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CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF
ONTARIO

DISCIPLINE COMMITTEE - CPA ONTARIO

RE: LAURIER POMMAINVILLE

EX: 1 FILED JANUARY 8 2015

adw

THE CHARTERED ACCOUNTANTS ACT, 2010

IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL
MISCONDUCT AGAINST LAURIER L.
POMMAINVILLE CPA, CA, A MEMBER OF
CPA ONTARIO, BEFORE THE
DISCIPLINE COMMITTEE

SETTLEMENT AGREEMENT

*made pursuant to Section 34 (1)(c) of the Chartered
Accountants Act, 2010, and to ICAO Regulation 7-1, s.22.4*

Introduction

1. The Professional Conduct Committee approved draft Allegations against Laurier L. Pommainville, CPA, CA ("Pommainville") **Doc 1**.
2. The draft Allegations pertain to Pommainville's failure to maintain a public accounting licence while engaged in the practice of public accounting and to professional work performed by Pommainville with respect to the following engagements:
 - a) the review of the financial statements of "WWPC" for the year ended March 31, 2012; **Doc 8**
 - b) the audit of the financial statements of "WWPC" for the year ended March 31, 2013; **Doc 10**

- c) the audit of the financial statements of "RCMOC" for the year ended December 31, 2012; **Doc 12** and
 - d) the review of the financial statements of "M Inc." for the year ended December 31, 2012. **Doc 14**
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- 3. The documents referred to in this agreement are found in the Document Brief. The applicable *CICA Handbook* sections are found in the Brief of Authorities.
 - 4. The Professional Conduct Committee ("PCC") and Pommainville agree with the facts and conclusions set out in this settlement agreement for the purpose of this proceeding only, and further agree that this agreement of facts and conclusions is without prejudice to Pommainville 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.

Background

- 5. Pommainville received his CA designation in Quebec in 1976, and became a member of the Ontario Institute in 1979.
- 6. Beginning in 1979, Pommainville was an accountant with Sequin Prefontaine, CAs in Ottawa. In 1984 he joined Touche Ross and worked in their Hawkesbury office until 1989 when he moved to Embrun, Ontario to join Gerard Lemieux CA.
- 7. Since 1993, Pommainville has been a sole practitioner in Embrun, employing a receptionist, a bookkeeper, a full-time CA student, and a non-designated staff accountant. His practice includes six audits, ninety reviews, twenty-five compilations, and the preparation of approximately twelve hundred personal tax returns.

8. Pommainville came to the attention of the PCC as a result of a complaint from a member of the public, alleging that Pommainville had provided assurance services for WWPC when he did not hold a Public Accounting Licence ("PAL") and that his audit of WWPC was not performed in accordance with GAAS. **Doc 2**
9. Mr. Robert G. Roberson, CPA, CA, was appointed to investigate the member's standards of practice.

Allegation 1 – Practicing Public Accounting Without a Licence

10. On November 2, 2007, Pommainville was advised by the ICAO that his PAL had expired as of October 31, 2007 because it had not been renewed. **Doc3** Pommainville reapplied for a PAL and on November 24, 2008 the ICAO advised him that his application had been approved. **Doc 4**
11. On January 29, 2010, Pommainville was again advised by the ICAO that his PAL had expired as of November 1, 2009 because it had not been renewed. **Doc 5** Pommainville states that, through inadvertence, he failed to reapply for a PAL.
12. Pommainville continued to practice public accounting as a member in good standing, keeping all of his required professional fees and obligations up-to-date. During this time, he underwent a practice inspection which included inspection of assurance engagements. At the time it was not noted that Mr. Pommainville's license had previously expired.
13. In October, 2013, Pommainville underwent practice inspection which included inspection of assurance engagements. After the inspection was completed, a member of the public filed a complaint against Pommainville. When Standards Enforcement staff reviewed the complaint, it was then discovered that Pommainville's public accounting licence had expired on

November 1, 2009. **Doc 6** Pommainville states that he provided assurance services between 2009 and 2013 without holding a valid public accounting license and characterizes this as a serious mistake made as a result of oversight. He acknowledges performing 459 assurance engagements between 2009 and 2013. Pommainville states that he performed these engagements under the mistaken belief that his public accounting license was in good standing. **Doc 7**

14. Pommainville confirms that he has not provided assurance services since being notified by CPAO that through the practice inspection and disciplinary process that his license had expired.
15. In January, 2014, Pommainville reapplied for his accounting license. That application is currently in abeyance.

