

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 **PAUL G. WHITE, CPA, CA.**

TO: Mr. Paul G. White

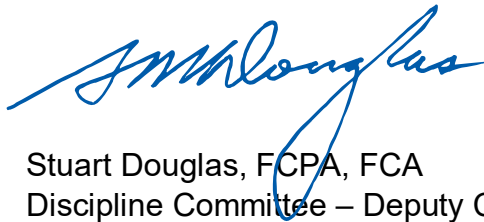
AND TO: The Professional Conduct Committee

DECISION MADE SEPTEMBER 19, 2019

DECISION

After considering the submissions of the parties and the proposed Settlement Agreement itself, the Panel hereby approves the Settlement Agreement, dated September 13, 2019.

DATED at Toronto, this 19th day of September, 2019.

A handwritten signature in blue ink, appearing to read "Stuart Douglas". The signature is fluid and cursive, with a large loop at the end.

Stuart Douglas, FCPA, FCA
Discipline Committee – Deputy Chair



Chartered Professional Accountants of Ontario
69 Bloor Street East Toronto ON M4W 1B3
T. 416.962.1841 F. 416.962.8900 Toll Free 1.800.387.0735
cpaontario.ca

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

**IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL MISCONDUCT AGAINST
PAUL G. WHITE, CPA, CA, A MEMBER OF CPA ONTARIO,
BEFORE THE DISCIPLINE COMMITTEE**

SETTLEMENT AGREEMENT

**Made pursuant to Section 34 (3) (c) of the *Chartered Professional Accountants of Ontario Act, 2017* and to
CPAO Regulations 6-2, s. 19 and 15-1, s. 26.4.**

INTRODUCTION

1. The Professional Conduct Committee ("PCC") approved draft Allegations against Paul G. White, CPA, CA ("White"). The documents referred to in this settlement agreement are found in the **Document Brief ("Doc")**. The applicable CPA Handbook sections are found in the **Brief of Authorities ("Tab")**.
2. The draft Allegations (**Doc 1**) pertain to White's failure to register his practice with CPA Ontario, his provision of public accounting services through a corporation, and his failure to perform professional work in accordance with generally accepted standards of the profession with respect to the following engagements:
 - a) the review of the financial statements of GCF for the year ended February 28, 2017;
 - b) the review of the financial statements of NSW for the year ended January 31, 2017;
 - c) the review of the financial statements of GDF for the year ended February 28, 2018; and



- d) the review of the financial statements of KPI for the year ended March 31, 2018.
3. The PCC and White 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 White 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 OF THE MEMBER

4. White began his career working with a relative and after obtaining his designation around 1985 he began to practice as a sole proprietor. He joined Bateman Mackay for a couple of years, prior to joining Beckett Lowden Read (now BLR LLP) 15-16 years ago as a partner. He left the firm in March 2018 and has practiced as a sole proprietor since then.
5. White initially provided accounting services as a sole proprietor through White Accounting Professionals Inc. ("WAPI"). Since July 3, 2019, his practice has been restructured as a professional corporation and registered with CPA Ontario under the name Paul White Accounting Services Professional Corporation.
6. Currently White prepares personal income tax returns, trusts, notice to readers and a limited number of review engagements. He does not perform any audit engagements. White's son, who is a CPA student, works with him and White employs a secretary and part-time staff when he is busy.

BACKGROUND OF THE COMPLAINT

7. White came to the attention of the PCC as a result of a report received from the Practice Inspection Committee ("PIC") of CPA Ontario dated February 16, 2018. The referral was made following re-inspections of BLR LLP in 2016 and 2017.
8. Mr. Paul Gibel, FCPA, FCA was appointed to investigate PIC's complaint. He was asked to review the working paper files which were the subject of the PIC inspection, as well as 2



additional review files. Mr. Gibel reviewed the financial statements of "GCF" for the year ended February 28, 2017, the financial statements of "NSW" for the year ended January 31, 2017, the financial statements of "GDF" for the year ended February 28, 2018 and the financial statements of "KPI" for the year ended March 31, 2018.

