



CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO ACT, 2017

IN THE MATTER OF: ALLEGATIONS OF PROFESSIONAL MISCONDUCT
AGAINST **KAREN JAKUBOS, CPA, CGA**, 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 Karen Jakubos, CPA, CGA (Jakubos) dated March 24, 2023 (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 circumstances arising from Jakubos' professional services on behalf of H.J. Advisors Professional Corporation (HJAPC).
3. First, Jakubos' conduct in acting as the de facto engagement partner for the review of the financial statements of AG, for the years ended March 31, 2021 (AG2021) and March 31, 2022 (AG2022), without a valid Public Accounting Licence, contrary to ss. 2(1)1 and 3 of the *Public Accounting Act, 2004* S.O. 2004, c.8. and Rule 101.1 (b) of the CPA Ontario Code of Professional Conduct (Code).



4. Second, Jakubos' failure to co-operate with the regulatory processes of CPA Ontario in accordance with Rule 104 of the Code.
5. Third, Jakubos' failure to carry out her professional services with integrity, objectivity and due care, contrary to Rule 202.1 of the Code.
6. Fourth, Jakubos' failure to perform her professional work in accordance with generally accepted standards of the profession, contrary to Rule 206.1 of the Code, with respect to AG 2021 (**Doc 2**) and AG 2022 (**Doc 3**); and
7. Fifth, Jakubos' failure to perform her professional work in accordance with generally accepted standards of the profession, contrary to Rule 206.1 of the Code. and HJAPC's Quality Assurance Manual (QAM).
8. The PCC and Jakubos 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 Jakubos 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

9. Jakubos obtained her Chartered General Accountant designation in 2011.
10. In January 2020 Jakubos with Garrett Hazelwood, CPA, CGA (Hazelwood) created the practice of HJAPC through the purchase and merger of pre-existing accounting practices including the sole proprietorship of Gary Edgecombe, CPA, CA (Edgecombe) located in Elmvale, ON. At all material times, Jakubos was employed by HJAPC at its Elmvale office, where she worked with Edgecombe, while Hazelwood worked out of HJAPC's second office in Port Perry.
11. On October 22, 2020, CPA Ontario granted HJAPC a Certificate of Authorization to practice public accounting. Edgecombe was the only CPA at HJAPC with a valid



Public Accounting Licence (PAL), neither Jakubos nor Hazelwood have ever held a PAL.

12. As of October 22, 2022, Jakubos' professional practice at HJAPC consisted primarily of compilation and tax engagements. HJAPC provided limited assurance services, with four review engagement clients.

13. HJAPC maintains its working papers using CaseWare software, Jazzit Checklists for review engagements with quality control processes detailed in the QAM.

The Complaint

14. In preparation for an inspection, the Practice Inspection Division of CPA Ontario (PI) contacts the PAL holder and, if applicable the firm's designated contact, to obtain a complete listing of all assurance engagements undertaken by the member or firm. Relying on the accuracy and integrity of the member generated engagement listing, the practice inspector selects a sample of files for review and advises the member, or firm, of the selected engagements in advance of the inspection date. In 2021 this practice was followed for the first inspection of Edgecombe's assurance practice as part of the newly formed HJAPC. The PI was conducted on September 17, 2021 by KH, CPA, who selected the review engagements of the financial statements of 108OI for the year ended July 31, 2020 (108OI 2020) and SSI, for the year ended June 30, 2020 (SSI 2020) for inspection.

15. Jakubos, notwithstanding that she did not hold a PAL, was HJAPC's designated PI contact and provided Edgecombe's engagement list to PI.

16. On January 28, 2022, the Practice Inspection Committee (**PI**C) advised the PCC that following the September 17, 2021, inspection of Edgecombe's assurance practice, it concluded that his failure to maintain professional standards was sufficiently serious to reflect adversely upon his professional competence and HJAPC's organizational



competence to provide assurance services to the public.

17. The PIC, in addition to providing a detailed listing of significant standards deficiencies with respect to 108OI 2020 and SSI 2020, identified apparent backdating of review engagement working paper documentation, the failure to lock down engagement files and evidence that Jakubos may be providing public accounting services without a PAL.
18. On November 3, 2022, the PCC appointed Patricia Harris, CPA, CA, CBV, DIFA, CFF, MFAcc, LLM and Marie Dietrich, CPA, CA (Investigators) to investigate Jakubos' professional conduct, standards of practice and the circumstances surrounding the original complaint (Investigation).
19. As part of the Investigation, the Investigators reviewed Jakubos' conduct and standards of practice in relation to five review engagements including 108OI 2020 and SSI 2020. According to the working paper sign offs, Jakubos reviewed all five of the files subject to Investigation. The Investigators released their report on December 20, 2022.

