

FOUNDED 1879

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

*THE CHARTERED ACCOUNTANTS ACT, 2010*

**TO:** RANDALL P. DUNN, CPA, CA

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

The Professional Conduct Committee hereby makes the following Allegations of professional misconduct against RANDALL P. DUNN, CPA, CA, a Member of CPA Ontario:

1. THAT the said Randall P. Dunn, in or about the period December 1, 2013 through April 30, 2014, while engaged to audit the financial statements of "CFCFFL" as at December 31, 2013, failed to perform 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 obtain an understanding of, and evaluate, the control environment;
  - b) he failed to obtain an understanding of the entity's risk assessment processes or discuss with management whether business risks relevant to financial reporting objectives have been identified and addressed;
  - c) he failed to obtain an understanding of the entity's information system and how the entity has responded to risks arising from information technology;
  - d) he failed to test the presumed risk of fraud related to revenue recognition and identify it as a significant risk;
  - e) he failed to make enquiries of management regarding their assessment that the financial statements may be materially misstated due to fraud and the processes they undertook for identifying and responding to the risk of fraud;
  - f) he failed to make enquiries of the Board with respect to how they exercise oversight of management's processes with respect to fraud;

- g) he failed to document his understanding obtained regarding internal control components and the sources from which his understanding was obtained and he failed to document the risk assessment procedures performed;
- h) he failed to document the identified and assessed risks of material misstatement and the related controls;
- i) he failed to document the selection of journal entries for review and the appropriateness of their selection as part of testing for management override;
- j) he failed to obtain sufficient appropriate audit evidence with respect to revenue from 'conference camp and other \$238,781';
- k) he failed to obtain sufficient appropriate audit evidence with respect to capital asset additions in the amount of \$7,402;
- l) he failed to adequately determine performance materiality for the purpose of assessing the risk of material misstatement and determining the nature and extent of further audit procedures;
- m) he failed to obtain a representation letter;
- n) he failed to obtain an engagement letter which identified the agreed terms of the audit engagement;
- o) he issued an Auditor's Report that was not in accordance with the standards and failed to properly qualify his opinion;
- p) he failed to refer, in his Auditor's Report, to comparative figures when the auditor's report for the prior period was qualified;
- q) he failed to determine whether the organization was using the deferral or the restricted fund method of revenue recognition and failed to ensure proper disclosure of the revenue recognition policy in Note 3 to the financial statements; and
- r) he failed to ensure proper disclosure of the accounting policy for financial instruments including accounts receivable and accounts payable including the carrying amounts of each category of financial instruments.

2. THAT the said Randall P. Dunn, in or about the period July 1, 2013 through September 30, 2013, while engaged to audit the financial statements of "JFU CAN" as at July 31, 2013, failed to perform 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 obtain an understanding of, and evaluate, the control environment;
  - b) he failed to obtain an understanding of the entity's risk assessment processes or discuss with management whether business risks relevant to financial reporting objectives have been identified and addressed;
  - c) he failed to obtain an understanding of the entity's information system and how the entity has responded to risks arising from information technology;
  - d) he failed to identify or test the presumed risk of fraud related to revenue recognition and identify it as a significant risk;
  - e) he failed to document his understanding obtained regarding internal control components and the sources from which his understanding was obtained and he failed to document the risk assessment procedures performed;
  - f) he failed to document the identified and assessed risks of material misstatement and the related controls;
  - g) he failed to adequately determine performance materiality for the purpose of assessing the risk of material misstatement and determining the nature and extent of further audit procedures;
  - h) he failed to make enquiries of management regarding their assessment that the financial statements may be materially misstated due to fraud and the processes they undertook for identifying and responding to the risk of fraud;
  - i) he failed to make enquiries of the Board with respect to how they exercise oversight of management's processes with respect to fraud;
  - j) he failed to properly audit significant variances in financial statement amounts and failed to relate the results of the analytical review work performed to the substantive audit procedures;

- k) he failed to document the selection of journal entries for review and the appropriateness of their selection as part of testing for management override;
- l) he failed to document discussion with management or the entity's lawyers regarding legal issues and failed to document review of the finance committee or Board minutes to identify potential claims;
- m) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Investment Portfolio (note 5) \$48,667,006";
- n) he failed to obtain sufficient and appropriate evidence to support the statement of financial position item "Other investments (note 6) - Diaspora Fund \$3,436,769" [this particular will include evidence that the amount did not reconcile by \$54,694, a material amount];
- o) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "Accounts receivable \$717,483";
- p) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "loan payable (note 10) \$152,282";
- q) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "loan payable (note 8) \$447,072";
- r) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "accounts payable and accrued liabilities - "Apostolic Fund" - \$1,509,288";
- s) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "deferred revenue (Note 11) \$2,351,650";
- t) he failed to obtain an engagement letter which identified the agreed terms of the audit engagement;
- u) he issued an Auditor's Report that was not in accordance with the standards and failed to properly qualify his opinion;
- v) he failed to refer, in his Auditor's Report, to comparative figures when the auditor's report for the prior period was qualified;

- w) he failed to determine whether the organization was using the deferral or restricted fund method of revenue recognition and failed to ensure proper disclosure of the revenue recognition policy in note 3 to the financial statements;
  - x) he included in revenue an internal transfer of \$474,000 from the restricted funds to unrestricted funds when that amount should not have been included in revenue because it had not been earned outside of the organization; and
  - y) he failed to ensure that the financial statements contained the disclosures required by the standards of practice of the profession.
3. THAT the said Randall P. Dunn, in or about the period June 1, 2015 through August 31, 2015, while engaged to audit the financial statements of "JFU CAN" as at June 30, 2015, failed to perform 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 obtain an understanding of, and evaluate, the control environment and the effectiveness of controls;
  - b) he failed to obtain an understanding of the entity's risk assessment processes or discuss with management whether business risks relevant to financial reporting objectives have been identified and addressed;
  - c) he failed to obtain an understanding of the entity's information system and how the entity has responded to risks arising from information technology;
  - d) he failed to identify or test the presumed risk of fraud related to revenue recognition and identify it as a significant risk;
  - e) he failed to document his understanding obtained regarding internal control components and the sources from which his understanding was obtained and he failed to document the risk assessment procedures performed;
  - f) he failed to adequately determine performance materiality for the purpose of assessing the risk of material misstatement and determining the nature and extent of further audit procedures;

