



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL MISCONDUCT
AGAINST **DAVID LAZAR, CPA, CA**, BEFORE THE
DISCIPLINE COMMITTEE

SETTLEMENT AGREEMENT

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

Introduction

1. The Professional Conduct Committee (PCC) filed Allegations of Professional Misconduct against David Lazar, CPA, CA (Lazar) on or about December 7, 2022, (Allegations) the particulars of which are set out below. The documents referred to in this Settlement Agreement (Agreement) are found in the Document Brief (**Doc**). The applicable CPA Handbook sections are found in the Standards Brief (**Tab**).
2. The Allegations (**Doc 1**) pertain to Lazar's failure to perform his professional services in accordance with generally accepted standards of the profession, contrary to Rule 206.1 of the Chartered Professional Accountants of Ontario Code of Professional Conduct (Code), with respect to the following engagements:
 - a. The review of the financial statements of BMT for the year ended April 30, 2020 (**Doc 2**);

OL

- b. The review of the financial statements of FIPCo. for the year ended December 31, 2019 (**Doc 3**);
 - c. The review of the financial statements of FYPL for the year ended August 31, 2021 (**Doc 4**);
 - d. The review of the financial statements of MWSI for the year ended December 31, 2021 (**Doc 5**).
3. The PCC and Lazar agree with the facts and conclusions set out in this Agreement for the purpose of this proceeding only, and further agree that this Agreement of facts and conclusions is without prejudice to Lazar in any other proceedings of any kind, including, but without limiting the generality of the foregoing, any civil or other proceedings which may be brought by any other person, corporation, regulatory body or agency.

Background

4. Lazar obtained his Chartered Accountant designation in 1977.
5. Lazar operates as a sole proprietor through a professional corporation, DLCPA, in Richmond Hill. As of June 27, 2022, Lazar's professional practice consisted of 11 review engagements, approximately 19 compilation engagements, consulting and approximately 63 personal tax clients. His annual professional fee revenue is approximately \$36,000.
6. Lazar prepares hard copy working papers using handwritten notes, word documents, excel documents, and copies of client supplied documents stapled and kept in a file folder. He uses Professional Engagement Guide (PEG) checklist files to set up the procedures for his review engagements.
7. Lazar accesses the CPA Canada Handbooks (CPAH) through knotia.ca and the CPA Ontario Code of Professional Conduct through the CPA Ontario website.
8. The inspection history of Lazar's practice is as follows:
2012 Inspection, inspection date April 11, 2012 – Action plan required;

2015 Inspection, inspection date May 14, 2015 – Action plan required;
2018 Inspection, inspection date November 22, 2018 – Full reinspection required; and
2020 Reinspection, inspection date November 20, 2020 – Referral to PCC.

9. Lazar maintains a current Public Accounting Licence (PAL), firm registration and liability insurance. Prior to the most recent practice inspection Lazar retained a third-party practice monitor, who discussed Lazar's efforts to update his practice standards with the practice inspector and the PCC's investigators.

The Complaint

10. On April 9, 2021, the Practice Inspection Committee (PIC) advised the PCC that following an inspection of Lazar's practice, it concluded that his failure to maintain professional standards was sufficiently serious to reflect adversely upon his professional competence.
11. The PIC also provided a detailed listing of reportable deficiencies with respect to the review of BMT and the review of FIPCo., that are subject of the Allegations.
12. On July 12, 2022, the PCC appointed Jennifer Fisher, FCPA, FCA, and Jason Kowalczyk, CPA, CA, CFE (Investigators) to investigate Lazar's standards of practice and the circumstances surrounding the complaint.
13. As part of their investigation, the Investigators reviewed Lazar's standards of practice in relation to the two engagements inspected by the PIC and two additional assurance engagement files: review of the financial statements of FYPL, for the year ended August 31, 2021, and review of the financial statements of MWSI, for the year ended December 31, 2021. The Investigators released their report on September 20, 2022.

Failure to Maintain Professional Standards

14. Lazar and the PCC agree that Lazar failed to perform his professional services in accordance with generally accepted standards of practice of the profession as described below.
15. Lazar admits that the Allegations, set out below, particularize his failure to perform his professional services in accordance with generally accepted standards of practice of the profession.

Generally Accepted Standards for Review Engagements in 2019 to 2022

16. The standards applicable to the four reviews detailed herein are described by generally accepted standards for review engagements. During 2019-2022, these standards were published in the Assurance section of the CPA Canada Handbook.
17. The generally accepted standards for review engagements require practitioners to obtain limited assurance by performing inquiry and analytical procedures to determine whether an entity's reviewed financial statements as a whole are free from material misstatement. The practitioner may then express a conclusion on whether anything has come to his/her attention that causes him/her to believe that the financial statements are not prepared in all material respects in accordance with an applicable financial reporting framework.
18. To obtain reasonable assurance, the Canadian Standard on Review Engagements CSRE 2400 – Engagements to review historical financial statements set out the standard to be met, requirements to be fulfilled and steps to be taken. They include performing primarily inquiry and analytical procedures, obtaining sufficient appropriate evidence while exercising professional skepticism, as well as adhering to the Canadian Standard on Quality Control CSQC 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements and other Assurance Engagements.
19. Further, the generally accepted standard for review engagements requires practitioners to plan and perform the review engagement with professional skepticism,

recognizing that circumstances may exist that cause the financial statements to be materially misstated. Professional skepticism requires a questioning attitude which is alert to conditions which may indicate a possible misstatement due to error or fraud. Professional skepticism requires the practitioner to conduct a critical assessment of the evidence.

20. Pursuant to CSRE 2400.7 to CSRE 2400.10, compliance with CSRE is not optional.

The Allegations

Allegation 1 – THAT David Lazar, in or about the period April 1, 2020, to August 31, 2020, while acting as the engagement partner for the review of the financial statements of BMT for the year ended April 30, 2020, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the Code in that:

21. The financial statements for BMT for the year ended April 30, 2020 (**Doc 2, p. 9**) together with the Independent Practitioner’s Review Engagement Report (**Doc 2, p. 11**), were issued on August 31, 2020. Lazar set materiality at \$2,500. BMT requires reviewed financial statements for its bank.

a. **He failed to issue a report free of inconsistencies, typographical errors and mislabelled financial statements; (CSRE 2400.94)**

22. CSRE 2400.94 outlines 13 required elements of the practitioner's report when engaged to perform a review of annual or interim historical financial statements and the form and content of the practitioner's report on the financial statements.

