

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

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **CARLO VIOLA, CPA, CA**, a 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-

Carlo Viola

APPEARANCES:

For the Professional Conduct Committee: Kelvin Kucey, Counsel

For Carlo Viola: Present
Mark Veneziano, Counsel

Heard: November 28, 2023

Decision and Order effective: November 28, 2023

Release of written reasons: December 28, 2023

REASONS FOR THE DECISION AND ORDER MADE NOVEMBER 28, 2023

I. OVERVIEW

- [1] The Professional Conduct Committee (“PCC”) has alleged that during the course of two audit engagements and one review engagement for which Carlo Viola (“the Member”) was the engagement partner, the Member failed to perform his professional services in accordance with the generally accepted standards of practice of the profession, and in so doing, breached Rule 206.1 of the CPA Ontario Code of Professional Conduct (the “Code”).
- [2] This hearing was held to determine whether the PCC could prove, on a balance of probabilities, the Allegations made against the Member, and whether the conduct alleged amounted to professional misconduct.
- [3] The onus was on the PCC to prove that the Member’s conduct breached Rule 206.1 of the

Code, and that his conduct constituted professional misconduct.

- [4] The Member obtained his Chartered Accountant designation on November 26, 1997. He has held a Public Accounting Licence ("PAL") since 2003. Since 2010, he has been a partner in "F&P" LLP.
- [5] The Member was cooperative during the Practice Inspection which detected issues with deficiencies in his review work, as well as in his dealings with Standard Enforcement staff.
- [6] Prior to the commencement of the hearing, the parties entered into an Agreed Statement of Facts ("ASF") in which the Member admitted the conduct alleged and that, by engaging in such conduct, he also admitted to having engaged in professional misconduct.

II. ISSUES

- [7] The Panel proceeded to consider the following issues:
 - a) Did the evidence establish, on a balance of probabilities, the facts upon which the Allegations made by the PCC were based?
 - b) If the facts alleged by the PCC were established on a balance of probabilities, did the Allegations amount to professional misconduct?

III. DECISION

- [8] The Panel found that the evidence and admissions of the Member, as set out in the ASF, as well as the documentation found in the Document Brief, established on a balance of probabilities, the facts upon which the Allegations made by the PCC were based.
- [9] The Panel proceeded to find that the substantive breaches of Rule 206.1 of the Code unequivocally amounted to professional misconduct.

IV. REASONS FOR THE DECISION

Findings Regarding the Conduct of the Member

- [10] At the commencement of the hearing, the Member admitted the Allegations brought against him by the PCC. He also admitted that his conduct amounted to professional misconduct.
- [11] On consent, the PCC filed an ASF (Exhibit 1), which had been executed by counsel for the PCC and the Member on November 23, 2023. The PCC also filed a Document Brief (Exhibit 2) which accompanied the ASF, as well as a copy of the Standards Brief in which excerpts from the various standards relevant to this matter were set out. The standards include: Canadian Auditing Standards ("CAS"), Canadian Standard of Review Engagements ("CSRE"), International Auditing Standards ("IAS"), International Financial Reporting Standards ("IFRS") and Accounting Standards for Private Enterprises ("ASPE").

- [12] At paragraph 174 of the ASF, the Member confirmed that he had entered the ASF freely and with the benefit of advice from counsel.
- [13] The ASF contained a number of acknowledgements and admissions by the Member. In particular, at paragraph 29 of the ASF, the Member admitted that as the engagement partner for two audit engagements and one review engagement which were the subject of the investigation, he failed to perform his professional services in accordance with generally accepted standards of practice for the profession.

Professional Background

- [14] From 1992 to 1997, the Member worked in the assurance practice of "PW" LLP. In 1997, he obtained his Chartered Accountant designation and in 2003, he received his PAL. The Member served as a Chief Financial Officer of "BNA" Inc., a multi-national industrial gear manufacturer, from 1997 to 2010, after which he joined "F&P" LLP as a partner. In 2018, he obtained his Chartered Business Valuator ("CBV") designation.
- [15] The Member currently practices in Vaughan, Ontario. His practice focuses on audits, reviews and compilations for private enterprises, along with corporate and personal tax services. The Member's assurance practice represents approximately 80% of his revenues, while his work as a CBV comprises of the remainder of his practice. His assurance practice is made up of 4 audit clients and 14 review engagement clients.