Allegation 1 & 2 – Failure to Register Firm & Practicing in Corporate Form

9. After practicing as a partner at BLR LLP for 15 years, on March 12, 2018, as a result of a partnership dispute, White experienced an abrupt departure from the firm. He subsequently began operating as a sole proprietor through WAPI. Between March 12, 2018 and June 15, 2018, he did personal tax returns. Beginning around June 15, 2018 he commenced doing Notice to Reader and Review engagements. At this time WAPI was structured as a corporation and WAPI was not registered as a firm with CPA Ontario.
10. On June 15, 2018, Standards Enforcement wrote to White advising him that in the course of their review of the PIC file, it was noted that White may be providing public accounting services and accounting services to the public without having registered a practice with CPA Ontario and without maintaining professional liability insurance.
11. On June 25, 2018, White updated his contact and employment information with CPA Ontario, such that WAPI was listed as his place of employment. However, he failed to take steps to register his practice with CPA Ontario. On June 26, 2018 White received confirmation of insurance coverage.
12. On April 3, 2019, counsel to the PCC wrote to White advising him of the outcome of the PCC meeting. In the correspondence, White was advised to take immediate steps to register his practice in accordance with the bylaws, regulations and CPA Code of Professional Conduct.
13. On April 4, 2019, White took immediate steps to begin the process to achieve compliance with the Rules regarding his practice. As of July 3, 2019, White's practice is registered with CPA Ontario.



Allegation 3 – The Review of the Financial Statements of GCF for the year ended February 28, 2017

Particular 3 (a): Documentation of the inquiry, analytical procedures and discussion employed to establish plausibility.

14. The documentation requirements for a review engagement are in Section 8100.23 and .24, which state matters that in the public accountant's professional judgment are important to support the content of the report would be documented (Tab 1). Supporting working papers would describe the procedures being undertaken and any unusual matters considered during the performance of the review, including the disposition of such matters.

15. White failed to sufficiently document the inquiry, analytical procedures and discussion employed to establish plausibility with respect to:
 - (a) Property, plant and equipment;
 - (b) Banking agreements/credit facility with respect to debt covenants, security and guarantees;
 - (c) Income statement items; and
 - (d) The valuation of amounts due from related parties.

Particular 3 (b): Plausibility and existence of inventory

16. Section 8100.15 (iii) of the review standards states that the public accountant should perform a review with the limited objective of assessing whether the information being reported on is plausible in the circumstances within the framework of appropriate criteria. Such a review should consist of: (a) inquiry, analytical procedures and discussion; and (b) additional or more extensive procedures when the public accountant's knowledge of the business carried on by the enterprise and the results of the inquiry, and analytical procedures and discussion cause him or her to doubt the plausibility of such information. 8100.19 states that a review consists primarily of making enquiries concerning financial, operating, contractual and other information, and considering responses that, in addition to oral responses, may take the form



of listings, schedules or other documents and applying analytical procedures such as comparing the current and prior period information and considering the reasonableness of financial and other interrelationships (Tab 1).

17. The inventory, which is disclosed in note 3, consists of livestock, feed, corn and straw (DOC 13). White failed to perform any procedures to determine the plausibility of the value of the inventory and failed to sufficiently document the procedures he employed to assess the existence of inventory.

Particular 3 (c): Classification of amounts due to shareholders and related party

18. There is \$30,000 shown as due to related party in note 5 to "ID" the mother of one of the shareholders (Doc 14). The terms of this amount are not disclosed but the lead sheet says there are no repayment terms (Doc 40). When asked by the investigator why it was shown as a long-term, White stated that he doesn't have any documentation but that it has been outstanding for years and years.
19. Section 3840.51(e) states that disclosure should be made of the amount due and the terms and conditions related thereto (Tab 2). Section 3856.A12 states that a debt instrument with no repayment terms is deemed to be payable on demand (Tab 3). Therefore, this amount should be shown as current.
20. Note 9 is the due to shareholders note and discloses the amount of \$67,463. It has no specific terms of repayment (Doc 16). It is shown as long-term on the balance sheet. The note says the shareholders have indicated that it is not their intention to request payment of this amount during the next fiscal year. This documentation was not included in the file.

