

THE PUBLIC ACCOUNTANTS LICENSING BOARD

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Memorial University of Newfoundland
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Chair, Mr. Brad Wicks, QC
Members: Chris Brake, CA
Jeff Pardy, FCA

A. Terrance Hutchings, FCGA
Morris Pinsent, CGA

Registrar: Dr. Dennis Hanlon
Jesse G. DeVilla, FCMA
Adam Lippa, CMA

June 29, 2012

Honourable Paul Davis
Minister of Service Newfoundland and Labrador
PO Box 8700
Confederation Building
St. John's, NL A1B 4J6

Dear Minister Davis:

Re: 2011 Annual Report
Public Accountants Licensing Board

Please see attached the 2011 Annual Report and Financial Statements for the Public Accountants Licensing Board.

Yours truly,



Alex Faseruk
Chairperson as at December 31, 2011
Public Accountants Licensing Board

Attachments (1) 2011 Annual Report
(2) Audited Financial Statements

Public Accountants Licensing Board

Annual Report
2011

REFERENCE PERIOD

This report covers the period January 1, 2011 through December 31, 2011,
the fiscal year of the Public Accountants Licensing Board.

Contents

Chairperson’s Message	1
Board Overview	2
Mandate	2
Membership	2
Primary Clients	2
Revenues and Expenditures	2
Highlights and Accomplishments.....	3
Outcomes of Objectives.....	3
Opportunities and Challenges Ahead	4
Financial Statements.....	Appendix A

Chairperson's Message

As Chair of the Public Accountants Licensing Board of Newfoundland and Labrador on December 31, 2011, I am pleased to submit this annual report and financial statements of the Board for 2011. The Board is accountable for the preparation of this report and for the results herein.

The Board is self-funding through annual fees charged for the issuance and renewal of public accountancy licenses. The Board sets the licensing fee and pays remuneration and expenses in accordance with government guidelines. The Board invests its accumulated surplus in interest-bearing assets. The Board was audited by the Auditor General of the Province of Newfoundland and Labrador.

The Board was comprised of members appointed by the Lieutenant Governor-in-Council from the three recognized accounting designations: chartered accountants; certified general accountants; and certified management accountants, as well as members from the general public. The Board enjoys very strong and cordial working relationships with the three designated accounting bodies.

On December 22, 2009, the *Public Accountants Act* was assented to replace the *Public Accountancy Act*. Proclamation of the amended *Public Accountants Act* was made on June 10, 2011. As the Public Accountants Licensing Board did not meet to elect a chair until 2012, I am reporting on behalf of the Board as I functioned as Chair on December 31, 2011.

Respectfully submitted,



Alex Faseruk
Chair at December 31, 2011

Board Overview

Mandate

The Board was established under Section 3 of the *Public Accountancy Act*. The powers of the Board include: (a) the granting or refusal of licenses under the Act; (b) the keeping and publishing of the Roll of Public Accountants in Newfoundland and Labrador in the Gazette; (c) the consideration of matters of common interest and concern to public accountants; and (d) the prescribing of standards and other qualification required of individual applicants for a license under the Act, the holding of examinations if found necessary, and the setting and marking of examination papers for the purpose of determining the existence of those qualifications. The Board may also revoke licenses, provide notice of suspension, hear appeals, restore licenses, and prescribe the titles that individuals engaged in public practice may use.