Source of PI's Complaint

- [16] On September 19, 2021, the Practice Inspection Department of CPA Ontario ("PI") conducted a review of 16 "F&P" LLP assurance engagements as part of a routine inspection.
- [17] Significant deficiencies identified by PI in one audit engagement conducted by the Member for MCC, a reporting issuer, resulted in a determination by the Practice Inspection Committee ("PIC") that the Member's failure to meet professional standards was sufficiently serious to refer the matter to the PCC.
- [18] In response to being advised by Standard Enforcement staff ("SE staff") in February 2022 of the reportable deficiencies identified in his audit engagement for MCC, the Member responded in a letter dated April 5, 2022. In his letter, the Member advised that he had very carefully reviewed the PI findings. He acknowledged that there were multiple areas in the MCC audit file that required enhanced and/or additional supporting analysis. He explained that the demands of a public company audit were more significant than anticipated and were heightened by the pressures associated with auditing during the COVID-19 pandemic, specifically noting the difficulties accessing physical records during that time. The Member also noted that his firm had discussed the PI findings and had taken corrective action in relation to some of the findings. The Member indicated that he would be enrolling in additional professional development courses and that the information learned would be shared with the firm. "F&P" LLP resigned as auditor of MCC on November 9, 2021.

Investigation

- [19] Audrey Mercier, CPA, CA, CFE, CBV, CFF ("Mercier"), was appointed by the PCC to investigate PI's complaint. Mercier is an expert in GAAS, GAAP, CSQC, SCQM and the standards of practice of the profession.

- [20] During her retainer, she investigated the following assurance engagements:
- a) Audit of the financial statements of MCC for the year ended December 31, 2020;
 - b) Review of the financial statements of PEI for the year ended March 31, 2021; and
 - c) Audit of the financial statements of PFI for the year ended December 31, 2021.
- [21] During an interview, the Member admitted that he had failed to perform the MCC audit in accordance with CAS. He assured Mercier that he was taking the results of the PI and the investigation very seriously. He advised that he had voluntarily enrolled in additional professional development courses and that both he and his firm were committed to improving the quality of their audit files and their quality control systems.

Specific Failings

Allegation 1

- [22] MCC was a media group involved in the acquiring and developing of high-quality publishing assets. On July 26, 2019, as a result of a reverse takeover, MCC became listed on the Canadian Securities exchange.
- [23] From approximately February 8 to April 27, 2021, the Member was engaged to perform an audit of MCC for the year end December 31, 2020. The last interim financial statements and Management Discussion and Analysis filed by MCC were Q3-2021, filed on November 29, 2021.
- [24] On March 9, 2022, MCC was notified by holders of the secured convertible debentures (which amounted to over \$1,097,000) of their intention to enforce their security against the property of MCC. The CFO announced their resignation that same month. On March 25, 2022, MCC filed an assignment in bankruptcy and a general meeting of creditors followed on April 14, 2022. On May 6, 2022, the Ontario Securities Commission issued a Failure to File Cease Trade Order.
- [25] The Member admitted that while engaged to perform the MCC audit for the year end December 31, 2020, he failed to perform his professional services in accordance with generally accepted standards of practice of the profession. Those failures, which are set out in detail in the ASF, are as follows:
- a) ***He failed to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting in preparation of the financial statements (CAS 570, 570.6, 570.17, 570.17).*** In particular, the Member failed to test the viability of the proposed plan involving additional investors which had been put forward when MCC identified a going concern. He failed to consider whether MCC was in a liquidation situation when MCC had reviewing management's assessment of the going concern. The audit file did not contain documentation of audit evidence to support the going concern and management's plans to save MCC. The Member failed to note discrepancies in cash and net cash used in operating activities in the financial statements. He did not investigate the discrepancies between cash available and cash represented in MCC's financial plans. He did not question how MCC would

secure the funds needed to meet its year-end obligations. The Member failed to assess whether the use of the going concern basis of accounting was appropriate and he failed to recognize the symptoms that were indicative of a more severe going concern than that presented by management. The Member failed to note the unusual injection of cash into the company by the directors. He failed to obtain sufficient audit evidence regarding the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. The Member was unable to reach a conclusion as there was no audit evidence documented.