Allegation 2 - The Review of the Financial Statements of WWPC for the Year Ended March 31, 2012

16. WWPC is a campground located near Morrisburg, Ontario, and is managed by a Residents' Association. The Residents' Association consists of 80 property owners and has an elected Board of Directors. The 2012 year end was the first year that Pommainville performed the engagement.
17. The financial statements for WWPC for the year ended March 31, 2012 are reproduced in the Document Brief at **Doc 8**.
18. Pommainville signed the Review Engagement Report and issued the financial statements in or about September, 2012.

Canadian Accounting Standards for Not-for-Profit Organizations (2 a, b)

19. The Notes to the financial statements did not disclose that a new primary source of GAAP had been issued but was not yet implemented. The new

CICA Part III and its implementation date, title and potential impact on the financial statements should have been disclosed in accordance with *CICA Handbook* Part V, Section 1506.30 and .31 **Tab 1**

Significant Accounting Policies (2 c)

20. The accounting policy with respect to recognition of contributions was not disclosed. A not-for-profit organization should recognize contributions in accordance with either the deferral or restricted fund method, as required by *CICA Handbook* Section 4410.10. **Tab 2**
21. There was no disclosure of the accounting policy for contributed materials and services as required by *CICA Handbook* Section 4410.23. **Tab 2**
22. There was no disclosure of the revenue recognition policy for revenue other than contributions. *CICA Handbook* Part V Sections 1505.04 and .09 **Tab 3**
23. Although less than \$500,000 of annual revenues was recognized in the WWPC Statement of Operations for the current and preceding year, there was no disclosure of the policy followed in accounting for tangible capital assets, information about major categories of tangible capital assets not recorded including a description of the assets and, if tangible capital assets are expenses when acquired, the amount expensed in the current period. *CICA Handbook* Part V Section 4430.40 **Tab 4**

Contingent Liabilities (2 d)

24. The working papers contained information that indicated that there was litigation underway, but there was no other information provided. **Doc 9, p.78** The absence of documentation in the working papers makes it impossible to determine whether or not disclosure of this contingent liability that was present at the date of the statements was required in accordance with *CICA Handbook* Part V Section 3290. **Tab 5**

Cash Flows (2 e)

25. A statement of cash flows was not presented. The cash flow information was not readily apparent from the other financial statements and therefore a cash flow statement was necessary, as set out in *CICA Handbook Part V* Sections 1400.03 and 1540.03. **Tab 6**

Financial Instruments (2 f)

26. The disclosures required by *CICA Handbook* Sections 3861.36 to .88 and 3856.37 to .54 **Tab 7** regarding the company's financial instruments were not made.

Related Party Transactions (2 g)

27. Included on the Balance Sheet is the item "Notes payable 30,000" which relates to amounts owing to members of the organization. **Doc 8, p.38; Doc 9, pp. 65, 77-78** There is no disclosure related to this item in the financial statements.
28. Disclosure of related party transactions of WWPC did not include a description of the transactions and amounts classified by financial statement category, the measurement basis used, a description of the relationship between the transacting parties or the terms and conditions relating to the amounts. *CICA Handbook Part V* Section 4460.07. **Tab 8**

Determination of Compliance with Ethical Standards (2 h)

29. There was a potential independence threat in that Pommainville's staff member who was performing the review engagement was a member of the Association. This was not documented although there was an assessment in the working paper file that there were no independence issues. **Doc 9, pp. 40-41, 71-72**
30. The public accountant is to undertake sufficient activities at the beginning of the current engagement related to the evaluation of compliance with relevant ethical requirements related to independence and to document the basis for the conclusion in this regard. *CICA Handbook* Sections 5030.15 to .17 and 8100.23 and .24 **Tab 9**

Engagement Letter (2 i)