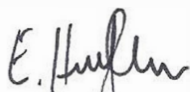


- g) he failed to make enquiries of management regarding their assessment that the financial statements may be materially misstated due to fraud and the processes they undertook for identifying and responding to the risk of fraud;
- h) he failed to properly audit significant variances in financial statement amounts, and failed to relate the results of the analytical review work performed to the substantive audit procedures;
- i) he failed to document the selection of journal entries for review and the appropriateness of their selection as part of testing for management override;
- j) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Investment Portfolio (note 5) \$46,297,503";
- k) he failed to obtain sufficient and appropriate evidence to support the statement of financial position item "Other investments (note 6) - Diaspora Fund \$3,252,689";
- l) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "Accounts receivable \$335,235";
- m) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "loan payable (note 10) \$392,876";
- n) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "loan payable (note 8) \$361,471";
- o) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "deferred revenue (Note 11) \$2,098,376";
- p) he failed to obtain a representation letter from management;
- q) he issued an Auditor's Report that was not in accordance with the standards and failed to properly qualify his opinion;
- r) he failed to refer, in his Auditor's Report, to comparative figures when the auditor's report for the prior period was qualified;

- s) he failed to determine whether the organization was using the deferral or restricted fund method of revenue recognition and failed to ensure proper disclosure of the revenue recognition policy in note 3 to the financial statements;
  - t) he included in revenue an internal transfer of \$429,000 from the restricted funds to unrestricted funds when that amount should not have been included in revenue because it had not been earned outside of the organization; and
  - u) he failed to ensure that the financial statements contained the disclosures required by the standards of practice of the profession.
4. THAT the said Randall P. Dunn, in or about the period March 1, 2014 through June 30, 2014, while engaged to review the financial statements of "QMP Limited" as at March 31, 2014, failed to perform 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 carry out sufficient and appropriate enquiry, analytical procedures and discussion to properly determine if the balance sheet item "Inventory \$2,001,609" was plausible;
  - b) he failed to identify a significant self-review threat related to the level of his involvement in calculating the value of the company's inventory at year end;
  - c) he failed to carry out sufficient and appropriate enquiry, analytical procedures and discussion to properly assess the plausibility of the revenue and expenses reported on the financial statements;
  - d) he failed to document his enquiry, analytical procedures and discussion to properly determine if the balance sheet items "Loans receivable (Note 4) \$1,160,817" and "Loans payable (Note 7) \$1,331,747 were plausible;
  - e) he failed to ensure that the disclosure in note 3 regarding financial instruments was accurate and complete;
  - f) he failed to ensure that the disclosure in note 7 regarding loans payable was accurate and complete;
  - g) he failed to ensure that the disclosure in note 9 regarding related party transactions was accurate and complete; and

- h) he failed to ensure disclosure in the notes to the financial statements that they were prepared in accordance with ASPE.

Dated at Mississauga, this *d* day of *JVLf*, 2016.



E. HUFTON, CPA, CA, DEPUTY CHAIR  
PROFESSIONAL CONDUCT COMMITTEE



Chartered Professional Accountants of Ontario is the registered name of The Institute of Chartered Accountants of Ontario.

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

**DISCIPLINE COMMITTEE**

**IN THE MATTER OF:** Allegations against **RANDALL PHILLIP DUNN**, a Member of CPA Ontario, under **Rule 206.1** of the Rules of Professional Conduct, as amended.

**TO:** Mr. Randall Phillip Dunn, CPA, CA

**AND TO:** The Professional Conduct Committee

**DECISION MADE MAY 10, 2017 and ORDER MADE MAY 18, 2017**

**DECISION**

The Professional Conduct Committee having withdrawn particulars (g) and (h) of Allegation No. 1, (e) and (f) of Allegation No. 2, and (e) and (p) of Allegation No. 3;

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

THAT particulars (a), (b) and (c) of Allegation No. 1, (a), (b), (c), (h) and (i) of Allegation No. 2, and (a), (b), (c) and (g) of Allegation No. 3 have not been established;

THAT the remaining particulars of each of Allegation Nos. 1, 2, 3 and 4 have been established;

THAT Rule 206.1 has been breached; and

THAT Randall Phillip Dunn, CPA, CA has thereby committed professional misconduct.

**ORDER**

IT IS ORDERED in respect of the allegations:

1. THAT Mr. Dunn be reprimanded in writing by the Chair of the Discipline tribunal.
2. THAT Mr. Dunn be and he is hereby fined the sum of \$20,000 to be remitted to CPA Ontario within twelve (12) months from the date this Order of the Discipline Committee is made.
3. THAT Mr. Dunn's practice be and is hereby restricted to non-assurance engagements, restricting him from performing audit or review engagements.

4. THAT Mr. Dunn attend, within twelve (12) months from the date this Order is made, the following professional development course made available through CPA Ontario:
  - *General Practitioners Need to Know*or, in the event the course listed above becomes unavailable, the successor course which takes its place.
5. THAT notice of the Decision and Order, disclosing Mr. Dunn's name, be given in the form and manner determined by the Discipline Committee:
  - (a) to all members of CPA Ontario;
  - (b) to the Public Accountants Council for the Province of Ontario;
  - (c) to all provincial bodies;and shall be made available to the public.
6. THAT notice of the restriction on practice disclosing Mr. Dunn's name, be given by publication on the CPA Ontario website and in *The Globe and Mail*. All costs associated with the publication shall be borne by Mr. Dunn and shall be in addition to any other costs ordered by the Discipline Committee.
7. THAT in the event Mr. Dunn 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. Dunn's practice, employment or residence. All costs associated with this publication shall be borne by Mr. Dunn and shall be in addition to any other costs ordered by the committee.

AND IT IS FURTHER ORDERED:

8. THAT Mr. Dunn be and he is hereby charged costs fixed at \$62,000 to be remitted to CPA Ontario within twelve (12) months from the date this Order is made.

DATED AT TORONTO THIS 26<sup>th</sup> DAY OF MAY, 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 RANDALL PHILLIP DUNN, a Member of CPA Ontario, under Rule 206.1 of the Rules of Professional Conduct, as amended.