Particular 3 (d), (e), & (f): Financial Statement disclosure

21. Section 3031.35(c) states that the amount of inventories recognized as an expense during the period shall be disclosed (Tab 4). White failed to ensure this disclosure.

22. Section 1505.08 states “The Board recognizes the need for flexibility in matters of format and location in disclosing accounting policies in the financial statements. However, it is particularly useful in order to provide an overview of the accounting policies of an enterprise that these be disclosed together in the form of a summary rather than in individual notes to the financial statements. Therefore, the disclosure of accounting policies is provided as the first note to the financial statements.” (Tab 5).
23. The title of note 4 is Investment - at cost as is the description on the balance sheet (Doc 13, 7). White failed to include a description of what this means. This is an investment in a co-operative that picks up farm’s milk. Section 3856.11 states that investments in equity instruments shall be measured at cost less any reduction for impairment (Tab 3). The significant accounting policy for Investment should be disclosed.
24. The title of note 7 is Quota, at cost as is the description on the balance sheet (Doc 15, 7). The quota is an intangible asset with an indefinite life. The fact that this asset is not being amortized and why should be disclosed.
25. There is no significant accounting policy for income taxes disclosed. Note 13 states that the company is using the taxes payable method (Doc 19). The significant accounting policy for income tax should be disclosed.
26. Section 3856.53 states that for each significant risk arising from financial instruments, an entity shall disclose the exposures to risk and how they arise and any change in risk exposures from the previous period. Section 3856.A66 defines liquidity risk as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. (Tab 3).
27. The company has significant long-term debt but has not disclosed liquidity risk in note 16 (Doc 20). Note 16 discloses interest rate risk but it simply the definition of what it is and not the exposure and how it arises (Doc 20). White failed to ensure required disclosure of the exposure to liquidity risk and how it arises.



Particular 3 (g): Engagement letter and representation letter

28. The file provided to the investigator included only the signature page of the engagement and representation letter (Doc 44, 45). The engagement letter is dated October 15, 2017 which is after the date of the review engagement report of October 11, 2017 (Doc 6). The representation letter is not dated. There is a separate approval letter which is signed by the client stating the date of the approval of the financial statements is October 11, 2017 (Doc 46). White stated to the investigator that this is his standard practice as the original engagement and representation letters are in the Caseware file. However, those versions are in their native format and could be changed.
29. Paragraphs 8200.03 and .06 deal with the public accountant establishing an understanding of the terms of the engagement and documenting the terms in a written agreement. Paragraph 8200.06 states that management ordinarily confirms its understanding of the terms of the engagement by signing the written agreement and returning a signed copy to the public accountant. (Tab 6).
30. Paragraph 8200.29 and 8200.31 deal with obtaining management's written representations. Paragraph 8200.29 requires the public accountant to obtain management's written representations regarding important matters in order to have appropriate documentation of such representations provided to him or her during the course of the engagement. Paragraph 8200.31 states that the public accountant should obtain management's written representations regarding matters that are important to support the content of his report. (Tab 6).

Allegation 4 – The Review of the Financial Statements of NSW for the year ended January 31, 2017

Particular 4 (a): Calculation of unearned revenue

31. Section 3400.06 states that in the case of rendering of services and long-term contracts, performance shall be determined using either the percentage of completion method or the completed contract method, whichever relates the revenue to the work accomplished. Such performance shall be regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service

or performing the long-term contract. The percentage of completion method is defined in section 3400.03(c) as a method of accounting that recognizes revenue proportionately with the degree of completion of goods or services under a contract (Tab 7). NSW engages in long-term contracts so the percentage of completion method is appropriate.

