CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

DISCIPLINE COMMITTEE

IN THE MATTER OF:	A proposed Settlement Agreement between the Professional Conduct Committee of the Chartered Professional Accountants of Ontario and **ATEET KAPADIA, CPA, CA**.
TO:	Ateet Kapadia, CPA, CA
AND TO:	The Professional Conduct Committee

DECISION MADE NOVEMBER 17, 2020

DECISION

After considering the submissions of the parties and the proposed Settlement Agreement itself, the Panel hereby approves the Settlement Agreement, dated October 26, 2020.

DATED at Toronto, this 17th day of November 2020.

Randal J. Adamkowski, CPA, CA
Discipline Committee – Deputy-Chair

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

IN THE MATTER OF: DRAFT ALLEGATIONS OF PROFESSIONAL MISCONDUCT AGAINST ATEET KAPADIA, CPA, CA, BEFORE THE DISCIPLINE COMMITTEE

SETTLEMENT AGREEMENT

Made pursuant to Section 34 (3) (c) of the *Chartered Professional Accountants of Ontario Act, 2017* and CPAO Regulation 6-2, s.19

Introduction

1. The Professional Conduct Committee ("PCC") has approved draft Allegations of professional misconduct (the "Allegations") against Ateet Kapadia, CPA, CA ("Kapadia") the particulars of which are set out below. The documents referred to in this Settlement Agreement are found in the Document Brief ("**Doc**"). The applicable CPA Handbook sections are found in the Standards Brief ("**Tab**").

2. The draft Allegations (**Doc 1**) pertain to the failure of Kapadia to perform professional work in accordance with generally accepted standards of the profession, contrary to Rule 206.1 of the Chartered Professional Accountants of Ontario Code of Professional Conduct, with respect to the following engagements:

    a. The audit of the financial statements of "LNCC" for the year ended December 31, 2017 (**Doc 2**);

    b. The audit of the financial statements of "ONC 600" for the year ended December 31, 2017 (**Doc 3**);

    c. The review of the financial statements of "ONC 189" for the year ended December 31, 2017. (**Doc 4**); and

d. That as owner/principal of Kappin Professional Corporation, Kapadia failed to perform his professional services in accordance with generally accepted standards of practice for the profession.

3. The PCC and Kapadia agree with the facts and conclusions set out in this agreement for the purpose of this proceeding only, and further agree that this agreement of facts and conclusions is without prejudice to Kapadia in any other proceedings of any kind, including, but without limiting the generality of the foregoing, any civil or other proceedings which may be brought by any other person, corporation, regulatory body or agency.

<u>Background of the Member</u>

4. Kapadia obtained his Chartered Accountant designation in 2013 in Toronto, with McCarthy Greenwood. In or about 2014 he moved his practice to Segal LLP and in May 2015 he decided to go out on his own, initially practicing as a sub-contractor.

5. In 2016 Kapadia began performing assurance services through his professional corporation, Kappin Professional Corporation.

6. Kapadia had one client group which included seven companies and operated several day care centers. This included 3 audits, 1 review engagement and 3 Notice to Readers with estimated annual fees of between $25,000 and $30,000. He completed the 2016 and 2017 year ends and these are the only assurance engagements he performed in his practice. He gave up this client group after seeing the results of his practice inspection and did not complete their 2018-year ends.

7. Kapadia is currently only preparing tax returns in his practice and is doing subcontract work. He is not providing compilation or assurance services. Kapadia said he is waiting for this process to be completed and then intends to attempt to build a practice offering these services.

8. Kapadia maintains a current Public Accountants Licence, has registered his firm and maintains liability insurance.

9. Kapadia's continuing professional development is up-to-date and he has taken mainly CPAO courses on audit and taxation.

Background of the Complaint

10. The Practice Inspection Committee ("PIC") advised the PCC on January 31, 2020 that as a result of the inspection and reinspection of the practice of Kapadia, it concluded that Kapadia's failure to maintain professional standards was sufficiently serious to reflect adversely upon Kapadia's professional competence.

11. The PIC also provided a detailed listing of reportable deficiencies with respect to the three files that are subject to draft allegations, LNCC, ONC 600 and ONC 189.

12. On March 30, 2020, the PCC appointed Mr. Paul Gibel, FCPA, FCA, (the "Investigator") to investigate the member's standards of practice, and the circumstances surrounding the complaints.

13. As part of his investigation, the Investigator reviewed the member's standards of practice in relation to the three engagements inspected by the PIC. The Investigator was not able to review any additional files as the Member has not undertaken any further assurance work.

14. Kapadia and the PCC agree that Kapadia failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.

15. Kapadia and the PCC agree that the draft allegations, set out below, particularize the manner in which Kapadia failed to perform his professional services in accordance with generally accepted standards of practice of the profession.

The Allegations

Allegation 1 – Ateet Kapadia, in or about the period December 1, 2017 to March 31, 2018, while engaged to perform an audit of the financial statements of LNCC, for the year ended

December 31, 2017, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct in that:

16. The financial statements for LNCC for the year ended December 31, 2017, **(Doc 2, pp.1-11)** together with the Independent Auditor's Report **(Doc 2, p.3)**, were signed by Kapadia and issued on March 22, 2018.

   a. ***He failed to include a prominent statement in the notes that the financial statements are prepared in accordance with Accounting Standards for Private Enterprise (ASPE);***

17. The notes **(Doc 2, pp.8-11)** do not state prominently that the financial statements are prepared in accordance with ASPE (1400.16) **(Tab 11)**. Kapadia said the use of estimates note says they are prepared in accordance with ASPE. This is not stating the accounting framework prominently.

   b. ***He failed to disclose amounts payable with respect to government remittances;***

18. The trial balance shows an account for payroll liabilities in the amount of $12,120.18 **(Doc 2, p.14)** which is included in accounts payable and accrued liabilities on the balance sheet. Kapadia said these are the source deductions owing at the year end and agreed they had not been disclosed separately as government remittances payable as required by section 1510.15.**(Tab 12)**

   c. ***He failed to perform analytical procedures as part of the risk assessment procedures;***