**TO:** Mr. Randall Phillip Dunn, CPA, CA

**AND TO:** The Professional Conduct Committee

**REASONS**

**(Decision made May 10, 2017 and Order made May 18, 2017)**

1. This tribunal of the Discipline Committee of the Chartered Professional Accountants of Ontario ("CPA Ontario") convened on January 18, 2017 to hear allegations of professional misconduct brought by the Professional Conduct Committee of CPA Ontario against Randall Phillip Dunn ("Mr. Dunn"), a Member. The hearing continued on January 19 and 20, April 11, 12 and 13, 2017 and May 18, 2017.
2. Mr. Paul Farley ("Mr. Farley") appeared on behalf of the Professional Conduct Committee (PCC), and was accompanied by Ms. Melissa Gentili ("Ms. Gentili"), associate counsel for the PCC and Mr. Paul Gibel, FCPA, FCA ("Mr. Gibel"), the investigator appointed by the PCC. Ms. Tamara Center, a recently appointed counsel to the PCC also observed different parts of the hearing. Mr. James Lane ("Mr. Lane") appeared as counsel for Mr. Dunn, who attended with him. Mr. Robert Peck attended the hearing as counsel to the tribunal.
3. The case for the PCC was heard on January 18, 19 and 20. Mr. Gibel's examination commenced on January 18, continued on January 19th and concluded on January 20th. He was cross-examined and re-examined during the afternoon on 20th. The case for Mr. Dunn was heard on April 11 and 12th. Mr. Dunn's examination concluded on April 12th. He was then cross-examined by Mr. Farley and briefly re-examined by Mr. Lane. The PCC called Mr. Gibel to give evidence in reply to the evidence given by Mr. Dunn. The members of the tribunal asked questions of both Mr. Gibel and Mr. Dunn. There was also a question about proceeding in camera and an application to that effect on January 20th. The hearing did not proceed in camera. Submissions with respect to the allegations were made by Ms. Gentili and Mr. Lane on April 13, 2017. The tribunal convened to deliberate subsequent to April 13, 2017 and reached its conclusion on May 10, 2017. The hearing continued on May 18, 2017, when the tribunal heard submissions on sanction and costs.
4. The Decision of the tribunal made on May 10, 2017 was conveyed in writing to the parties on May 11, 2017. The Order of the tribunal was made known on May 18, 2017 at the conclusion of the hearing. The written Decision and Order was sent to the parties on May 26, 2017. These reasons, given pursuant to Rule 20.04 of the Rules of Practice and Procedure, include the allegations (as amended), the decision, the order, and the reasons of the tribunal for their Decision and Order.

## The Allegations

5. The following allegations of professional misconduct, as amended at the hearing on consent, were made against Mr. Dunn by the PCC on July 25, 2016.

1. THAT the said Randall P. Dunn, in or about the period December 1, 2013 through April 30, 2014, while engaged to audit the financial statements of "CFCFFL" as at December 31, 2013, failed to perform 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 obtain an understanding of, and evaluate, the control environment;
  - b) he failed to obtain an understanding of the entity's risk assessment processes or discuss with management whether business risks relevant to financial reporting objectives have been identified and addressed;
  - c) he failed to obtain an understanding of the entity's information system and how the entity has responded to risks arising from information technology;
  - d) he failed to test the presumed risk of fraud related to revenue recognition and identify it as a significant risk;
  - e) he failed to make enquiries of management regarding their assessment that the financial statements may be materially misstated due to fraud and the processes they undertook for identifying and responding to the risk of fraud;
  - f) he failed to make enquiries of the Board with respect to how they exercise oversight of management's processes with respect to fraud;
  - g) withdrawn;
  - h) withdrawn;
  - i) he failed to document the selection of journal entries for review and the appropriateness of their selection as part of testing for management override;
  - j) he failed to obtain sufficient appropriate audit evidence with respect to revenue from 'conference camp and other \$238,781';
  - k) he failed to obtain sufficient appropriate audit evidence with respect to capital asset additions in the amount of \$7,402;
  - l) he failed to adequately determine performance materiality for the purpose of assessing the risk of material misstatement and determining the nature and extent of further audit procedures;
  - m) he failed to obtain a representation letter;
  - n) he failed to obtain an engagement letter which identified the agreed terms of the audit engagement;
  - o) he issued an Auditor's Report that was not in accordance with the standards and failed to properly qualify his opinion;
  - p) he failed to refer, in his Auditor's Report, to comparative figures when the auditor's report for the prior period was qualified;
  - q) he failed to determine whether the organization was using the deferral or the restricted fund method of revenue recognition and failed to ensure proper disclosure of the revenue recognition policy in Note 3 to the financial statements;



and

- r) he failed to ensure proper disclosure of the accounting policy for financial instruments including accounts receivable and accounts payable including the carrying amounts of each category of financial instruments.
2. THAT the said Randall P. Dunn, in or about the period July 1, 2013 through September 30, 2013, while engaged to audit the financial statements of "JFU CAN" as at July 31, 2013, failed to perform 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 obtain an understanding of, and evaluate, the control environment;
  - b) he failed to obtain an understanding of the entity's risk assessment processes or discuss with management whether business risks relevant to financial reporting objectives have been identified and addressed;
  - c) he failed to obtain an understanding of the entity's information system and how the entity has responded to risks arising from information technology;
  - d) he failed to identify or test the presumed risk of fraud related to revenue recognition and identify it as a significant risk;
  - e) withdrawn;
  - f) withdrawn;
  - g) he failed to adequately determine performance materiality for the purpose of assessing the risk of material misstatement and determining the nature and extent of further audit procedures;
  - h) he failed to make enquiries of management regarding their assessment that the financial statements may be materially misstated due to fraud and the processes they undertook for identifying and responding to the risk of fraud;
  - i) he failed to make enquiries of the Board with respect to how they exercise oversight of management's processes with respect to fraud;
  - j) he failed to properly audit significant variances in financial statement amounts and failed to relate the results of the analytical review work performed to the substantive audit procedures;
  - k) he failed to document the selection of journal entries for review and the appropriateness of their selection as part of testing for management override;
  - l) he failed to document discussion with management or the entity's lawyers regarding legal issues and failed to document review of the finance committee or Board minutes to identify potential claims;
  - m) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Investment Portfolio (note 5) \$48,667,006";
  - n) he failed to obtain sufficient and appropriate evidence to support the statement of financial position item "Other investments (note 6) - Diaspora Fund \$3,436,769";
  - o) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "Accounts receivable \$717,483";
  - p) he failed to obtain sufficient and appropriate audit evidence to support the

statement of financial position item "loan payable (note 10) \$152,282";

- q) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "loan payable (note 8) \$447,072";
  - r) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "accounts payable and accrued liabilities – "Apostolic Fund" - \$1,509,288";
  - s) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "deferred revenue (Note 11) \$2,351,650";
  - t) he failed to obtain an engagement letter which identified the agreed terms of the audit engagement;
  - u) he issued an Auditor's Report that was not in accordance with the standards and failed to properly qualify his opinion;
  - v) he failed to refer, in his Auditor's Report, to comparative figures when the auditor's report for the prior period was qualified;
  - w) he failed to determine whether the organization was using the deferral or restricted fund method of revenue recognition and failed to ensure proper disclosure of the revenue recognition policy in note 3 to the financial statements;
  - x) he included in revenue an internal transfer of \$474,000 from the restricted funds to unrestricted funds when that amount should not have been included in revenue because it had not been earned outside of the organization; and
  - y) he failed to ensure that the financial statements contained the disclosures required by the standards of practice of the profession.
3. THAT the said Randall P. Dunn, in or about the period June 1, 2015 through August 31, 2015, while engaged to audit the financial statements of "JFU CAN" as at June 30, 2015, failed to perform 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 obtain an understanding of, and evaluate, the control environment and the effectiveness of controls;
  - b) he failed to obtain an understanding of the entity's risk assessment processes or discuss with management whether business risks relevant to financial reporting objectives have been identified and addressed;
  - c) he failed to obtain an understanding of the entity's information system and how the entity has responded to risks arising from information technology;
  - d) he failed to identify or test the presumed risk of fraud related to revenue recognition and identify it as a significant risk;
  - e) withdrawn;
  - f) he failed to adequately determine performance materiality for the purpose of assessing the risk of material misstatement and determining the nature and extent of further audit procedures;
  - g) he failed to make enquiries of management regarding their assessment that the financial statements may be materially misstated due to fraud and the processes they undertook for identifying and responding to the risk of fraud;

