

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

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **James L. Wilson, CPA, CA**, a suspended member of the Chartered Professional Accountants of Ontario, under **Rule 206.1** of the CPA Ontario Code of Professional Conduct

BETWEEN:

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

-and-

James L. Wilson

APPEARANCES:

For the Professional Conduct Committee:	Kelvin Kucey, Counsel
For Mr. Wilson:	Not Present and Not Represented
Heard:	January 25 & 26, 2023
Decision and Order effective:	January 26, 2023
Release of written reasons:	March 13, 2023

REASONS FOR THE DECISION AND ORDER MADE JANUARY 26, 2023

I. OVERVIEW

- [1] This hearing is about whether the Allegations that Mr. Wilson failed to perform his professional services in accordance with the generally accepted standards of practice of the profession were established and amounted to professional misconduct.
- [2] Mr. Wilson obtained his CPA designation in 1984. He held a Public Accounting Licence (“PAL”) until October 2022 at which time it expired. He was administratively suspended at the time of the hearing.
- [3] Mr. Wilson was subjected to several Practice Inspections in the previous 10 years, including both partial re-inspections and full re-inspections arising from deficiencies that were identified. In April 2021, the Practice Inspection Committee (“PIC”) determined that Mr. Wilson’s failure to maintain professional standards was sufficiently serious that it reflected adversely upon his professional competence and filed a complaint with the Professional Conduct Committee

("PCC").

- [4] The Chartered Professional Accountants of Ontario ("CPA Ontario") conducted an investigation into the complaint against Mr. Wilson, following which the PCC was of the view that Mr. Wilson had failed to perform his professional services in accordance with the generally accepted standards of the profession, leading to the hearing of the Allegations before this Panel.

II. THE COMPLAINT AND THE ALLEGATIONS

- [5] In its report of April 2021, the PIC reviewed two of Mr. Wilson's engagements: a yacht club (WYC) and a charity (SC) which specializes in providing financing to churches. The PIC identified numerous Reportable Deficiencies in the two engagements, which supported the finding of the PIC that Mr. Wilson's failure to maintain professional standards was sufficiently serious as to reflect adversely on his professional competence. The Director of Practice Inspection made a complaint to Standards Enforcement on behalf of the PIC, which was referred to the PCC.
- [6] The PCC conducted an independent investigation into the complaint, comprising a more comprehensive review of Mr. Wilson's practice. In addition to the yacht club and the charity which provided financing to churches, the investigation also reviewed Mr. Wilson's engagements in relation to a condominium corporation and a church.
- [7] Based on the results of this investigation, the PCC alleged that Mr. Wilson, while acting as the engagement partner for the audit of the financial statements of each of these four organizations, failed to perform his professional services in accordance with the generally accepted standards of the profession, contrary to Rule 206.1. The PCC alleged that Mr. Wilson's deficiencies in respect of his firm's quality control also amounted to a failure to perform his professional services in accordance with the generally accepted standards of the profession, contrary to Rule 206.1.
- [8] The onus was on the PCC to show, on a balance of probabilities, that Mr. Wilson's conduct breached the CPA Code of Professional Conduct and constituted professional misconduct.

III. PRELIMINARY ISSUES

- [9] Mr. Wilson did not attend the hearing, nor did he have a representative attend on his behalf. To proceed in his absence, the Panel had to be satisfied that he had received proper notice of the hearing.
- [10] The PCC filed the Affidavit of Zarina Moosa (Exhibit 1), a Professional Standards Coordinator in the Investigations and Prosecutions department of the Regulatory and Standards division of CPA Ontario. In her affidavit, Ms. Moosa advised that Mr. Wilson was personally served with the Allegations of Professional Misconduct ("Allegations") on July 12, 2022. The Affidavit of Ms. Moosa advised that Mr. Wilson attended a Pre-Hearing Conference by videoconference on November 3, 2022, and was copied on numerous correspondence between the Tribunals Office and counsel for the PCC between November 21, 2022 and December 21, 2022. The Affidavit of Ms. Moosa advised that Mr. Wilson was emailed a copy

of the Notice of Hearing before the Discipline Committee on December 22, 2022, which set out the date and time of the hearing. The Affidavit of Ms. Moosa advised that on January 17, 2023, Mr. Wilson informed counsel to the PCC by way of email that he would not be attending the hearing.

- [11] Having reviewed this evidence, the Panel was satisfied that Mr. Wilson received proper notice of the hearing.

IV. ISSUES

- [12] The Panel identified the following issues arising from the Allegations:
- a) Did the evidence establish, on a balance of probabilities, the facts on which the Allegations by the PCC were based?
 - b) If these facts were established on the evidence on a balance of probabilities, did these facts constitute professional misconduct?

V. DECISION

- [13] The Panel found that the evidence established, on a balance of probabilities, the facts on which the Allegations by the PCC were based.
- [14] The Panel was satisfied that the facts alleged constituted a breach of Rule 206.1, and having breached this Rule, Mr. Wilson had committed professional misconduct.