23. The Independent Practitioner's Review Engagement Report had several inconsistencies, typographical errors, and references to incorrectly labelled financial statements. This deficiency was present in all four of the files subject to this investigation.

b. **He failed to report an adjustment of 2018 and 2019 income taxes on the Statement of Income; (CPAH 3465.59)**

24. CPAH 3465.59 requires the practitioner to recognize income tax expense in the Statement of Income. The cost (benefit) of current and future income taxes are to be recognized as income tax expense included in the determination of net income or loss for the period before discontinued operations, with nine exceptions.

25. The Statement of Retained Earnings reported an adjustment of prior year income taxes for 2020 and 2019. Lazar stated that these related to the final assessments by Canada Revenue Agency for the previous year and should not have been reported on the Statement of Income. Per CPAH 3465.59, these are not direct charges to retained earnings and should have been reported on the Statement of Income. Lazar's position is that this is an adjustment to Retained Earnings, that affects prior year net income. If that is appropriate, then the financial statements must reflect appropriate presentation and disclosure for Accounting Changes as per CPAH 1506. The financial statements do not report this adjustment correctly as an accounting change.

c. He incorrectly reported Statement of Cash Flows item "Net change in non-cash items relating to operating activities (218,348);" (CPAH 1540.22(b))

26. CPAH 1540.22(b) requires the practitioner, when presenting the cash flow statement under the indirect method, to determine the net cash flow from operating activities by adjusting net income or loss for the effects of changes during the period in inventories and operating receivables and payables.

27. The Statement of Cash Flows reported an amount for 'Net Change in non-cash items relating to operating activities' of (\$218,348). This line should have been labelled as 'Changes in non-cash working capital balances.' The correct amount to report for this is \$251,348, and the accounts comprising this balance should have been presented separately.

d. He incorrectly reported Statement of Cash Flows item "Financial activity of tax adjustment 19,300;" (CPAH 1540.03)

28. CPAH 1540.03 requires the practitioner to present a cash flow statement as an integral part of the financial statements for each period for which the financial statements are presented.

29. The amount reported as a 'Financing activity of tax adjustment' of \$19,300 should have been reported as an 'Operating activity.'

e. He incorrectly reported Statement of Cash Flows item "Investing activities 96,517;" (CPAH 1540.03)

30. CPAH 1540.03 requires the practitioner to present a cash flow statement as an integral part of the financial statements for each period for which the financial statements are presented.

31. Under 'Investing activities', the amount reported as 'Net acquisition of fixed assets' should have been a negative amount and the 'Increase loans receivables' should have been labelled as 'Increase (decrease)'. The subtotal for the 'Investing activities' should have been (\$96,717) not \$96,517.

f. He failed to report in the Statement of Cash Flows an amount for "Financing Activities (54,766);" (CPAH 1540.03)

32. CPAH 1540.03 requires the practitioner to present a cash flow statement as an integral part of the financial statements for each period for which the financial statements are presented.

33. An amount for 'Financing activities' as 'Finance contract repayment' should have reported (\$54,766).

g. He incorrectly reported Balance Sheet item "sum of 2019 Current Assets 1,192,739;" (CSRE 2400.56)

34. CSRE 2400 outlines the practitioner's responsibilities when engaged to perform a review of annual or interim historical financial statements and the form and content of the practitioner's report on the financial statements.
35. CSRE 2400.56 requires the practitioner to obtain evidence that the financial statements agree with, or reconcile to, the entity's underlying accounting records.
36. The 2019 'Current Assets' subtotal did not sum properly. It should have added to \$880,557 (not \$1,192,739);
- h. He incorrectly reported Statement of Income item "Less-Operating Expenses 781,690;" (CSRE 2400.56)**
37. CSRE 2400.56 requires the practitioner to obtain evidence that the financial statements agree with, or reconcile to, the entity's underlying accounting records.
38. The Statement of Income reported 'Operating Expenses' of \$781,690 in 2020, but the Schedule of Operating Expenses totalled \$781,699;
- i. He incorrectly reported in Note 3 to the Financial Statements a total of 927,283;" (CSRE 2400.56)**
39. CSRE 2400.56 requires the practitioner to obtain evidence that the financial statements agree with, or reconcile to, the entity's underlying accounting records.
40. Note 3 to the financial statements should have totaled \$947,283 not \$927,283.
- j. He failed to adequately document and disclose in Note 1 to the Financial Statements the method of determining cash and a cash equivalents in the Statement of Cash Flows; (CPAH 1540.43)**
41. CPAH 1540.43 requires the practitioner to disclose an entity's policy it applies in determining the composition of cash and cash equivalents and present a reconciliation

of the amounts presented in its cash flow statement with the equivalent items presented in the balance sheet.

42. The accounting policies financial statement note should have but did not include the method of determining cash and cash equivalents used in the Statement of Cash Flows.

k. He failed to adequately document and disclose how income from investments is recognized in the Note 1 accounting policy for revenue recognition; (CPAH 1505.03)

43. CPAH 1505.03 requires the practitioner to include a clear and concise description of the significant accounting policies of an enterprise as an integral part of the financial statements.

44. The accounting policy for revenue recognition did not include details as to how income from investments is recognized. Despite the amount of revenue from investments being below materiality, the amount of investments reported on the balance sheet is material. The reporting of this accounting policy in the notes to the financial statements is a requirement.

i. He failed to adequately assess and disclose the nature of the relationship between BMT and the related parties; (CPAH 3840.51)

45. CPAH 3840.51 requires the practitioner to disclose seven discrete elements regarding an entity's transactions with related parties. including (a) a description of the relationship between the parties.

46. The related party transactions disclosure did not include the nature of the relationship between BMT and the related parties. Note 11 to the financial statements reports related party transactions and refers to a "related company". The nature of the relationship to this related company is not disclosed in the financial statements.

m. He failed to include a Note to the Financial Statements relating to the impact of the COVID pandemic; (CPAH 1400.09)

47. CPAH 1400.09 requires the practitioner to ensure that the financial statements, including notes to such statements and supporting schedules to which the financial statements are cross-referenced, include all information required for a fair presentation in accordance with generally accepted accounting principles.