31. The engagement letter **Doc 9, pp.71-72** was missing points relating to the public accountant's responsibilities for keeping client information confidential, and for communicating with those charged with oversight responsibility for the financial reporting process. It also did not set out management's responsibility for preparation and fair presentation of the client's financial statements in accordance with Canadian GAAP. *CICA Handbook* Section 8200.14, .15, .18 and .19. **Tab 10**

Management Representation Letter (2 j)

32. The written letter of management representation **Doc 9, pp.73-74** did not include acknowledgement of management's responsibility for the fair presentation of the financial statements in accordance with GAAP, state management belief that the financial statements were prepared in accordance with GAAP as described in the Notes to the financial statements, acknowledge management's responsibility for the design and

implementation of internal controls to prevent and detect fraud and error, and did not state that management is not aware of known of probable instances of non-compliance with legislative or regulatory requirements. All of these are required by the *CIBC Handbook* Section 8200.31. **Tab 11**

Documentation (2 k, l)

33. The working paper file was prepared by a staff accountant. The file failed to contain sufficient documentation and to conclude that the review engagement work was properly supervised and reviewed. **Doc 9, pp.42-70 CICA Handbook** Sections 5030.26 and .32, 8100.15. **Tab 12**
34. The working paper file did not contain sufficient documentation related to the enquiry, analytical procedures and discussions concerning accounts receivable, allowance for doubtful accounts, capitalization of capital items, the completeness of accounts payable, the existence of any contingencies or subsequent events, the inter-relationships of income and expenses, and the terms and conditions related to related party transactions. **Doc 9, pp.42-70 CICA Handbook** Section 8100.15 to .21, 8200.23 to .37 and AuG-20. **Tab 13**
35. The working papers contained very limited information concerning the knowledge of the client and its systems, members, business operations, board members, type of transactions or other relevant information.
36. Although the working paper file contained checklists, some of them were completed indicating either "not applicable" or "none".
37. Balance sheet items were referenced to supporting documents in some, but not in every case.
38. The Schedule provided for the accounts receivable did not agree to the amount of the receivable on the financial statements.

39. There was nothing in the working papers related to the Balance Sheet item "Notes payable 30,000" other than to say that it was confidential. This is a related party payable as the funds have come from members of the Association. **Doc 9, pp. 65, 77-78**
40. The income statement section of the working paper file included a list of legal fees incurred in the year but did not mention any other accounts.
41. Although a full general ledger was included at the end of the working papers, there was no indication that any discussion or enquiry with the client had taken place related to that ledger.

Allegation 3 – The Audit of the Financial Statements of WWPC for the Year Ended March 31, 2013

42. In October, 2012, Pommainville agreed to prepare audited financial statements for WWPC for the year ended March 31, 2013.
43. The financial statements for WWPC for the year ended March 31, 2013 are reproduced in the Document Brief at **Doc 10**.
44. Pommainville signed the auditor's report and issued the financial statements in or about May, 2013.

Canadian Accounting Standards for Not-for-Profit Organizations (3 a, b)

45. The organization did not adopt *CICA Part III, Accounting Standards for Not-for-Profit Organizations* as required. *CICA Handbook Part III Accounting Standards for Not-for-Profit Organizations*. **Tab 14**

Correction of Material Prior Period Error (3 c)

46. An amount was set up in the audited financial statements for collection of a prior period account receivable. As the prior year had been completed as a

reviewing engagement under GAAP, this amount should either have been set up in the prior year's financial statements, or reflected in the current year as a prior period adjustment (*CICA Handbook* Part II Section 1506.27 Tab 15). In addition, although there should have been disclosure related to this amount in the Notes to the financial statements, there were none.