VI. REASONS FOR THE DECISION ON MISCONDUCT

Voir Dire on the PCC's Proposed Expert Witness

- [15] The PCC called Ms. Jennifer Fisher, FCPA, FCA, as its witness. The Panel conducted a *voir dire* to determine whether Ms. Fisher would be qualified to provide evidence as an expert witness on Canadian Generally Accepted Auditing Standards and Generally Accepted Accounting Principles, Canadian Standards on Quality Control, and Canadian Standards on Quality Management.
- [16] Based on her acknowledgment of her duty as an expert (Exhibit 3) and based on her education and experience as set out in her CV (Exhibit 4) and elaborated in her testimony, Ms. Fisher was qualified by the Panel as an expert on the above listed standards and principles. The Panel found that Ms. Fisher's proposed evidence was relevant to the issues in the case, was necessary to assist the Panel, and was not subject to an exclusionary rule. The Panel was cognizant that it was solely the Panel's role to determine whether or not the conduct of Mr. Wilson constituted professional misconduct. The Panel found that, on the whole, the probative value of Ms. Fisher's proposed expert evidence outweighed any prejudicial effect.

Findings Regarding the Conduct of Mr. Wilson

- [17] The Allegations against Mr. Wilson related to the four assurance engagements and to his firm's quality control measures. The Panel admitted the Document Brief of the PCC as Exhibit 2, which contained the documentary evidence on which the PCC relied, including the relevant

financial statements and Mr. Wilson's working papers for each engagement identified in the Allegations. The Panel admitted as Exhibit 5 an annotated list of the Allegations, which identified the applicable auditing and/or accounting standard and the relevant location in the Document Brief that pertained to each individual particular. The Brief of Authorities of the PCC was admitted as Exhibit 6, containing excerpts of the relevant accounting standards. The applicable (archived) version of CAS 315 was admitted as Exhibit 7. The relevant accounting standards include Canadian Auditing Standards (CAS), as published in the Assurance section of the CPA Canada Handbook, and generally accepted accounting principles (GAAP), as published in the Accounting section, specifically, Part II and Part III of the CPA Canada Handbook. Ms. Fisher in her testimony took the Panel through each of the particulars to the 5 Allegations, identifying for each particular the relevant standard, and how, in her opinion, Mr. Wilson's work did not meet that standard.

Financial Statements of WYC for the year ended December 31, 2019

- [18] The first Allegation is that Mr. Wilson, while acting as the engagement partner for the audit of the financial statements of WYC for the year ended December 31, 2019, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct (Code), and sets out 21 particulars which specify the manner in which Mr. Wilson failed to meet the requisite standards.
- [19] Particular 1(a) alleges that Mr. Wilson failed to report the required paragraph outlining the Basis for Opinion in the Independent Auditor's Report. CAS 700.28 requires a section with the heading "Basis for Opinion" that states, among other things, that the audit was conducted in accordance with the Canadian GAAS (CAS), that the auditor is independent of the entity and has fulfilled the auditor's other ethical responsibilities, and that the auditor believes the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion. The Panel found that Mr. Wilson failed to include this section, and that particular 1(a) was therefore proven.
- [20] The 2019 financial statements for the WYC do not report the total liabilities in the Statement of Financial Position. This failure is contrary to the requirement of Part II of the CPA Canada Handbook – Accounting ("Handbook") Section 1521.03 *Balance Sheet* which specifically requires total liabilities be distinguished on the balance sheet. The Panel thus found particular 1(b) was proven.
- [21] The 2019 financial statements for the WYC incorrectly report "Unearned member fees and deposits" and "Debentures Contributed" as long-term debt rather than as current liabilities. The Panel found that this misclassification was contrary to the Handbook, Section 1510.10 and 1510.12 (Current Assets and Current Liabilities) and found that particular 1(c) was proven.
- [22] The required Basis of Opinion paragraph was not included in the sample Independent Auditor's Report attached to the engagement letter of January 12, 2020. The Panel found that this omission was contrary to CAS 210.10, which sets out the requirements of the audit engagement letter, and that particular 1(d) was proven.
- [23] Whereas CAS 320.11 states that the auditor shall determine performance materiality when

planning the audit, Mr. Wilson failed to do so. In the result, the Panel found that particular 1(e) was proven.

