



FOUNDED 1879

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF
ONTARIO
FORM 9A

THE CHARTERED ACCOUNTANTS ACT, 2010

TO: RAMMINDER S. BAWEJA, (suspended)

AND TO: The Discipline Committee of CPA Ontario

The Professional Conduct Committee hereby makes the following Allegations of professional misconduct against RAMMINDER S. BAWEJA, a suspended Member of CPA Ontario:

1. THAT the said Ramminder S. Baweja, in or about the period March 1, 2014 through July 31, 2014, while engaged to perform an audit of the financial statements of "GSC" for the year ended March 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 Rules of Professional Conduct, in that:
 - (a) he failed to ensure complete disclosure of revenue recognition policies;
 - (b) he failed to ensure correct disclosure in note 3 Significant accounting policies that the short term investments of \$50,000 had maturities in excess of 3 months; and
 - (c) he failed to ensure that in note 5 Financial instruments the mortgage payable and other loans payable were identified as financial instruments and that prepaid expenses be excluded from the Statement of Financial Position item "Prepaid expenses and sundry assets 56,956".

2. THAT the said Ramminder S. Baweja, in or about the period March 1, 2015 through July 31, 2015, while engaged to perform an audit of the financial statements of "GSC" for the year ended March 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 Rules of Professional Conduct, in that:
 - (a) he failed to ensure that the opening balances for Cash and Term deposits on the Statement of Financial Position as at March 31, 2014 and the "Cash – end of year" 2014 on the Statement of Cash Flows agreed;
 - (b) he failed to ensure that the increase of 31,976 in the Statement of Financial Position item "Accounts payable and accruals" from 12,541 on March 31,

2014 to 44,517 on March 31, 2015 agreed with the 2015 item "Accounts payable and accruals 3,714" on the Statement of Cash Flows;

- (c) he failed to ensure correct disclosure in note 3 Significant accounting policies that the short term investments of \$100,000 had maturities in excess of 3 months; and
 - (d) he failed to ensure that in note 5 Financial instruments the mortgage payable and other loans payable were identified as financial instruments and that prepaid expenses be excluded from the Statement of Financial Position item "Prepaid expenses and sundry assets 88,965".
3. THAT the said Ramminder S. Baweja, in or about the period July 1, 2013 through March 31, 2014, while engaged to perform an audit of the financial statements of "ALCBC" for the year ended August 31, 2013, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Rules of Professional Conduct, in that:
- (a) he failed to ensure correct disclosure of significant accounting policies;
 - (b) he failed to ensure correct disclosure of the financial instruments and what financial instrument will be measured at fair value;
 - (c) he failed to ensure that the word "amortization" was used rather than "depreciation" in the Statement of Cash Flows, in "Note 2 Significant Accounting Policies" and in "Note 4 Fixed"; and
 - (d) he failed to ensure that in "Note 4 Fixed" the item "Goodwill" was stated at cost and not subject to accumulated amortization or depreciation.

Dated at Erin, Ontario, this 31st day of May, 2017



R. G. SIMON, CPA, CA, CHAIR
PROFESSIONAL CONDUCT COMMITTEE

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

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **RAMMINDER SINGH BAWEJA**, a suspended member, under **Rule 206.1** of the Rules of Professional Conduct.

TO: Mr. Ramminder Singh Baweja

AND TO: The Professional Conduct Committee

DECISION AND ORDER MADE OCTOBER 13, 2017

DECISION

The Professional Conduct Committee having withdrawn particulars (b) of Allegation No. 1, (c) of Allegation No. 2, and (b) and (c) of Allegation No. 3;

The Professional Conduct Committee having amended particular (d) of Allegation No. 2;

The Discipline Committee, having seen, heard and considered the evidence, finds:

THAT particular (a) of Allegation No. 3 has not been established;

THAT particulars (a) and (c) of Allegation No. 1, (a), (b) and (d) of Allegation No. 2 and (d) of Allegation No. 3 have been established;

THAT Rule 206.1 of the Rules of Professional Conduct has been breached; and

THAT Ramminder Singh Baweja ("Mr. Baweja") has thereby committed professional misconduct.

ORDER

IT IS ORDERED in respect of the Allegations:

1. THAT Mr. Baweja be reprimanded in writing by the Chair of the Discipline tribunal.
2. THAT Mr. Baweja be and he is hereby fined the sum of \$5,000 to be remitted to CPA Ontario within twelve (12) months from the date this Order of the Discipline Committee is made.
3. THAT Mr. Baweja's practice be and is hereby restricted to non-assurance engagements, restricting him from performing audit or review engagements.