Materiality (3 d)

47. As part of establishing the overall audit strategy, Pommainville did not establish a level of materiality for particular classes of transactions, account balances, disclosures or performance materiality for purposes of assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. **Doc 11, p 115 *CICA Handbook* CAS 320, paragraph 11. Tab 16**

Significant Accounting Policies (3 e)

48. The accounting policy with respect to recognition of contributions was not disclosed. A not-for-profit organization should recognize contributions in accordance with either the deferral or restricted fund method, as required by *CICA Handbook* Section 4410.10. **Tab 2**
49. There was no disclosure of the accounting policy for contributed materials and services as required by *CICA Handbook* Section 4410.23. **Tab 2** The minutes of the organization, which were included in the working paper file, indicated that members provided significant labor for both fundraising activities and maintenance work. **Doc 11, p. 90**
50. There was no disclosure of the revenue recognition policy for revenue other than contributions. *CICA Handbook* Part II Section 1505.03, and .06, 3400.04. **Tab 17**
51. Although less than \$500,000 of annual revenues was recognized in the WWPC Statement of Operations for the current and preceding year, there was no disclosure of the policy followed in accounting for tangible capital

assets, information about major categories of tangible capital assets not recorded including a description of the assets and, if tangible capital assets are expenses when acquired, the amount expensed in the current period.

CICA Handbook Part III Section 4431.38. Tab 18

Cash Flows (3 f)

52. A statement of cash flows was not presented. The cash flow information was not readily apparent from the other financial statements and therefore a cash flow statement was necessary, as set out in *CICA Handbook Part II Sections 1400.03 and 1540.03. Tab 6*

Financial Instruments (3 g)

53. There was no disclosure with respect to significant risks arising from the financial instruments. Such disclosure would include disclosure of credit risks, and potentially of interest rate risk. There is inadequate disclosure related to the note payable to determine if interest rate risk would apply. *CICA Handbook Part II Sections 3856.53, A-66 and A-67. Tab 19*

Related Party Transactions (3 h)

54. Included on the Balance Sheet is the item "Notes payable 21, 000" **Doc 10, p. 84** which relates to amounts owing to members of the organization. There is no disclosure related to this item in the financial statements.
55. Disclosure of related party transactions of WWPC did not include a description of the transactions and amounts classified by financial statement category, the measurement basis used, a description of the relationship between the transacting parties or the terms and conditions relating to the amounts. *CICA Handbook Part III Section 4460.07. Tab 8*

Risks of Material Misstatement (3 i)

56. The audit was not planned in accordance with Canadian Auditing Standards in that the risk of material misstatement in the financial statement level and

at the assertion level for classes of transactions was not identified. **Doc 11, pp. 92-146** There was no documentation of the discussions with management relating to knowledge of any actual, suspected or alleged fraud affecting the entity, management assessment of the risk that the financial statements might be materially misstated due to fraud, management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud or error in the entity, or management's process for identifying and responding to the risks of fraud or error in the entity. (CAS 240 paragraph 1 to 47 and CAS 315 paragraph 32) **Tab 20**

57. The working paper contains an assessment that the risk of fraud is low, but there is no documentation other than that statement. **Doc 11, p.110**
58. Analytical procedures were not performed as part of the risk assessment procedures. Consideration of fraud risk factors were not documented in assessing the risk of material misstatement including those at the financial statement level and at the assertion level for classes of transactions, account balances, and disclosures. CAS 240 paragraph 15 and 44 to 47 and CAS 315 paragraph 25-26. **Tab 21**
59. There was no documentation of an audit team planning meeting to discuss the susceptibility to material misstatement due to fraud and error. CAS 240 paragraph 15 and 44 to 47 and CAS 315 paragraph 10 and 32. **Tab 21/22**

Documentation of Substantive Audit Procedures Performed (3 j)

60. The substantive audit procedures performed do not comply with the recommendations in that a subsequent events review was not documented, journal entries were not tested for unauthorized entries, and management override and adequate audit procedures were not applied to related party relationships and transactions. CAS 550 paragraph 1 to 27 and CAS 560 paragraph 6 to 9. **Tab 23**

61. There were no documented tests performed related to completeness of accounts payable, completeness of occurrence, accuracy and cut-off for revenue expenses. CAS 330 paragraph 28 and 30, CAS 500 paragraph 4, 6 and A-1 and CAS 230 paragraph 5 and 8 to 11 **Tab 24**
62. The only expense item with documented work related to legal fees. **Doc 11, pp.158-159** Other than a schedule in the accounts receivable section showing how the membership's revenue was derived, there was no documentation with respect to revenue. There was no documentation related to fund raising revenue and no documentation related to the collection of prior accounts receivable.