32. White accepted the client's calculation of unearned revenue of \$5,376,806. The note on the unearned revenue lead sheet says "unearned revenue is calculated by adjusting the expenses per jobs based on the revenue billed up to date and the projected expenses and revenue ratio" (Doc 59). The client calculations are on the job analysis working paper (Doc 60-61). White did not re-perform the calculations and was unable to explain how the calculations were done. The percentage of completion should be determined as the percentage of the costs to date to the total expected costs. The revenue to be recognized for each contract should be the percentage complete multiplied by the projected revenue for the contract. The difference between this calculation and the amount billed to date is the unearned revenue. The client's calculations were not completed this way so the investigator recalculated the unearned revenue and determined it should be \$7,619,039 (Doc 80). Accordingly, the unearned revenue is understated by \$2,242,233 and revenue is overstated by this amount.

Particular 4 (b): Documentation of the inquiry, analytical procedures and discussion employed to establish plausibility.

33. The documentation requirements for a review engagement are in Section 8100.23 and .24, which state matters that in the public accountant's professional judgment are important to support the content of the report would be documented. Supporting working papers would describe the procedures being undertaken and any unusual matters considered during the performance of the review, including the disposition of such matters (Tab 1).
34. White failed to sufficiently document the inquiry, analytical procedures and discussion employed to establish plausibility with respect to:
- (a) Accounts and holdbacks receivable; and
 - (b) Income taxes



Particular 4 (c): Performance of analytical procedures to determine plausibility

35. White's preliminary review of the financial statements identified the drop in sales from \$23,837,014 to \$13,309,069 in the current year as requiring an explanation (Doc 69). When asked by the investigator what he did to satisfy himself that the sales were plausible he stated that it is a lumpy business and that there was a \$5M job and two \$4M jobs in 2016 so 2016 was a higher revenue year instead of 2017 being low. The difference in large jobs explains \$7M as the large jobs totaled \$13M in 2016 and \$6M in 2017. The total decrease in revenue is \$10.5M so \$3.5M is unexplained.
36. The gross profit increased from 15.1% to 18.2% in 2017 (Doc 51). The comment on White's final review states "fluctuates due to quote, still excellent." (Doc 74). This response does not explain why the gross margin increased.
37. The Statement of Operations breaks down the cost of sales between the direct labour, equipment rentals, materials and subcontracts (Doc 51). When asked by the investigator, White stated that he only reviewed the overall gross margin as the components depend on the type of jobs the client is doing.
38. White ought to have inquired, performed analytical procedures and discussed these changes with management and analyzed the jobs worked on during the year to assess these components which may also explain the change in gross margin.
39. The wages and benefits increased from \$1,017,549 in 2016 to \$1,579,446 in 2017 (Doc 51). The explanation on White's final analysis is that he reviewed it with the company's accountant and in 2017 some of the labour was no longer included in direct labour under cost of sales (Doc 74). The change in direct labour was a decrease of \$107,400 so there is a material change that is unexplained.
40. White failed to perform adequate analytical procedures to determine the plausibility of the inter-relationship/comparison of revenues, expenses and gross margin.



Particular 4 (d): Special shares

41. Section 3856.23 states that an entity that issues preferred shares in a tax planning arrangement shall present the shares at par, stated or assigned value as a separate line item in the equity section of the balance sheet, with a suitable description indicating that they are redeemable at the option of the holder (Tab 3).
42. Section 3856.47 (c) says that for a preferred share issued in a tax planning arrangement, an entity shall disclose: (i) on the face of the balance sheet, the total redemption amount for all classes of such shares outstanding; (ii) the aggregate redemption amount for each class of such shares; and (iii) the aggregate amount of any scheduled redemptions required in each of the next five years (Tab 3).
43. Note 5 discloses that there are 1,441,189 Special shares issued which are retractable and redeemable for \$1 per share (Doc 56). These shares were issued in a tax planning arrangement. White failed to make the required disclosures for the shares as required by Section 3856.23 and 3856.47 (Tab 3).