- h) he failed to properly audit significant variances in financial statement amounts, and failed to relate the results of the analytical review work performed to the substantive audit procedures;
  - i) he failed to document the selection of journal entries for review and the appropriateness of their selection as part of testing for management override;
  - j) he failed to obtain sufficient appropriate audit evidence to support the balance sheet item "Investment Portfolio (note 5) \$46,297,503";
  - k) he failed to obtain sufficient and appropriate evidence to support the statement of financial position item "Other investments (note 6) - Diaspora Fund \$3,252,689";
  - l) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "Accounts receivable \$335,235";
  - m) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "loan payable (note 10) \$392,876";
  - n) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "loan payable (note 8) \$361,471";
  - o) he failed to obtain sufficient and appropriate audit evidence to support the statement of financial position item "deferred revenue (Note 11) \$2,098,376";
  - p) withdrawn;
  - q) he issued an Auditor's Report that was not in accordance with the standards and failed to properly qualify his opinion;
  - r) he failed to refer, in his Auditor's Report, to comparative figures when the auditor's report for the prior period was qualified;
  - s) he failed to determine whether the organization was using the deferral or restricted fund method of revenue recognition and failed to ensure proper disclosure of the revenue recognition policy in note 3 to the financial statements;
  - t) he included in revenue an internal transfer of \$429,000 from the restricted funds to unrestricted funds when that amount should not have been included in revenue because it had not been earned outside of the organization; and
  - u) he failed to ensure that the financial statements contained the disclosures required by the standards of practice of the profession.
4. THAT the said Randall P. Dunn, in or about the period March 1, 2014 through June 30, 2014, while engaged to review the financial statements of "QMP Limited" as at March 31, 2014, failed to perform 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 carry out sufficient and appropriate enquiry, analytical procedures and discussion to properly determine if the balance sheet item "Inventory \$2,001,609" was plausible;
  - b) he failed to identify a significant self-review threat related to the level of his involvement in calculating the value of the company's inventory at year end;
  - c) he failed to carry out sufficient and appropriate enquiry, analytical procedures and discussion to properly assess the plausibility of the revenue and expenses

reported on the financial statements;

- d) he failed to document his enquiry, analytical procedures and discussion to properly determine if the balance sheet items "Loans receivable (Note 4) \$1,160,817" and "Loans payable (Note 7) \$1,331,747 were plausible;
- e) he failed to ensure that the disclosure in note 3 regarding financial instruments was accurate and complete;
- f) he failed to ensure that the disclosure in note 7 regarding loans payable was accurate and complete;
- g) he failed to ensure that the disclosure in note 9 regarding related party transactions was accurate and complete; and
- h) he failed to ensure disclosure in the notes to the financial statements that they were prepared in accordance with ASPE.

### **The Plea**

6. Mr. Dunn denied Allegations Nos. 1, 2, 3 and 4.

### **The Case for the PCC**

7. In his opening statement Mr. Farley outlined the case for the PCC. He stated that there were four allegations, each with several particulars, alleging that Mr. Dunn has failed to comply with the standards of practice of the profession. The allegations are with respect to the preparation of financial statements of three audit engagements and one review engagement. This matter came to the attention of the Professional Conduct Committee by a referral from the Practice Inspection Committee of CPA Ontario.

8. Mr. Farley advised that he intended to call one witness, the investigator, Mr. Gibel. Mr. Farley filed: a Document Brief (Exhibit 1) which contained the relevant financial statements, reports and correspondence; a Professional Standards Brief (Exhibit 2) which contained the relevant accounting and assurance provisions of the *CPA Canada Handbook*; annotated Allegations (Exhibit 3) which provided references to the corresponding documents and standards from Exhibits 1 and 2; an Inventory Example Worksheet prepared by Mr. Gibel for "QMP Limited" (Exhibit 4) and a letter to Mr. Dunn from CPA Ontario regarding Mr. Dunn's Application for Renewal of his Existing Public Accounting Licence, dated October 27, 2017 (Exhibit 9).

9. Mr. Gibel was called as a witness for the PCC and affirmed that he would tell the truth. Mr. Farley reviewed Mr. Gibel's qualifications and asked that he be accepted as an expert in Generally Accepted Auditing Standards (GAAS), and Generally Accepted Accounting Principles (GAAP). Mr. Lane acknowledged Mr. Gibel was an expert. The tribunal accepted Mr. Gibel as an expert witness qualified to give opinion evidence in GAAS and GAAP.

10. Under Mr. Farley's questioning, Mr. Gibel addressed each particular of the four allegations and made specific references to the relevant working papers, documents and authorities, and explained why, in his opinion, the audit or review work done, or work that may have been done but not documented in the files, did not meet the standards of the profession.

11. Mr. Gibel confirmed that Mr. Dunn had received advice regarding his audit and accounting deficiencies from the Practice Inspection Committee in 2013. However, as

evidenced by the comparison of the 2013 JFU CAN audit work to the 2015 JFU CAN audit work, Mr. Gibel asserted that there was nothing to indicate that Mr. Dunn's audit approach or financial statement disclosure had materially improved from 2013, or conformed to the 2015 relevant auditing and accounting disclosure standards.

12. Mr. Gibel testified that one of the first things an investigator does when he/she is engaged to conduct an investigation is to ensure that the member provides all of the working paper files, documents, including those in electronic form, correspondence, etc., related to the investigator's assignment. In short, all information related to the subject materials in possession of the member is required to be produced to the investigator. All of the information produced is listed and the periods covered by the materials are also listed. Any documents not available to be produced are also identified and listed. The member dates and signs the appropriate confirmation and the investigator also dates and signs it to acknowledge receipt of the listed materials. Mr. Dunn and Mr. Gibel signed such a confirmation in January, 2016 (Exhibit 1, pages 0001, 0001A).

