting				
Management letters and reportable matters				
Retention of records				
OTHER TYPES OF AUDITS				
First-time engagements				
Issues in a small business audit				
Consolidated financial statements				
Not-for-profit audits				
Public sector audits				
Environmental audits				
SysTrust and Web Trust				
Strategic systems based audits				
Risk based audits				

[Please also include more details regarding the types of audits and reviews done, i.e. industries covered, average fees charged; and the time taken to complete the average review engagement/audit.]

Sincerely,

[Employer]

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**SAMPLE ENGAGEMENT LETTER
MANDATORY MENTOR PROGRAM**

[CGA Firm's (Mentor's) Letterhead]

Practitioner's (Mentee's) name

Dear []:

This letter confirms the terms of my appointment as your mentor, as required by CGA Ontario and outlines the terms, nature, and extent of the services I will be providing. You understand that this mentor program and the services I provide to you as a Mentor are in the nature of an educational program only and are not in the nature of a partner or peer review and cannot be relied on for any purpose.

1. I will provide a written review of your first ten financial statement files and related tax work to identify any areas that deviate from CGA Ontario's minimum standards. I must review all files, subject to this agreement, **prior to the release of the financial statements**. You will be exclusively responsible for the financial statements and related tax returns. You cannot rely upon my examination, as mentor, to detect and disclose omissions and/or errors in files that I examine or rely on my role or service as your Mentor in the performance of your accounting services to your clients. Notwithstanding, any omissions and/or errors detected by me will be disclosed to you.

Since I will not attend your client's place of business, you cannot rely on my file review to identify any concerns that may only be determined because of such attendance. My responsibility will be restricted to that of an advisor to you from an educational standpoint. You will not disclose to your client that I am acting as your Mentor or that your files are being reviewed by me.

It is your responsibility to deliver the files to my office within [specify time] at [location]. It is my responsibility to review the files and return them to you at [location] within [specify time]. [Identify mode by which files are to be transported]. I will advise you in writing of my holidays and other planned absences.

If you do not have a licence to practise as a public accountant, you cannot accept any engagement where you know or ought to have known that a third party will use or rely on the financial statements unless it is a compilation engagement and then only if it contains the notice prescribed by the *Public Accounting Act, 2004*. Under the *Public Accounting Act, 2004*, the applicable test for whether any services fall within the definition of public accounting for which a licence is required, is whether "it can reasonably be expected that the services will be relied upon or used by a third party."

You agree that you will not commence any action against me, by way of direct claim or third party claim or otherwise, arising out of my role as Mentor and that any such action or cause of action is hereby released. In event there is a claim made against you by a client whose files I have reviewed, you agree that you will not use or plead or rely on the fact that I acted as a Mentor to you or reviewed those files as a Mentor in your defence to the action, nor will you disclose such Mentor relationship to your client.

2. **I will maintain a summary of my findings for each file and submit this log to you and to CGA Ontario.**
3. You must keep a copy of this log (and any correspondence between us) in a separate mentorship file, so that it is available for review by CGA Ontario's practice inspector. My correspondence to you does not form part of your client file.

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4. You must authorize CGA Ontario to release to myself, if found necessary, a copy of your practice inspection report, as and when your practice inspection is carried out by CGA Ontario.
5. I agree that I will not accept a client whose file I have reviewed as part of this engagement unless three full years have elapsed since either the file was reviewed or written consent to accept the engagement has been received from you.
6. At present, I am not aware of any circumstances that amount to or might reasonably be perceived to amount to a conflict of interest in my acting as your mentor. I agree that if such a conflict of interest does develop during the course of my mentorship or a reasonable person might perceive that a conflict of interest has developed, I will resign from my role as your mentor and will advise the Association accordingly. In the event I resign as a result of an actual or reasonably perceived conflict of interest, you agree that I will not have any liability as a result of that resignation and you will promptly engage a new mentor.
7. I agree to keep in strict confidence all discussion, documentation and information and will act on a strictly professional basis as to the confidence placed in me.
8. My fees will be [\$] per hour. Any disbursements will be added to the billing. (Include any interest charges on overdue accounts.)
9. **You should be aware that, per CGA Ontario's requirements, I can recommend that you attend any or all of the parts of the orientation to practice program (including the review engagement case study) for a second time, if I am not satisfied with your progress. I can also recommend an extension of the mentor program to more than 10 files. At the same time, I can, at my discretion, terminate the mentoring of your files, after I have mentored 3 of them, as long as I am satisfied with your progress.**

The above terms will remain in effect unless amended in writing and agreed to by both parties. I agree to provide you with thirty days notice in the event that I wish to terminate the engagement.

If the above terms are acceptable to you, and the services outlined are in accordance with your requirements, please sign the copy of the letter in the space provided and return it to me.

Sincerely,

Certified General Accountant
(Mentor)

The services set out in the forgoing letter are in accordance with my requirements. The terms set out are acceptable to me and are hereby agreed to.

Practitioner's name (Mentee)

Practitioner's signature

City, Date

Revised: April 2010

CGA Ontario
240 Eglinton Ave E
Toronto ON M4P 1K8

Attention: Sarosh Contractor, CGA
Manager, Professional Services

Dear Sir:

Re: Mentor's Confirmation of Appointment

_____, CGA has engaged me to act as mentor to review his (her) first ten financial statement files and related tax work. The files will be reviewed to identify any areas that deviate from CGA Ontario's minimum standards. My review is to be made before release of the financial statements pursuant to CGA Ontario's rules and regulations.

My mentoring will consist of written comments to the member providing details of any improvements that could be made to the financial statements, supporting file documentation and related tax work.

I understand that any financial arrangements for this engagement are to be negotiated between the member and myself.

I understand that it is very imperative that I maintain a summary of my findings for each file and submit this log to CGA Ontario. I undertake to submit this log on a regular basis to CGA Ontario.

I confirm that I will instruct the mentee to keep a copy of my report (and our correspondence, if any) in a separate mentorship file, so that it is available for review by CGA Ontario's practice inspector.

I confirm that I will instruct the mentee to subscribe to the Public Practice Manual and the Accounting and Assurance Handbooks; and continue to maintain such subscriptions on an on-going basis.

I confirm that I have reviewed a copy of the sample mentor engagement letter provided by CGA Ontario and have finalized an engagement letter with the member (the mentee).

I confirm that I can terminate the mentoring of the practitioner's compilation files, after I have mentored 3 such files, as long as I am satisfied with his or her progress.

I understand and confirm that an unlicensed CGA cannot accept any engagement where he or she knows or should reasonably have known that the financial statements prepared by him or her will be used and/or relied upon by a third party, unless it is a compilation engagement.

I understand and confirm that under the *Public Accounting Act, 2004*, the applicable test for whether any services fall within the definition of public accounting for which a licence is required, is whether "it can reasonably be expected that the services will be relied upon or used by a third party."

(please print your name)

(your signature)

(date)

Revised: April 2010