Particular 4 (e): Collectability from a related party

44. Note 3 is titled Due from/to Related Parties/Party and discloses an amount due from "DCI" – long term of \$4,551,100 (Doc 55).
45. Section 3856.16 states that at the end of each reporting period, an entity shall assess whether there are any indications that a financial asset, or group of similar financial assets, measured at cost or amortized cost may be impaired (Tab 3).
46. There is no documentation in the working papers supporting the collectability of this amount.

Particular 4 (f) & (g): Financial statement disclosure

47. Note 1 (e) is the financial instruments significant accounting policy (Doc 54). There is no disclosure of the carrying amount of financial assets measured at amortized cost as required by Section 3856.38 (Tab 3).

48. Section 3856.53 states that for each significant risk arising from financial instruments, an entity shall disclose the exposures to risk and how they arise and any change in risk exposures from the previous period. Section 3856.A66 defines liquidity risk as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. (Tab 3).
49. The company has significant accounts payable and accrued liabilities but has not disclosed liquidity risk in note 9 (Doc 49, 58). When asked by the investigator, White stated that he would normally disclose it.

Particular 4 (h): Representation letter

50. Paragraph 8200.29 and 8200.31 deal with obtaining management's written representations (Tab 6). Paragraph 8200.29 requires the public accountant to obtain management's written representations regarding important matters in order to have appropriate documentation of such representations provided to him or her during the course of the engagement. Paragraph 8200.31 states that the public accountant should obtain management's written representations regarding matters that are important to support the content of his report.
51. The investigator was unable to locate a representation letter in the working papers.

Allegation 5 – The Review of the Financial Statements of GDF for the year ended February 28, 2018

Particular 5 (a): Documentation of the inquiry, analytical procedures and discussion employed to establish plausibility

52. CSRE 2400.104 states the preparation of documentation for the review provides evidence that the review was performed in accordance with this CSRE 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 experienced practitioner, having no previous connection with the engagement, to understand: the nature, timing and extent of the procedures performed to comply with this CSRE and applicable legal and regulatory requirements; results obtained from the procedures, and the practitioner's conclusions formed on the basis of the results; and significant matters arising during the



engagement, the practitioner's conclusions reached thereon, and significant professional judgements made in reaching those conclusions. CSRE 2400.105 states in documenting the nature, timing and extent of the procedures performed as required in this CSRE, the practitioner shall record: who performed the work and the date such work was completed; and who reviewed the work performed for the purposes of quality control for the engagement, and the date and extent of the review (Tab 8).

53. White failed to sufficiently document the inquiry, analytical procedures and discussion employed to establish plausibility with respect to:
- (a) Interrelationships /comparison of gross margin; and
 - (b) Inventory

Particular 5 (b): Unrecorded material liability

54. There is a statement from a creditor showing the balance owing at May 2017 as \$14,847.87 (Doc 107). Materiality for this engagement was determined to be \$10,000. White failed to record this material liability.

Particular 5 (c), (d), (e), (f), (g), & (h): Financial statement disclosure

55. Section 3856.44 states that an entity shall disclose the carrying amount of any financial liabilities that are secured and shall also disclose the carrying amount of assets it has pledged as collateral and terms and conditions relating to its pledge (Tab 3).
56. Note 9 disclosed the company utilizes an operating demand facility of \$180,000 for expenditures and purchases, which is secured by a general security agreement, and carried interest at prime plus 0.30% (Doc 91). The appropriate disclosure has not been provided in relation to Section 3856.44.
57. Section 3031.35(c) states that the amount of inventories recognized as an expense during the period shall be disclosed (Tab 4). This disclosure has not been made.