- b) ***He failed to obtain sufficient appropriate audit evidence with respect to government assistance (CAS 230.8, IAS 20, 20.10 and 20.20).*** The Member failed to disclose the existence of the Canadian Emergency Wage Subsidies ("CEWS") in the financial statements of MCC. The failure to note CEWS as "other income" was significant as the company already had a financial shortfall. The Member failed to obtain evidence with respect to MCC's eligibility for CEWS which could have created an additional liability for MCC if it ultimately was ineligible for CEWS. The Member documented a forgivable Canada Emergency Business loan as a grant without obtaining reasonable assurance that MCC had met the terms for the forgiveness of the loan. Neither the Member nor management made the necessary assessment of MCC's eligibility. The audit file contained no audit evidence regarding MCC's eligibility for the government programs, the inputs used to complete the claims, confirmation of the amounts received with the tax authorities and the time of recognition of the claims. The Member failed to obtain sufficient audit evidence regarding the existence, completeness, accuracy and disclosure of government assistance when such assistance was a key assumption in management's assessment of goodwill impairment.
- c) ***He failed to obtain sufficient appropriate audit evidence with respect to impairment of goodwill of "V" one of the cash generating units of MCC (CAS 540, 540.13(h) and 540.A42).*** MCC had grown through the acquisition of two established newspaper companies, each being a separate cash generating unit. The Member failed to take steps to determine whether there should have been a more substantial impairment to the value of one of the two companies. He failed to assess the impact of the growth rate on the impairment testing. While he noted that growth estimates made appeared aggressive, he failed to test the impact of the aggressive estimate on the impairment testing conclusion. He did not compare growth rates in the budget with growth rates in past years and in comparable companies. The recoverable amount for "V" was incorrect and would have resulted in a greater impairment amount. The Member failed to adjust for the impact of the pandemic on goodwill impairment for one of the two newspaper companies.
- d) ***He failed to obtain sufficient appropriate audit evidence with respect to impairment of goodwill of "N" one of the cash generating units of MCC (CAS 540, 540.13 and 540.A42).*** As with "V", the Member failed to take steps to determine whether there should have been a more substantial impairment of value of "N". When calculating goodwill, the Member failed to consider the high level of government assistance received by "N" which impacted the valuation of the company. He failed to question the reasonableness of the assumption that the government assistance received during the pandemic would recur in subsequent years. He failed to question the nature of the grants received and failed to obtain audit evidence as to "N's eligibility for the grants. There is no evidence to show

how the impairment amount, which provided to be too small, was arrived at.