13. Mr. Gibel found three additional relevant files during his review of the working papers of JFU CAN, when he came across a reference in the working papers stating, "Refer to portfolio audit file" (Exhibit 1, pg. 250). Mr. Gibel learned from Mr. Dunn, that one of the portfolio files contained information on investments of CFCFFL in 2014, and two other files had information about JFU CAN for 2013 and 2015. Another confirmation was signed by Mr. Dunn and Mr. Gibel in October 2016 (Exhibit 1, page 0001B). Mr. Gibel was successful in obtaining two of the three files but the JFU CAN 2013 file was never produced despite several requests from Mr. Gibel.

14. In concluding his examination-in-chief, Mr. Gibel opined that Mr. Dunn had not maintained the standards of the profession as alleged in Allegations Nos. 1, 2, 3 and 4.

15. On cross-examination by Mr. Lane, Mr. Gibel stated that he did not question Mr. Dunn's knowledge of his clients. When questioned about materiality in auditing, it was Mr. Gibel's opinion that Mr. Dunn did not understand the difference between performance materiality and overall materiality in planning his audits (Exhibit 2, Tab 6, 450.9).

16. Mr. Gibel acknowledged that a major deficiency in Mr. Dunn's audit work was in documenting the audit work. He acknowledged there is a difference between obtaining audit evidence during the course of conducting an audit and not documenting it as opposed to not doing the work. However, Mr. Gibel held to the opinion that if a member said he did the work, but it is not documented, that there is no evidence of the work done and the required standard is breached.

17. Mr. Lane questioned Mr. Gibel on Mr. Dunn's use of the audit report heading "Exception" rather than "Qualification" in describing the inability of an auditor to ensure all revenues are received and properly recorded. Mr. Dunn recognized the risk that all contributions might not be collected or that the organization did not insist on collecting all contributions for retreats and other social events. Mr. Gibel testified that there was no audit work done to determine if all contributions were collected from the participants. The word "Exception" rather than "Qualification" was used in the 2013 Auditor's Report at the request of the client and agreed to by Mr. Dunn, contrary to Canadian Auditing Standard 705.22 (Exhibit 2, Tab 12).

18. Mr. Lane questioned Mr. Gibel regarding the extent of testing of transactions recorded in the accounts. Mr. Dunn chose to examine all transactions for a two-month period and scrutinized the transactions of other months for large or unusual transactions. Mr. Gibel opined



that this extent of testing did not meet the auditing standards in that a sample of transactions throughout the period being audited was required to meet the standard (Exhibit 2, Tab 3, 240.32 (a)(iii)).

19. Regarding Allegation particular 1(q), Mr. Lane referred to a criticism made by Mr. Gibel that Mr. Dunn failed to describe the purpose of each fund and the implications regarding the use of the word “should” rather than “shall” in describing the accounting treatment of funds as set out in Professional Standards 4400.06 and 4400.07. Mr. Gibel replied that it is standard practice to show a description of each of the funds and what they are used for, as set out in the aforementioned Professional Standards.

### **The Case for Mr. Dunn**

20. Mr. Lane filed a representation letter from CFCFFL to Mr. Dunn dated May 7, 2015 (Exhibit 5), an Independence letter from Mr. Dunn to CFCFFL dated December 31, 2014 (Exhibit 6), an engagement letter from Mr. Dunn to CFCFFL dated December 31, 2014 (Exhibit 7), and audited financial statements of JFU CAN dated July 31, 2013 (Exhibit 8) which were referred to during his submissions.

21. Mr. Lane called Mr. Dunn and he was sworn as a witness. Mr. Dunn gave evidence that despite the documentation deficiency of his files, he had knowledge of the internal controls, information systems and risk assessment processes of his clients.

22. Mr. Dunn asserted that he had discussions with management for both CFCFFL and JFU CAN regarding business risks; however, as risk was deemed negligible by both Mr. Dunn and his clients, Mr. Dunn did not consider documentation necessary.

23. Mr. Dunn stated that after he received direction from the Practice Inspection Committee in 2013, it had been his intention to improve his documentation practices; however, his plans had not been implemented as well as they should have been. Mr. Dunn maintained that despite the short-fall of his documentation, all required work was accomplished.

24. On cross-examination by Mr. Farley, Mr. Dunn stated that, at the start of the investigation, Mr. Gibel requested all of his working paper files of the clients which were the subject of the investigation. Mr. Dunn gave Mr. Gibel all of the files that he felt were relevant to the investigation.

25. Mr. Dunn disagreed with Mr. Farley's statement that if the Canadian Audit Standards were not complied with on all audits then Mr. Dunn would have failed to perform his professional services in accordance with those standards. Mr. Dunn replied that he had followed all standards as applicable to his clients and had performed all work necessary to complete the audits and express opinions on the audits. Mr. Dunn contended that to provide copies of confidential information was an aspect of the rules that fell outside their purview.

26. Mr. Lane had no additional questions for Mr. Dunn on re-direct.

### **Evidence in reply**

27. Mr. Farley called Mr. Gibel in reply to provide evidence with respect to Exhibit 8, filed by Mr. Lane. Mr. Gibel confirmed that he had never before seen the version of the 2013 JFU CAN audited financial statements found in Exhibit 8; only the audited financial statements found in

Exhibit 1. Mr. Gibel stated that it was not appropriate to issue two sets of financial statements for the same financial year or to indicate they were both prepared in accordance with the standards. The financial statements in Exhibit 1 included the description “Non-consolidated financial statements” whereas the financial statements in Exhibit 8 included the description “Registered Charity Number [and a registration number].” While there were some financial statement numbers common to both sets of financial statements, the financial statements were different.

### **Closing Submissions**

28. Mr. Farley submitted that, based on the facts in evidence, including Mr. Gibel’s expert opinion, there was clear, cogent and convincing evidence for a finding that Mr. Dunn was guilty of professional misconduct on the basis set out in Allegation Nos. 1, 2, 3 and 4, as amended.

29. Mr. Farley stated that not only were Mr. Dunn’s understanding of the standards out of date, he was not willing to accept guidance from those who would advise him. Mr. Farley submitted that the standards are not to be applied as an auditor sees fit nor tailored based on the nature of a client’s business.

30. Mr. Lane submitted that Mr. Dunn is an ethical practitioner who was faced with the challenge of how to apply standards developed for more ordinary organizations to clients with extremely unique attributes. Mr. Dunn employed his professional judgment in interpreting and applying the standards as he felt that a strict application would not properly reflect the reality of the organizations.

31. Mr. Lane admitted that while there were shortcomings in Mr. Dunn’s documentation practices, a great many of the particulars of the allegations were not supported by the evidence presented. Mr. Lane asserted that Mr. Dunn performed the work and turned his mind to the issues despite failing to document the work. Mr. Lane submitted that Mr. Dunn’s testimony clearly demonstrated his understanding and consideration of the work he performed.