Membership

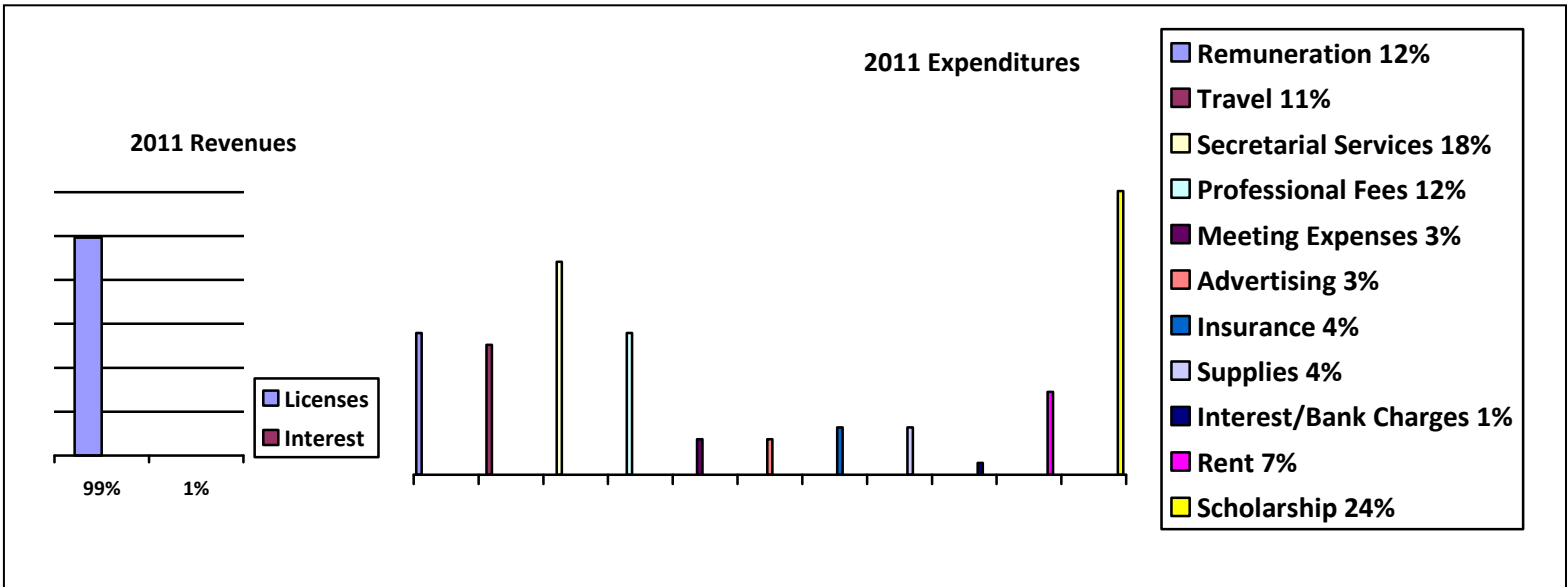
Under the *Public Accountancy Act*, the Board, at full capacity, consisted of 12 members, with three members from the Institute of Chartered Accountants of Newfoundland and Labrador (ICANL), three members from the Certified General Accountants Association of Newfoundland and Labrador (CGAANL), three members from Certified Management Accountants of Newfoundland and Labrador (CMANL) and three members representing the public. The members of the Board held office at pleasure. At dissolution the Board consisted of 11 members: Fred Cole C.A., Eric Coombs F.C.A. and Donna Rideout C.A. from ICANL; Calvin Dawe CGA, Madonna Henderson FCGA and Bruce Smith FCGA from CGAANL; and, John Kattenbusch FCMA and John King FCMA from CMANL. The three members representing the public were Dr. Alex Faseruk, Chair, Shelley Senior, LLB, Secretary and Jim Furey, Treasurer. One vacancy existed from CMANL following a resignation from the Board in 2006. The Board met twice a year in January and July as required by statute, but may have met more frequently if required. A new Board is to be constructed in 2012 under the *Public Accountants Act*.

Primary Clients

The Public Accountants Licensing Board's primary clients are the general public of the province with its secondary clients being the Institute of Chartered Accountants of Newfoundland and Labrador, the Certified General Accountants Association of Newfoundland and Labrador and the Certified Management Accountants of Newfoundland and Labrador.

Revenues and Expenditures

The audited financial statements for 2011 are the basis for the figures below. In 2011, the Board had revenues of \$19,686, and expenditures of \$20,992.



Highlights and Accomplishments

As was reported in the Board’s Activity Report for 2007, a scholarship was established at Memorial University. The goal of the Public Accountants Licensing Board Scholarship is to promote excellence in public accountancy within our province. The Board is pleased to report that it has been awarded each year since its inception to highly qualified students from Memorial University. In the January 2011 Statutory Meeting of the Public Accountants Licensing Board, the Board voted to increase the endowment of the Scholarship by \$5,000.

Outcomes of Objectives

The following objective was established in the Board’s 2008-2011 Activity Plan. The 2011 results confirm the objectives were met.

Objective

In 2011, the Public Accountants Licensing Board fulfilled all its requirements under the Act.

Measure: Requirements of the Act fulfilled.