48. BMT received certain COVID related government funding. There was no note to the financial statements relating to the impact of the COVID pandemic.

n. He failed to adequately document inquiry and analytical procedures performed to support Mortgage 20,374 included as Balance Sheet item "Investments";(CSRE 2400.46)

49. CSRE 2400.46 requires the practitioner, when working to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures:

- (a) To address all material items in the financial statements, including disclosures; and
- (b) To focus on addressing areas in the financial statements where material misstatements are likely to arise.

50. The investments included a mortgage of \$20,374 which had been written down from \$62,874. The working papers did not include the basis for the \$42,500 write down. Lazar reported that the write down was done in prior years and in that year's working papers the details were outlined and documentation provided. However this information was not included in the current year working papers.

51. The review procedures checklist of investments details "old investments – no changes – unable to resolve issues of repayments". The documentation of the review of the investments' valuation was insufficient for these material assets.

o. He failed to adequately document inquiry and analytical procedures performed to support Note 4 to the Financial Statements “Investments 132,099;” (CPAH 3856.16)

52. CPAH 3856.16 requires the practitioner to ensure, at the end of each reporting, the entity assesses whether there are any indications that a financial asset, or group of similar financial assets, measured at cost or amortized cost or using the cost method may be impaired. When there is an indication of impairment, the practitioner is required to determine whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets.

53. He investments included notes receivable with interest in arrears. The working papers stated, “proposal to transfer ownership to third party – investors will not receive any funds”, “virtual solicitor meetings – no resolution”, and “No decision to further write down investments, as details going forward are not available”. Based on this commentary the investments should have been offset by an allowance for uncollectible amounts. Lazar concluded that only the reduced capital is expected to be recovered. The working papers do not support this conclusion and an evaluation of an allowance for uncollectible amounts should be documented.

p. He failed to adequately document and disclose details of the line of credit in the Notes to the Financial Statements: (32)(CPAH 3856.44)

54. CPAH 3856.44 requires the practitioner to ensure that an entity discloses the carrying amount of any financial liabilities that are secured. An entity is also required to disclose:

- (a) the carrying amount of assets it has pledged as collateral for liabilities; and
- (b) the terms and conditions relating to its pledge.

55. BMT had an operating line of credit of \$200,000 which was nil at the end of the year but was used during the month of April 2020. As at April 1, 2020 the line of credit balance was \$45,000 and there were further advances during the month of \$55,000.

The details of the line of credit should have been included in the notes to the financial statements.

q. He failed to adequately document inquiry and analytical procedures performed to support identification of material risk of material misstatement in financial statement areas; (CSRE 2400.45)

56. CSRE 2400.56 requires the practitioner, based on their understanding of the entity, to identify areas in the financial statements where material misstatements are likely to arise.

57. The working paper outlining the engagement scope did not address all the financial statement areas that are material. The identification of the risk of material misstatements and planned procedures had not been completed.

r. He failed to adequately document inquiry and analytical procedures performed to support Balance Sheet item "Cash 126,325;" (CSRE 2400.46)

58. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures:

- (a) To address all material items in the financial statements, including disclosures; and
- (b) To focus on addressing areas in the financial statements where material misstatements are likely to arise.

59. The review procedures checklists did not include a cash checklist.

s. He failed to adequately document inquiry and analytical procedures performed to support Balance Sheet item "Loans receivable 947,283;" (CSRE 2400.46, .56)

60. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures:

- (a) To address all material items in the financial statements, including disclosures; and
- (b) To focus on addressing areas in the financial statements where material misstatements are likely to arise.

61. CSRE 2400.56 requires the practitioner to obtain evidence that the financial statements agree with, or reconcile to, the entity's underlying accounting records.

62. BMT had a loan receivable from a related company, BMS, of \$164,357. The working paper reported “no change” and “For 2021 company to be dissolved and amalgamated with parent company”. There was no documentation in the working papers to support the valuation of this amount as an asset of BMT. Lazar reported that the loan receivable would be eliminated on amalgamation of the two companies. However, the value of the loan receivable would be appropriate, only if BMS had sufficient net assets to cover the balance of \$164,357. The working papers for BMT did not reflect an evaluation of this adequacy.

63. Loans receivable included a balance from 155*** Ontario Limited. The working papers reported that this is agreed to the records of 155*** Ontario Limited and a balance of \$772,926. The financial statements reported a different amount of \$782,926. The client's accounting records – trial balance reported an amount of \$782,926 and the working papers did not account for the difference of \$10,000.

- t. **He failed to adequately document inquiry and analytical procedures performed to support Balance Sheet item “Government charges 30,603;” (CSRE 2400.46).**

64. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures:

- (a) To address all material items in the financial statements, including disclosures; and
- (b) To focus on addressing areas in the financial statements where material misstatements are likely to arise.

65. The balance reported on the Balance Sheet as HST owing included the current period liability reduced by outstanding accounts receivable of \$37,651. Lazar stated that this accounts receivable balance represented a disputed amount. There was no documentation in the working papers to support this receivable. When asked about this amount, Lazar stated, "It's a receivable going back because Revenue Canada is holding it for whatever purpose. I had no documentation at the year end. I know they're holding it and I didn't get any information regarding that."

u. He failed to adequately document inquiry and analytical procedures performed to support Balance Sheet item "Future Income Taxes 69,047; 39 (CPAH 3465.10).

66. CPAH 3465.10 states: "the fundamental principle upon which the future income taxes method is based is that an enterprise recognizes a future income tax liability whenever recovery or settlement of the carrying amount of an asset or liability would result in future income tax outflows. Similarly, an enterprise recognizes a future income tax asset whenever recovery or settlement of the carrying amount of an asset or liability would generate future income tax reductions. An extension of this fundamental principle is that in the case of unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax benefits is determined by reference to the likely realization of a future income tax reduction."