### **Decision**

32. After deliberating, the Discipline Committee made the following decision:

The Professional Conduct Committee having withdrawn particulars (g) and (h) of Allegation No. 1, (e) and (f) of Allegation No. 2, and (e) and (p) of Allegation No. 3;

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

THAT particulars (a), (b) and (c) of Allegation No. 1, (a), (b), (c), (h) and (i) of Allegation No. 2, and (a), (b), (c) and (g) of Allegation No. 3 have not been proven;

THAT the remaining particulars of each of Allegation Nos. 1, 2, 3 and 4 have been proven;

THAT Rule 206.1 has been breached; and

THAT Randall Phillip Dunn, CPA, CA has thereby committed professional misconduct.

## Reasons for the Decision

### *Issues considered by the tribunal*

33. There were four Allegations and a total of 72 particulars. Six of the particulars were withdrawn by the PCC, 12 were not proven and the remaining 54 particulars were proven.

34. The evidence heard, particularly the evidence of Mr. Dunn, raised three general concerns about his understanding of the role of an auditor and his ability and willingness to comply with rule 206.1 and adhere to the standards of the profession.

35. Mr. Dunn did not produce all of his working papers, files, documents, etc. as requested by the investigator, Mr. Gibel and required by the Rule to cooperate with the PCC. Mr. Dunn signed a confirmation form on January 29, 2016, that included the statement, “no other working papers, documents, schedules, papers or ‘materials in electronic form’ relating to the above assignments are known to me to exist, except as noted hereunder.” The word “None” was typed under the aforementioned sentence. Mr. Dunn did not advise Mr. Gibel that he had withheld information. Mr. Dunn produced more documents to Mr. Gibel after the pre-hearing conference. On October 24, 2016, a further confirmation was signed by both Mr. Gibel and Mr. Dunn relating to further documentation regarding the subject files. The two portfolio files (2013 and 2015) were noted as “known to exist” (Exhibit 1 pp. 0001, 0001A, and 0001B). However, the 2013 portfolio file was never produced as Mr. Dunn did not want the information known. Mr. Dunn did testify that the clients of Allegations 1, 2, and 3, did not have a problem disclosing confidential matters regarding those clients. Their attitude was that they had nothing to hide. Mr. Dunn took it upon himself to be the “gate keeper” of confidential client materials pertaining to Allegations 1, 2, and 3. This, in itself, is sufficient to find that Mr. Dunn breached Rule 206.1 of the Rules of Professional Conduct.

36. In preparing the Auditor’s Report, where the auditor finds that he/she is unable to express an audit opinion on a particular area of a client’s activity, such as accounting for the completeness of donation revenues, it has been the disclosure standard for many years to qualify the Auditor’s Report for the inability of the auditor to opine on the completeness of that financial area and to explain the nature of the qualification and its effect on financial statement disclosures. The standard of the profession requires an auditor to title the inherent uncertainty with the word “Qualification”. Mr. Dunn knew this, but, as requested by his client, he chose to disclose the uncertainty with the word “Exception” which is contrary to the standard. This breach brought into question Mr. Dunn’s independence. Mr. Dunn knew the correct standard but chose to abide with the client’s wishes. The tribunal determined that this breached Rule 206.1 of the Rules of Professional Conduct.

37. Mr. Dunn’s practice was reviewed by the Practice Inspection Committee of CPA Ontario (PI) and reported to Mr. Dunn on deficiencies found in his auditing and accounting work. He was given advice on ways to improve his knowledge and conform to the accounting and auditing standards of the day. He was advised that the PI would re-inspect his practice within a time frame that would enable Mr. Dunn to improve his standards. Upon re-inspection, the PI found that his standards had not appreciably improved and referred a complaint to the PCC. Mr. Dunn had an opportunity to improve his standards but did not comply with the advice of the PI. He testified that he had good intentions of updating his knowledge but failed to do so.

38. In its deliberation, the tribunal carefully reviewed and considered the submissions of both

counsel, the documentary evidence filed, and the testimonial evidence of Mr. Gibel and Mr. Dunn. The tribunal reviewed and analysed each allegation. In its deliberation, the tribunal referred to the annotated authorities (Exhibit 3) to determine whether or not the individual particular of the allegation had been proven. In order for the allegation to have been proven, there had to be clear, cogent and compelling evidence that, on the balance of probabilities, the event was more likely to have occurred than not.

39. The procedure of Mr. Farley's questioning of Mr. Gibel regarding the individual particulars of the allegations was facilitated by Mr. Gibel's preparation of annotated Allegations (Exhibit 3) wherein at the end of each particular Mr. Gibel set out the section and page references to the relevant Professional Standards (Exhibit 2 – Professional Standards Brief), as well as references to the relevant working papers (Exhibit 1 – Document Brief). These annotations were of particular use to the tribunal both during the hearing and in its deliberation.

40. Once these determinations were made the tribunal then determined whether the particulars of the allegation, taken as a whole, and giving appropriate weighting to the importance of each of the particulars, were sufficient to establish that the proven allegation constituted professional misconduct. The particulars that did not meet the threshold of an event more likely to have occurred than not were deemed by the tribunal as not proven and were not considered when determining whether or not the misconduct constituted professional misconduct. This process was followed with each of the four allegations.

41. The particulars of the allegations that the tribunal determined not to have been proven were as a result of Mr. Dunn's testimony. The tribunal concluded from his testimony that his long association with the clients proved that he was very familiar with their operations and control systems and had regular contact with management during his audit. Particulars (a), (b) and (c) of Allegation No. 1; (a), (b), (c), (h) and (i) of Allegation No. 2; and (a), (b), (c), and (g) of Allegation No. 3 allege that he failed to attain an understanding or identify or do certain things which the tribunal found not proven. These particulars did not assert a requirement that he had not documented his audit work in accordance with CAS 315.32.

42. Particular (e) of Allegation No. 1 and (h) of Allegation No. 2 have the same wording, but are associated to two different but related entities. The tribunal determined that particular 1(e) had been proven but particular 2(h) had not. The tribunal was satisfied from Mr. Dunn's testimony that it was more likely than not that he did make enquiries of, and had discussions with, JFU CAN's management regarding the risk of fraud. On this basis the tribunal determined that particular 2(h) had not been proven. There was no mention of an enquiry of management's assessment of the risk of material misstatement of the financial statements due to fraud in Mr. Dunn's testimony regarding the audit of CFCFFL (Allegation 1(e)). The tribunal determined that since there was no evidence or testimony by Mr. Dunn of any management enquiry regarding the risk of material misstatement of the CFCFFL financial statements due to fraud, particular 1(e) was proven. Particulars 1(e) and 2(h) did not set out the requirement that he document his audit work.

