

Guideline Criteria for Establishing that an Applicant for a Licence under the Act has Practiced Public Accounting in a Substantive Way

The Standards of The Public Accountants Board of Nova Scotia (the “Board”) are intended to ensure that all licensees have the capabilities and competencies to provide the public accounting services described in Section 2 of the *Public Accountants Act*, (“practice of public accounting”). For such capabilities and competencies to be relevant they must also be current.

Standard 12 of the Board’s Standards that a designated body (currently the Chartered Professional Accountants of Nova Scotia) shall provide that a member shall not be eligible to be certified to practice public accounting if within the immediate past five years the member has not been engaged in the practice of public accounting in a substantive way.

Where a member cannot satisfy the requirements of Standard 12, Section 14(1) of the Board’s Standards sets out the requirements respecting the steps to be taken by such a member before they are eligible to be certified by their designated body to practice public accounting. Such steps include current supervised public accounting services and relevant professional development courses as prescribed.

The following sets out minimum criteria to be considered by the public accounting certification (or equivalent) committee of a designated body in determining whether an applicant for certification (the “Applicant”) has been engaged in the practice of public accounting in a substantive way within the immediate past five years. For the purpose of these criteria the practice of public accounting may include compilation engagements.

The criteria are inter-related and are discussed under the following headings:

1. Practice Environment
2. Practice Capacity
3. Continuing Professional Development
4. Eligible Hours
5. Ethical and Independence Requirements

1. Practice Environment

The determination of whether an Applicant has the required capabilities and competencies to provide public accounting services shall be made with reference to whether the Applicant has: within the past five years participated in a recognized capacity in public accounting engagements in a practising firm that has successfully completed a practice inspection approved by the Public Accountants Board of Nova Scotia to assess that its quality control system, its current engagement files, and related financial statements adhere to professional standards.

2. Practice Capacity

The following persons shall be regarded as having participated in a recognized capacity in providing public accounting services:

- (a) each member of a practising firm who has responsibility for the entire public accounting engagement or who directly participates in a public accounting engagement, including any related subsidiary engagement, as a member of the engagement team;
- (b) each member of a practising firm who can directly influence the outcome of a public accounting engagement, such as members who provide:
 - direct supervision, management or other oversight of the leadership of the engagement team(s);
 - consultation regarding professional standards;
 - consultation or opinions regarding taxation provisions or other technical or industry-specific issues, transactions or events;
 - quality control or second partner review.
- (c) a practice inspector appointed by the designated body or by the Canadian Public Accountability Board to conduct practice inspections of licensees, firms and practising offices.

3. Continuing Professional Development

The Applicant must have completed the minimum number of hours of continuing professional development prescribed by the designated body, including the specified minimum number of verifiable hours prescribed by the designated body, in activity that is quantifiable and directly related to the competencies needed to provide public accounting services.

4. Eligible Hours

The certification committee of the designated body shall specify the minimum number of hours that it expects an Applicant to have to support a determination that the Applicant has been practising public accounting in a substantive way; provided, however, that such minimum number of hours shall not be less than 2,500 hours consisting of:

- (a) a minimum of 1,250 chargeable hours and/or documented hours acquired as a result of participating in a recognized capacity in providing public accounting services within the immediate past five years; and
- (b) up to 1,250 hours in designated services within the immediate past five years.

Chargeable hours are hours normally chargeable to clients of a public accounting practice provided that work of a routine clerical nature shall not be included in the computation of chargeable hours.

Documented hours are hours acquired in a public accounting practice through the provision of services described in 2(b) above that have not been charged to clients.

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

- taxation services related to assessing the appropriateness of taxation provisions and related financial reporting;
- performance measurement relating to the evaluation, development and interpretation of an entity's financial and non-financial information that measures and enhances an entity's organizational performance;
- forensic accounting;
- research on the interpretation or application of either or both of Generally Accepted Accounting Principles ("GAAP") and Generally Accepted Assurance Standards ("GAAS") or on professional standards;
- financial reporting involving the review of accounting principles and financial statement disclosure and the appropriateness of internal controls for the purpose of presenting fairly the financial statements of an entity;
- corporate finance services related to assisting a client in obtaining financing by explaining the financial statements to a financial institution, and assisting a client in analyzing the accounting effects of certain transactions;
- research conducted for, or advice given to, assurance clients on matters related to assurance engagements;
- training of other accountants or staff of the practicing firm in respect of the performance of assurance services where such training is a formal role for the Applicant.

5. Ethical and Independence Requirements

Underlying all of the other criteria for the determination of whether the Applicant has been engaged in the practice of public accounting in a substantive way are the requirements contained in GAAS and the rules of professional conduct adopted by the designated body that a practicing firm and members of a practicing firm practising public accounting comply with the applicable ethical requirements and the related independence policies and procedures.

These requirements include the following principles of professional ethics:

- integrity;
- objectivity;
- professional competence and due care;
- confidentiality;
- professional behaviour.

Because the fundamental principle of objectivity for assurance engagements cannot be maintained if an individual or their practicing firm lacks independence, independence policies and procedures

must be an integral part of the Applicant's practice environment where the Applicant's experience has been acquired.

Where an Applicant has breached or is under investigation for failure to observe any of these ethical and independence requirements, the designated body when considering the eligibility of the Applicant to practice public accounting must satisfy itself that there are no circumstances which would preclude the Applicant from his or her certification.