19. The auditor is required to perform analytical procedures at the beginning of the audit to assist with identifying the risks of material misstatement through understanding the entity and it's environment in accordance with CAS 315 paragraph 6 (b) **(Tab 4)**, during the audit for any relationships that may indicate fraud risks as required by CAS 240 paragraph 23 **(Tab 2)** and near the end of the audit to assist in forming the overall conclusion in accordance with CAS 520 paragraph 6 **(Tab 7)**. Kapadia provided a working paper that is the trial balance showing the $ and % changes from the prior year with his comments **(Doc 2, pp.16-17)**. He said he prepares this at the planning stage. The comments indicate the work to be done but do not offer any explanations for the

variances. There are also notes on the trial balance which provide high level explanations for some of the changes. **(Doc 2, pp. 14-15)**

d. ***He failed to consider fraud risk factors in assessing the risks of material misstatement;***

20. Question 4. e. on the Overall audit strategy checklist documents that no significant risks were identified. **(Doc 2, p.19)** Question 2. c. in the Response to fraud risk section of the overall response checklist asks about the presumed risk of fraud in revenue recognition and if an evaluation was done with respect to which types of revenue could give rise to fraud risks. The response says this was done. **(Doc 2, p.20)** The Responding to Risk at the financial statement level checklist also has a question about the presumed fraud risk, the response is: "All revenue streams have a very low risk of fraud." **(Doc.2, p.24)** The investigator asked Kapadia if he identified any significant risks and he said he did not. He said he determined there was not a significant fraud risk in revenue recognition because the client's processes are automated so there is little chance of an error and the client staff has no chance of changing anything as they can only view the data and not change it.

e. ***He failed to document audit testing with respect to journal entries;***

21. The investigator asked Kapadia what procedures he performed with respect to journal entries as the Use of journal entries checklist indicates the only unusual or inappropriate journal entries identified were for related party transactions which are not unusual. **(Doc 2, p.29)** He said he had the client's QuickBooks file and looked at all the journal entries and went over all of them with the client to ensure they were authorized and did not see anything out of the ordinary. He was able to produce a listing of the journal entries which was not in his CaseWare file (**Doc 2, pp.31-36)**. Kapadia agreed that this work was not documented in his working papers. CAS 240 paragraph 33 **(Tab 2)** states that irrespective of the auditor's assessment of the risks of management override of controls, the auditor shall design and perform procedures to test the appropriateness of journal entries. There is also no evidence in his files of testing journal entries for this objective.

f. ***He failed to perform substantive audit procedures with respect to cash, accounts payable cut-off, search for unrecorded liabilities, and credit card payable accounts;***

22. The Cash – Audit procedures checklist in the Validity Section indicates that a bank confirmation was obtained. **(Doc 2, p.46)** Kapadia explained that rather than sending a request to the bank, he relied on the bank statement given to him by the client. The investigator asked why the procedures on the checklist were noted as complete, no exceptions. **(Doc.2, p.46)** Kapadia said he thought this meant he had considered the procedure.

23. CAS 330 paragraph 18 **(Tab 5)** states that irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure. Paragraph 19 states that the auditor shall consider whether external confirmation procedures are to be performed as substantive audit procedures. Paragraph A48 says that external confirmations are frequently relevant when addressing assertions associated with account balances and their elements and identifies bank balances as an example of when external confirmation procedures may provide relevant audit evidence in responding to assessed risks of material misstatement.

24. Accounts payable and accrued liabilities include two accounts for RBC Visa totaling $8,637.35 which have the notation NM (not material) beside them on the trial balance. **(Doc 2, p.14)** Materiality for this engagement was set at $5,000 by Kapadia. The Accounts payable and accrued liabilities – Audit procedures checklist shows all the procedures being completed, no exceptions including analytical procedures and the search for unrecorded liabilities. **(Doc.2, pp.55-60)** Kapadia said he did not perform any analytical procedures. With respect to the search for unrecorded liabilities, he said he inquired of the owner but did not test a sample of subsequent payments or do anything else. There is no documentation of the discussion with the owner.

g. <u>He failed to include all necessary representations in the representation letter</u>;

25. The representation letter **(Doc.2, pp.41- 42)** did not include representations with respect to the disclosure of any known, actual or possible litigation and claims and management's acknowledgement of its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud. CAS 580 **(Tab 9)** contains guidance with respect to written representations but there are specific requirements for additional representations contained in other CAS's, which are listed in Appendix 1 to CAS 580 **(Tab 9)**. These include the two above which are required by CAS 501 paragraph 12 **(Tab 6)** and CAS 240 paragraph 40 **(Tab 2)** respectively. The guidance

in the C-PEM used by Kapadia includes a list of these **(Doc 2, p.43)**. Kapadia agreed these additional representations were not included.

h. ***<u>He failed to identify the presumed risk of fraud in revenue recognition as a significant risk or to document why the presumption is not applicable</u>***;

26. CAS 315 paragraph 27 **(Tab 4)** states that the auditor shall determine whether any of the risks identified are, in the auditor's judgement, significant. Paragraph 28 states that a fraud risk is a significant risk. Significant risks require special audit consideration. CAS 240 paragraph 27 **(Tab 2)** states that the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. Kapadia did not adequately address the presumed risk of fraud in revenue or the reasons for the conclusion that the presumption that there is a risk of material misstatement due to fraud is not applicable to this client, as required by paragraph 48 of CAS 240 **(Tab 2)** and has not documented his rationale for either position. **(Doc. 2, p. 24)**

i. ***<u>He failed to update the subsequent events review to the date of the auditor's report;</u>***

27. All the procedures on the Subsequent Events Checklist are signed off on February 12, 2018 **(Doc 2, pp.37-40)**. The auditor's report is dated March 22, 2018. **(Doc.2, p.3)** CAS 560 paragraph 6 **(Tab 8)** requires that audit procedures be performed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment or disclosure be identified. Kapadia agreed that he did not update his review for subsequent events to the date of the auditor's report.

j. ***<u>He failed to adequately document communication with those charged with governance with respect to audit planning;</u>***

28. The Report to those charged with governance section of the CaseWare file was not completed. The investigator asked Kapadia what communications he had and what was communicated in writing. He said he spent time discussing the business with management as there is not a Board of Directors and would have enquired as to any changes from the previous year and would have asked about fraud and journal entries. Kapadia said none of this is in writing and if he had found a problem, he would have

emailed the owner. This discussion is not documented in his working papers. CAS 260 **(Tab 3)** provides the guidance for communication with those charged with governance. Paragraph 14 states the auditor shall communicate the responsibilities of the auditor and paragraph 15 states the auditor shall communicate an overview of the planned scope and timing of the audit, including the significant risks identified. Paragraph 16 states the auditor shall communicate the auditor's views about significant qualitative aspects of the entity's accounting practices, significant difficulties encountered during the audit, if any, and the written representations requested, circumstances affecting the form and content of the auditor's report, if any and any other significant matters arising.