58. The balance sheet shows a mortgage payable of \$2,200,000 as a long-term liability (Doc 84). Note 13 discloses the terms of the mortgage and the repayment terms (Doc 96). There should be a current portion shown on the balance sheet.
59. Section 1505.08 states "The Board recognizes the need for flexibility in matters of format and location in disclosing accounting policies in the financial statements. However, it is particularly useful in order to provide an overview of the accounting policies of an enterprise that these be disclosed together in the form of a summary rather than in individual notes to the financial statements. Therefore, the disclosure of accounting policies is provided in one of the first notes to the financial statements"(Tab 5).
60. The title of note 6 is Investment and says the investment is stated at cost (Doc 90). There is no description of what this means. This is an investment in a co-operative that picks up the farm's milk. The significant accounting policies disclosure does not include a policy for the investment.
61. The title of note 8 is Quota, at cost as is the description on the balance sheet (Doc 91). The quota is an intangible asset with an indefinite life. The significant accounting policies disclosure does not include a policy for the quota. The fact that this asset is not being amortized and why should be disclosed.
62. Note 16 states that the company is using the taxes payable method (Doc 97). There is no significant accounting policy for income taxes disclosed.
63. Section 3856.53 states that for each significant risk arising from financial instruments, an entity shall disclose the exposures to risk and how they arise and any change in risk exposures from the previous period. Section 3856.A66 defines liquidity risk as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. (Tab 3).
64. The company has significant long-term debt and a mortgage payable but has not disclosed liquidity risk in note 18 as required by Section 3856.53 (Doc 84, 98).

Particular 5 (I) & (J): Signed review engagement report and locking down files

65. CSRE 2400 section 104 states that the practitioner shall document various aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner having no previous connection with the engagement to understand the financial statements and review engagement (Tab 8).
66. CSRE 2400 section A168 states that CSQC 1 requires the firm to establish time limits that reflect the need to complete the assembly of final engagement files on a timely basis (Tab 8).
67. The review engagement report for this engagement that was provided to the investigator was unsigned (Doc 83). When asked, White stated that he provides a signed copy to the client and does not maintain a copy of the signed report. White also does not lock down the Caseware file for his engagements. Therefore, there is no way to determine if the financial statements in the Caseware file are the final version. In addition, by failing to ensure the Caseware file was locked down, White failed to complete the assembly of his final engagement file on a timely basis.

Allegation 6 – The Review of the Financial Statements of KPI for the year ended March 31, 2018

Particular 6 (a) & (b): Self-review and Self-Interest threat

68. The independence threats section of the Engagement Retention checklist does not identify any independence threats (Doc 135). CSRE 2400 section 19 states that the practitioner shall comply with the relevant ethical requirements, including those pertaining to independence and section A19 states that the practitioner be independent of the entity as the practitioner's independence safeguards the practitioner's ability to form a conclusion without being affected by influences that might otherwise compromise that conclusion (Tab 8).



69. There are 41 adjusting journal entries for this client, many of which are in excess of materiality of \$25,000 determined for this client (Doc 136-139). White failed to properly identify a self-review threat relating to his involvement in preparing adjusting journal entries.
70. Adjusting journal entry number 35's explanation is to accrue the "Accounting estimate o/s blr and 2018 estimate" (Doc 139). White said that the fees are about \$20,000 per year and they were a year behind in their payment. Of this amount, \$20,000 would be payable to his former firm, BLR LLP and \$20,000 to WAPI for the current year. White failed to properly identify a self-interest threat relating to the unpaid fees owing to him and his previous firm.

Particular 6(c): Documentation of the inquiry, analytical procedures and discussion employed to establish plausibility

71. The documentation requirements for a review engagement are in Section 8100.23 and .24, which state matters that in the public accountant's professional judgment are important to support the content of the report would be documented. Supporting working papers would describe the procedures being undertaken and any unusual matters considered during the performance of the review, including the disposition of such matters (Tab 1).
72. White failed to sufficiently document the inquiry, analytical procedures and discussion employed to establish plausibility with respect to:
 - (a) Accounts receivable;
 - (b) Interrelationships/comparison of gross margin;
 - (c) Inventory;
 - (d) Accounts payable and accrued liabilities; and
 - (e) Income taxes.

