



## CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

### *CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017*

**TO:** Mark Hinchcliffe, CPA, CA

**AND TO:** The Discipline Committee of CPA Ontario

The Professional Conduct Committee of CPA Ontario hereby makes the following Allegations of professional misconduct against Mark Hinchcliffe, CPA, CA, a member of CPA Ontario:

1. THAT the said Mark Hinchcliffe, in or about the period October 8, 2015 to April 20, 2017 while engaged to perform assurance services on behalf of SSM LP and SSM GP, failed to carry out his professional services with integrity, objectivity and due care, contrary to Rule 202 of the CPA Ontario Rules of Professional Conduct (Rules) and Code of Professional Conduct (Code) in that, as audit engagement partner, he failed to take responsibility for the performance of the audit.
2. THAT the said Mark Hinchcliffe, in or about the period October 8, 2015 to April 20, 2017 while engaged to perform assurance services on behalf of SSM LP and SSM GP, failed to carry out his professional services in accordance Rule 204.3 of the Rules and Code, in that:
  - a. as engagement partner for an audit of the financial statements of SSM LP for the year ended December 31, 2014, he failed to identify, evaluate and safeguard against threats of auditor independence arising from members of his firm's receipt of referral fees and ownership of financial interest in SSM LP;
  - b. as engagement partner for an audit of the financial statements of SSM GP for the year ended December 31, 2014, he failed to identify, evaluate and safeguard against threats of auditor independence arising from members of his firm's receipt of referral fees and ownership of financial interest in SSM LP;
  - c. as engagement partner for an audit of the financial statements of SSM LP for the year ended December 31, 2015, he failed to identify, evaluate and safeguard against threats of auditor independence arising from members of his firm's receipt of referral fees and ownership of financial interest in SSM LP;
  - d. as engagement partner for an audit of the financial statements of SSM GP for the year ended December 31, 2015, he failed to identify, evaluate and safeguard

against threats of auditor independence arising from members of his firm's receipt of referral fees and ownership of financial interest in SSM LP;

- e. as engagement partner for an audit of the consolidated financial statements of the SSM group for the year ended December 31, 2015, he failed to identify, evaluate and safeguard against threats of auditor independence arising from members of his firm's receipt of referral fees and ownership of financial interest in SSM LP; and
- f. as engagement partner for the restatement of the 2014 and 2015 audits of the financial statements of SSM LP, he failed to identify, evaluate and safeguard against threats of auditor independence arising from members of his firm's receipt of referral fees and ownership of financial interest in SSM LP.

3. THAT the said Mark Hinchcliffe, in or about the period October 8, 2015 to November 13, 2015 while engaged to perform an audit of the financial statements of SSM LP, for the year ended December 31, 2014, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Ontario Rules of Professional Conduct (Rules), in that:

- a. He failed to take responsibility for the overall quality of the audit engagement;
- b. He failed to take responsibility for the direction, supervision and performance of the audit engagement;
- c. He failed, on or before the date of the auditor's report, to satisfy himself, through a review of the audit documentation, that sufficient appropriate audit evidence had been obtained to support the conclusions reached and the auditor's report to be issued;
- d. He failed to document his conclusion on compliance with independence requirements that apply to the audit engagement;
- e. He failed to obtain sufficient appropriate audit evidence to support the validation of SSM LLP's compliance with the provisions of generally recognized laws and regulations and did not adequately consider the direct effect of laws and regulations on the audit of the financial statements;
- f. He failed to document evidence of communication with those charged with governance regarding the overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified;
- g. He failed to communicate to those charged with governance deficiencies with the financial structure, record keeping, oversight and operation of SSM LP;

- h. He failed to communicate to those charged with governance deficiencies in internal controls;
  - i. He failed to adequately assess the risk of material misstatement due to fraud or error with respect to the Balance Sheet item "Current portion of mortgage loans receivable (Note 5) 2,662,834"; and
  - j. He failed to obtain sufficient appropriate audit evidence to support the valuation of the Balance Sheet item "Mortgage loans receivable (Note 5)" 2,552,278.
- 4. THAT the said Mark Hinchcliffe, in or about the period January 2, 2016 to March 1, 2016 while engaged to perform an audit of the financial statements of SSM LP, for the year ended December 31, 2015, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:
  - a. He failed to demonstrate that he had an active role in the audit engagement;
  - b. He failed to take responsibility for the overall quality of the audit engagement;
  - c. He failed to take responsibility for the direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements;
  - d. He failed, on or before the date of the auditor's report, to satisfy himself, through a review of the audit documentation, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and the auditor's report to be issued;
  - e. He failed to document his conclusion on compliance with independence requirements that apply to the present audit engagement;
  - f. He failed to obtain sufficient appropriate audit evidence to support the validation of SSM LLP's compliance with the provisions of those laws and regulations generally recognized and did not adequately consider the direct effect of laws and regulations on the audit of the financial statements;
  - g. He failed to document evidence of communication with those charged with governance regarding the overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified;
  - h. He failed to communicate to those charged with governance deficiencies with the risk profile of SSM LP;