k. <u>He failed to document substantive audit procedures with respect to accounts receivable, income taxes and dividends</u>;

29. There is a reference to note 1 on the trial balance beside the accounts receivable account **(Doc 2, p.12)**. The note says, "Deposited into the bank account in Jan 2018". **(Doc.2, p.14)** There are no working papers with respect to accounts receivable. All the procedures on the Accounts receivable, trade and other – Audit procedures checklist are noted as completed, no exceptions including those related to analytical procedures, confirmation and cut off. **(Doc.2, pp.49-54)** Kapadia said the accounts receivable are for one subsidy which relates to December but is received in January of the next year and he traced it to the January bank statement. There are no tuition receivables as the parents all pay by electronic funds transfer (EFT) in advance of when the children attend. Kapadia also said he did not send a confirmation or perform any cut off procedures because it was only the one amount and was what he expected. This is not properly documented in his working papers.

30. The investigator asked Kapadia if there was any support for the income taxes payable or income tax expense, both in the amount of $35,543, in his working papers **(Doc 2, pp.4-5)**. He said he prepared the income tax returns and took the numbers directly from the return. There is no documentation of this.

31. The statement of retained earnings shows dividends of $36,000 **(Doc. 2, p.6)**. Kapadia said he agreed these to the cheques and to the T5's which he prepared. There is no documentation of these procedures in his working papers.

l. <u>He failed to disclose the amortization method used to depreciate property, plant and equipment in the financial statements</u>;

32. Note 1. a. discloses that CCA rates are used to calculate depreciation and the rates used for each category. **(Doc.2, p.8)** The amortization method is not disclosed as required by 3061.24 (c) **(Tab 13).** Kapadia agreed he should have disclosed that the declining balance method was being used.

   m. ***He failed to disclose the correct income tax accounting policy in the financial statements, stating the company is using the future income tax method when they are using the taxes payable method and accordingly, failed to make the required disclosures;***

33. Note 1. c. discloses that the liability method of accounting for income taxes is being used. **(Doc. 2, p.8)** It goes on to explain the future income taxes method. The income tax expense agrees to the income tax returns which is the taxes payable method. Kapadia agreed the taxes payable method is being used by the company. Accordingly, the disclosures required by 3465.88 **(Tab 15)** for when an enterprise applies the taxes payable method have not been made.

   n. ***He failed to disclose the carrying amount of financial assets measured at amortized cost in the financial statements;***

34. Note 1. d. is the financial instruments accounting policy. **(Doc.2, p.8)** The carrying amounts of financial assets measured at amortized cost have not been disclosed as required by 3856.38 **(Tab 17).** Kapadia said it is only accounts payable and accounts receivable and the carrying values are the same as the fair values which is disclosed in the note, which is not relevant to this standard.

   o. ***He failed to disclose the appropriate revenue recognition policies in the financial statements;***

35. The accounting policy for revenue recognition is disclosed in note 1. e. It describes a policy for sales revenue when the company only provides services. **(Doc.2, p.9)** Kapadia said this is the overall introduction to the note and covers all of the types of revenue. It is contradictory to some of the other revenue recognition policies. The policy also says enhanced funding is recognized as soon as the agreement with the city has been reached, fee subsidy revenue is recognized when the agreement with the city has been reached, other income is recognized when grant agreements have been signed and wage enhancement and wage subsidy is recognized as soon as the city has reached an agreement. The investigator asked Kapadia why this is appropriate, and he said that once the Region agrees, they are going to pay these amounts. Section 3400.04 **(Tab**

14) states revenue shall be recognized when the requirements as to performance are satisfied. Performance for rendering services shall be determined using either the percentage of completion or completed contract method, whichever relates the revenue to the work accomplished per 3400.06 **(Tab 14)**. It is unlikely this would be at the time an agreement is reached as there are obligations that need to be fulfilled under those agreements. The policy also discloses that tuition revenue is recognized when it is received. Kapadia said this is because the tuition is received in advance of the services being provided and they don't get their money back. It is not appropriate to recognize tuition revenue in advance of the services being performed.

p. <u>He failed to disclose all related party transactions in the financial statements</u>;

36. Note 5. a. is the related party transactions note. **(Doc.2, pp.10-11)** It discloses that the transactions are measured at the exchange amount and later in the note discloses the measurement basis is fair market value. Kapadia said that the exchange amount and fair market value are the same as the client obtains market information to set the exchange amount. He agrees the wording makes the measurement basis unclear. A reader would not be able to determine the measurement basis from this disclosure.

37. There is disclosure that the company pays rent to a related company, **(Doc.2, p.10)** but the amount of the rent paid is not disclosed in accordance with 3840.51 (c) **(Tab 16)**. Kapadia said it is 100% of the rent shown on the income statement but a user would not know this. Accordingly, he has not met the standard.

38. The property, plant and equipment continuity shows additions for the year from Castle Supplies totaling $19,438.82 **(Doc 2, p.61)**. The financial statements for 2483189 show Castle Supplies as a related party and Kapadia confirmed they are related **(Doc 2, p.138)**. These transactions have not been disclosed as related party transactions (3840.51). **(Tab 16)**

q. <u>He failed to properly classify the amount due to a related party in the financial statements</u>;

39. The related party transaction note says there are no set repayment terms for related parties**.** **(Doc 2, pp.10-11)** The due to related parties, which is due to one related company, is included in long term liabilities on the balance sheet. Kapadia said he did this because the client said it wouldn't be due in the next year. Section 1510.13 **(Tab 12)** states that if a creditor has the unilateral right to demand immediate repayment of any portion or all of the debt, the obligation is classified as current unless the creditor

has waived, in writing or subsequently lost the right to demand payment for more than one year from the balance sheet date. Accordingly, this amount should be shown as a current liability.

r. ***<u>He failed to disclose significant risks from financial instruments in the financial statements; and</u>***

40. Section 3856.53 **(Tab 17)** requires disclosure of each significant risk arising from financial instruments including the exposures to risk and how they arise and any change in risk exposures from the previous period. The investigator asked why this disclosure was not made, Kapadia said he was not aware of this requirement.

s. ***<u>He failed to properly use the required phrase "Authorized to practice public accounting by CPAO", in his report</u>***.