- e) ***He failed to obtain sufficient and appropriate audit evidence with respect to the valuation of intangibles in the business combination (IFRS 3.10).*** The Member failed to recognize intangible assets acquired separately from goodwill with respect to the acquisition of “V”. He failed to obtain sufficient appropriate audit evidence with respect to the valuation of intangible assets and he failed to test the purchase price allocations to intangible assets.
- f) ***He failed to address the presumed risk of fraud in revenue (CAS 200.15, 240.13 and 240.27).*** In the planning meeting documentation, the Member documented the unlikelihood of susceptibility of financial statements to fraud and error since third party providers had oversight. He noted that should fraud occur, it would likely be through unreasonable or inappropriate expenses. He made no mention of revenues. In the summary of assessed risks, the Member documented that the risk of fraud was low due to “BoD and management active in business”, without any mentions of revenues.
- g) ***He failed to test journal entries for management override of controls (CAS 240.33).*** The Member did not perform journal entry testing. The only evidence in the audit file related to journal entries failed to comply with CAS requirements.
- h) ***He failed to identify an instance of potential fraud and assess its impact on the nature, timing and extent of audit procedures required to respond to the assessed risks (CAS 240.33).*** The Member was unaware of several entries identified in a working paper as “fraudulent transaction”. He neither sought additional information nor did he perform appropriate journal entry testing to confirm or rebut the transactions at issue. At minimum, the Member should have identified the issue and undertaken procedures to inquire into the transactions.
- i) ***He failed to assess the susceptibility of financial statements to fraud and error (CAS 200.15).*** The Member failed to perform the audit with professional skepticism in that he failed to assess the risk of fraud and he failed to create and implement procedures to test for fraud. His documentation consisted of noting in his closing memo that no instances of fraud had been detected and management was not aware of any fraud.
- j) ***He failed to document audit procedures for account balances with respect to: accounts receivable; revenues; capital assets; convertible debt; accrued liabilities (CAS 230).*** The Member failed to conduct appropriate testing and he failed to document substantive audit procedures regarding a number of different testing areas.
- k) ***He failed to obtain sufficient appropriate audit evidence with respect to share-based payment arrangements and earnings per share.*** The Member failed to perform any procedures with respect to these elements.
- l) ***He failed to determine an appropriate sample size to test salaries and benefits and to determine whether services were rendered (CAS 230 and 530.7).*** While the Member used audit sampling in performing the audit, he did not determine a sample size sufficient to reduce sampling risk to an acceptably low level for salaries and benefits as

required. The procedure was not designed properly since only the rate of pay was corroborated and no inquiries were done to confirm that services were rendered.

- m) ***He failed to plan and perform the audit with professional skepticism (CAS 240.13).*** While there were several versions of the financial statements evidencing that they had been reviewed, there was no evidence that the statements had been agreed or reconciled with the underlying accounting records. The amount of time spent by the Member on the audit was below standard expectations given the complexity of the file. The Member admitted he failed to maintain an appropriate level of professional skepticism during the audit as is reflected in the CAS shortfalls described herein and the reduced hours spent on the engagement.

Allegation 2

- [26] In or about May 20, 2021 to June 24, 2021, the Member was engaged to perform the review of the financial statements of PEI, a company in the business of installing exterior stucco, mouldings, exterior insulation and finish systems. While reviewing the financial statements of PEI for the year ended March 31, 2021, the Member set a materiality amount to \$14,150 at 2% revenue.
- [27] During this review engagement, the Member failed to perform his professional services in accordance with generally accepted standards of practice of the profession. Those failures, which are set out in detail in the ASF, are as follows:
- a) ***He failed to obtain sufficient appropriate review evidence to form a conclusion with respect to accounts receivable (Canadian Standard on Review Engagements (CSRE) 2400.43, ASPE 3856.16).*** With a carrying amount of \$1,068,171 in 2021 and \$927,097 in 2020, the Member correctly identified in the financial statements that accounts receivable is an area where material misstatements are likely to arise. He obtained an understanding of PEI's process in order to mitigate this as is required by CSRE 2400. However, the Member failed to perform review procedures designed to ascertain the recoverability of accounts receivable and to determine whether the company had accurately calculated a percentage of the collectable receivables. As a result, the Member failed to obtain sufficient appropriate review evidence to support the existence, accuracy and valuation of accounts receivable and to form a conclusion on the financial statements.
- b) ***He failed to include the required disclosure relating to the allowance for doubtful accounts (ASPE 385.42).*** The Member failed to disclose the bad debt allowance in the financial statements.
- c) ***He failed to obtain sufficient appropriate review evidence to form a conclusion with respect to work in progress (CSRE 2400.43).*** The Member failed to obtain sufficient appropriate review evidence to support the existence, accuracy and valuation of work in progress, which is a significant asset. In the financial statements, the Member correctly identified work in progress as an area where material misstatements are likely to arise. He obtained an understanding of the company's process to mitigate this possibility. He obtained the listing of work in progress and ensured it matched the financial statements. However, the only analysis performed was inconsistent with the understanding documented in the file. No other procedures were performed to address the

inconsistency.