- [24] The applicable version of CAS 315.11-315.24 requires the auditor to obtain an understanding of the control environment relevant to the preparation of the financial statements, through performing risk assessment procedures. Mr. Wilson failed to adequately document and disclose an appropriate analysis of internal controls for client systems. The majority of the Panel found that particular 1(f) was proven. One Panel member found that this particular was duplicative in respect of particular 1(h), and therefore did not find that it was made out.
- [25] The Panel found that Mr. Wilson failed to adequately document and disclose procedures regarding the continuance of this client relationship and the audit engagement at the beginning of the audit, contrary to CAS 220.22. The Panel thus found that particular 1(g) was proven.
- [26] The Panel found that Mr. Wilson failed to adequately test, document, and disclose an analysis of the internal controls for key accounting systems, including the approval process for invoice payment, cheque signing procedures, the bar chit system, the payroll system, and for legal and regulatory compliance. There was an absence of documentation showing testing of internal controls to ensure, for example, that individuals were paid at the correct rate and hours. The Panel found that this failure was contrary to the applicable version of CAS 315.11-315.24, and that particular 1(h) was made out.
- [27] The Canadian Standard on Quality Control (CSQC) 1 requires that the firm establish policies and procedures to address the appointment of engagement quality control reviewers and that the firm document the engagement quality control review. The evidence shows that Mr. Wilson failed to adequately assess and disclose whether the engagement required an Engagement Quality Control Review by a suitably qualified external person, supporting the finding by the Panel that particular 1(i) was made out.
- [28] The applicable version of CAS 315.25 requires the auditor to adequately identify and assess the risk of material misstatement in the planning documentation for classes of transactions, account balances and disclosures to establish a basis for designing and performing further audit procedures. A review of the evidence shows this was not done by Mr. Wilson, as he did not address the risk of material misstatement on any significant class of transaction. Particular 1(j) was thus made out.
- [29] CAS 240.27 requires the auditor to identify and assess the risk of material misstatement due to fraud and, based on the presumption of a risk of fraud, specifically to evaluate which types of revenue, revenue transactions or assertions give rise to such risks. A review of the evidence shows that Mr. Wilson failed to address revenue from the presumption of a risk of fraud and to conduct the required evaluations. Accordingly, particular 1(k) is made out.
- [30] CAS 240.8 requires the auditor to prepare audit documentation that is sufficient to enable an experienced auditor, with no previous connection to the audit, to understand the nature, timing and extent of the audit procedures performed to comply with the applicable requirements, the results of the audits performed and audit evidence obtained, and to understand the significant matters arising during the audit, the audit conclusions, and the professional judgements made in reaching those conclusions.

[31] The Panel found that Mr. Wilson failed to comply with CAS 240.8 in respect of seven items arising from the audit of the financial statements of WYC for the year ended December 31, 2019:

- a) He failed to document and disclose appropriate audit evidence to support the understatements of Statement of Financial Position items “Accounts Receivable” and “Unearned Storage fees.” Ms. Fisher advised that Mr. Wilson told her that the accounts receivable adjustment, which did not match with the working papers, was provided to him by management.
- b) He failed to obtain sufficient and appropriate audit evidence to support the Statement of Financial Position item “Accounts payable and accrued.” The Panel found that there was no evidence of Mr. Wilson having taken steps to search for unrecorded liabilities in bank statements, supplier invoices, etc., to confirm the completeness of the list of payables.
- c) He failed to obtain sufficient and appropriate audit evidence to support the Statement of Financial Position items “Unearned members fees and deposits.” The issue is not addressed in any working paper.
- d) He failed to obtain sufficient and appropriate audit evidence to support the Statement of Financial Position item “Debentures Contributed.” There is a lack of analytical work to support the figure provided for members paying debenture in 2019.
- e) He failed to obtain sufficient and appropriate audit evidence to support the Statement of Operations and Members’ Equity general ledger account for the revenue items “Members equity fees earned” and “Hall rentals”. Whereas there is supporting documentation for ‘membership fees,’ such documentation is lacking in respect of member equity fees, which is a material amount, and for hall rental fees, which is very close to material, and would fall within performance materiality.
- f) He failed to obtain sufficient and appropriate audit evidence to support the Statement of Operations and Members’ Equity Financial Position general ledger account for revenue item “Membership dues.” Whereas there is some supporting work for senior members, there is no audit evidence to support member dues for all other categories of member.
- g) He failed to obtain sufficient and appropriate audit evidence to support the Schedule F statement of Bar Operations re: wages. There is reference to comparison to prior years, but there is an absence of support for the amounts recorded as wages.

[32] In respect of these 7 items (particulars 1 (l–q, s)), the Panel found that the particulars were made out.

[33] CAS 530.6, 530.7, and 530.15 provide that the auditor, when designing an audit sample, shall determine a sample size sufficient to reduce sampling risk to an acceptably low level and shall evaluate the results of the sample and whether the audit sampling has provided a reasonable basis for the conclusions reached. With respect to the bar chit system of WYC, Mr. Wilson failed to meet this standard in that his only notation is that he agreed a sampling of chits, without documenting the sample size, how the size was determined, and evaluating whether

the audit sample provided a reasonable basis for his conclusions. Particular 1(r) is thus made out.

- [34] Mr. Wilson failed to document in his working papers or elsewhere that the audit evidence he obtained supported his overall conclusion that the financial statements are consistent with his understanding of WYC. Mr. Wilson fails to draw that conclusion or provide any analytical work in support of that conclusion. Accordingly, the Panel found that Mr. Wilson failed to meet the standard in CAS 520.6 and that particular 1(t) is made out.
- [35] Mr. Wilson failed to ensure that his client's letter of representation documented and acknowledged management's knowledge of fraud, or suspected or allegations of fraud, responsibility for the internal controls to prevent and detect fraud, and disclosure of all known related parties and related party transactions. This failure is contrary to the requirements of CAS 580.10 and means that management has effectively not taken ownership of disclosure of these items to Mr. Wilson. As the nature of this entity is such that there would be potential related party transactions, the failure to address that issue in the letter of representation is significant. The Panel found that particular 1(u) is made out.