41. Regulation 9-1 paragraph 14 states that on any statement or report that is in respect of an assurance engagement, when the report for the engagement is issued, a professional corporation that holds a certificate of authorization to practice public accounting in Ontario shall use the term "Authorized to practice public accounting by the Chartered Professional Accountants of Ontario" Kapadia agrees he did not do this.

Allegation 2 - Ateet Kapadia, in or about the period December 1, 2017 to March 31, 2018, while engaged to perform a review of the financial statements of ONC 600, for the year ended December 31, 2017, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct in that:

42. The financial statements for ONC 600 for the year ended December 31, **2017, (Doc.3, pp.62-72)** together with the Independent Auditor's Report **(Doc 3, p.64),** were signed by Kapadia and issued on March 22, 2018.

a. ***<u>He failed to include a prominent statement in the notes that the financial statements are prepared in accordance with ASPE</u>***;

43. The notes do not state prominently that the financial statements **(Doc.3, pp.69-72)** are prepared in accordance with ASPE (1400.16) **(Tab 11)**. Kapadia said the use of estimates note says they are prepared in accordance with ASPE. This is not stating the accounting framework prominently.

b. ***<u>He failed to disclose amounts payable with respect to government remittances;</u>***

44. The trial balance shows an account for payroll liabilities in the amount of $20,902.96 which is included in accounts payable and accrued liabilities on the balance sheet**.(Doc.3, p.75)** Kapadia said these are the source deductions owing at the year end and agreed they had not been disclosed separately as government remittances payable as required by Section 1510.15 **(Tab 12)**.

c. ***He failed to perform analytical procedures as part of the risk assessment procedures*;**

45. Analytical procedures were not performed as part of the risk assessment procedures. Working paper 501-3 shows the $ and % changes from the prior year. **(Doc.3, pp.76-77)** Kapadia said he prepares this at the planning stage and reviews it as a first check. There are no explanations for the variances. There are also notes on the trial balance which provide high level explanations for some of the changes. **(Doc.3, p.75)** The comments indicate the work to be done but do not offer any explanations for the variances as required by CAS 315, paragraph 6 (b) **(Tab 4)**.

d. ***He failed to consider fraud risk factors in assessing the risks of material misstatement*;**

46. Question 4. e. on the Overall audit strategy checklist documents that no significant risks were identified. **(Doc.3, p.79)** Question 2. c. in the Response to Fraud Risk section of the overall response checklist **(Doc.3, p.80)** asks about the presumed risk of fraud in revenue recognition and if an evaluation was done with respect to which types of revenue could give rise to fraud risks. The response says this was done. The Responding to risk at the financial statement level checklist also has a question about this presumed fraud risk and the response is that “All revenue streams have a very low risk of fraud.” **(Doc.3, p.84)** Kapadia said he did not identify any significant risks and he determined there was not a significant fraud risk in revenue recognition because the client’s processes are automated so there is little chance of an error and the client staff has no chance of changing anything as they can only view the data and not change it. (CAS 315 paragraphs 27 and 28) **(Tab 4)**

e. ***He failed to document audit testing with respect to journal entries*;**

47. The investigator asked Kapadia what procedures he performed with respect to journal entries as the Use of Journal Entries checklist indicates that the only unusual or inappropriate journal entries identified were for related party transactions which are not unusual. **(Doc.3, p.89)** He said he had the client’s QuickBooks file and looked at all the journal entries **(Doc 3, pp.91-94)** and went over all of them with the client to ensure they were authorized and did not see anything out of the ordinary. Kapadia agreed that this work was not documented in his working papers. There is also no evidence in

his files of testing journal entries for management override. (CAS 240 paragraph 33) **(Tab 2).**

f. ***He failed to perform substantive audit procedures with respect to cash, accounts payable cut-off, search for unrecorded liabilities, credit card payable accounts and interest expense;***

48. A bank confirmation was not obtained when the Cash – Audit procedures checklist in the Validity section indicates that it was. **(Doc.3, p. 103)** Kapadia concedes that he relied on the bank statement given to him by the client. (CAS 330 paragraphs 18, 19 and A48) **(Tab 5)**

49. CAS 330 paragraph 18 **(Tab 5)** states that irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure. Paragraph 19 states that the auditor shall consider whether external confirmation procedures are to be performed as substantive audit procedures. Paragraph A48 says that external confirmations are frequently relevant when addressing assertions associated with account balances and their elements and identifies bank balances as an example of when external confirmation procedures may provide relevant audit evidence in responding to assessed risks of material misstatement.

50. Accounts payable and accrued liabilities include two accounts for RBC Visa totaling $9,143.99, one for BMO of $6,207.91 and one for National Bank Visa of $3,494.45 for a total of $18,846.35. **(Doc.3, p.75)** There is no indication that any audit procedures have been performed with respect to these accounts. Kapadia agreed he did not perform any analytical procedures with respect to accounts payable and accrued liabilities. He said he inquired of the owner but did not test a sample of subsequent payments or do anything else with respect to his search for unrecorded liabilities even though the Accounts payable and accrued liabilities – Audit procedures checklist shows all the procedures being "completed, no exceptions". **(Doc.3, pp.119-124)**

51. The income statement shows an expense for interest on mortgages of $56,055 **(Doc 3, p.66)**. This is actually interest on the long-term debt. The investigator asked Kapadia how he verified this expense and he said he doesn't see anything in his file.

g. ***He failed to include all necessary representations in the representation letter;***

52. The representation letter **(Doc.3, pp. 99-100)** did not include representations with respect to the disclosure of any known, actual or possible litigation and claims and management's acknowledgement of its responsibility for the design, implementation

and maintenance of internal control to prevent and detect fraud. Kapadia agreed these were not included. (CAS 580 including Appendix 1 **(Tab 9),** CAS 501 paragraph 12 **(Tab 6)** and CAS 240 paragraph 40 **(Tab 2).**

h. He failed to identify the presumed risk of fraud in revenue recognition as a significant risk or to document why the presumption is not applicable;

53. CAS 315 paragraph 27 **(Tab 4)** states that the auditor shall determine whether any of the risks identified are, in the auditor's judgement, significant. Paragraph 28 states that a fraud risk is a significant risk. Significant risks require special audit consideration. CAS 240 paragraph 27 **(Tab 2)** states that the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