4. THAT notice of the Decision and Order, disclosing Mr. Baweja's name, be given in the form and manner determined by the Discipline Committee:
 - (a) to all members of CPA Ontario; and
 - (b) to all provincial bodies;and shall be made available to the public.
5. THAT notice of the restriction on practice disclosing Mr. Baweja's name, be given by publication on the CPA Ontario website and in an Etobicoke newspaper. All costs associated with the publication shall be borne by Mr. Baweja and shall be in addition to any other costs ordered by the Discipline Committee.
6. THAT in the event Mr. Baweja fails to comply with the requirements of this Order, he shall be suspended from membership in CPA Ontario until such time as he does comply, provided that he complies within thirty (30) days from the date of his suspension. In the event he does not comply within the thirty (30) day period, his membership in CPA Ontario shall thereupon be revoked, and notice of the revocation of his membership, disclosing his name, shall be given in the manner specified above, and in a newspaper distributed in the geographic area of Mr. Baweja's practice, employment or residence. All costs associated with this publication shall be borne by Mr. Baweja and shall be in addition to any other costs ordered by the committee.

AND IT IS FURTHER ORDERED:

7. THAT Mr. Baweja be and he is hereby charged costs fixed at \$18,000 to be remitted to CPA Ontario within twelve (12) months from the date this Decision and Order is made.

DATED AT TORONTO THIS 20TH DAY OF OCTOBER, 2017
BY ORDER OF THE DISCIPLINE COMMITTEE



DIANE WILLIAMSON
ADJUDICATIVE TRIBUNALS SECRETARY

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

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **RAMMINDER SINGH BAWEJA**, a member of CPA Ontario, under **Rule 206.1** of the Rules of Professional Conduct, as amended.

BETWEEN:

**Chartered Professional Accountants of Ontario
Professional Conduct Committee**

-and-

Ramminder Singh Baweja

APPEARANCES:

For the Professional Conduct Committee: Paul Farley, Counsel

For Ramminder S. Baweja: Ramminder S. Baweja, self-represented

Heard: October 13, 2017

Decision and Order effective: October 13, 2017

Release of written reasons: May 4, 2018

REASONS FOR THE DECISION AND ORDER MADE OCTOBER 13, 2017

I. OVERVIEW

- [1] Mr. Baweja obtained his CA designation in 1989. Mr. Baweja practised in partnership with Manjit Lotay (“Mr. Lotay”), under the name of Lotay and Baweja. At the relevant times, Mr. Baweja only maintained a small private accounting practice. He was suspended as of January 25, 2017, due to his failure to pay his annual fees. At the time of the hearing, he did not hold a public accounting licence, and he no longer maintained an accounting practice. He was primarily involved in another business, PF Ltd., in conjunction with Mr. Lotay.
- [2] Under section 5 of Regulation 10-1 of the Chartered Professional Accountants of Ontario (“CPA Ontario”), practice inspectors appointed by CPA Ontario must inspect the practice of those members engaged in the practice of public accounting at least every three years to ensure that members are maintaining professional standards.
- [3] On February 4, 2013, the practice inspectors inspected Mr. Baweja’s practice and identified issues related to his practice necessitating another review of his work before the next regularly scheduled review. The practice inspectors attended again on

November 21, 2013, and identified more problems. On February 17, 2015, the practice inspectors attended again and identified more problems.

- [4] In a letter dated April 7, 2015, the Director of Practice Inspection wrote to Mr. Baweja and indicated that the Practice Inspection Committee (“PIC”) noted that Mr. Baweja had taken little, if any, corrective action, to address the concerns of the practice inspectors. Given the ongoing nature of the deficiencies, the PIC referred the matter to the Professional Conduct Committee (“PCC”).
- [5] On May 3, 2017, the PCC laid three allegations against Mr. Baweja arising from the matters referred by PIC. It was alleged that Mr. Baweja failed to perform his professional services to the generally accepted standards of the profession, contrary to Rule 206.1 of the Rules of Professional Conduct. The allegations related to the presentation and disclosure of financial statements prepared by Mr. Baweja for one client over two financial years and another client over one financial year. Counsel for PCC acknowledged that the allegations were not extremely serious allegations.
- [6] Mr. Baweja agreed that there were errors in his accounting practice, but he took the position that they did not amount to professional misconduct in contravention of Rule 206.1.
- [7] The onus was on the PCC to show on a balance of probabilities that Mr. Baweja’s conduct breached Rule 206.1 of the Rules and constituted professional misconduct.
- [8] The evidence before the tribunal consisted of the evidence of Mr. Raymond Harris, an investigator retained by the PCC. Mr. Harris, who had been a CA since 1953, was also qualified by the tribunal, with the consent of Mr. Baweja, as an expert in assurance engagements. Mr. Baweja also testified.
- [9] The tribunal found that Mr. Baweja committed professional misconduct when he failed to perform his professional services to the standard required by Rule 206.1 of the Rules with respect to the three assurance engagements in issue.