Analytic Procedures (3 k)

63. There was no documentation of analytical procedures performed near the end of the engagement. CAS 520 paragraph 6. **Tab 25**

Determination of Compliance with Ethical Standards (3 l)

64. A member of the audit team was a lot owner and a member of WWPC. While this was mentioned in the working papers, it was not identified as a potential independence threat, and there was no documentation in the file as to how this threat was eliminated. **Doc 11, pp. 111, 154 CAS 300 paragraph 6. Tab 26**

Auditor's Report (3 m)

65. The auditor's report was not in the correct form in that it did not describe management's responsibility for the preparation of the financial statements, it did not include the headings "auditor's responsibility," "opinion," management's responsibility for the financial statements," it did not refer to the summary of Significant Accounting Policies, and it did not explain that Canadian GAAS requires that the auditor comply with the ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from

material misstatement. **Doc 10, p.80** CAS 700 paragraph 4 and 25 to 30.
Tab 27

Engagement Letter (3 n)

66. The audit engagement letter was missing points relating to management's responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, identification of the applicable financial reporting framework to be used for the preparation of the financial statements, and reference to the expected form of any reports to be issued by the auditor. **Doc 11, pp. 161-163** CAS 210 paragraph 10. **Tab 28**

Management Representation Letter (3 o)

67. The written letter of management representation did not include the results of management's assessment of the risks that the financial statements may be materially misstated as a result of fraud, management's knowledge of fraud or suspected fraud, management's knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements or management's acknowledgement of its responsibility for the design, implementation and maintenance of internal controls in order to prevent and detect fraud. **Doc 11, pp.149-151** CAS 240 paragraph 39. **Tab 29**

Legal Inquiry Letter (3 p)

68. There was documentation in the file to indicate that there was legal work performed during the year relating to litigation, claims or infractions; however, there was no legal enquiry letter prepared and no documentation indicating why one was not prepared in the file. **Doc 11, pp.158-159** CAS 501 paragraph 1 to 3 and 9 to 12. **Tab 30**

Documentation (3 q)

69. The audit file did not contain sufficient documentation to allow an experienced auditor to understand the significant findings or issues arising

during the audit and the conclusions reached, the nature, extent and timing of the audit procedures performed to comply with CAS, and the results of audit procedures performed and the audit evidence obtained as required by CAS 230 paragraph 8 and 9. **Tab 24**

Allegation 4 - The Audit of the Financial Statements of RCMOC for the Year Ended December 31, 2012

- 70. The role or mission of RCMOC is to offer ecclesiastical administration and management to Catholic members of the Canadian Forces in Canada and abroad.
- 71. The financial statements for RCMOC for the year ended December 31, 2012 are reproduced at **Doc 12**.
- 72. Pommainville signed the Independent Auditor's Report and issued the financial statements in or about March, 2013.

Canadian Accounting Standards for Not-for-Profit Organizations (4 a, b)

- 73. Although the independent auditor's report indicated that the new Canadian Accounting Standards for Not-for-Profit Organizations had been implemented. **Doc 12, pp.165-166** There was no related disclosure in the notes to the financial statements. The independent auditor's report was also not clear about the year the new standards were adopted. Section 1401.17
Tab 31

Materiality (4 c)

- 74. As part of establishing the overall audit strategy, Pommainville did not establish a level of materiality for particular classes of transactions, account balances, disclosures or performance materiality for purposes of assessing the risk of material misstatement and determining the nature, timing and

extent of further audit procedures. **Doc 13, pp.171-238 CAS 320 paragraph 11. Tab 16**

Significant Accounting Policies (4 d)

75. There was no disclosure of the revenue recognition policy for revenue other than contributions. *CICA Handbook* Part II Section 1505.03, and .06, 3400.04 and 4410.21 to .27. **Tab 32**
76. Although less than \$500,000 of annual revenues was recognized in the RCMOC Statement of Operations for the current and preceding year, there was no disclosure of the policy followed in accounting for tangible capital assets, information about major categories of tangible capital assets not recorded including a description of the assets and, if tangible capital assets are expenses when acquired, the amount expensed in the current period. *CICA Handbook* Part III Section 4431.38. **Tab 18**

Cash Flows (4 e)

77. A statement of cash flows was not presented. The cash flow information was not readily apparent from the other financial statements and therefore a cash flow statement was necessary, as set out in *CICA Handbook* Part II Sections 1400.03 and 1540.03. **Tab 6**

Financial Instruments (4 f)

78. The disclosures required by *CICA Handbook* Sections 3856.37 to .39 **Tab 7** regarding the company's financial instruments were not made.