54. Kapadia did not address the presumed risk of fraud in revenue or the reasons for the conclusion that the presumption that there is a risk of material misstatement due to fraud is not applicable to this client, as required by paragraph 48 of CAS 240 **(Tab 2)** and has not documented his rationale for either position. **(Doc.3, p.84)**

i. *He failed to update the subsequent events review to the date of the auditor's report;*

55. All the procedures on the Subsequent events checklist are signed off on February 12, 2018. **(Doc.3, pp.95-98)** The auditor's report is dated March 22, 2018 **(Doc 3, p.64)**. Kapadia agreed that he did not update his review for subsequent events to the date of the auditor's report. (CAS 560 paragraph 6) **(Tab 8)**

j. He failed to adequately document communication with those charged with governance with respect to audit planning;

56. The Report to those Charged with Governance section of the CaseWare file was not completed. In explaining what communications he had and what was communicated in writing, Kapadia said he spent time discussing the business with management, as there is not a Board of Directors, and would have enquired as to any changes from the previous year and would have asked about fraud and journal entries. Kapadia said none of this is in writing and if he had found a problem, he would have emailed the owner. This discussion is not documented in his working papers. (CAS 260 paragraphs 14, 15 and 16) **(Tab 3)**

k. He improperly capitalized repairs rather than include those costs in expenses;

57. The property, plant and equipment continuity shows additions of $137,376.59 for leasehold improvements for the year. These include items noted as repair security access of $4,294.00, watermain repairs of $5,624.00 and repair driveway of $36,160.00. **(Doc.3, pp.117-118)** In explaining what procedures he performed to determine if any of the additions should be expensed instead of capitalized, Kapadia said the driveway was significant and he looked at it and determined it was not really a repair because the amount was large. The other items could have been for repairs, but they were part of a bigger picture. Kapadia has not performed adequate procedures to determine if items included in property, plant and equipment should have been included in expenses. Materiality was set at $8,000 for this engagement so the amounts are material.

l. <u>He failed to document substantive audit procedures with respect to accounts receivable, collectability of amount due from a related party, long-term debt, income taxes and dividends;</u>

58. There is a reference to note 1 on the trial balance beside the accounts receivable account: “Deposited into the bank account in Jan 2018”. **(Doc.3, pp.73 and 75)** There are no working papers with respect to accounts receivable. All the procedures on the accounts receivable, trade and other – audit procedures checklist are noted as “completed, no exceptions” including those related to analytical procedures, confirmation and cut off. **(Doc.3, pp.106-111)** Kapadia said the accounts receivable are for one subsidy which relates to December but is received in January of the next year and he traced it to the January bank statement. There are no tuition receivables as the parents all pay by electronic funds transfer (EFT) in advance of when the children attend. Kapadia also said he did not send a confirmation or perform any cut off procedures because it was only the one amount and was what he expected. This is not properly documented in his working papers.

59. The balance sheet shows an amount due from related parties of $346,328 which is due from one company as per note 5. **(Doc.3, pp. 65 and 72)** The valuation section of the Loans and Advances Receivable – Audit procedures checklist says procedures were “completed with no exceptions” to assess the collectability of this amount. **(Doc.3, p.115)** Kapadia explained that he checked the general ledger of that company, as he also did its year end, and agreed the balances. He asked management about it and was aware the funds had been advanced because they were opening another location. He also said the loan was less than the previous year, so it was being repaid. This is not documented in his file.

60. There is no documentation to support the income taxes payable or income tax expense. **(Doc.3, pp.65-66)** Kapadia said he prepared the income tax returns and took the numbers from them. He agreed this is not documented.

61. There is an amount on the trial balance shown as owing to Ford Credit in the amount of $46,658.18. **(Doc.3, p.75)** There are no working papers in the file related to this amount. Kapadia explained that he looked at the loan sheet, agreed to the prior year and would have looked at this account in QuickBooks to verify these amounts. This is not documented.

62. The statement of retained earnings shows dividends of $187,200. **(Doc.3, p.67)** Kapadia said he agreed these to the cheques and to the T5's which he prepared. There is no documentation of these procedures in his working papers.

m. <u>He failed to disclose the amortization method used to depreciate property, plant and equipment in the financial statements</u>;

63. The fact that the company is using the declining balance method to depreciate its property, plant and equipment is not disclosed in Note 1. a as required by Section 3061.24(c) **(Tab 13). (Doc.3, p.69)** Kapadia agreed this was not disclosed.

n. <u>He failed to disclose the correct income tax accounting policy in the financial statements, stating the company is using the future income tax method when they are using the taxes payable method and accordingly, failed to make the required disclosures</u>;

64. Note 1. c. discloses that the liability method of accounting for income taxes is being used when the company is actually using the taxes payable method. **(Doc.3, p.69)** Kapadia agreed the taxes payable method is being used by the company. Accordingly, the disclosures required by 3465.88 **(Tab 15)** for when an enterprise applies the taxes payable method have not been made.

o. <u>He failed to disclose the carrying amount of financial assets measured at amortized cost in the financial statements</u>;

65. Note 1. d. is the financial instruments accounting policy. **(Doc.3, p.69)** The carrying amounts of financial assets measured at amortized cost have not been disclosed as required by 3856.38 **(Tab 17)**. Kapadia said it is only accounts payable and accounts receivable and the carrying values are the same as the fair values which is disclosed in the note, this is not relevant to this standard.

p. ***He failed to disclose the appropriate revenue recognition policies in the financial statements;***

66. The accounting policy for revenue recognition is disclosed in note 1. e. **(Doc.3, p.70)** It describes a policy for sales revenue when the company only provides services. Kapadia said this is the overall introduction to the note and covers all the types of revenue. It is contradictory to some of the other revenue recognition policies. The policy also says enhanced funding is recognized as soon as the agreement with the city has been reached, fee subsidy revenue is recognized when the agreement with the city has been reached, other income is recognized when grant agreements have been signed and wage enhancement and wage subsidy is recognized as soon as the city has reached an agreement. The investigator asked Kapadia why this is appropriate, and he said that once the Region agrees, they are going to pay these amounts. Section 3400.04 **(Tab 14)** states revenue shall be recognized when the requirements as to performance are satisfied. Performance for rendering services shall be determined using either the percentage of completion or completed contract method, whichever relates the revenue to the work accomplished per 3400.06 **(Tab 14).** It is unlikely this would be at the time an agreement is reached as there are obligations that need to be fulfilled under those agreements. The policy also discloses that tuition revenue is recognized when it is received. Kapadia said this is because the tuition is received in advance of the services being provided and they don't get their money back. It is not appropriate to recognize tuition revenue in advance of the services being performed.

q. ***He failed to disclose all related party transactions in the financial statements;***

67. The wording of Note 5. a., the related party transactions note **(Doc.3,pp.71-72)** is contradictory as it discloses that the transactions are measured at the exchange amount and later in the note discloses the measurement basis is fair market value.