Financial Statements of SC for the year ended June 30, 2020

- [36] The second Allegation is that Mr. Wilson, while acting as the engagement partner for the audit of the financial statements of SC for the year ended June 30, 2020, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, and sets out 8 particulars which specify the manner in which Mr. Wilson failed to meet the requisite standards. SC is a charity dedicated to providing mortgage financing to churches. Ms. Fisher testified that SC is subject to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), which generally require more documentation and disclosures for the financial statements and working papers than would be the case under GAAP.
- [37] Particular (a) of Allegation 2 sets out 9 separate items that Mr. Wilson failed to disclose and report as required by the IAS and IFRS:
- a) The presentation currency of SC (IAS 1.51);
 - b) The domicile of SC and the address of the registered office (IAS 1.138);
 - c) Date the financial statements were authorized for issue and who authorized the release (IAS 10.17);
 - d) Accounting policy for composition of cash and cash equivalents (IAS 7.46);
 - e) Amount of net losses on financial assets or liabilities (IFRS 7.20);
 - f) Information related to liquidity risk (IFRS 7.39);
 - g) Information related to market risk (IFRS 7.40);
 - h) Key management personnel compensation (IAS 24.17); and

- i) Level of the fair value hierarchy within which fair value measures are categorized (IFRS 13.91).

- [38] The Panel found that Mr. Wilson had failed to make the requisite disclosure in respect of each of the above 9 items, and that particular 2(a) was made out.
- [39] CAS 220.22 provides that the engagement partner shall determine that the firm's policies or procedures for the acceptance and continuance of client relationships and audit engagements have been followed and that the conclusions reached are appropriate. Whereas Mr. Wilson documented that he had been responsible for the audit of this client for a number of years, there was no documentation as to why he considered it appropriate to continue as the auditor for this engagement. The Panel found particular 2(b) to be made out.
- [40] CAS 240.27 requires the auditor to identify and assess the risk of material misstatement due to fraud and, based on the presumption of a risk of fraud, specifically to evaluate which types of revenue, revenue transactions or assertions give rise to such risks. A review of the evidence shows that Mr. Wilson failed to address revenue from the presumption of a risk of fraud and failed to conduct the required evaluations. Accordingly, particular 2(c) is made out.
- [41] The Canadian Standard on Quality Control (CSQC) requires that the firm establish policies and procedures to address the appointment of engagement quality control reviewers and that the firm document the engagement quality control review. Ms. Fisher opined that Mr. Wilson should have gone through the criteria to determine whether or not a suitably qualified external reviewer was required and document that process and conclusion. The evidence shows that Mr. Wilson failed to do so. In his working paper under "Quality Control," Mr. Wilson wrote that "[a]s a sole practitioner it is simply not possible to be totally objective." If anything, this statement would have supported the use of an external reviewer. The Panel found that particular 2(d) was established.
- [42] The applicable version of CAS 315.25 requires the auditor to adequately identify and assess the risk of material misstatement in the planning documentation for classes of transactions, account balances and disclosures to establish a basis for designing and performing further audit procedures. A review of the evidence shows that Mr. Wilson's risk assessment fell short of this standard. There is a lack of documentation addressing the system of controls and how Mr. Wilson tested those controls. Mr. Wilson does not provide an assessment of the risk of material misstatement, how he would evaluate risk, and what sampling he would use. The Panel found that particular 2(e) was made out.
- [43] Mr. Wilson failed to obtain sufficient and appropriate audit evidence to support the Statement of Comprehensive Net (Loss) Income and Net Assets item "Salaries and management fees." There is a lack of adequate documentation showing the basis for the amounts included for salary and management fees. These expenses are above the materiality threshold, and Mr. Wilson should have ensured that the figures for salary were appropriate by, at the very least, inspecting the underlying corroborative evidence. The Panel found that Mr. Wilson failed to meet the required standard in CAS 230.8 and that particular 2(f) was made out.
- [44] Particular 2(g) alleges that Mr. Wilson failed to adequately document and disclose appropriate audit evidence to support the Statement of Comprehensive Net (Loss) Income and Net Assets

items “Legal” and “Audit and accounting.” Ms. Fisher testified that, notwithstanding his accounting plan where he indicated that he would review all invoices, the working paper indicates that he did not, and Ms. Fisher confirmed that Mr. Wilson advised her during the investigation that he had not actually reviewed all invoices for legal and professional fees. Ms. Fisher testified that review of these invoices was important, particularly the larger legal expenses, which could also reveal potential risks. Ms. Fisher opined that the documentation failed to meet the standard of CAS 230.8. The majority of the Panel found that particular 2(g) was established. Two Panel members did not find that particular 2(g) was established, as they found that Mr. Wilson had conducted sufficient work on the legal fees, in that he tested the majority of the legal expenses, and the untested amount was below the materiality threshold.