II. PRELIMINARY ISSUES

- [10] The hearing with respect to the allegations against Mr. Baweja was originally scheduled to proceed jointly with the hearing of allegations against Mr. Baweja’s former partner, Mr. Lotay. At the start of the hearing, Mr. Farley indicated that Mr. Baweja and Mr. Lotay wished to proceed with different responses to the allegations, and, accordingly, PCC asked to have the allegations against the two members heard separately. Neither Mr. Baweja nor Mr. Lotay opposed this request.
- [11] In making this request, the PCC relied on Rule 6.02 of CPA Ontario’s Rules of Practice and Procedure. This Rule authorized the tribunal, either on its own motion or the motion of a party, to divide a hearing into two or more hearings.
- [12] The tribunal was satisfied that the PCC request to proceed with a separate hearing for each of these members was reasonable because they took divergent positions (as they were entitled to do) and, given that both members consented to the order requested by PCC, the tribunal granted the order requested and divided the hearing.

III. ALLEGATIONS

[13] At the hearing, the PCC amended the allegations of professional misconduct that had been made against Mr. Baweja, with the consent of Mr. Baweja. After the amendments were made, the PCC made the following allegations of professional misconduct against Mr. Baweja:

1. THAT the said Ramminder S. Baweja, in or about the period March 1, 2014 through July 31, 2014, while engaged to perform an audit of the financial statements of "GSC" for the year ended March 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 Rules of Professional Conduct, in that:
 - (a) he failed to ensure complete disclosure of revenue recognition policies;
 - (b) [withdrawn]; and
 - (c) he failed to ensure that in note 5 Financial instruments the mortgage payable and other loans payable were identified as financial instruments and that prepaid expenses be excluded from the Statement of Financial Position item "Prepaid expenses and sundry assets 56,956".

2. THAT the said Ramminder S. Baweja, in or about the period March 1, 2015 through July 31, 2015, while engaged to perform an audit of the financial statements of "GSC" for the year ended March 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 Rules of Professional Conduct, in that:
 - (a) he failed to ensure that the opening balances for Cash and Term deposits on the Statement of Financial Position as at March 31, 2014 and the "Cash – end of year" 2014 on the Statement of Cash Flows agreed;
 - (b) he failed to ensure that the increase of 31,976 in the Statement of Financial Position item "Accounts payable and accruals" from 12,541 on March 31, 2014 to 44,517 on March 31, 2015 agreed with the 2015 item "Accounts payable and accruals 3,714" on the Statement of Cash Flows;
 - (c) [withdrawn]; and
 - (d) he failed to ensure that in note 4 Financial instruments the mortgage payable and other loans payable were identified as financial instruments and that prepaid expenses be excluded from the Statement of Financial Position item "Prepaid expenses and sundry assets 88,965".

3. THAT the said Ramminder S. Baweja, in or about the period July 1, 2013 through March 31, 2014, while engaged to perform an audit of the financial statements of "ALCBC" for the year ended August 31, 2013, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Rules of Professional Conduct, in that:
 - (a) he failed to ensure correct disclosure of significant accounting policies;

- (b) [withdrawn];
- (c) [withdrawn]; and
- (d) he failed to ensure that in “Note 4 Fixed” the item “Goodwill” was stated at cost and not subject to accumulated amortization or depreciation.

[14] Mr. Baweja did not deny the factual accuracy of the particulars making up the allegations but denied that, either individually or in combination, such acts or omissions amounted to misconduct under Rule 206.1.

IV. ISSUES

[15] The tribunal identified the following issue arising from the allegations:

- A. Did the evidence establish, on a balance of probabilities, the facts on which the particulars alleged by the PCC were based?
- B. If the particulars alleged by the PCC were established on the evidence on a balance of probabilities, did those particulars constitute professional misconduct?

V. DECISION

[16] Having considered all of the evidence and the submissions of counsel, the tribunal found that the evidence established on a balance of probabilities particulars 1(a) and (c), 2(a), (b) and (d) and 3(d), as set out in the allegations of professional misconduct. Specifically, the tribunal concluded that Mr. Baweja failed to perform his professional services with respect to each of the three assurance engagements in issue in accordance with the generally accepted standards of the profession.

[17] The tribunal concluded that the evidence did not establish particular 3(a) in the allegations of professional misconduct.