68. There is disclosure that the company pays rent to a related company, but the amount of the rent paid is not disclosed. Kapadia agreed this was not disclosed. (3840.51 (c) **(Tab 16). (Doc.3, p.71)**

69. The property, plant and equipment continuity shows additions for the year from Castle Supplies totaling $22,299.43. **(Doc.3, p.117)** The employee expense account includes an amount of $427,140.00 paid to Castle Supplies for training, which is included in professional fees on the income statement. **(Doc.3, pp.66 and 125)** Kapadia agreed

these entities are related. These transactions have not been disclosed as related party transactions. (3840.51) **(Tab 16)**

r. ***He failed to properly categorize and disclose long term debt separately on the balance sheet of the financial statements;***

70. The loan payable to Ford Credit has been grouped with accounts payable and accrued liabilities instead of being shown as long-term debt with the appropriate disclosure of the long-term and current portions on the balance sheet. **(Doc.3, pp.65 and 75)** Kapadia agreed this was a car loan which should have been shown as long-term debt.

s. ***He failed to disclose the terms of long-term debt and the five-year principal repayments in the financial statements;***

71. The description of the liability, interest rate, maturity date and repayment terms as required by section 3856.43 **(Tab 17),** the carrying amount of the assets pledged as required by 3856.44 and the five year principal repayments as required by 3856.45 **(Tab 17)** have not been disclosed for the Ford Credit loan payable as it was included in accounts payable and accrued liabilities instead of being shown as long-term debt. **(Doc.3, pp.65 and 75)** Kapadia agreed that this loan should be included in long-term debt.

t. ***He failed to disclose the significant risks arising from financial instruments in the financial statements; and***

72. The significant risks arising from financial instruments including the exposures to these risks and how they arise and any change in risk exposures from the previous period has not been made. Kapadia said he was not aware of this requirement. (3856.53) **(Tab 17)**

u. ***He failed to properly use the required phrase "Authorized to practice public accounting by CPAO", in his report***.

73. Regulation 9-1 paragraph 14 states that on any statement or report that is in respect of an assurance engagement, when the report for the engagement is issued, a professional corporation that holds a certificate of authorization to practice public accounting in Ontario shall use the term "Authorized to practice public accounting by the Chartered Professional Accountants of Ontario". Kapadia did not comply with this requirement.

Allegation 3 - THAT the said Ateet Kapadia, in or about the period December 1, 2017 to February 28, 2018, while engaged to perform a review of the financial statements of ONC 189, for the year ended December 31, 2017, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the Code of Professional Conduct in that:

74. The financial statements for ONC 600 for the year ended December 31, 2017 **(Doc.4, pp.126-138)** together with the Review Engagement Report **(Doc 4, p. 128)**, were signed by Kapadia and issued on February 16, 2018.

   a. ***He failed to include a prominent statement in the notes that the financial statements are prepared in accordance with ASPE;***

75. The notes do not state prominently that the financial statements are prepared in accordance with ASPE (1400.16) **(Tab 11),(Doc.4, pp.134-138)** Kapadia said the use of estimates note says they are prepared in accordance with ASPE. This is not stating the accounting framework prominently.

   b. ***He failed to disclose amounts payable with respect to government remittances;***

76. The trial balance shows an account for payroll liabilities in the amount of $19,924.22 **(Doc.4, pp.140)** which is included in accounts payable and accrued liabilities on the balance sheet. **(Doc.4, p.130)** Kapadia said these are the source deductions owing at year end and agreed they had not been disclosed separately as government remittances payable as required by Section 1510.15 **(Tab 12)**.

   c. ***He failed to obtain an engagement letter;***

77. Kapadia's engagement letter did not include a reference to the expected form and content of the report to be issued. **(Doc.4, pp.142-148)** Kapadia provided a copy of his engagement letter for 2016 which references the report under the previous review standards. **(Doc.4, p.143)** CSRE 2400.34 **(Tab 10)** states the practitioner shall agree the terms of the engagement with management or those charged with governance, as appropriate, prior to performing the engagement and .35 states this should be done using an engagement letter or other suitable form of written agreement. On recurring review engagements, the practitioner shall evaluate whether circumstances require the terms of the engagement to be modified (CSRE 2400.36) **(Tab 10).** Given this is the

first year this engagement was subject to CSRE 2400 **(Tab 10),** a new engagement letter should have been obtained.

d. ***He failed to adequately document his understanding of the entity with respect to the entity's objectives and strategy, selection and application of accounting policies and the entity's accounting systems;***

78. CSRE 2400.43 **(Tab 10)** states the practitioner shall obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas and .44 provides a list of things that should be included in the practitioner's understanding. These include relevant industry, regulatory and external factors, the nature of the entity, the entity's accounting systems and accounting records and the entity's selection and application of accounting policies. The investigator was not able to find this in Kapadia's working papers and asked him where this was documented. He said he did this through communication with the client and that this was the second year he did the year end for this company and it was operating in the same way as other companies in the corporate group. He also said there were only two accounting staff for the whole group and the owner looked at everything. Kapadia agreed this is not documented in his working papers.

e. ***He failed to document the areas in the financial statements where material misstatements are likely to arise;***

79. Kapadia did not document the areas in the financial statements where material misstatements are likely to arise as required by CSRE 2400.45 **(Tab 10)**. Kapadia said it would be unlikely if there were any areas, but if there were, they would be revenue and payroll. He agreed there is not any documentation in his working papers.

f. ***He failed to sufficiently document the enquiry and analytical procedures performed on a related party loan, income taxes and revenue;***

80. There is an amount of $707,287 due from related parties on the balance sheet. **(Doc.4, p.129)** The balance due from each related party is shown in note 5. **(Doc.4, p. 138)** There is a note that all the loans are relatively new and have not been impaired and they are collectible in the collectability section of the Loans and advances receivable –

Review procedures checklist **(Doc 4, p.156)**. Kapadia said he looked at the collectability of these amounts as he did all the companies in the group. The documentation in his file does not explain why these amounts are considered to be collectible.