Particular 6 (d): Failure to record an accrual for a claim

73. Section 3290.12 states that the amount of a contingent loss shall be accrued in the financial statements by a charge to income when both of the following conditions are met: it is likely that



a future event will confirm that an asset had been impaired or a liability incurred at the date of the financial statements; and the amount of the loss can be reasonably estimated (Tab 9).

74. There is \$106,250 in the MOL Settlement account on the Accounts Payable and Accrued Liabilities Lead sheet that reflects a final settlement amount relating to a previous accident from 3-4 years earlier (Doc 152). The settlement process involved large legal bills in the prior years. White failed to record an accrual in prior years as required by Section 3290.12 and instead recorded the total settlement in the current year. This resulted in the current year's income being understated.

Particular 6 (e): Conditions related to going concern.

75. CSRE 2400.47 states that the practitioner's inquiries of management and others within the entity, as appropriate, shall include the following: (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 (Tab 8).
76. The identification of events and conditions section of the going concern checklist says inquiries of management were made however the response is not noted (Doc 153). There is a notation that the company is profitable and the retained earnings are low because of the prior settled lawsuit. The company has a working capital deficit of \$1,985,435 being current assets of \$2,910,053 less due from related companies of \$1,027,418 less current liabilities of \$3,868,070 (Doc 119). White failed to make the inquiries required by CSRE 2400.47. There are also additional procedures required by CSRSE 2400.53 when the practitioner becomes aware of events or conditions that may cast significant doubt on an entity's ability to continue as a going concern which have not been completed as the condition was not identified (Tab 8).

Particular 6 (f), (g), (h), (i), & (j): Financial statement disclosure

77. The statement of cash flows balances to the bank indebtedness at the end of the year (Doc 122). Section 1540.10 states bank overdrafts may be included as a component of cash and



cash equivalents when the bank balance fluctuates frequently from being positive to overdrawn (Tab 10). As the account is constantly in an overdraft position, the bank indebtedness should be included in financing activities on the statement of cash flows.

78. The revenue recognition policy note discloses policies for sales of new equipment, rental revenue and interest income (Doc 123). Section 3400.31 states an enterprise shall disclose its revenue recognition policy (Tab 7). If an enterprise has different policies for different types of revenue transactions, the policy for each material type of transaction shall be disclosed. White failed to disclose the revenue recognition policy for two other revenue sources, namely the sale of used equipment and management fee revenue from a related party of \$508,830 (Doc 132).
79. The company has two main sources of revenue being sales and rental. Section 3400.33 states an enterprise shall disclose separately, either on the face of the income statement or in the notes to the financial statements, the major categories of revenue recognized in the period (Tab 7). White failed to ensure separate disclosure for these two main sources of revenue.
80. Note 5(b) discloses amounts due to related parties of \$2,338,342 having no fixed terms of repayment (Doc 126). Section 3840.51(e) states that disclosure should be made of the amount due and the conditions related thereto (Tab 2). Section 3856.A12 states that a debt instrument with no repayment terms is deemed to be payable on demand (Tab 3). Therefore, White should have classified this amount as a current liability.
81. Note 5(b) discloses amounts due to "BG" and "CG" of \$235,964 each who are stepdaughters of the owner. White failed to disclose a description of the relationship between the transacting parties and the terms and conditions relating to these amounts as required by Section 3840.51.

Particular 6 (k) & (l): Signed review engagement report and locking down files

82. CSRE 2400 section 104 states that the practitioner shall document various aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner having no



previous connection with the engagement to understand the financial statements and review engagement (Tab 8).