Related Party Transactions (4 g)

79. Although Note 6 to the Financial Statements describes the related parties, there is no description of the transactions and amounts classified by financial statement category, the measurement basis used, a description of the relationship between the transacting parties, or the terms and conditions relating to the amounts. *CICA Handbook* Part V 4460.07. **Tab 8**

Amortization (4 h)

80. The organization has capitalized property but does not record any amortization. *CICA Handbook* Part III Section 4431.16 requires that tangible capital assets be amortized over their useful life. **Tab 33**

Risks of Material Misstatement (4 i)

81. Consideration of fraud risk factors in assessing the risk of material misstatement including those at the financial statement level and at the assertion level for the classes of transactions, account balances and disclosures, were not documented as required. CAS 240 paragraph 16, 23-24, CAS 315 paragraph 25-26. **Tab 34**
82. There was no documentation of any audit team planning meeting to discuss the susceptibility to material misstatement due to fraud and error. CAS 240 paragraph 44 and CAS 315 paragraph 10, 25, 26 and 32. **Tab 35**
83. The working papers contained an assessment by the auditor that the risk of fraud is low but there is no documentation in addition to this. **Doc 13, p.182** The risk assessment procedure should include documentation of discussions with management relating to knowledge of any actual, suspected or alleged fraud affecting the entity, management assessment of the risk that the financial statements might be materially misstated due to fraud, management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud or error in the entity, or management's process for identifying and responding to the risks of fraud or error in the entity. **Doc 13, pp.171-238** CAS 240 paragraph 16 to 20 and 44 to 47 and CAS 315 paragraph 5 and 6. **Tab 36**

Documentation of Substantive Audit Procedures Performed (4 j)

84. The substantive audit procedures performed do not comply with the recommendations in that a subsequent events review was not documented, journal entries were not tested for unauthorized entries, and management override and adequate audit procedures were not applied to related party relationships and transactions. CAS 550 paragraph 3 to 7 and 11 to 28, CAS 240 paragraph 32 and A-41 to A-44 and CAS 560 paragraph 6 to 9. **Tab 37**

Analytic Procedures (4 k)

85. There was no documentation of analytical procedures performed near the end of the engagement. CAS 520 paragraph 1, 3 and 6. **Tab 38**

Management Representation Letter (4 l)

86. The written letter of management representation **Doc 13, pp.239-240** did not include management's acknowledgement of its responsibility for the design, implementation and maintenance of internal control in order to prevent and detect fraud as required by CAS 240 paragraph 39. **Tab 29**

Legal Inquiry Letter (4 m)

87. There was documentation in the audit file to indicate that the organization was attempting to recover \$140,000, but there was no additional documentation with respect to this amount or these efforts. **Doc 13, pp.175, 243** There was no legal enquiry letter prepared and no documentation indicating why one was not prepared in the file. CAS 501 paragraph 10. **Tab 30**

Documentation (4 n)

88. The audit file did not contain sufficient documentation to allow an experienced auditor to understand the significant findings or issues arising during the audit and the conclusions reached, the nature, extent and timing of the audit procedures performed to comply with CAS, and the results of audit procedures performed and the audit evidence obtained as required by CAS 230 paragraph 8 and A-8 to A-11. **Tab 39**

Allegation 5 - The Review of the Financial Statements of M Inc. for the Year Ended December 31, 2012

89. M Inc. is in the business of selling kitchen fixtures and equipment.
90. The financial statements for M Inc. for the year ended December 31, 2012 are reproduced at **Doc 14**.
91. Pommainville signed the Review Engagement Report and issued the financial statements in or about March, 2013.