81. There is no documentation to support the income taxes payable or income tax expense, both in the amount of $96,877. **(Doc.4, p. 130 and 131)** Kapadia said he agreed this amount to the income tax return he prepared but agrees this is not documented.

82. There is an amount of $295,600 disclosed as a private loan on the balance sheet **(Doc.4, p.130)** There is no documentation in Kapadia's working papers with respect to this loan. Kapadia thought he had the supporting documents but was not able to find them.

83. Kapadia concedes that he did not perform any analytical procedures to assess the plausibility of other income and relied on the general ledger account, as the only working paper in his file.

   g. ***He failed to document enquiries with management and others within the entity as to how management makes significant accounting estimates, whether there were any significant journal entries, whether there were any significant transactions occurring or recognized near the end of the reporting period, status of any uncorrected misstatements from previous engagements, transactions with related parties, the existence of any actual, suspected or alleged fraud, as to the existence of any actual, suspected or alleged non-compliance with provisions of laws or regulations, identification of subsequent events, the basis for management's assessment of the entity's ability to continue as a going concern, whether there were material obligations, commitments or contingencies and whether there were any material non-monetary transactions;***

84. CSRE 2400.47 **(Tab 10)** lists the enquiries of management and others within the entity that shall be made by the practitioner including: (a) How management makes the significant accounting estimates required under the applicable financial reporting framework. Kapadia said he talked to the client about this and the only significant estimate was the useful life of the property, plant and equipment. He agreed this is not documented.

85. (b) Identification of related parties and related party transactions, including the purpose of those transactions. Kapadia said he discussed this with the client and the rent was

the only related party transaction. He also said he did the whole group of companies, so he was aware of the related party transactions. He agreed this is not documented.

86. (c) Whether there are significant, unusual or complex transactions, events or matters that have affected or may affect the entity's financial statements, including significant changes in the entity's business activities or operations; significant changes to the terms of contracts that materially affect the entity's financial statements; significant journal entries or other adjustments, significant transactions occurring or recognized near the end of the reporting period, the status of any uncorrected misstatements identified during previous engagements and the effects or possible implications of transactions or relationships with related parties. Kapadia said he discussed whether there were any significant, unusual or complex transactions with management and there were not any other than this was the first full year of operations for this company. He said there were not any changes to the terms of any contracts, no significant journal entries as he reviewed all of them with the owner, no significant transactions near year end, no uncorrected misstatements from the prior year and no implications of related party transactions. He also said he discussed cut off with the client. None of this is documented.

87. (d) The existence of any actual, suspected or alleged fraud or illegal acts and non-compliance with provisions of laws and regulations having a direct effect on the material amounts and disclosures in the financial statements. Kapadia said there were none but there is no documentation with respect to this.

88. (e) Whether management identified and addressed events occurring between the date of the financial statements and the date of the practitioner's report that require adjustment of, or disclosure in the financial statements. Kapadia said he checked and nothing significant had changed. The only thing was the collection of the accounts receivable. This is not documented.

89. (f) The basis for management's assessment of the entity's ability to continue as a going concern; and, (g) Whether there are events or conditions that appear to cast doubt on the entity's ability to continue as a going concern. Kapadia said there was no going concern issue but there is no documentation related to this.

90. (h) Material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements. Kapadia said the rent is determined on an annual basis and there is no lease so there aren't any commitments and there aren't any contingencies. This is not documented

91. (i) Material non-monetary transactions or transactions for no consideration in the period. Kapadia said there were not any. This is not documented.

92. The documentation standard for review engagements is in CSRE 2400.104 **(Tab 10)** which states the preparation of documentation for the review provides evidence that the review was performed in accordance with this CSRE, and legal and regulatory requirements where relevant, and a sufficient and appropriate record of the basis for the practitioner's report. The practitioner shall document the following aspects of the engagement in a timely manner, sufficient to enable an experience practitioner, having no previous connection with the engagement, to understand: the nature, timing and extent of the procedures performed, the results obtained from the procedures and the practitioner's conclusions formed and the significant matters arising during the engagement, the practitioner's conclusions reached thereon, and significant professional judgments made in reaching those conclusions. Kapadia has not met this standard.

h. He failed to issue a review engagement report that was in accordance with the requirements of CSRE 2400;

93. The review engagement report is not in compliance with CSRE 2400.94 **(Tab 10)** and Appendix 3. **(Doc.4, p.128)** It is in the format prescribed under the previous review engagement standard. Kapadia agreed and was not able to explain why.

i. He failed to perform client continuance procedures;

94. CSRE 2400.27 **(Tab 10)** lists a number of factors that would preclude a practitioner from accepting or continuing a review engagement. The investigator asked Kapadia if he performed any continuance procedures and he said he was not worried about it as this company is part of a group of assurance clients. He also said there is not anything documented in his working papers.

j. He failed to correctly present statement of cash flows with respect to long-term debt and a private loan in the financial statements;

95. The statement of cash flows shows repayments of short-term debt of $2,765 and proceeds from issuance of long-term debt of $66,075. **(Doc.4, p. 133)** The investigator asked Kapadia to explain these amounts as the private loan had increased by $100,000 this year. **(Doc.4, p.130)** He said the repayments of short-term debt should be the

change in the current portion of long-term liabilities which would be $9,619 and the rest should go to the change in long-term debt. The correct descriptions and amounts would be increase in private loan of $100,000 and repayment of long-term debt of $36,690.

k. ***He failed to disclose the amortization method and rates used to depreciate property, plant and equipment in the financial statements;***

96. The fact that the company is using the declining balance method to depreciate its property, plant and equipment is not disclosed in Note 1. a. **(Doc.4, p.134)** The rates of depreciation are also not disclosed for this company. Kapadia agreed this is missing. (3061.24 (c) **(Tab 13)**

l. ***He failed to disclose the correct income tax accounting policy in the financial statements, stating the company is using the future income tax method when they are using the taxes payable method and accordingly, failed to make the required disclosures;***