- i. He failed to communicate to those charged with governance deficiencies with the financial structure, record keeping, oversight and operation of SSM LLP;
  - j. He failed to communicate to those charged with governance deficiencies in internal controls;
  - k. He failed to adequately assess the risk of material misstatement due to fraud or error with respect to the Balance Sheet item "Current portion of mortgage loans receivable (Notes 4 and 5) 15,389,353"; and
  - l. He failed to obtain sufficient appropriate audit evidence to support the valuation of the Balance Sheet item "Mortgage loans receivable" 4,898,547;
- 5. THAT the said Mark Hinchcliffe, in or about the period March 2, 2016 to September 6, 2016, while engaged to perform a restatement of the 2014 and 2015 audits of the financial statements of SSM LP, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:
  - a. He failed to demonstrate that he had an active role in the audit engagement;
  - b. He failed to take responsibility for the overall quality of the audit engagement;
  - c. He failed to take responsibility for the direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements;
  - d. He failed, on or before the date of the auditor's report, to satisfy himself, through a review of the audit documentation, that sufficient appropriate audit evidence had been obtained to support the conclusions reached and the auditor's report to be issued;
  - e. He failed to document his conclusion on compliance with independence requirements that apply to the present audit engagement; and
  - f. He failed to obtain sufficient appropriate audit evidence to support the restatement of the Statement of Income item "Management fees" (Note 5) 714,857".
- 6. THAT the said Mark Hinchcliffe, in or about the period October 8, 2015 to March 28, 2016 while engaged to perform an audit of the financial statements of SSM GP, for the year ended December 31, 2014, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:
  - a. He failed to demonstrate that he had an active role in the audit engagement;

- b. He failed to obtain sufficient and appropriate audit evidence and approval from those in governance on or before the date of the auditor's report;
  - c. He failed to take responsibility for the overall quality of the audit engagement;
  - d. He failed to take responsibility for the direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements;
  - e. He failed, on or before the date of the auditor's report, to satisfy himself, through a review of the audit documentation, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and the auditor's report to be issued;
  - f. He failed to document his conclusion on compliance with independence requirements that apply to the present audit engagement;
  - g. He failed to communicate to those charged with governance deficiencies with the financial structure, record keeping, oversight and operation of SSM GP;
  - h. He failed to communicate to those charged with governance deficiencies in internal controls; and
  - i. He failed to obtain sufficient appropriate audit evidence in support of the Balance Sheet item "Deposits on real estate 50,737".
7. THAT the said Mark Hinchcliffe, in or about the period October 8, 2015 to March 28, 2016 while engaged to perform an audit of the financial statements of SSM GP, for the year ended December 31, 2015, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:
- a. He failed to demonstrate that he had an active role in the audit engagement;
  - b. He failed to take responsibility for the overall quality of the audit engagement;
  - c. He failed to take responsibility for the direction, supervision and performance of the audit engagement in compliance with professional standards and applicable legal and regulatory requirements;

- d. He failed, on or before the date of the auditor's report, to satisfy himself, through a review of the audit documentation, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and the auditor's report to be issued;
  - e. He failed to document his conclusion on compliance with independence requirements that apply to the present audit engagement;
  - f. He failed to communicate to those charged with governance deficiencies with the financial structure, record keeping, oversight and operation of SSM GP;
  - g. He failed to communicate to those charged with governance deficiencies in internal controls; and
  - h. He failed to obtain sufficient appropriate audit evidence in support of the Balance Sheet items 'Deposits on real estate 50,737'.
8. THAT the said Mark Hinchcliffe, in or about the period June 1, 2020 to July 31, 2020, while engaged to perform an audit of TCES for the year ended March 31, 2020, failed to perform her professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:
- a. He failed to demonstrate that he had an active role in the audit engagement;
  - b. He failed, on or before the date of the auditor's report, to satisfy himself, through a review of the audit documentation, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and the auditor's report to be issued;
  - c. He failed to include an emphasis of matter paragraph outlining the basis of accounting and a restriction on its distribution and use;
  - d. He failed to obtain evidence that those with recognized authority have asserted that they have taken responsibility for those financial statements prior to the date of the auditor's report;
  - e. He failed to obtain sufficient appropriate audit evidence to support the Statement of Operations and Changes in Net Assets item "Revenues 841,223";
  - f. He failed to obtain sufficient appropriate audit evidence to support the Statement of Operations and Changes in Net Assets item "Expenditures 844,026"; and

- g. He failed to design and perform analytical procedures near the end of the audit when forming his overall conclusion as to whether the financial statements are consistent with his understanding of the entity.
- 9. THAT the said Mark Hinchcliffe, in or about the period September 1, 2020 to December 31, 2020, while engaged to perform a review engagement of Econ. Ltd., for the year ended February 29, 2020, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:
  - a. He failed to take responsibility for the overall quality of the review engagement and for the direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements;
  - b. He failed to adequately document his involvement in the planning process with the engagement team;
  - c. He failed to complete the engagement partner section of the completion questionnaire;
  - d. He failed to perform adequate inquiry and analytical procedures in assessing Econ. Ltd. as a going concern to determine whether a material uncertainty exists;
  - e. He failed to identify the Balance Sheet item "Accounts Receivable 85,657" as an area in the financial statements where material misstatements are likely to arise and did not perform adequate review procedures on this element;
  - f. He failed to properly identify that the Notes to the Financial Statement were missing an item on "Nature of the business";
  - g. He failed to adequately describe the revenue recognition policy of the company;
  - h. He failed to disclose the significant accounting policy with respect to the impairment of long-lived assets; and
  - i. He failed to document the date when those with recognized authority have asserted that they have taken responsibility for the financial statements; and



- j. He failed to date the review engagement report no earlier than the date where he obtained sufficient appropriate evidence as the basis for his conclusion on the financial statements.

Dated at Toronto, Ontario this 21 day of October 2021.

A handwritten signature in black ink that reads "Ken McKay".

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K. A. McKay, CPA, CA, DEPUTY CHAIR  
PROFESSIONAL CONDUCT COMMITTEE