43. The tribunal determined that particular (i) of Allegation No. 2 had not been proven. In his testimony Mr. Dunn said that he did make enquires of JFU CAN's management and, because of the vows of management personnel, fraud was not a concern. Particular 2(i) did not include the requirement to document the audit work done

44. In its analysis of the particulars of the Allegations, the tribunal determined that with

respect to the audit clients (Allegation Nos. 1, 2, and 3), 20 of the particulars for failure to document and failure to obtain audit evidence were proven. These proven particulars were for Mr. Dunn's failure to document audit work done, including the results of his discussions with management, in order to meet the auditing standards of the day, and his failure to obtain sufficient, appropriate audit evidence to support the audit opinion. The tribunal concluded that Mr. Dunn did not perform his professional services in accordance with generally accepted auditing standards.

45. There were 12 particulars of Allegation Nos. 1, 2, and 3 proven regarding audit deficiencies. These deficiencies included the failure to perform, understand or consider important auditing procedures such as: the required scope of audit testing of journal entries and recorded transactions throughout the year, the difference of performance materiality and operational materiality, the analysis of financial information in order to plan the audit procedures, the risk of management overriding of financial transactions, following up of confirmations, engagement letters, management representations, and correspondence with the entities' legal counsel. The tribunal concluded that Mr. Dunn did not perform his professional services in accordance with generally accepted auditing standards.

46. Turning to accounting disclosure deficiencies of Allegation Nos. 1, 2, and 3, the tribunal determined that 14 particulars were proven. Significant deficiencies included Auditor's Reports not in conformity to professional accounting standards, inappropriate reference to comparative figures in the financial statements, fund accounting disclosure deficiencies, and deficient disclosure of financial instruments. The tribunal concluded that the subject financial statements failed to contain the required accounting disclosures to meet the standards of the profession. Mr. Dunn did not perform his professional services in accordance with generally accepted accounting standards.

47. Allegation No. 4 is in respect to a Review Engagement. There were eight particulars, all of which the tribunal concluded were proven and all of which brought into question the plausibility of the financial statements. Four of the particulars were accounting deficiencies and four were disclosure issues. The tribunal determined that particulars (a), (c), and (d) related to the failure to establish plausibility of the financial statements as a result of Mr. Dunn's failure to analyse financial information and make enquires and discuss with management the results of his analysis. With respect to particular (b), the issue of Mr. Dunn's involvement in determining the value of inventory, which was a material amount, brought into question whether his involvement constituted a loss of independence. The formula for calculating the carrying value of inventory was determined by Mr. Dunn and management prior to 2014.

48. Allegation No. 4, particulars (e), (f), (g), and (h) all related to financial statement disclosure deficiencies and the tribunal found all particulars were proven. Information regarding the disclosure of financial instruments, loans payable, related party transactions, and notes to the financial statements was not presented in the financial statements according to the requirements of Accounting Standards for Private Enterprises.

#### *Conclusions of the tribunal*

49. For the above reasons the tribunal concluded that Allegation Nos. 1, 2, 3, and 4 were proven on the balance of probabilities, that Mr. Dunn was found to have breached Rule 206.1 of the Rules of Professional Conduct, and that the breaches were so significant that they constituted professional misconduct.



### Submissions on Sanction

50. The PCC did not call evidence with respect to sanction. Ms. Gentili, who relied on the evidence with respect to the Allegations, distributed a Sanctions Brief containing Discipline Committee cases including *Smiley*, *Hambley*, *Morgan* and *Lange*.

51. Ms. Gentili, on behalf of the PCC, submitted that an appropriate sanction in this matter would be: a written reprimand from the Chair of the tribunal; a fine in the amount of \$7,500; practice restriction, professional development in the area of general practice and full publicity to all members and the public, including newspaper publication of the practice restriction. The PCC also sought an order for approximately two-thirds of the costs incurred, costs fixed at \$82,000.

52. Ms. Gentili stated that the aggravating factors outweighed the mitigating factors. Mr. Dunn's failure to maintain professional standards places the public at risk because they rely on the accuracy of financial statements. Mr. Dunn ignored the advice given by Practice Inspection and he continues to believe that the standards can be molded to fit the needs of his clients. Mr. Dunn did not fully cooperate with the investigation and despite signing a confirmation of full disclosure, Mr. Dunn has still not provided requested audit working paper files.

53. Ms. Gentili asserted that the only mitigating factor was that Mr. Dunn attended the hearing.

54. Ms. Gentili proposed that a reprimand addresses the element of specific deterrence. A fine of \$7,500 addresses the principles of general and specific deterrence and reflects the serious consequences to like-minded members.

55. Ms. Gentili presented that the professional development course recommended for completion within 12 months was meant to be rehabilitative.

56. Ms. Gentili identified that Mr. Dunn is no longer licensed to practise public accounting. Supervised practice would not be feasible nor appropriate as Mr. Dunn has demonstrated an unwillingness to accept direction and update his auditing standards. Ms. Gentili stated that practice restriction is required to protect the public and Mr. Dunn's clients, however Mr. Dunn would still be able to carry on his accounting business despite the exclusion of audit and review services.

57. Ms. Gentili submitted that notice addresses specific and general deterrence – this informs the membership and the public that matters of professional misconduct are taken seriously. Only in rare and unusual circumstances would publicity not be ordered, and this case does not meet the test.

58. Ms. Gentili submitted that publicity is a key element to specific deterrence, general deterrence of the membership and protection of the public. Publicity lets the public know that such behaviour is taken seriously by the profession and it must be made clear that Mr. Dunn is no longer able to practise public accounting. Ms. Gentili argued that there are no rare or unusual reasons not to order publicity. Newspaper publicity is mandated for practice restriction; *The Globe and Mail* was recommended.

59. Ms. Gentili filed a Costs Outline (Exhibit 10). She submitted that costs are an indemnity, not a penalty, and they are meant to reimburse a portion of the costs incurred as a result of the member's conduct. Due to the complexity of the issues and the depth of the investigation, the PCC sought two-thirds of the actual costs incurred for the hearing, costs fixed at \$82,000.

60. Mr. Lane offered no additional evidence on sanction however he distributed the *Weatherhead* case for the tribunal's consideration.

61. Mr. Lane submitted that the proposed practice restriction is unnecessary. An order of re-inspection of Mr. Dunn's practice after an acceptable period of time would be a more reasonable sanction. Mr. Lane further asserted that there should not be publication by newspaper if the tribunal did not find this an appropriate case for practice restriction.

62. Ms. Gentili interjected that Mr. Dunn is not currently licenced (Exhibit 9) and therefore unable to practise public accounting at this time. Ms. Gentili also identified that Mr. Dunn's licence was not renewed by the Public Accounting Licensing Board due to his failure to fulfil the practice inspection requirements of Regulation 9-1 and not because of the disciplinary hearing.

63. Mr. Lane proposed that although Mr. Dunn does not currently have a public accounting licence, it does not follow that he would not attain a licence in due course.