Accounting Standards for Private Enterprise (5 a)

92. The Notes to the financial statements did not state prominently that the statements were prepared in accordance with Canadian Accounting Standards for Private Enterprise as required by *CICA Handbook* Part II Section 1400.16. **Tab 40**

Significant Accounting Policies (5 b)

93. The financial statements did not disclose the different revenue recognition policies followed for different types of revenue realized by the company including sales, and investment. *CICA Handbook* Part II Section 3400.31. **Tab 41**

94. There was no disclosure of the accounting policy with respect to income taxes. There was no indication whether the taxes payable method or the future taxes method was selected. *CICA Handbook Part II* Section 1505.06.

Tab 17

95. The significant accounting policy related to inventory indicated that FIFO was followed; however, there was no disclosure of a policy related to the lower of cost or net realizable value as required by *CICA Handbook Part II* Section 3031.10 and .35. **Tab 42**

Measurement Uncertainties (5 c)

96. The nature and extent of a measurement uncertainty about which an item was recognized in the financial statements was not disclosed although that uncertainty was material. Included in Inventory was an allowance of \$20,000, **Doc 15, p.308** but there was no disclosure of this fact in the financial statements as required by *CICA Handbook Part II* 1508.05 **Tab 43**

Financial Instrument (5 d)

97. The disclosures required by *CICA Handbook* Sections 3856.37 to .54 **Tab 7** regarding the company's financial instruments were not made.

Supervision and Review (5 e)

98. The working paper file contained very limited information concerning the knowledge of the client and its systems, members, business operations, type of transactions or other relevant information. **Doc 15, pp.255-308** This documentation was not sufficient to conclude that the review engagement work was properly supervised and reviewed. *CICA Handbook* Sections 5030.26, .32 and 8100.15. **Tab 12**

Documentation (5 f)

99. The working papers did not contain sufficient documentation related to the enquiry, analytical procedures and discussions concerning cash cut off, inventory account procedures and valuation and consideration of impairment of value in investments as required by *CICA Handbook* Sections 8100.23 and .24 and AuG-20. **Tab 44**
100. Although the working paper file contained checklists for the various sections, some of them were completed indicating only "not applicable" or "none". Balance sheet items were not always referenced to supporting documents. Although there was a listing of the inventory provided by the client in the working papers, there was no documentation related to review procedures performed with respect to inventory. There were no working papers related to long term investments. A full general ledger was included at the end of the working paper file; however, there was no indication that any discussion or enquiry with the client had taken place related to that ledger. **Doc 15, pp.255-308**

Terms of Settlement

101. Pommainville and the Professional Conduct Committee agree to the following Terms of Settlement:

- a) A payment by way of fine in the amount of \$5,000;
- b) Pommainville will attend, within 24 months of the time the Discipline Committee accepts this Settlement Agreement, the following professional development courses offered by the Institute (or their successor courses):
 - *Accounting, Auditing and Professional Practice;*
 - *Review Engagements;*
 - *Auditing Refresher;*
 - *Not-For-Profit Organizations – Financial Statements; and*
 - *Financial Statement Presentation and Disclosure under ASPE.*
- c) Pommainville shall, within 30 days of the approval of this Settlement Agreement, enter into a Supervision Agreement approved by the Director of Standards Enforcement (“the Director”) with a Supervisor approved by the Director from outside of Pommainville’s practice who will review all assurance work undertaken by Pommainville for a period of 18 months after the Discipline Committee accepts this Settlement Agreement, with the 18 month supervisory period to commence with the first assurance work undertaken by Pommainville following approval of the Settlement Agreement;
- d) The Professional Conduct Committee will re-investigate Pommainville following the period of supervised practice with the costs of the re-investigation, up to \$3,000, to be borne by Pommainville;
- e) Notice of the terms of this Settlement is to be published in accordance with the provisions of ICAO Regulation 7-3, s. 22, including notice to be given to the CICA, the Public Accountants’ Council and in a CPA Ontario publication;

- f) A payment of costs in the amount of \$6,000;
- g) Pommainville 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
- h) A failure by Pommainville to comply with any of the terms of settlement will result in his suspension from membership in the Institute which suspension will continue until he complies PROVIDED THAT if his suspension under this section continues for three months his membership in the ICAO/CPA Ontario will be revoked with full publicity in accordance with Regulation 7-3(23).