- d) ***He failed to obtain sufficient appropriate review evidence to form a conclusion with respect to related party transactions (CSRE 2400.20, 2400.43 and 2400.06).*** The Member correctly identified a related party transaction disclosed in the financial statements as an area where material misstatements are likely to arise and he gained an understanding of the related party at issue. However, he failed to investigate the nature of a purchase made by PEI from the related party and the plausibility of the transaction. While he accepted the explanation offered, he should have gathered more information relating to the nature of the transaction. He failed to perform any relevant additional procedures and he failed to perform additional procedures to test the measurement and presentation of related party transactions. The Member admits that by failing to understand and document the underlying reasons behind the increase in accounts payable, he failed to maintain professional skepticism in requiring the underlying documentation for related party transactions.
- e) ***He failed to obtain sufficient appropriate review evidence to form a conclusion with respect to gross margin (CSRE 2400.46).*** The Member admits he failed to design adequate procedures to obtain sufficient and appropriate review evidence on the gross margin (sale and cost of sales).
- f) ***He failed to obtain sufficient appropriate review evidence to form a conclusion with respect to accounts payable cut-off (CSRE 2400.46).*** The Member identified a cut-off issue related to two projects, however he failed to perform review procedures to test for potential misstatements and mitigate the risk of cut-off. He failed to perform any additional procedures designed to address a misstatement of revenue and expenses for two years which were incorrect.
- g) ***He failed to obtain sufficient appropriate review evidence to form a conclusion with respect to pre-paid insurance and insurance expense (ASPE 1000).*** Despite explanations being offered to explain why prior year insurance was higher than that of the current year, the explanations did not address the plausibility of the expense with respect to financial reporting requirements. The Member failed to design additional procedures to mitigate the possibility of a material misstatement or document why there was no misstatement.

Allegation 3

- [28] In or about the period of January 26, 2022 to April 8, 2022, the Member was engaged to perform the audit of financial statements for the year ended December 3, 2021 for PFI. PFI is part of a group of companies under common ownership and which is in the business of marketing and brand development.
- [29] During the audit, the Member set a materiality amounting to \$392,900 based on 2% of gross revenues.
- [30] The Member admitted that he failed to perform his professional services, during the audit of PFI, in accordance with generally accepted standards of practice of the profession. Those failures, which are set out in detail in the ASF, are as follows:

- a) ***He failed to obtain sufficient appropriate audit evidence with respect to related party transactions (CAS 550.19, 550.23 and 505).*** The Member failed to obtain corroboration of management's representation that outstanding balances on loans were accurate and he failed to verify the outstanding balances with borrowers.
- b) ***He failed to obtain sufficient appropriate audit evidence with respect to government assistance (CAS 450).*** The Member failed to obtain sufficient appropriate audit evidence to support the existence and accuracy of government assistance received by PFI in 2021. More specifically, he failed to assess the risk associated with government loans/subsidies and he failed to calculate the extent of PFI's eligibility for government assistance.
- c) ***He failed to obtain sufficient appropriate audit evidence with respect to investments (ASPE 1510.05 and 3856, CAS 240.13 and CAS 200.15).*** The Member failed to confirm the nature and term of an investment made by PFI in a U.S. based private company which was presented in the financial statements as a short-term investment. He did not assess possible impairment and did not question the rationale for the investment to address risk of fraud.
- d) ***He failed to obtain sufficient appropriate audit evidence with respect to real estate deposits (CAS 240.13 and 200.15).*** The Member failed to appropriately document the existence and valuation of deposits on various condos in construction and failed to identify it as a risk. Consequently, no procedures were performed to corroborate the existence, valuation and business rationale of the deposits. By simply accepting the explanation that the owners of the company wanted to invest in real estate, the Member failed to obtain sufficient appropriate audit evidence to support the existence, valuation and classification of investments outside of the normal course of business. He also failed to identify and assess the risk associated with short term investments.
- e) ***He failed to maintain professional skepticism in assessing the implications of the breach of the covenant to the bank (CAS 200.15 and 240.13).*** In its financial covenant with the bank, PFI was required to pay taxes on time yet as of December 31, 2021, PFI owed a significant amount of HST and income taxes for 2020 and 2021. The Member failed to question the business rationale of a situation where significant investments had been made while government remittances were late and bank covenants were in breach. He did not recognize that a material misstatement due to fraud could exist. He failed to maintain adequate professional skepticism throughout the audit and failed to recognize the impact of a breach of the covenant to the company's bank.