97. Note 1. c. discloses that the liability method of accounting for income taxes is being used when the company is actually using the taxes payable method. **(Doc.4, p. 134)** Kapadia agreed that this company is using the taxes payable method. Accordingly, the disclosures required by 3465.88 **(Tab 15)** for when an enterprise applies the taxes payable method have not been made.

m. ***He failed to disclose the carrying amount of financial assets measured at amortized cost in the financial statements;***

98. The carrying amounts of financial assets measured at amortized cost have not been disclosed. **(Doc.4, p. 134)** Kapadia said it is only accounts payable and accounts receivable and the carrying values are the same as the fair values which is disclosed in the note, this is not relevant to this standard. (3856.38) **(Tab 17)**

n. ***He failed to disclose the appropriate revenue recognition policies in the financial statements;***

99. The accounting policy for revenue recognition is disclosed in note 1. e. and is the same as for the other two companies, as is Kapadia's response. **(Doc.4, p.135)** The policies are not appropriate. (3400.04) **(Tab 14)**

o. ***He failed to disclose the amount of a related party transaction disclosed in the financial statements;***

100. In Note 5. a., the related party transactions note **(Doc.4, p.137)** is contradictory as it discloses that the transactions are measured at the exchange amount and later in the note discloses the measurement basis is fair market value. There is disclosure that the company pays rent to a related company, but the amount of the rent paid is not disclosed. Kapadia agreed this was not disclosed. (3840.51 (c) **(Tab 16)**

p. ***He failed to properly classify a private loan in the financial statements;***

101. Note 3. b. discloses that the loans to employees of $295,200 are private and are not due on demand and hence they are classified as long-term. It also says there is no maturity date. **(Doc.4, p.137)** Kapadia said this is a private loan and not from employees. He said there are no terms but they are not due on demand, so he showed them as long-term. It is not logical that someone would provide a loan with no terms where they could never demand repayment. Section 1510.13 **(Tab 12)** states that if a creditor has the unilateral right to demand immediate repayment of any portion or all of the debt, the obligation is classified as current unless the creditor has waived, in writing or subsequently lost the right to demand payment for more than one year from the balance sheet date. As Kapadia does not have any documentation with respect to this loan, he cannot support its classification as long-term and it should be shown as a current liability.

q. ***He failed to disclose the significant risks arising from financial instruments in the financial statements; and***

102. The significant risks arising from financial instruments including the exposures to these risks and how they arise and any change in risk exposures from the previous period has not been made. Kapadia said he was not aware of this requirement. (3856.53) **(Tab 17)**

r. ***He failed to properly use the required phrase "Authorized to practice public accounting by CPAO", in his report***.

103. Regulation 9-1, paragraph 14 states that on any statement or report that is in respect of an assurance engagement, when the report for the engagement is issued, a professional corporation that holds a certificate of authorization to practice public accounting in Ontario shall use the term "Authorized to practice public accounting by the Chartered Professional Accountants of Ontario" Kapadia agrees he did not do this.

Allegation 4: THAT the said Ateet B. Kapadia, in or about the period December 1, 2017 to March 31, 2018 while the owner/principal of KAPPIN Professional Company, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct in that:

a. ***He failed to perform an ongoing consideration and evaluation of the firm's system of quality control, did not include a cyclical inspection of a selection of completed assurance engagements as required by the firm's quality control policies and procedures and the firm's quality control did not provide it with reasonable assurance that the firm and its personnel complied with professional standards and applicable legal and regulatory requirements and that reports issued by the firm were appropriate in the circumstances***.

104. Kapadia did not perform an ongoing consideration and evaluation of his firm's system of quality control, did not include a cyclical inspection of a selection of completed assurance engagements as required by the firm's quality control policies and procedures. The firm's quality control did not provide reasonable assurance that the firm and its personnel complied with professional standards and applicable legal and regulatory requirements and that reports issued by the firm were appropriate in the circumstances.

Terms of Settlement

105. Kapadia and the PCC agree to the following Terms of Settlement:

a) a payment by way of fine in the amount of $5,000;

b) a restriction of Kapadia's practice prohibiting his carrying out any assurance engagements;

c) notice of the terms of this Settlement is to be published in the manner set out in CPA Ontario Regulation 6-2 section 45, 50 and 52 with notice to be given to all members of CPA Ontario, the Public Accountants' Council and all provincial CPA Bodies;

d) a payment by way of costs in the amount of $15,000;

e) Kapadia will be allowed 24 months from the time the Discipline Committee accepts this Settlement Agreement to pay the fine and costs referred to herein; and

f) a failure by Kapadia to comply with any of the terms of settlement will result in his suspension from membership in CPA Ontario which suspension will continue until he complies, if his suspension under this section exceeds three months his membership in CPA Ontario will be revoked forthwith.

106. The PCC and Kapadia expressly consent and authorize the Registrar to take any actions associated with Kapadia's membership in CPA Ontario as prescribed and agreed to herein.

107. The PCC and Kapadia expressly authorize and consent to CPA Ontario providing notice of the terms of this Settlement Agreement to all CPA Ontario members and all provincial CPA Bodies.

108. Should the Discipline Committee accept this Settlement Agreement, Kapadia agrees to waive his right to a full hearing, judicial review or appeal of the matter subject to the Settlement Agreement. Upon Kapadia's fulfillment of the requirements of this Settlement Agreement, the draft allegations approved by the PCC, dated July 2020, shall be permanently stayed.

109. If for any reason this Settlement Agreement is not approved by the Discipline Committee, then:

a) The terms of this Settlement Agreement, including all settlement negotiations between the PCC and Kapadia leading up to its presentation to the Discipline Committee, shall be without prejudice to the PCC and Kapadia; and

b) The PCC and Kapadia shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations, or negotiating a new Settlement Agreement, unaffected by this Settlement Agreement or the settlement negotiations.

Disclosure of Settlement Agreement

110. This Settlement Agreement and its terms will be treated as confidential by the PCC and Kapadia, until approved by the Discipline Committee, and forever if for any reason whatsoever this Settlement Agreement is not approved by the Discipline Committee, except with the written consent of the PCC and Kapadia, or, as may be required by law.

111. Any obligations of confidentiality shall terminate upon approval of the Settlement Agreement by the Discipline Committee.

All of which is agreed to for the purpose of this proceeding alone this 26 day of October 2020.

Kelvin Kucey
____
Kelvin Kucey, J.D.
On behalf of
The Professional Conduct Committee

____
Ateet Kapadia,
on his own behalf