- [45] Mr. Wilson failed to adequately document sufficient and appropriate audit evidence to support Statement of Financial Position item “Accounts payable and accrued liabilities.” Whereas this amount is below the materiality threshold, there is no evidence in the working paper to support this figure. The Panel found that Mr. Wilson’s work did not meet the standard of CAS 230.8 and that particular 2(h) was established.

Financial Statements of YRCC*79 for the year ending December 31, 2020

- [46] The third Allegation is that Mr. Wilson, while acting as the engagement partner for the audit of the financial statements of YRCC*79 for the year ended December 31, 2020, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, and sets out 14 particulars which specify the manner in which Mr. Wilson failed to meet the requisite standards.
- [47] Several of the particulars of this Allegation are similar to those already addressed in these Reasons, so will be dealt with more briefly here.
- a) Mr. Wilson failed to include the required paragraph outlining the Basis for Opinion in the Auditor’s report, contrary to CAS 700.28, establishing particular 3(a).
 - b) Mr. Wilson failed to determine performance materiality for purposes of assessing the risks of material misstatements and how that would be used in the planning and evaluation of the audit results, contrary to CAS 320.11. Particular 3(g) was established.
 - c) Mr. Wilson failed to appropriately document and disclose an analysis of the internal controls for key accounting systems at YRCC*79, including the process of payment for invoices and cheque signing procedures, and compliance with laws and regulations, contrary to CAS 315.20-315.24. Particular 3(h) was established.
 - d) Mr. Wilson failed to document in his working papers or elsewhere that the audit evidence he obtained supported his overall conclusion that the financial statements are consistent with his understanding of YRCC*79, contrary to CAS 520.6, establishing particular 3(m).
- [48] CAS 560.6 and 560.7 require the auditor to perform audit procedures to obtain sufficient appropriate audit evidence that all events from the date of the financial statements to the date of the auditor’s report that require adjustment of disclosure have been identified, including communicating with those charged with governance as to whether any subsequent events

have occurred which might affect the financial statements. There is no evidence in the material provided by Mr. Wilson that he reviewed anything from the date of the financial statements to the date of the auditor's report, or that he made the necessary inquiries of those charged with governance, contrary to CAS 560.6 and CAS 560.7. Particular 3(n) was established.

- [49] Mr. Wilson also failed to document evidence of communication with those charged with governance regarding the findings of the audit, contrary to CAS 230.8, establishing particular 3(l).
- [50] CAS 706.10 provides that if an auditor considers it necessary to communicate a matter other than those presented in the financial statements, and that matter is relevant to the user's understanding of the audit, the auditor shall include an "Other Matter" paragraph in the auditor's report. It was the expert opinion of Ms. Fisher that Mr. Wilson should have included an "Other Matter" paragraph highlighting for users of the financial statements that the capital reserve fund of YRCC*79 was underfunded. The fact that the operating fund borrowed from the capital reserve fund, leaving the reserve capital fund underfunded, is contrary to the provisions of the *Condominium Act, 1998* ("*Condominium Act*"). This fact should have been disclosed as an "Other Matter" in the Independent Auditor's Report. The Panel found particular 3(b) was established.
- [51] Ms. Fisher testified that the *Condominium Act* requires a reserve fund study to be completed every 6 years, and to be updated every 3 years. The study includes future expenditures and expected costs, and the notes to the financial statements should include details on the adequacy of the reserve fund. However, there is no documentation or disclosure in the financial statement for YRCC*79 of the actual reserve fund allocations and expenses compared to the planned amounts. Ms. Fisher testified that when asked, Mr. Wilson advised that he was unaware of these requirements. This failure is contrary to the Handbook, section 1000.12, which provides that the objective of financial statements is to communicate information that is useful to investors, creditors and other users in making their resource allocation decisions, including information about an entity's economic resources, obligations and equity, changes in its economic resources, obligations and equity, and the economic performance of the entity. The Panel found that particular 3(c) was made out.
- [52] Ms. Fisher testified that the *Condominium Act* requires disclosure of budgeted amounts, including information about when the budget was approved and by whom. This information was not included in the financial statements of YRCC*79, and Ms. Fisher testified that Mr. Wilson advised that he was unaware of these requirements. The failure to include this material is contrary to the Handbook, section 1000.12 (as elaborated above). The Panel found that particular 3(d) was established.
- [53] The Handbook, section 3051.37 requires a listing and description of significant investments, including the names, carrying values and proportion of ownership interests held in each investment. The financial statements for YRCC*79 provide no detail about the condominium's investments, contrary to this requirement. Furthermore, Ms. Fisher testified that the *Condominium Act* limits the types of investments that can be made by a condominium. The failure of Mr. Wilson to provide the required information about the condominium's investments also prevents the reader from determining compliance with the *Condominium Act*. The Panel found that particular 3(e) was established.