[18] The tribunal was satisfied that the particulars alleged constituted a breach of Rule 206.1 of the Rules, and, having breached this Rule, Mr. Baweja had committed professional misconduct.

VI. REASONS FOR THE DECISION

A. Findings regarding Conduct of Mr. Baweja

Allegation 1

[19] The evidence demonstrated that GSC had a primary revenue source (donations) and a secondary source (magazine). The secondary revenue source was material to the financial statements based on the revised determination of materiality contained in Mr. Baweja’s work papers. The tribunal also found that the notes to the financial statements disclosed a revenue recognition policy for donations, or contributions, but did not disclose a policy for Magazine revenues. Handbook Section 3400.31 required a revenue recognition policy be disclosed for all material revenues. Omitting this disclosure was a failure to meet the standard. Mr. Baweja signed and released these financial statements.

- [20] The tribunal considered evidence that GSC had liabilities that included mortgage payable and other loans payable, each of which exceeded materiality as determined by Mr. Baweja. The uncontradicted evidence of Mr. Harris demonstrated that these liabilities were financial liabilities as defined by Handbook Section 3856 and were therefore subject to the disclosures required by that section. The financial instrument note disclosures omitted these liabilities and their required disclosures.
- [21] GSC disclosed on its balance sheet an item "Prepaid expenses and sundry assets". The amount of this item exceeded materiality as determined by Mr. Baweja. The tribunal accepted the evidence of Mr. Harris that prepaid expenses were not a financial instrument; however, this item was identified as a financial instrument in the Note "Financial instruments".
- [22] Mr. Baweja provided evidence that he did not feel that the limited users of the financial statements were impacted by the poor and/or lack of disclosures contained therein. The tribunal was not convinced by this unsupported argument. The tribunal determined that each of the particulars of Allegation 1 was proven.

Allegation 2

- [23] In the 2015 financial statement for GSC, the amount of Cash – beginning of year (defined as cash and term deposits) disclosed in the Statement of Cash flows exceeded the amount of Cash – end of year disclosed in the 2014 Statement of Cash flows, and also the aggregate of Cash and Term deposits shown on the Statement of Financial Position, by a material amount. This was clearly incorrect.
- [24] Accounts payable and accruals disclosed in the Statement of Financial Position as compared with the comparative figures exceeded the amount shown in the Statement of Cash flows by a material amount. These are clearly offsetting arithmetical errors, but the tribunal noted that the result was that the item Cash provided by Operating activities disclosed on the Statement of Cash flows was misstated by a material amount.
- [25] Particular 2 (d) was the same allegation, but for the next fiscal year, as contained in particular 1(c) relating to the failure to exclude Prepaid expenses from financial instruments. The tribunal similarly found that this particular was proved for the 2015 financial statements.
- [26] Mr. Baweja proffered his opinion that the Statement of Cash Flows was "secondary" to the other financial statements that were not impacted by the errors described in particulars (a) and (b) and so these errors should not result in a finding of misconduct. The tribunal did not agree with this assertion since the Statement of Cash Flows is an integral part of the financial statements and so needs to be free from error. The tribunal determined that each of the particulars of Allegation 2 was proven.

Allegation 3

- [27] On the basis of the evidence received at the hearing including the statement by the expert witness that the particular (a) of allegation 3 was wrong, the tribunal found that this particular was not established.

[28] The evidence of Mr. Harris established the reporting standards for goodwill applicable at the time the financial statements for ALCBC were prepared. The disclosures for goodwill contained in these financial statements did not meet the standards as set out in the evidence of Mr. Harris before the tribunal.

[29] The tribunal determined that Allegation 3 was proven on the basis of particular 3(d).

B. Finding of Professional Misconduct

[30] The evidence was cogent and compelling and clearly proved all of the allegations, with the exception of particular 3(a), on a balance of probabilities. The tribunal was satisfied that an investigation was initiated by PCC because the Practice Inspection process repeatedly, and over several years, found that Mr. Baweja failed to ensure adequate disclosures in financial statements he associated himself with. This pattern was troubling as it portended that Mr. Baweja lacked that needed willingness to effect change in his method of practice and deepen his knowledge in order to achieve required disclosure standards.

[31] Mr. Baweja submitted in evidence (Exhibit 4) a document titled "Focus on Practice Inspection Reportable Deficiencies 2016/2017". He compared the allegations resulting from the PCC investigation with the concerns raised in that report and submitted that his performance could not be considered more inadequate than the typical practice inspection findings. In the tribunal's view, Mr. Baweja's submission did not address the repetitive nature of the findings in the PCC investigation and the preceding practice inspections over several years that found his practice wanting. The tribunal was satisfied that these factors distinguished other practice inspections, and Mr. Baweja's comparison to others, who failed in the same ways, was simply no excuse for failing to achieve the accepted standard.