64. Mr. Lane asserted that the nature of the deficiencies found in Mr. Dunn's work are similar to those found in *Weatherhead*, where the result was re-investigation. Mr. Lane suggested that too much emphasis should not be placed on the number of allegations and particulars as this is something entirely within the discretion of the PCC. If there was a general principle of a harsher penalty with more charges, then this would probably be a more often used tactic.

65. Mr. Lane submitted that the costs were unreasonably high. In his submission, for a sole practitioner with a modest income, costs as high as those the PCC requested are prohibitive and punitive.

## Order

66. After deliberating, the tribunal made the following order:

IT IS ORDERED in respect of the allegations:

1. THAT Mr. Dunn be reprimanded in writing by the Chair of the Discipline tribunal.
2. THAT Mr. Dunn be and he is hereby fined the sum of \$20,000 to be remitted to CPA Ontario within twelve (12) months from the date this Order of the Discipline Committee is made.
3. THAT Mr. Dunn's practice be and is hereby restricted to non-assurance engagements, restricting him from performing audit or review engagements.
4. THAT Mr. Dunn attend, within twelve (12) months from the date this Order is made, the following professional development course made available through CPA Ontario:
  - *General Practitioners Need to Know*or, in the event the course listed above becomes unavailable, the successor course which takes its place.
5. THAT notice of the Decision and Order, disclosing Mr. Dunn's name, be given in the form and manner determined by the Discipline Committee:
  - (a) to all members of CPA Ontario;

(b) to the Public Accountants Council for the Province of Ontario;

(c) to all provincial bodies;

and shall be made available to the public.

6. THAT notice of the restriction on practice disclosing Mr. Dunn's name, be given by publication on the CPA Ontario website and in The Globe and Mail. All costs associated with the publication shall be borne by Mr. Dunn and shall be in addition to any other costs ordered by the Discipline Committee.
7. THAT in the event Mr. Dunn 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. Dunn's practice, employment or residence. All costs associated with this publication shall be borne by Mr. Dunn and shall be in addition to any other costs ordered by the committee.

AND IT IS FURTHER ORDERED:

8. THAT Mr. Dunn be and he is hereby charged costs fixed at \$62,000 to be remitted to CPA Ontario within twelve (12) months from the date this Order is made.

### **Reasons for the Order**

67. The tribunal carefully considered submissions of the PCC and Mr. Dunn. One of the observations of the tribunal is that, in mitigation, Mr. Dunn's subject clients did not suffer any financial losses as a result of his audit, review and accounting deficiencies.

### ***Reprimand***

68. The tribunal determined that a reprimand by the Chair of the tribunal was appropriate to emphasize to Mr. Dunn the serious implications of falling behind in maintaining the accounting and auditing standards of the profession. The letter would remind Mr. Dunn that professional misconduct is a serious offence and will not be tolerated.

### ***Practice Restriction***

69. The tribunal determined that the restriction of Mr. Dunn's practice to non-assurance engagements is necessary because Mr. Dunn's lack of knowledge of the current accounting and auditing standards of the profession. Mr. Dunn's practice was reviewed twice by the Practice Inspection Committee and it found little improvement in Mr. Dunn's accounting and auditing standards from the first inspection to the second. Mr. Gibel, qualified as an expert in GAAS and GAAP by both parties, was of the opinion that Mr. Dunn had not maintained the standards of the profession. The tribunal determined that 54 particulars of the four Allegations were proven, and those particulars, together with the evidence heard and reviewed by the tribunal demonstrated that he did not meet the current standards of the accounting profession for assurance

engagements. Further, as we set out in paragraph 35 and following he was unwilling to follow standards he did know.

#### *Fine*

70. The fine of \$20,000 was set by the tribunal to be an effective reminder to Mr. Dunn that he must be vigilant in maintaining the professional standards and should serve as a deterrent should he in the future, be tempted to breach the Rules of professional misconduct. The fine also serves as a general deterrent to the members of CPA Ontario should they be tempted to do conduct themselves as Mr. Dunn has.

71. One of the reasons the fine is higher than asked for by the PCC is that this is not only a case where the member's misconduct was a serious failure to keep current despite the advice and guidance of the Practice Inspection Committee and the practice inspection program. This is a case where the member's conduct raises a significant question of whether he was willing to be governed by the standards of the profession. Mr. Dunn knew, as is set out in paragraph 36 above, the standard of the profession differed from what his clients wanted, and he followed the client's wishes and ignored the professional standards. Mr. Dunn knew that he had relevant documents which were not produced (until the hearing) and that he had released two different sets of financial statements for the same year. The tribunal agreed with Mr. Lane's submission that it would be appropriate for provision to be made that Mr. Dunn be given time to pay a significant fine and therefore provision has been made for Mr. Dunn to pay the fine within 12 months.

#### *Professional Development Course*

72. The *General Practitioners need to Know* course is designed to assist Mr. Dunn in bring his accounting skills up to the current standards of the profession. The tribunal observed that, in spite of the advice from the PI Committee, he failed to bring his professional standards up to date. This course will help him do so.

#### *Publication of Decision and Order*

73. The publication of Mr. Dunn's name and circumstances of the sanction serves as a general and specific deterrent to Mr. Dunn, the members of CPA Ontario and the public that CPA Ontario, as a self-regulating body, takes the disciplinary process seriously and is vigilant in maintaining the high standards of the profession.

#### *Failure to Comply with the Order*

74. Should Mr. Dunn not fulfill the terms of this Order, provision for the revocation of his membership has been made and will be enforced.

#### **Reasons for the Costs**

75. Costs awarded are a partial indemnity to CPA Ontario to help cover the costs of counsel, and in this case the costs of engaging an investigator. Costs are not a component of the sanctions levied against Mr. Dunn.

76. The PCC submitted a costs outline and the tribunal carefully considered Mr. Lane's submission as to the quantum of the costs to Mr. Dunn, a sole practitioner. The tribunal

considered the complexity of the investigative process, and the costs outline submitted by the PCC. The tribunal concluded that the investigation and the number of deficiencies reported by the investigator warranted the award of costs in the amount of \$62,000. These costs represent approximately 2/3 of the costs set out in the Costs Outline. The tribunal also observed that PCC counsels' per diem rates are less than actual costs as would be found in the private bar. The tribunal concluded that the costs of \$62,000 were reasonable and within the range of cost awards determinations made by other tribunals in similar cases.

DATED AT TORONTO THIS 16<sup>th</sup> DAY OF FEBRUARY, 2018



A.D. NICHOLS, FCPA, FCA – DEPUTY CHAIR

MEMBERS OF THE TRIBUNAL

B.G. ALLENDORF, CPA, CA

A. DAVIDSON, CPA, CA

R. HUANG (PUBLIC REPRESENTATIVE)