- [54] Mr. Wilson also failed to include any analysis of the current reserve fund study. Ms. Fisher testified that an evaluation of the current reserve fund study was necessary to determine compliance with the *Condominium Act*, and that such evaluation should include, for example, inclusion of the most recent study in the working papers and a review of the projected figures from that study against the actual numbers in the financial statements for the 2020 fiscal year. The Panel found that Mr. Wilson failed to obtain sufficient and adequate audit evidence to support compliance with the provisions of the *Condominium Act*, contrary to CAS 230.8, and that particular 3(f) was made out.
- [55] Mr. Wilson failed to obtain sufficient and appropriate audit evidence to support the Statement of Operations and Fund Balances item “Expenses”, contrary to CAS 230.8. In the Working Papers, Mr. Wilson noted that he “agreed every single transaction from the books to the bank account” and that he “agreed all expenses to supplier invoices.” This documentation is insufficient as, for example, Mr. Wilson did not ensure that cheques were only signed by authorized persons and did not document the nature of the expenses. The Panel found that particular 3(i) was made out.
- [56] CAS 260.15 provides that the auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit, including communicating about the significant risks identified by the auditor. There is no evidence in the working papers that Mr. Wilson communicated with the Board of Directors about any potential risks, including those related to the reserve fund. The Panel found that particular 3(j) was established.
- [57] Mr. Wilson failed to obtain sufficient and appropriate audit evidence to support the Statement of Operations and Fund Balances expense item “Landscaping and Maintenance – Capital Reserve Fund.” Of the approximately \$19,000 of expenses, \$10,000 were allocated to the capital reserve fund, with the remainder allocated to the general fund. There is no audit evidence to support this allocation; nothing in the working paper files indicate why the allocation to the general reserve fund was \$10,000, as opposed to any other figure up to the total amount. The Panel found that particular 3(k) was established.

Financial Statements of AAC for the year ended December 31, 2020

- [58] The fourth Allegation is that Mr. Wilson, while acting as the engagement partner for the audit of the financial statements of AAC for the year ended December 31, 2020, failed to perform his professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, and sets out 11 particulars which specify the manner in which Mr. Wilson failed to meet the requisite standards.
- [59] Several of the particulars of this Allegation are similar to those already addressed in these Reasons, and so will be dealt with more briefly here:
- a) Mr. Wilson failed to include the required paragraph outlining the Basis for Opinion in the Auditor’s report, contrary to CAS 700.28, establishing particular 4(a).
 - b) In the engagement letter dated February 19, 2021, Mr. Wilson failed to use the correct wording of the anticipated Independent Auditor’s Report, contrary to CAS 210.10, establishing particular 4(c).

- c) Mr. Wilson failed to determine performance materiality for purposes of assessing the risks of material misstatements and how that would be used in the planning and evaluation of the audit results, contrary to CAS 320.11, establishing particular 4(d).
- d) Mr. Wilson failed to identify the risk of material misstatement due to fraud related to revenue, based on a presumption that there is a risk of fraud in revenue recognition, contrary to CAS 240.27. Particular 4(f) was made out.
- e) Mr. Wilson failed to obtain sufficient and appropriate audit evidence to support the Statement of Operating Income and Expenses,” contrary to CAS 230.8, establishing particular 4(h).
- f) There is no evidence in the material provided by Mr. Wilson that he reviewed anything from the date of the financial statements to the date of the auditor’s report, or that he made the necessary inquiries of those charged with governance, contrary to CAS 560.6 and 560.7. Accordingly, the Panel finds that particular 4(i) has been made out.
- g) Mr. Wilson failed to document communications with those charged with governance regarding the findings of the audit (particular 4(j)) and failed to document his review of the minutes of meetings with those charged with governance (particular 4(k)), contrary to CAS 230.8.

[60] The Handbook, section 3856.43 specifies what an enterprise shall disclose with respect to its mortgages. Contrary to this requirement, the financial statements of AAC failed to document and disclose the key terms and conditions of AAC’s mortgage to support the Statement of Financial Position items “Mortgage payable – current portion” and “Stewards Canada Mortgage payable.” Among the missing items are the interest rate, the repayment terms, the maturity date, and the security. Nor was there any assessment of risk relating to the possibility of rising interest rates. Accordingly, the Panel found particular 4(b) to be made out.

[61] Mr. Wilson failed to document his assessment that a qualification of his Independent Auditor’s report for AAC was not required. Ms. Fisher gave evidence that most churches and not-for-profit entities do provide a qualification, in respect of the completeness of donation-related revenue. In assessing that such a qualification was not required for AAC, Mr. Wilson should have documented the basis for his assessment. It was incumbent on Mr. Wilson to consider whether such a qualification was appropriate in this instance and to document this assessment and conclusion. Mr. Wilson’s failure to do so was contrary to CAS 705.13, and the Panel found that particular 4(e) was made out.

[62] Mr. Wilson failed to obtain sufficient and appropriate audit evidence to support the Statement of Operating Income and Expenses item, contrary to CAS 230.8. Mr. Wilson did not reconcile T4 slips to wages, and his note that he compared income to the previous 7 years and discussed adjustments and variances with the Treasurer does not constitute sufficient and appropriate audit evidence. Accordingly, particulars 4(g) and 4(h) were made out.¹

¹ The Panel noted the typo in respect of the Income figure in particular 4(g) of the Allegations, which is corrected in the Annotated Allegations at Exhibit 5.