67. The income taxes working paper reported the following: "Deferred Taxes – no adjustment as CCA rates have matched depreciation and loss for accounting, but not tax". The Balance Sheet reports \$69,047 as Future Income Taxes (Deferred Tax liability) for both 2020 and 2019. On the 2020 corporate tax return, capital cost allowance was claimed of \$177,012, but depreciation was expensed on the Statement of Income of \$215,000. These amounts are not the same. The working papers did not

address that there is a deferred tax liability of \$69,047 which should have been reviewed based on the differences between the carrying value of BMT's assets and liabilities and the corresponding tax bases.

v. He failed to document any inquiry and analytical procedures for subsequent events transactions; and (CSRE 2400.47)

68. CSRE 2400.47 requires the practitioner, when designing and performing procedures, to make nine specific inquiries of management and others within the entity, as appropriate, including whether management has identified and addressed events occurring between the date of the financial statements and the date of the practitioner's report that require adjustment of, or disclosure in, the financial statements

69. There was no documentation of the review and inquiry for subsequent event transactions that should have been considered for reflection on the financial statements. The only reference to procedures to consider relating to subsequent events was in the PEG form completion questionnaire where Lazar responded that there were not subsequent events other than Covid issues. There was no documentation as to what procedures were followed to review subsequent events and for what period the procedures covered.

w. He failed to ensure that the client's letter of representation was on client letterhead addressed to his firm. (CSRE 2400.68)

70. CSRE 2400.68 outlines the practitioner's responsibilities when obtaining written representations. Specifically, the practitioner shall request management to provide a specific written representation that management has fulfilled its responsibilities described in the agreed terms of engagement.

71. The client's letter of representation was incorrectly printed on Lazar's letterhead and incorrectly addressed to the client. The client's letter of representation should be on BMT letterhead and addressed to Lazar.

Allegation 2 – THAT David Lazar, in or about the period December 1, 2019 to June 30, 2020, while acting as the engagement partner for the review of the financial statements of FIPCo. for the year ended December 31, 2019, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct in that:

72. The financial statements for FIPCo. for the year ended December 31, 2019 (**Doc 3, p. 23**) together with the Independent Practitioner’s Review Engagement Report (**Doc 3, p. 25**), were issued on June 29, 2020. Lazar set materiality at \$1,000. Lazar stated that FIPCo.’s single shareholder requested a review engagement “in case he has to proceed [in] a different direction” with the business.

a. He failed to issue a report free of inconsistencies, typographical errors and mislabelled financial statements;

73. CSRE 2400.94 outlines 13 required elements in the practitioner’s report for the review engagement and the form and content of the practitioner’s report on the financial statements.

74. The Independent Practitioner’s Review Engagement Report had several inconsistencies, typographical errors, and references to incorrectly labelled financial statements.

b. He failed to adequately document inquiry and analytical procedures performed to support Balance Sheet item “Advances receivables 28,317;” (CPAH 3856.38)

75. CPAH 3856.38 requires the practitioner to disclose an entity’s carrying amounts of each of the following categories of financial instruments, either on the face of the balance sheet or in the notes:

- (a) financial assets measured at amortized cost;
- (b) financial assets measured at fair value; and

- (c) investments in equity instruments measured at cost less any reduction for impairment.

76. The Balance Sheet reported 'Advances receivable' of \$28,317 for both the 2019 and 2018 year ends. There was no disclosure in the notes to the financial statements as to the nature of these advances, including terms for repayment.

- c. He incorrectly reported Balance Sheet item "Accounts payable and accruals 23,840" by including "HST liability 21,740" that should have been reported separately; (CPAH 1510.15)**

77. CPAH 1510.15 requires the practitioner to ensure that the entity discloses the amount payable at the end of the period in respect of government remittances other than income taxes.

78. The balance owing to governments for HST liability of \$21,740 should have been reported separately on the Balance Sheet, rather than included in the balance for 'Accounts payable and accruals.'

- d. He incorrectly reported Cash Flow Statement item "Net change in non-cash items relating to operating activities 78,120;" (CPAH 1540.22(b))**

79. CPAH 1540.22(b) requires the practitioner, when presenting the cash flow statement under the indirect method, to ensure that an entity's net cash flow from operating activities is determined by adjusting net income or loss for the effects of changes during the period in inventories and operating receivables and payables.

80. The Cash Flow Statement reported an amount labelled 'Net change in non-cash items related to operating activities' of (\$78,120). This balance should have been labelled 'Net change in non-cash working capital balances.' The amount should have been (\$45,631) and the accounts comprising this balance should have been presented separately.

- e. He incorrectly reported Cash Flow Statement item "Increased Loans receivable 80,000;" (CPAH 1540.03)**

81. CPAH 1540.03 requires the practitioner to ensure that a cash flow statement shall be presented as an integral part of the financial statements for each period for which financial statements are presented.

82. The amount reported as 'Increase Loans Receivable' of \$80,000 should have been (\$112,309).

f. He failed to disclose the method of determining cash and cash equivalents in the Statement of Cash Flows in Note 1 to the Financial Statements; (CPAH 1540.43)

83. CPAH 1540.43 requires the practitioner to ensure that the entity discloses its adopted policy in determining the composition of cash and cash equivalents and presents a reconciliation of the amounts presented in its cash flow statement with the equivalent items presented in the balance sheet.

84. The accounting policies financial statement note should have included the method of determining cash and cash equivalents used in the Statement of Cash Flows.

g. He failed to disclose the nature of the relationship with the related company and mischaracterized "Loans receivable" in Notes 3 and 4 to the Financial Statements; (CPAH 3840.51)

85. CPAH 3840.51 requires the practitioner to disclose seven discrete elements of an entity's transactions with related parties.

86. Note 3 to the financial statements for 'Loans receivable' described the balance as a "loan payable to a related company". The wording should have been "loan receivable" and the nature of the relationship with this related company should have been described in the note. Note 4 to the financial statements reported transactions with related parties. The nature of the relationship with this related company was not disclosed.

h. He failed to adequately document inquiry and analytical procedures performed to support materiality of \$1,000; (CSRE 2400.41)

87. CSRE 2400.41 requires the practitioner to determine materiality for the financial statements as a whole and apply that materiality in designing the procedures and in evaluating the results obtained from those procedures.

88. The working papers did not reflect a determination of the amount used for materiality of \$1,000. Lazar stated that he exercised his judgment in deciding to use \$1,000 but he did not provide a basis for this decision.

i. He failed to adequately document inquiry and analytical procedures performed during engagement planning to identify areas in the financial statements where material investments are likely to arise; (CSRE 2400.43)

89. CSRE 2400.43 requires the practitioner to obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas.

90. The engagement planning did not determine which financial statement accounts were material and whether material misstatements were likely. The engagement planning did not include any documentation of planned procedures to be undertaken.

j. He failed to adequately document inquiry and analytical procedures performed to support Balance Sheet item "Loans Receivable 582,318;" (CSRE 2400.46)

91. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures:

- (a) To address all material items in the financial statements, including disclosures;
and

- (b) To focus on addressing areas in the financial statements where material misstatements are likely to arise.