Indicators:

- Number of licenses issued
- Number of complaints received
- Number of disciplinary actions taken
- Appeals Committee convened in a timely manner
- Monitoring compliance of continuing education criteria
- Roll of public accountants maintained and published

The Board is pleased to report the fulfillment of requirements under the *Public Accountancy Act*. In 2011, there were 196 licenses issued. The Board will continue to ensure that its licensing criteria are met by all the licensees. There were no disciplinary complaints received in 2011. Hence, there were no disciplinary actions taken and the Appeals

Committee was not convened, as no appeals were made to the Board in 2011. Compliance of the continuing education criterion was met by all members as attested to by the designated accounting bodies. The roll of public accountants was published in the Gazette.

Opportunities and Challenges Ahead

As mentioned, the *Public Accountants Act* and its Amendments to govern public accountants have been proclaimed by the Lieutenant Governor-in-Council. They will give self-regulatory status to public accountants providing them with a greater level of autonomy and authority.

Audited Financial Statements as of December 31, 2011 attached.

PUBLIC ACCOUNTANTS LICENSING BOARD

FINANCIAL STATEMENTS

31 DECEMBER 2011



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chair and Members
Public Accountants Licensing Board
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Public Accountants Licensing Board, which comprise the balance sheet as at 31 December 2011, and the income statement and statement of retained earnings for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

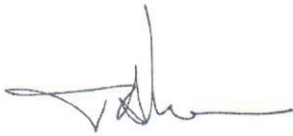
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Accountants Licensing Board as at 31 December 2011, and its financial performance for the year then ended in accordance with Canadian accounting standards for private enterprises.

A handwritten signature in black ink, appearing to read 'Terry Paddon', with a stylized flourish at the end.

TERRY PADDON, CA
Auditor General

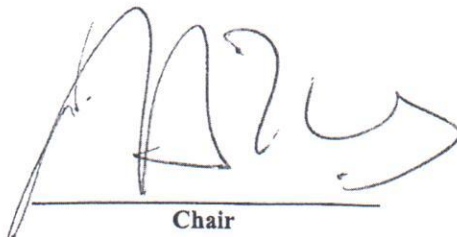
22 June 2012
St. John's, Newfoundland and Labrador

**PUBLIC ACCOUNTANTS LICENSING BOARD
BALANCE SHEET**

As at	31 December 2011	31 December 2010	1 January 2010
		(Note 2)	(Note 2)
ASSETS			
Current			
Cash	\$ 42,509	\$ 35,065	\$ 7,888
Short-term investments (Note 3)	11,584	13,798	38,100
Sales tax receivable	526	902	1,455
Prepaid expense	487	487	-
	55,106	50,252	47,443
Long-term investments	-	3,485	3,420
	\$ 55,106	\$ 53,737	\$ 50,863
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	\$ 2,280	\$ 2,680	\$ 920
Deferred revenue (Note 4)	10,900	7,900	8,500
	13,180	10,580	9,420
Shareholders' Equity			
Retained earnings	41,926	43,157	41,443
	\$ 55,106	\$ 53,737	\$ 50,863

See accompanying notes

Signed on behalf of the Board:


Chair


Member

PUBLIC ACCOUNTANTS LICENSING BOARD
INCOME STATEMENT AND STATEMENT OF RETAINED EARNINGS
For the Year Ended 31 December

2011

2010

(Note 2)

REVENUE

Licences	\$ 19,600	\$ 21,000
Investment income	86	60
	<u>19,686</u>	<u>21,060</u>

EXPENSES

Advertising	702	1,246
Board remuneration	2,455	3,835
Insurance	880	1,273
Interest and bank charges	229	198
Meeting expense	731	807
Office supplies	763	635
Professional fees	2,580	2,786
Rent	1,500	1,500
Scholarship (Note 5)	5,000	-
Secretarial services	3,770	3,275
Travel	2,382	3,915
	<u>20,992</u>	<u>19,470</u>

Income (loss) before undernoted (1,306) 1,590

Unrealized gain on investments 75 124

Net income (loss) (1,231) 1,714

Retained earnings, beginning of year 43,157 41,443

Retained earnings, end of year \$ 41,926 \$ 43,157

See accompanying notes

PUBLIC ACCOUNTANTS LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
31 December 2011

Authority

The Public Accountants Licensing Board (the Board) was established under authority of the *Public Accountancy Act*. The powers of the Board include granting licences to practice as a public accountant under the *Act*, keeping a roll of persons licensed, and prescribing the educational standards and other qualifications of applicants for a license. A new *Act*, the *Public Accountants Act*, was proclaimed on 10 June 2011.