Mr. Wilson's own firm's quality control

- [63] The fifth Allegation is that Mr. Wilson, from December 1, 2019 to March 22, 2022, while engaged in the practice of public accounting through the firm James L. Wilson, Chartered Professional Accountant, failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, and sets out 2 particulars which specify the manner in which Mr. Wilson failed to meet the requisite standards.
- [64] This Allegation relates to the quality assurance controls that Mr. Wilson had in place to ensure that he was adhering to quality assurance standards for his entire practice. It is a requirement under the Handbook that Mr. Wilson document his adherence to the requisite standard. Ms. Fisher testified that Mr. Wilson used a quality assurance manual to document this adherence, but that Mr. Wilson's documentation fell short of the standard in several respects. Mr. Wilson's quality assurance manual was entered as Exhibit 8.
- [65] Particular 5(a) alleges that Mr. Wilson failed to perform an ongoing consideration and evaluation of his practice's system of quality control. Ms. Fisher testified that the evaluation of his practice's system of quality control should have included, among other things, consideration of whether an EQC Reviewer should have been utilized, and a consideration of risk related to familiarity. Mr. Wilson used a sample quality assurance manual for sole practitioners starting in 2015, which he continued to use through September 2021. He did not customize the manual to demonstrate his compliance with his quality control obligations. For instance, Mr. Wilson wrote that he "decided not to use external monitor" but he did not fill in the requisite sections of the manual to demonstrate that he had considered the relevant factors to support that decision (for instance at section 4.4 of the manual). Mr. Wilson placed check-marks next to the requirements set out in the manual, but did not actually document his completion of these requirements, which is to be done on an annual basis. The section where he was to document his compliance with the firm's policies was left blank.
- [66] Particular 5(a) also alleges that Mr. Wilson did not include a cyclical inspection of a selection of completed assurance engagements as required by his practice's quality control policies and procedures. Mr. Wilson's quality assurance manual sets out the requirement of a yearly evaluation of the firm's compliance with its quality control policies and procedures, and a cyclical inspection of completed files at least once every three years by the completed file monitor. There is no evidence that Mr. Wilson complied with either requirement.
- [67] Finally, particular 5(a) alleges that Mr. Wilson's quality control did not provide reasonable assurance that his practice complied with professional standards and applicable legal and regulatory requirements and that reports he issued were appropriate in the circumstances. Ms. Fisher testified that an example of Mr. Wilson's failure to comply with applicable legal requirements is his decision to ignore several standards of the IFRS in respect of the SC audit, which he defended to her on the basis that he felt they were "overkill."
- [68] The Panel found on the evidence that particular 5(a) was established.
- [69] Particular 5(b) alleges that Mr. Wilson failed to maintain suitable reference materials for engagements that require specialized reporting under IFRS and for Ontario condominium

corporations, to provide reasonable assurance that his practice complied with professional standards and applicable legal and regulatory requirements and that reports he issued were appropriate in the circumstances.

- [70] Ms. Fisher testified that, when questioned, Mr. Wilson conceded to her that he was not aware of how the IFRS (Part I of the Handbook, which applied to SC) differed from Part II and Part III of the Handbook (a framework he was more familiar with), and that he was not aware of the applicable provisions of the *Condominium Act*, including those which set out the specific requirements for the reserve fund. The majority of the Panel found that, by implication, Mr. Wilson had failed to maintain suitable reference materials as set out in particular 5(b) and that this particular was established on a balance of probabilities. One Panel member found that particular 5(b) was not established. That Panel member accepted the evidence of Ms. Fisher but found that the evidence of Mr. Wilson's lack of knowledge of the applicable IFRS and the *Condominium Act* was insufficient to support a conclusion that he had failed to maintain suitable reference materials. The Panel member noted, for example, that Mr. Wilson could have maintained the appropriate reference materials and/or been able to easily consult them via online resources, but still failed to consult the resources as necessary and appropriate.

Finding of Professional Misconduct

- [71] As a result of Mr. Wilson's decision to not participate in the hearing, the evidence led by the PCC, including the expert evidence of Ms. Fisher, was uncontroverted. The evidence proved on a balance of probabilities all the Allegations against Mr. Wilson. A majority of the Panel found all 55 particulars to be established, and the Panel was unanimous that 52 of the 55 particulars were established.
- [72] The Panel was unanimous that the failure by Mr. Wilson to uphold the requisite standard amounted to a failure to perform professional services in accordance with generally accepted standards of practice of the profession. The Panel unanimously found that Mr. Wilson's failures to uphold the standards of the profession were numerous, significant, and resulted in the risk of misstatement for each audit covered by the Allegations. The Panel unanimously found that Mr. Wilson committed professional misconduct in that he breached Rule 206.1 of the CPA Code of Professional Conduct.

VII. DECISION AS TO SANCTION

- [73] After considering the evidence, the law, and the submissions of the PCC, the Panel concluded that the appropriate sanction was: a written reprimand; a fine of \$7,500 payable by January 30, 2025; a restriction on Mr. Wilson's practice to non-assurance engagements; a prohibition from performing audit or review engagements and from holding a PAL; and publication of the Decision and Order disclosing Mr. Wilson's name to all members of CPA Ontario, to all provincial bodies, and in the edition of the Toronto Star newspaper that is circulated in Stouffville (the geographic area of his practice).
- [74] The Panel also set out terms that would apply if Mr. Wilson did not comply with the terms of the Panel's Order. As Mr. Wilson's membership has already been suspended, if Mr. Wilson does not comply with the terms of the Panel's Order, his membership in CPA Ontario will be revoked without further notice to him.