Finding of Professional Misconduct

- [31] The onus was on the PCC to show on a balance of probabilities that the Member engaged in conduct that breached Rule 206.1 of the Code, and that such conduct constituted professional misconduct.
- [32] Both in the ASF and at the commencement of the hearing, the Member admitted that as the engagement partner for two audit engagements and one review engagement, he failed to perform his professional services in accordance with generally accepted standards of practice of the profession. The Member admitted that these were substantive failures amounting to

professional misconduct. The Member called no evidence.

- [33] Given the uncontested evidence presented by the PCC and the Member's admissions, the Panel found that there was clear, cogent and compelling evidence that the Member had consistently failed to perform his professional services in accordance with generally accepted standards of practice of the profession on the two audit engagements and the one review engagement during 2021 and 2022.
- [34] In the ASF, the Member explained that the demands of public company audits were more significant than he had anticipated. Those demands, he advised, were heightened by the challenges that arose with auditing during the pandemic. While this Panel appreciates the pandemic posed some challenges to the profession, members were still required to maintain the generally accepted standards of practice of the profession. CPA Ontario provided guidance to its members during the pandemic to ensure that standards would continue to be met.
- [35] While some of the failures were more egregious than others, this Panel finds that there was no excuse for the quantity of errors made by the Member. The sheer number of deficiencies in the audits and review put into question the public's confidence in the statements made by the Member in the three subject engagements.

V. REASONS FOR SANCTIONS

- [36] Both the PCC and the Member presented a joint submission on sanction. The Member confirmed his understanding of the joint submission being presented. It was proposed that the Member's practice be permanently restricted, prohibiting him from accepting engagements of reporting issuers. It was further proposed that he receive a written reprimand and be fined in the amount of \$25,000. The parties also recommended that the Member enter into a Supervision Agreement for a period of 18 months during which an independent Supervisor would review all non-reporting issuer assurance work undertaken by the Member. Following the completion of the 18 month supervisory period, the PCC would reinvestigate the Member's assurance practice with the costs of the reinvestigation borne by the Member. Notice of the Decision and Order, disclosing the Member's name would be given to all members of CPA Ontario, all provincial bodies and made available to the public. Notice of the Decision and Order, the costs of which would be paid by the Member, would be given by publication on the CPA Ontario website and in the Globe and Mail. Failure to abide by the terms of the Order, would result in a 30 day suspension, and if not cured within that time period, the Member's membership in CPA Ontario would be revoked.
- [37] A Brief of Authorities ("Brief") was provided for the Panel's consideration. Included in the Brief was the Supreme Court of Canada decision of *R. v. Anthony Cook*, 2016 SCC 43 which stands for the proposition that joint submissions presented by counsel should be granted a high level of deference. Joint submissions should be adopted unless to do so, would be contrary to the public interest or would bring the regulatory process into disrepute.
- [38] The parties also provided the Panel with a range of cases and settlement agreements dealing with similar misconduct. The Panel finds that the joint submission proposed in this matter falls well within the reasonable range of sanctions for similar misconduct. The number of

deficiencies related to three different files is serious and aggravating. In mitigation, the Panel notes that the Member was cooperative during the PI, his dealings with Standard Enforcement and during the subsequent investigation. He acknowledged to SE staff some of the failings in his review of MCC's audit file. He and his firm took the findings of the PI and the concerns of Standard Enforcement seriously. The firm resigned as auditor for MCC in November 2021 and resigned from the Canadian Public Accountability Board in February 2022. It ceased conducting public company audits concentrating on servicing private enterprise and not-for-profit organizations. Finally, the Member and "F&P" LLP expressed a commitment to improving the quality of the firm's audit files through the Member's voluntary enrolment in additional professional development courses and the firm's improvements to its quality control system.