[32] The tribunal found that the evidence provided by Mr. Baweja was not persuasive. He failed to address the fact that the numerous particulars identified disclosures in financial statements with which he was associated that failed to meet the established standards of the profession. His statements that users would not be misled in his opinion, or that the error occurred in a statement secondary to others, missed the salient point that the standards to which members of the profession are accountable to are clearly written and not subject to such interpretations.

[33] Consequently, the tribunal determined that Mr. Baweja had breached Rule 206.1 of the Rules of Professional Conduct.

VII. POSITION ON SANCTIONS

Position of the PCC

[34] The PCC submitted that a sanction comprised of the following elements would be appropriate: a reprimand in writing; a fine in the amount of \$5,000; the restriction of Mr. Baweja's practice to prohibit him from handling assurance engagements; publicity of the decision in the ordinary course, including publication of the practice restriction in a local

newspaper; and, the usual order regarding the consequences if there was non-compliance with the terms of the order.

- [35] The PCC also sought an order for the payment of costs, fixed in the amount of \$18,000. This represented approximately two-thirds of one half of the actual costs of \$56,000, incurred by the PCC in relation to the proceedings involving both Mr. Baweja and Mr. Lotay.

Position of Mr. Baweja

- [36] Mr. Baweja submitted that the penalty sought did not reflect the concession by PCC that the established misconduct was at the low end of the scale. He contended that the costs should be less, given that several allegations were withdrawn and he had already paid costs to PIC.

VIII. REASONS FOR THE ORDER

- [37] A part time practice or any reduced practice for whatever the reason is no excuse for a substandard practice. The same high quality, the same fastidious attention to our standards and the same focus on protecting the public and providing value to those who rely on the services of a CPA, are consistently expected of our members.
- [38] CPA Ontario's mandate includes protecting the public by protecting the good name of our profession. The tribunal found no rationale to reduce the sanction to be imposed because certain particulars were withdrawn or dismissed. The seriousness of the proven allegations in context with the circumstances of the case needed to be related to sanctions ordered for comparable misconduct in similar circumstances. The sanctions also needed to specifically address rehabilitation of the member, protection of the public and deterrence of the member and members at large. A fine of \$5,000, an order to restrict Mr. Baweja's practice to exclude assurance, a reprimand and order for publication all addressed the principles of sanction and were appropriate in this case.
- [39] The tribunal was sympathetic to Mr. Baweja's financial circumstances and did not wish to make an order that he would not be able to comply with. The tribunal hoped Mr. Baweja would be able to follow a path that returns him to membership in a capacity that is consistent with his professional aspirations, and placing an insurmountable roadblock in his way would be counterproductive to this intention. Consequently, the tribunal provided the time Mr. Baweja indicated he would need to comply.

IX. COSTS

- [40] The tribunal accepted the costs outline that was presented by PCC for both Mr. Baweja and Mr. Lotay. Consequently, in considering the appropriate costs to charge to Mr. Baweja, the tribunal considered that one half of the costs contained in the outline were applicable to establishing the allegations against Mr. Baweja. The cooperation of Mr. Baweja was recognized by the tribunal.
- [41] Taking everything into consideration the tribunal determined that ordering Mr. Baweja to reimburse \$18,000 in costs within 12 months was appropriate.

X. ORDER

[42] The tribunal ordered that:

- Mr. Baweja be reprimanded in writing by the Chair of the tribunal
- He be fined \$5,000, to be paid to CPA Ontario with 12 months of the tribunal's order
- Mr. Baweja's practice be restricted to non-assurance work
- the decision be published in the usual manner to all members of CPA Ontario and all provincial regulatory bodies and be made available to the public
- notice of the Decision and Order be published in a paper circulating in Etobicoke and on CPA Ontario's website
- if Mr. Baweja did not comply with the order, that he be suspended for 30 days, and, if he still did not comply with the order, his membership would be revoked.

[43] The tribunal also ordered that Mr. Baweja pay costs in the amount of \$18,000 to CPA Ontario within 12 months of the date of the order.

Dated at Toronto this 4th day of May, 2018



Randal Adamkowski, CPA, CA
Discipline Committee – Deputy Chair

Members of the Tribunal

David Knight, FCPA, FCA
Salim Somani, CPA, CA
Barry Solway (Public Representative)

Independent Legal Counsel

Glenn Stuart
Stuart Law