92. The working paper to support the loan receivable from a related company of \$582,318 did not include support for the collectability of the balance. Lazar provided a copy of the Balance Sheet for 232*** Ontario Limited which reported the same amount as a loan payable at December 31, 2019. Lazar prepared the financial statements for this related company and stated that it was a company owned by the same shareholder as FIPCo. The working papers should have included this documentation, as part of the documentation to support the balance

- k. He failed to adequately document inquiry and analytical procedures performed to support Statement of Income item “ Fees 876,181;” (CSRE 2400.46)**

93. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform specific inquiry and analytical procedures.

94. FIPS collects fees at the commencement of the contract for services and reports as revenue at that time. Some of the services provided by FIPS for their clients may take several months. The fees collected at the commencement of the contract should be allocated as revenue to the period when the services are provided, not entirely at the time that the fees are collected. Lazar stated that there would be no deferred revenue from the receipt of these monies at the year end, as advised by the shareholder. The working papers should have included an analysis of the revenue process and service delivery to determine whether the cut off of revenue was correct at the year end.

- l. He failed to adequately document inquiry and analytical procedures performed to support Statement of Income item “Income taxes payable - 17, 910 current and Balance Sheet items “Taxes Recoverable 21,465;” and (CSRE 2400.46)**

95. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform specific inquiry and analytical procedures

96. The working papers included a schedule with a calculation of current income taxes expense as reported on the Statement of Income. There was not sufficient documentation to support the taxes recoverable of \$21,465 on the Balance Sheet.

m. He failed to adequately document inquiry and analytical procedures performed for subsequent events up to the date of the Independent Practitioner's Review Engagement Report. (CSRE 2400.47(e))

97. CSRE 2400.47(e) requires the practitioner to make inquiries of management and others within the entity regarding whether management has identified and addressed events occurring between the date of the financial statements and the date of the practitioner's report that require adjustment of, or disclosure in, the financial statements.

98. The working papers did not include any documentation of review and inquiry related to subsequent events to the date of the Independent Practitioner's Review Engagement Report.

Allegation 3 – THAT the said David Lazar, in or about the period August 1, 2021 to November 30, 2021, while acting as the engagement partner to perform an review of the financial statements of FYPL for the year ended August 31, 2021, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the Code of Professional Conduct in that:

99. The financial statements for FYPL for the year ended August 31, 2021 (**Doc 4, p. 32**) together with the Independent Review Report (**Doc 4, p. 34**), were signed by Lazar and issued on November 11, 2021. Lazar set materiality at \$1,000. Users of the financial statements are FYPL corporate shareholders.

a. He failed to issue a report free of inconsistencies, typographical errors and mislabelled financial statements; (CSRE 2400.94)

100. CSRE 2400.94 outlines 13 elements of the practitioner's report for the review engagement and details the required form and content of the practitioner's report on the financial statements.

101. The Independent Practitioner's Review Engagement Report had several inconsistencies, typographical errors, and references to incorrectly labelled financial statements.

b. He failed to disclose the method of determining cash and cash equivalents in the Statement of Cash Flows in Note 1 to the Financial Statements; (CPAH 1540.43)

102. CPAH 1540.43 requires the practitioner to disclose the policy an entity adopts in determining the composition of cash and cash equivalents and present a reconciliation of the amounts presented in its cash flow statement with the equivalent items presented in the balance sheet.

103. The accounting policies financial statement note should have included the method of determining cash and cash equivalents used in the Statement of Cash Flows.

c. He failed to disclose the use of future income taxes method in Note 2 to the Financial Statements; (CPAH 1505.03).

104. CPAH 1505.03 requires the practitioner to ensure that a clear and concise description of the significant accounting policies of an enterprise be included as an integral part of the financial statements.

105. The accounting policy note did not refer to using the future income taxes method for accounting for income taxes.

d. He failed to adequately document inquiry and analytical procedures performed to support Statement of Income item “Interest expense 48,410;” (CPAH 1520.04(k))

106. CPAH 1520.04(k) requires the practitioner to disclose, separately on the face of the income statement or in the notes to the financial statements or supporting schedules, five elements in respect of financial instruments.

107. The Statement of Income reported ‘Interest expense’ separately from ‘Bank charges and fees.’ Lazar was unable to confirm that what was reported as ‘Interest expense’ was solely mortgage interest. The amount of the interest expense for long term debt must be reported separately on the Statement of Income.

e. He incorrectly reported Balance Sheet item “Accounts receivable and prepaid expenses 118,431;” (CPAH 1510.04)

108. CPAH 1510.04 requires the practitioner to segregate current assets between the main classes, such as, cash, investments, accounts and notes receivable, inventories and prepaid expenses.

109. The Balance Sheet had combined accounts receivable and prepaid expenses as one line item. The balances for accounts receivable and prepaid expenses were material: \$85,728 and \$32,703 respectively. These items should not have been combined on the Balance Sheet.

f. He incorrectly reported Balance Sheet item “Deferred leasing commission 24, 592;” (CPAH 1521.03)

110. CPAH 1521.03 requires the practitioner, in presenting the balance sheet, to distinguish between eight different assets, liabilities and equity.

111. The Balance sheet reported as a current asset, 'Deferred leasing commission' of \$24,592. This was an asset that relates to a five-year lease. Accordingly, the non-current portion should have been recorded as a long-term asset.

g. He incorrectly reported Statement of Cash Flows item "Net Change in Non-Cash Items 9,844;" (CPAH 1540.22(b))

112. CPAH 1540.22(b) requires the practitioner, when presenting the cash flow statement under the indirect method, to determine net cash flow from operating activities by adjusting net income and loss for the effects of four variables.

113. The Statement of Cash Flows reported an amount for "Net change in non-cash items" of \$9,844. This line should have been labelled as "Changes in non-cash working capital balances." The correct amount to report for this was \$87,800 and the accounts comprising this balance should have been presented separately.

h. He incorrectly reported Statement of Cash Flows item "Financing Activities (123,915);" (CPAH 1540.03)

114. CPAH 1540.03 requires the practitioner to present a cash flow statement as an integral part of the financial statements for each period for which the financial statements are presented.