83. CSRE 2400 section A168 states that CSQC 1 requires the firm to establish time limits that reflect the need to complete the assembly of final engagement files on a timely basis (Tab 8).
84. The review engagement report for this engagement that was provided to the investigator was unsigned (Doc 118). When asked, White stated that he provides a signed copy to the client and does not maintain a copy of the signed report. White also does not lock down the Caseware file for his engagements. Therefore, there is no way to determine if the financial statements in the Caseware file are the final version. In addition, by failing to ensure the Caseware file was locked down, he failed to complete the assembly of his final engagement file on a timely basis.

MITIGATING CIRCUMSTANCES

85. As stated above, after being advised of the Allegations, White took immediate steps to achieve compliance with the Rules with respect to the registration of his firm. As of July 3, 2019, his firm Paul White Accounting Services Professional Corporation, is a professional corporation, and is properly registered as a firm with CPA Ontario.
86. White has no prior history in the disciplinary process and was fully cooperative during the PCC's investigation into his conduct.

ACKNOWLEDGEMENT

87. It is agreed that, in or about the period June 15, 2018 through April 2, 2019, White provided public accounting services through an unregistered corporation contrary to Rules 101 and 409.
88. It is agreed that, with respect to the review of the financial statements of GCF for the year ended February 28, 2017, White failed to perform his professional services in accordance with generally accepted standards of practice of the profession, in the manner described above.
89. It is agreed that, with respect to the review of the financial statements of NSW for the year ended January 31, 2017, White failed to perform his professional services in accordance with generally accepted standards of practice of the profession, in the manner described above.



90. It is agreed that, with respect to the review of the financial statements of GDF for the year ended February 28, 2018, White failed to perform his professional services in accordance with generally accepted standards of practice of the profession, in the manner described above.
91. It is agreed that, with respect to the review of the financial statements of KPI for the year ended March 31, 2018, White failed to perform his professional services in accordance with generally accepted standards of practice of the profession, in the manner described above.

TERMS OF SETTLEMENT

92. White and the Professional Conduct Committee agree to the following Terms of Settlement:
- a) Reprimand in writing by the Chair of the Discipline Committee;
 - b) White will pay a fine in the amount of \$7,500 within 6 months of this agreement receiving approval of the Discipline Committee;
 - c) White will attend, within 12 months of the time the Discipline Committee accepts this Settlement Agreement, the following professional development courses offered by CPA Ontario (or their successor course):
 - a) New Partner/Practitioner – Learning the Ropes; and
 - b) Ethics: Staying Out of Trouble
 - d) White's practice shall be restricted to non-assurance engagements, restricting him from performing audit or review engagements;
 - e) Notice of the terms of this Settlement is to be published in the manner set out in the CPA Ontario Regulation 6-2, sections 45, 50 and 52, including notice to be given to all members of CPA Ontario, the Public Accountants Council and all provincial CPA bodies. Notice of the restriction shall also be given in accordance with CPA Ontario Regulation 6-2, Section 48 in the newspaper in the geographic area where White practices, being Hamilton (i.e. in the *Hamilton Spectator*). All costs associated with the publication shall be borne by White and shall be in addition to any other costs ordered by the Discipline Committee;



- f) White will pay costs in the amount of \$12,000 within 6 months of this agreement receiving approval of the discipline committee;
 - g) A failure by White 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 provided that if his suspension under this section continues for three months his membership in CPA Ontario will be revoked with full publicity in accordance with Regulation 6-2 section 48.
93. Should the Discipline Committee accept this Settlement Agreement, White 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 2019, shall be forever stayed.
94. 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 White leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and White; and
 - b) The Professional Conduct Committee and White 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

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



96. 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 ^{September} 13 day of July 2019.

A handwritten signature in blue ink, appearing to read "Julia McNabb", written over a horizontal line.

Julia McNabb, J.D.
On behalf of
The Professional Conduct Committee

A handwritten signature in blue ink, appearing to read "Paul G. White CPA, CA", written over a horizontal line.

Paul G. White, CPA, CA
on his own behalf