VIII. REASONS FOR THE DECISION AS TO SANCTION

Objectives of Sanctions

- [75] The Panel adopts the approach of the CPA Ontario Sanction Guidelines [“Sanction Guidelines”], that the purpose of sanctioning professional misconduct is to protect members of the public, promote public confidence in the profession, denounce the misconduct, achieve specific and general deterrence, maintain high ethical standards of the profession, and facilitate rehabilitation.
- [76] For cases involving failure to comply with professional standards, the primary objective of sanctions is the protection of the public. Further, members of the public must have confidence that the CPA Ontario member they have retained will perform their professional services in accordance with the generally accepted standards of practice of the profession. Where appropriate, the sanctions should also aim to rehabilitate the member and provide deterrence.
- [77] The Panel took into consideration what it viewed as Mr. Wilson’s reluctance to accept responsibility for his professional shortcomings, as expressed to Ms. Fisher during the course of the investigation, and as expressed to CPA Ontario in the lead-up to the hearing (Exhibit 1). Given the attitude of Mr. Wilson and the stage of his career, these sanctions are focused more on the protection of the public than on rehabilitation.
- [78] The Panel also considered Mr. Wilson’s attempt to minimize the impact of his failures to maintain the standards of the profession. His position that *nothing he did caused harm to anyone* reflects a failure to appreciate the importance that every CPA Ontario member perform their services in accordance with the generally accepted standards of practice of the profession. Mr. Wilson’s attitude fails to recognize the risk to the public when these standards are not upheld, minimizing the very function of CPA Ontario members in conducting assurance engagements.
- [79] The Panel found that the errors and shortcomings identified in Mr. Wilson’s work did create the risk of harm to the public. The Panel found that Mr. Wilson lacked the specialized knowledge and competency to conduct the audits related to the condominium corporation, not-for-profit entities, and the charities. He appeared to believe that his many years of practice afforded him the discretion to determine which accounting standards he would apply to his engagements, and which internal controls he would apply to his practice. As a result, the unqualified audit opinions to which he signed his name lacked the reasonable assurance that they were free from material misstatement.
- [80] Considering Mr. Wilson’s refusal to participate in the hearing, the Panel is unable to find any mitigating factors on sanction.
- [81] Turning to the particular sanctions imposed, a reprimand is necessary to highlight the seriousness of the misconduct. The fine of \$7,500 acts as both specific and general deterrence, representing a personal consequence of the misconduct. This fine is well within the range of comparable professional standards cases. Whereas the PCC asked for payment of the fine by December 23, 2023, the Panel ordered payment by January 30, 2025, taking into account Mr. Wilson’s position as expressed to the PCC that his income is currently limited.

[82] It is the Panel's view that to protect the public, it is necessary to restrict Mr. Wilson from conducting assurance engagement work and to bar him from holding a PAL. Publication of this restriction, both on the CPA Ontario website and in the Toronto Star edition published in his geographic area, is necessary to protect the public, so the public knows that Mr. Wilson is no longer permitted to engage in assurance work.

IX. COSTS

[83] The law is settled that an order against Mr. Wilson for costs with respect to the disciplinary proceeding is not a penalty. Costs are intended to indemnify the PCC, based on the underlying principle that the profession as a whole should not bear all of the costs of the investigation, prosecution, and hearing arising from the member's misconduct.

[84] Costs are awarded at the discretion of the Discipline Committee. It has become customary for the PCC to file a Costs Outline in the same form as used in civil proceedings, and to seek 2/3 of the costs incurred in the investigation and prosecution of the matter.

[85] The PCC Costs Outline is found at Exhibit 9. It totals \$29,410.02, of which the PCC sought roughly 2/3, or \$19,000. The PCC submitted that these costs were higher due to Mr. Wilson vacillating between accepting responsibility for his work quality through encouraging the drafting of a settlement agreement, and denying his accountability, requiring a hearing, and vilifying CPA Ontario in his correspondence.

[86] The majority of the Panel reduced the costs award to \$15,000, and extended payment to January 30, 2025. The majority felt it was appropriate to take into account Mr. Wilson's representations to the PCC respecting his restricted ability to pay due to the limited nature of his recent practice. Two Panel members would have accepted the PCC position, on the basis that Mr. Wilson increased the costs of the prosecution by scuttling the settlement discussions and choosing to have a two-day hearing in which he refused to participate.

DATED this 13th day of March, 2023



Fahad Meer, CPA, CA
Discipline Committee – Deputy Chair

Members of the Panel

Alexander Metaxas-Mariatos, CPA, CMA
James Blackwell, CPA, CA
Richa Khanna, CPA, CA, LPA
David Handley, Public Representative

Independent Legal Counsel

John Dent, Barrister & Solicitor