115. The Financing Activities should have reported 'Repayment of long-term debt' of (\$75,667). The amount reported as 'Increase (decrease) in loan receivable' should have been reported as \$31,415, not (\$31,415). The Statement of Cash Flows should have reported under 'Investing activities', an amount for '(Additions to) proceeds from disposal of capital assets' of (\$19,520).

i. He failed to report in Notes 4 and 5 to the Financial Statements the 2020 amounts for items "Rental property" and "Accounts payable;"(CPAH 1400.12)

116. CPAH 1400.12 requires the practitioner to prepare financial statements on a comparative basis, unless the comparative information is not meaningful or the standards set out in Part II of the Handbook permit otherwise.

117. Notes 4 and 5 to the financial statements reported only the 2021 amounts and were missing the 2020 comparative amounts for the categories of 'Rental property' and 'Accounts payable.'

j. He failed to disclose the nature of the relationship between related parties and FYPL in Notes 3, 7 and 8 to the Financial Statements; (CPAH 3840.51)

118. CPAH 3840.51 requires the practitioner to ensure that the entity discloses seven specific elements of its transactions with related parties, including (a) a description of the relationship between the parties.

119. Notes 3, 7, and 8 to the financial statements reported related party transactions. The nature of the relationships between the related parties and FYPL was not disclosed in the notes to the financial statements.

k. He failed to adequately document inquiry and analytical procedures performed to support client engagement continuation; (CSRE 2400.36)

120. CSRE 2400.36 requires the practitioner, on recurring review engagements, to evaluate whether circumstances, including changes in the engagement acceptance considerations, require the terms of engagement to be revised and whether there is a need to remind management or those charged with governance, as appropriate, of the existing terms of engagement.

121. The working papers did not include documentation about client engagement continuation.

l. He failed to adequately document inquiry and analytical procedures performed to support planning of the engagement; (CSRE 2400.43, .44)

122. CSRE 2400.43 requires the practitioner to obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas.
123. CSRE 2400.44 requires the practitioner's understanding to include four general areas of how the entity operates.
124. The working papers did not provide adequate documentation about the planning for the engagement. There were no system narratives, and the engagement planning did not determine which financial statement accounts were material and whether material misstatements were likely. The engagement planning did not include any documentation of planned procedures to be undertaken.

m. He failed to adequately document inquiry and analytical procedures performed to support materiality of \$1,000; (CSRE 2400.41)

125. CSRE 2400.41 requires the practitioner to determine materiality for the financial statements as a whole and apply that materiality in designing the procedures and in evaluating the results obtained from those procedures.
126. The working paper for calculating materiality included amounts for income from continuing operations of \$438,705 for the current year and \$398,355 for the previous period, and a benchmark percentage of 5% applied. The amount then reported as materiality for both the current year and the prior year was \$1,000. The amounts reported for Income from continuing operations did not agree with the Statement of Income for either the current year or previous year. When asked about selecting \$1,000 as materiality for the engagement, Lazar stated it was because a minority shareholder of FYPL required a lower risk level. This explanation in selecting \$1,000 as materiality should have been disclosed in the working papers.

n. He failed to adequately document inquiry and analytical procedures performed to support Balance Sheet item “Future Income Tax Liabilities 91,281;” (CSRE 2400.46)

127. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures, with a focus on areas in the financial statements where material misstatements are likely to arise.

128. FYPL reported ‘Future income tax liabilities’ on the Balance Sheet of \$91,281 and on the Statement of Income a provision for ‘Future income taxes’ of a recovery of \$1,996. The working paper for future income taxes did not agree to \$91,281. Also, the working paper did not provide an analysis of the differences between the carrying value of applicable assets and liabilities and the related tax bases and the impact on deferred taxes.

o. He failed to adequately document inquiry and analytical procedures performed to support Balance Sheet item “Loans receivable (Note 3) 411,823;” and (CPAH 3840.18)

129. CPAH 3840.18 requires the practitioner to measure a monetary related party transaction, or a non-monetary related party transaction that has commercial substance, at the exchange amount when it is in the normal course of operations.

130. The loans to related parties working paper did not agree to the trial balance groupings and the amounts reported on the Balance Sheet. The working paper references that “Loans had interest payable but for [D/T] – interest per board deferred – payable when loan repaid – agreed by all parties”. If the interest is to be deferred, then it should have been recorded as an accounts payable at the year end. Lazar disagreed and stated that it should only be reported when paid.

p. He failed to document inquiry and analytical procedures performed for subsequent events up to the date of the Independent Practitioner's Review Engagement Report. (CSRE 2400.47(e)).

131. CSRE 2400.47(e) requires the practitioner to conduct appropriate inquiries of management and others within the entity as to whether management has identified and addressed events occurring between the date of the financial statements and the date of the practitioner's report that require adjustment of, or disclosure in, the financial statements.
132. The working papers did not include any review for subsequent events that require adjustment and/or disclosure in the financial statements.

Allegation 4 - THAT the said David Lazar, in or about the period December 1, 2021, to June 30, 2022, while acting as the engagement partner for the review of the financial statements of MWSI for the year ended December 31, 2021, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the Code of Professional Conduct in that:

133. The financial statements for MWSI for the year ended December 31, 2021(**Doc 5, p. 44**) together with the Independent Practitioner's Review Engagement Report (**Doc 5, p. 46**), were signed by Lazar and issued on June 22, 2022. Lazar identified materiality at \$1,000. Lazar stated that the only current user of the financial statements is the shareholder, however, she advised Lazar that she may use the reviewed financial statements to obtain financing.

a. He failed to issue a report free of inconsistencies, typographical errors and mislabelled financial statements; (CSRE 2400.56, .94)

134. CSRE 2400.56 requires the practitioner to obtain evidence that the financial statements agree with, or reconcile to, the entity's underlying accounting records.

135. CSRE 2400.94 requires the practitioner to include 13 specific elements in the report for the review engagement.

136. The financial statements included several typographical errors, for example:

- Incorrect note references in the Balance Sheet;
- The total of liabilities and equity was (\$33,830), but should have been \$33,830; and
- Note 2 'Fixed assets' net should be \$12,314 (not \$12,044).

b. He failed to disclose a Statement of Cash Flows; (CPAH 1540.03)

137. CPAH 1540.03 requires the practitioner to present a cash flow statement as an integral part of the financial statements for each period for which financial statements are presented.