1. Summary of significant accounting policies

These financial statements have been prepared by the Board in accordance with Canadian accounting standards for private enterprises and are in accordance with Canadian generally accepted accounting principles (CGAAP). The Board does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements. CGAAP include the following significant accounting policies:

Financial instruments

Measurement of financial instruments

The Board initially measures its financial assets and financial liabilities at fair value. The Board subsequently measures all its financial assets and liabilities at cost, except for investments, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

The fair value of the investments was determined based on the market value at year end.

Financial assets measured at cost include cash and sales tax receivable.

Financial liabilities measured at cost include accounts payable and accrued liabilities.

2. Impact of the Change in the Basis of Accounting

The Board elected to apply the Canadian Accounting Standards for Private Enterprises, Part II of the Canadian Institute of Chartered Accountants (CICA) Handbook, in accordance with Canadian generally accepted accounting principles.

These financial statements are the first financial statements for which the Board has applied the Canadian accounting standards for private enterprise, hereafter referred to as "ASPEs".

The financial statements for the year ended 31 December 2011 were prepared in accordance with the provisions set out in the First-Time Adoption, Section 1500, of the *CICA Handbook*.

The impact of adopting these standards was accounted for in retained earnings at the date of transition, 1 January 2010. There were no changes to the balance sheet. The following illustrates the adjustments made to the income statement.

PUBLIC ACCOUNTANTS LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
31 December 2011

2. Impact of the Change in the Basis of Accounting (cont.)

Reconciliation of previously reported 2010 net income with the 2010 ASPEs balances shown in these statements:

	Income statement for the year ended 31 December 2010 based on previous <u>financial statements</u>	Changes in retained earnings	Income statement for the year ended 31 December 2010 based on ASPEs
REVENUE			
Licences	\$ 21,000	\$ -	\$ 21,000
Investment income	184	(124)	60
	<u>21,184</u>	<u>(124)</u>	<u>21,060</u>
EXPENSES			
Advertising	1,246	-	1,246
Board remuneration	3,835	-	3,835
Insurance	1,273	-	1,273
Interest and bank charges	198	-	198
Meeting expense	807	-	807
Office supplies	635	-	635
Professional fees	2,786	-	2,786
Rent	1,500	-	1,500
Secretarial services	3,275	-	3,275
Travel	3,915	-	3,915
	<u>19,470</u>	<u>-</u>	<u>19,470</u>
Income before undernoted	1,714	(124)	1,590
Unrealized gain on investments	-	124	124
Net income	\$ 1,714	\$ -	\$ 1,714

PUBLIC ACCOUNTANTS LICENSING BOARD
NOTES TO FINANCIAL STATEMENTS
31 December 2011

3. Short-term investments

Short-term investments of \$11,584 (2010 - \$13,798) in guaranteed investment certificates are valued at fair value based upon the market value at year end. Maturity dates range from 13 February 2012 to 12 December 2012 with interest rates from 1% to 2.25%.

4. Deferred revenue

Deferred revenue consists of licence payments for the subsequent year received in advance.

5. Scholarship

In 2007, the Board entered into a Gift Agreement with Memorial University of Newfoundland to establish the *Public Accountants Licensing Board Scholarship* and provided \$25,000 to establish an endowment fund to be managed by the University. During 2011, the Board contributed an additional \$5,000 to the fund.

A scholarship valued at a portion of the income on the endowment is to be awarded from the fund annually, to an undergraduate student entering the final year of an academic program in the Faculty of Business Administration, who is in scholarship standing and demonstrates an interest in pursuing public accountancy as a profession. All scholarships will be awarded and administered in accordance with the University's student awards policies and practices.

6. Financial instruments

The Board's short-term financial instruments recognized on the balance sheet consist of cash, short-term investments, sales tax receivable and accounts payable and accrued liabilities. The short-term investments are valued at fair market value. The carrying value of the other instruments approximate current fair value due to their short-term nature. No credit risk or interest rate risk exists in relation to the financial instruments.

7. Income taxes

The Public Accountants Licensing Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

8. Comparative figures

Certain figures in the 2010 financial statements have been restated to conform to the basis of presentation used in 2011.