102. In the event that the Director finds Pommainville's choice of supervisor unacceptable, or there is any other issue relating to the supervised practice plan about which Pommainville and the Director cannot agree, either Pommainville or the Professional Conduct Committee may give notice of the disagreement to the Chair of the Discipline Committee, who may move to have that aspect of the order reconsidered in accordance with Rule 21 of the Rules of Practice and Procedure.

103. Pommainville undertakes not to sign any audit or review engagement reports until such time as a public accounting licence is issued to him by the Public Accounting Licensing Board.

104. Should the Discipline Committee accept this Settlement Agreement, Pommainville agrees to waive his right to a full hearing, judicial review or appeal of the matter subject to the Settlement Agreement. Upon the member fulfilling the requirements of this Settlement Agreement, the draft allegations approved by the Professional Conduct Committee and dated May, 2014, shall be forever stayed.

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

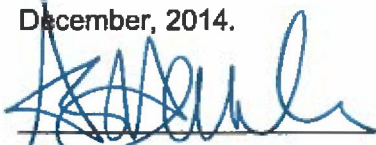
- a) This Settlement Agreement and its terms, including all Settlement Negotiations between the Professional Conduct Committee and Pommainville leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and Pommainville; and
- b) The Professional Conduct Committee and Pommainville 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

106. This Settlement Agreement and its terms will be treated as confidential by the Professional Conduct Committee and Pommainville, 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 Professional Conduct Committee and Pommainville, or, as may be required by law.

107. 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 5 day of December, 2014.


ALEXANDRA E. HERSAK


LAURIER L. POMMAINVILLE,
CPA, CA on his own behalf

On behalf of:
THE PROFESSIONAL CONDUCT COMMITTEE



FOUNDED 1879

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF
ONTARIO

THE CHARTERED ACCOUNTANTS ACT, 2010

IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL
MISCONDUCT AGAINST LAURIER L.
POMMAINVILLE CPA, CA, A MEMBER OF
CPA ONTARIO, BEFORE THE
DISCIPLINE COMMITTEE

ADDENDUM TO SETTLEMENT AGREEMENT

***(made pursuant to paragraph 102 of the Settlement
Agreement approved January 8, 2015 and
Rule 21 of the Rules of Practice and Procedure)***

WHEREAS Mr. Laurier Pommainville, CPA, CA ("Pommainville") and the Professional Conduct Committee ("PCC") entered into a Settlement Agreement on December 5, 2014, which was approved by the Discipline Committee on January 8, 2015 (the "Settlement Agreement");

AND WHEREAS subparagraphs 101(b), (c) and (d) of the Settlement Agreement relate to rehabilitation of Pommainville's standards of practice in the performance of assurance engagements, and paragraph 102 sets out how to resolve any disagreement arising regarding the supervision terms set out in paragraph 101(c) and (d);

AND WHEREAS, pursuant to paragraph 101(c) of the Settlement Agreement, on or about February 7, 2015, Pommainville entered into a Supervision Agreement with a Supervisor for a period of eighteen (18) months;

AND WHEREAS on or about January 29, 2016, prior to expiry of the term of the Supervision Agreement, the Supervisor resigned;

AND WHEREAS, on or about March 31, 2016, Pommainville provided an irrevocable undertaking to CPA Ontario not to accept or perform any assurance engagements in the future (the "Undertaking");

AND WHEREAS, in accordance with paragraph 102 of the Settlement

Agreement, Pommainville and counsel to the PCC requested that the Chair of the Discipline Committee make a motion to reconsider paragraphs 101 (b), (c) and (d) in accordance with Rule 21 of the Rules of Practice and Procedure and approve the within Addendum to the Settlement Agreement;

AND IN CONSIDERATION OF the Undertaking;

1. POMMAINVILLE AND THE PCC agree that paragraphs 101 (b), (c), and (d) and 102 in the Settlement Agreement are no longer of any force or effect.

Dated: October 13, 2016.