138. The financial statements did not include a Statement of Cash Flows, which is required for reporting when applying Accounting Standards for Private Enterprises. The Note 6 'Other' stated that "no statement of cash flows has been prepared as the statement will not provide further information for the shareholder of the corporation". The inclusion of this note commentary does not provide an exemption for including a Statement of Cash Flows. Lazar explained: "...on an entity like this where there's really no cash. There is basically very little going on here. It will provide no information."

c. He incorrectly reported Balance Sheet item "Retained earnings (49,988);" (CPAH 1400.10)

139. CPAH 1400.10 requires the practitioner to ensure that the financial statements include the balance sheet, income statement, statement of retained earnings and cash flow statement. Notes to financial statements and supporting schedules to which the financial statements are cross-referenced, are an integral part of such statements; the same does not apply to information set out in other material attached to or submitted with financial statements.

140. The Balance Sheet included a continuity of retained earnings: balance- beginning of the year, net income (loss) and balance- end of year. This should have been reported separately on a Statement of Retained Earnings.

d. He incorrectly reported Balance Sheet item “Shareholder’s Equity (14,944);” (CSRE 2400.56)

141. CSRE 2400.56 requires the practitioner to obtain evidence that the financial statements agree with, or reconcile to, the entity's underlying accounting records.

142. The Balance Sheet incorrectly reported a liability as ‘Shareholder’s equity’ – this should have been reported as ‘Shareholder’s advances.’ The amount at the end of 2021 reported as (\$14,944), which is a receivable and should have been reported as an asset, not as a negative liability balance.

e. He failed to adequately document inquiry and analytical procedures performed to support Balance Sheet item “Government Loan (Note 4) 60,000;” (CPAH 1400.09)

143. CPAH 1400.09 requires the practitioner to present the financial statements, including notes to such statements and supporting schedules to which the financial statements are cross-referenced, with all information required for a fair presentation in accordance with generally accepted accounting principles.

144. The note disclosure for the government loan of \$60,000 is incorrect. The repayment date should be December 31, 2023 (not 2022) and the balance repayable should be \$40,000 (not \$30,000). Lazar stated that he kept the December 31, 2022 date as the repayable date, as he wanted it to remind the shareholder that the amount has to be repaid.

f. He failed to adequately document inquiry and analytical procedures performed to address the impact of the COVID pandemic on operations; (CPAH 1400.09)

145. CPAH 1400.09 requires the practitioner to present the financial statements, including notes to such statements and supporting schedules to which the financial statements are cross-referenced, with all information required for a fair presentation in accordance with generally accepted accounting principles.

146. There was no note disclosure in the financial statements as to the impact of the COVID pandemic on the operations, although Lazar stated that revenue was down as a result of the pandemic.

g. He failed to adequately document inquiry and analytical procedures performed to support materiality of \$1,000; (CSRE 2400.41)

147. CSRE 2400.41 requires the practitioner to determine materiality for the financial statements as a whole and to apply that materiality in designing the procedures and in evaluating the results obtained from those procedures.

148. The working papers did not reflect a determination of the amount used for materiality of \$1,000. Lazar stated that he exercised his judgment in deciding to use \$1,000 but he did not provide a basis for this decision.

h. He failed to adequately document inquiry and analytical procedures performed in engagement planning to determine material accounts and the likelihood of material misstatement; (CSRE 2400.43)

149. CSRE 2400.43 requires the practitioner to obtain an understanding of the entity and its environment, and the applicable financial reporting framework, to identify areas in the financial statements where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas.

150. The engagement planning did not determine which financial statement accounts were material and whether material misstatements were likely. The engagement planning did not include any documentation of planned procedures to be undertaken.

i. He failed to adequately document inquiry and analytical procedures performed to support MWSI as a going concern; (CSRE 2400.52, .53)

151. CSRE 2400.52 requires the practitioner to review of financial statements including a consideration of the entity's ability to continue as a going concern. In considering management's assessment of the entity's ability to continue as a going concern, the practitioner shall cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation where a longer period is specified.
152. CSRE 2400.53 requires the practitioner, if during the performance of the review, the practitioner becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, to determine whether a material uncertainty exists via a three-phase process.
153. MWSI had a loss in 2019 of \$17,812 and a deficit at the end of the year of \$49,988. The working papers did not include an evaluation of going concern reporting for the company. Lazar stated that if there was a cash flow need, then the shareholder would put cash into the company. He stated that the shareholder has assets to cover this potential requirement.
- j. **He failed to adequately document inquiry and analytical procedures performed to support Statement of Income item "Deferred income taxes nil;" (CSRE 2400.46)**
154. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures:
- (a) To address all material items in the financial statements, including disclosures; and
 - (b) To focus on addressing areas in the financial statements where material misstatements are likely to arise.
155. There was no working paper to support the \$nil balance for deferred income taxes at the year end. MWSI should have reported the forgivable portion of the

Canada Emergency Business Account loan of \$20,000 as taxable income when the loan was received. The amount is reported as forgiven when the loan is repaid before December 2023. This should have resulted in a deferred tax asset for the company.

k. He failed to adequately document inquiry and analytical procedures performed to support Statement of Income item “Sales 107,113;” and (CSRE 2400.46)

156. CSRE 2400.46 requires the practitioner, in obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, to design and perform inquiry and analytical procedures.

157. Included in Sales was an amount for \$20,000 for “QHR”. The working paper reports: “Project started and placed on hold, death of family member. Per [“DR”] monies are not to be returned but will be held as income as supplies purchased for the project”. The working papers did not reflect a determination of whether there was an amount that should have been reported as deferred revenue. The materials and supplies expense for the year were down compared to the prior year and the revenue is higher, which should have led to inquiry about the amount of supplies purchased for the project.

l. He failed to ensure that the client’s letter of representation was on client letterhead addressed to his firm. (CSRE 2400.68)

158. CSRE 2400.68 requires the practitioner to request management provide a written representation, including specific elements, confirming that management has fulfilled its responsibilities described in the agreed terms of engagement.

159. The client's letter of representation was incorrectly printed on Lazar's letterhead and incorrectly addressed to the client. It was signed by the client. Lazar stated that this letter should have been addressed to DLCPA. The client's letter of representation should be on MWSI letterhead and addressed to Lazar.