- [39] The Panel finds that the sanctions proposed are not contrary to the public interest and send a clear message that the standards of practice of the profession must be properly maintained at all times.
- [40] There was no evidence that the Member has a prior disciplinary record. He was both cooperative and showed insight throughout the regulatory and disciplinary processes. The Panel credits the Member for his acknowledgement of both his conduct and that his conduct amounted to professional misconduct.
- [41] The Panel finds that the restriction prohibiting the Member from accepting engagements of reporting issuers is appropriate. In relation to three different engagements, the Member repeatedly and consistently failed to meet the standards required of him. The sheer number of deficiencies is of great concern and a restriction prohibiting the Member from accepting engagements of reporting issuers is both necessary and appropriate.
- [42] As was noted in this Tribunal's decision in *CPA Ontario v. Hinchcliffe, June 8, 2022*, at paragraphs 72 and 73, the restriction of a member's practice sends a clear message:

In revoking Mr. Hinchcliffe's Public Accounting License and permanently restricting his practice to non-assurance engagements, the Panel sends a strong message to Mr. Hinchcliffe, and to the membership at large, that the role of engagement partner is a crucial one which cannot be abrogated or delegated.

- [43] The fine proposed is within the range of fines imposed in similar cases. It addresses both specific and general deterrence and clearly sends the message that the repeated disregard of the standards set by this profession is unacceptable and will result in serious repercussions, including the imposition of significant fines.
- [44] The Member already acknowledged and began to address the need for additional education during the regulatory process. The Supervision Agreement proposed ensures that the Member will receive additional support and guidance for 18 months commencing either with current assurance work being undertaken or with the next fresh engagement undertaken by the Member. The qualified independent Supervisor who will review all non-reporting issuer assurance work will be approved by the Vice President of Standards Enforcement. The provision that the PCC will reinvestigate the Member's assurance practice following the

supervisory period will further ensure that the Member is abiding by the standards of this profession.

- [45] The provision that the Member be suspended for 30 days should he fail to abide by the Order, followed by revocation thereafter should he remain in violation of the Order, further ensures the protection of the public interest.
- [46] Finally, it is appropriate that the Member receive a written reprimand. While he clearly acknowledged his misconduct, a written reprimand serves as specific deterrence and reminds the Member that the generally accepted standards of practice of the profession are there to ensure that engagements are properly conducted.

VI. COSTS

- [47] The PCC filed a Costs Outline (Exhibit 3) totaling \$48,800. The PCC proposed that costs be set in the amount of \$32,000.
- [48] The imposition of costs to be paid by a member are not intended to be punitive. It is based on the premise that the profession should not bear the costs of members who failed to abide by their professional and ethical obligations. The Member joined with the PCC in its submission regarding the amount proposed to be paid in costs.
- [49] This matter was originally scheduled for a 5 day hearing. By admitting to the facts set out in an ASF and the misconduct alleged, the Member avoided the need for the PCC to call witnesses and present evidence. This resulted in significantly less costs being incurred in the disciplinary proceeding. The majority of the costs noted in the Costs Outline were in relation to the Investigator Fees. These admissions saved both time and costs.
- [50] The Panel determined that costs in the amount of \$32,000 was appropriate in this case and that those costs should be paid, as proposed by the parties, within 3 months of the day of the Panel's order, i.e. by February 28, 2024.

DATED this 28th day of December, 2023



David Handley
Discipline Committee – Deputy Chair

Members of the Panel

Jeremy Cole, FCPA, FCA
James C. Blackwell, CPA, CA
John Wilkinson, Public Representative

Independent Legal Counsel

Nadia Liva, Barrister & Solicitor