Allegation 5 – THAT the said David Lazar, in or about the period December 1, 2019, to March 22, 2022, while engaged in the practice of public accounting through the firm David Lazar, Chartered Professional Accountant, Chartered Accountant, failed to perform his professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the CPA Code of Professional Conduct in that:

- a. **He failed to perform ongoing consideration, evaluation, customization and confirmation of his practice’s system of quality control, did not include annual compliance confirmations or annual quality control monitoring reports as required by his practice’s quality control policies and procedures, and his 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. (CSQC 1.24)**

160. CSQC 1.16 requires the practitioner or firm to establish and maintain a system of quality control that includes policies and procedures that address each of the following elements:

- (a) Leadership responsibilities for quality within the firm.
- (b) Relevant ethical requirements.
- (c) Acceptance and continuance of client relationships and specific engagements.
- (d) Human resources.
- (e) Engagement performance.
- (f) Monitoring.

161. Lazar uses a “Sample Policies for Sole Practitioner with No Staff” (“Sample Policies”) version of the Quality Assurance Manual (“QAM”) issued by CPA Canada. The history of revisions to the QAM reported “Jan 2012 Initial QAM”, “Jan 1 / 2015 Revision – new sections” and “Jan 1 / 2018 Revisions”. There were no revisions made to the QAM in 2018.

162. CSQC 1.24 requires, the practitioner or firm, at least annually, to obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent by relevant ethical requirements.

163. The QAM requires a signed annual confirmation of compliance with the firm's policies and procedures as set out in the manual. The standard requires written confirmation of compliance from all firm personnel, including sole practitioners. There were no annual confirmations in Lazar's QAM file.
164. CSQC 1.48 requires the practitioner or firm to establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively.
165. The QAM requires two distinct parts for monitoring. The three year cyclical inspection by a completed file monitor was completed for October 2012 and October 2015 and was reported in September 2022 as underway for the February 2022 inspection. The second monitoring process requires a yearly evaluation in August of the practice's compliance with its quality control policies and procedures. There were no reports for the annual monitoring process in Lazar's QAM file.
166. CSQC 1.46 requires the practitioner or firm to establish policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of engagement documentation.
167. CSQC 1.47 requires the practitioner or firm to establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation.
168. The Sample Policies require customization of the criteria for when an Engagement Quality Control Review is required; the details of the controls and procedures to maintain security of information; and the detail of the retention policy for working papers. This customization was not completed for the firm's QAM.

Acknowledgement

169. Lazar admits that, while acting as the engagement partner for the following engagements:

- a. The review of the financial statements of BMT for the year ended April 30, 2020;
- b. The review of the financial statements of FIPCo. for the year ended December 31, 2019;
- c. The review of the financial statements of FYPL for the year ended August 31, 2021;
- d. The review of the financial statements of MWSI for the year ended December 31, 2021;

and generally, that as owner/principal of David L. Lazar, Chartered Accountant, Chartered Professional Accountant, he failed to perform his professional services in accordance with generally accepted standards of practice for the profession, including the recommendations set out in the CPA Canada Handbook, in the manner described above, contrary to Rule 206.1 of the Code.

Mitigating Factors

170. It is not alleged in this proceeding that Lazar acted dishonestly in the conduct of the assurance engagements which are the subject of the Allegations, or during the PCC's investigation of same.

171. In making the admissions herein, Lazar has saved the PCC and the Discipline Committee the time and expense of a lengthy hearing.

Terms of Settlement

172. Lazar and the PCC agree to the following Terms of Settlement:

- a) Lazar shall pay a fine of \$7,500 to CPA Ontario;
- b) Lazar 's practice shall be restricted by prohibiting him from carrying out any assurance engagements;

- c) Lazar shall immediately and irrevocably surrender, and not seek any renewal of, his Public Accounting Licence to CPA Ontario at the time he executes this Agreement;
 - d) Notice of the terms of this Settlement is to be published in the manner set out in CPA Ontario Regulation 6-2 sections 45, 50 and 52 with notice to be given to all members of CPA Ontario, the Public Accounting Standards Committee, and all provincial CPA Bodies;
 - e) Notice of Lazar's voluntary restriction from assurance practice shall be published in the Richmond Hill Liberal newspaper, with all related costs borne by Lazar;
 - f) Lazar shall pay costs in the amount of \$7,000 to CPA Ontario;
 - g) Lazar will be allowed 12 months from the time the Discipline Committee accepts this Agreement to pay the fine and costs referred to herein; and
 - h) a failure by Lazar to comply with any of the terms of settlement will result in the immediate suspension of his CPA Ontario membership until he complies, if his suspension under this section exceeds 30 days his membership in CPA Ontario will be revoked forthwith without further notice to him.
173. The PCC and Lazar expressly consent to and authorize the Registrar to take any actions associated with Lazar's membership in CPA Ontario as prescribed and agreed to herein.
174. The PCC and Lazar expressly authorize and consent to CPA Ontario providing notice of the terms of this Agreement to all CPA Ontario members and all provincial CPA Bodies.
175. Should the Discipline Committee accept this Agreement, Lazar agrees to and hereby waives his right to a full hearing, judicial review or appeal of the matter subject to the Agreement. Upon Lazar's fulfillment of the requirements of this Agreement, the

Allegations filed with the Discipline Committee, dated December 7, 2022, shall be withdrawn.

176. If for any reason this Agreement is not approved by the Discipline Committee, then:
- a) The terms of this Agreement, including all settlement negotiations between the PCC and Lazar leading up to its presentation to the Discipline Committee, shall be without prejudice to the PCC and Lazar; and
 - b) The PCC and Lazar shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations, or negotiating a new settlement agreement, unaffected by this Agreement or the settlement negotiations.

Disclosure of Agreement and Independent Legal Advice

177. This Agreement and its terms will be treated as confidential by the PCC and Lazar, until approved by the Discipline Committee, and forever if for any reason whatsoever this Agreement is not approved by the Discipline Committee, except with the written consent of the PCC and Lazar, or, as may be required by law.
178. Any obligations of confidentiality shall terminate upon approval of the Agreement by the Discipline Committee.
179. Lazar agrees and confirms that he has been advised of and has declined his right to independent legal counsel in negotiating and entering this Agreement.

All of which is agreed to for the purpose of this proceeding alone this 23 day of February 2023.



Kelvin Kucey, J.D.
On behalf of the Professional
Conduct Committee



David Lazar, CPA, CA
on his own behalf