Failure to Maintain Professional Standards

20. Jakubos admits that she:
 - a. Acted as the engagement partner for the review of the financial statements of AG for the years ended March 31, 2021 (AG2021) and March 31, 2022 (AG2022), without a valid Public Accounting Licence, contrary to ss. 2(1)1 and 3 of the *Public Accounting Act, 2004* S.O. 2004, c.8. and Rule 101.1 (b) of the Code.
 - b. Failed to co-operate with the regulatory processes of CPA Ontario, contrary to Rule 104 of the Code, in that she, on multiple engagements, modified or backdated review engagement working papers after the date of the Independent Practitioner's Review Reports, in advance of a September 17, 2021 practice inspection of the reviews of the financial statements of SSI 2020 and 108OI



2020;

- c. Failed to co-operate with the regulatory processes of CPA Ontario, contrary to Rule 104 of the Code, in that she denied any knowledge of or participation in backdating the 108OI 2020 and SSI 2020 working papers to PI and Standards Enforcement staff (SE);
- d. Failed to co-operate with the regulatory processes of CPA Ontario and carry out her professional services with integrity, objectivity and due care, contrary to Rules 104 and 202.1 of the Code, in that she provided an incomplete list of HJAPC assurance engagements to PI and SE and improperly acted as de facto lead engagement partner in AG2021 and AG 2022; and
- e. Improperly acted as the engagement partner for AG2021 and AG2022 and failed to perform her professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code and the QAM.

21. Jakubos admits that the Allegations, as described below, accurately particularize her failure to perform her professional services in accordance with generally accepted standards of practice of the profession and to conduct her practice in compliance with the Code.

Generally Accepted Standards for Review Engagements in 2020 to 2022

22. The standards applicable to the review engagements detailed herein are described by generally accepted standards for review engagements. During 2020-2022, these standards were published in the Assurance section of the CPA Canada Handbook.

23. 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 their attention that causes them to believe that the financial statements are not prepared in all material respects in accordance with an applicable financial reporting framework.

24. To obtain reasonable assurance, the Canadian Standard on Review Engagements CSRE 2400 – Engagements to review historical financial statements sets out the standards 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.
25. 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.
26. Pursuant to CSRE 2400.7 to CSRE 2400.10, compliance with CSRE is not optional.

The Allegations

Allegation 1 – Karen Jakubos, in or about the period March 1, 2021 to August 31, 2022, acted as the engagement partner for the review of the financial statements of AG, for the years ended March 31, 2021 (AG2021) and March 31, 2022 (AG2022), without a valid Public Accounting Licence, contrary to ss. 2(1)1 and 3 of the *Public Accounting Act, 2004* S.O. 2004, c.8. and Rule 101.1 (b) of the CPA Ontario Code of Professional Conduct (Code).

27. Of the three CPA's at HJAPC, Edgecombe was the sole PAL holder and therefore was the only CPA entitled to sign and issue an Independent Practitioner's Review Report (Review Report).



28. The engagement letter for AG 2021 was signed by Jakubos and she signed the AG 2021 and AG 2022 Review Reports.
29. Jakubos initially stated that Edgecombe's signature on the AG 2022 Review Report was his authorization to release it, and she later conceded that she signed the Review Report.
30. Jakubos role in the AG 2021 and AG 2022 review engagements included: issuing the planning letter to the client; answering questions from HJAPC's file preparer; performing the file review, attending the client's AGM and acting as HJAPC's contact in all client communications.
31. In contrast, regarding Edgecombe's lead engagement partner role, the file contained no documentation of Edgecombe's review of any working papers or communication with the client other than him signing the AG 2022 engagement letter.
32. Jakubos admits that she acted as the engagement partner for AG2021 and AG2022, without a valid Public Accounting Licence.

Allegation 2: Karen Jakubos, in or about the period August 1, 2021 to December 31, 2022, as the CPA Ontario practice inspection contact of HJ Advisors Professional Corporation (HJAPC) failed to co-operate with the regulatory processes of CPA Ontario in accordance with Rule 104 the Code, in that:

- a. ***She participated in, directed and assisted HJAPC's engagement partner, for the review of the financial statements of SSI, for the year ended June 30, 2020 (SSI 2020) to modify or backdate working papers approximately nine months after the date of the Independent Practitioner's Review Report in advance of a September 17, 2021 practice inspection (PI) of that engagement;***

33. Jakubos, Edgecombe and Hazelwood represented to PI, SE and the Investigators that Edgecombe was the engagement partner for SSI 2020, one of two assurance files subject to the September 17, 2021 practice inspection.



34. In a collateral investigation into Hazelwood's conduct, he conceded that he signed the Review Report for SSI 2020.
35. Jakubos admits that she initially denied backdating review engagement checklists at HJAPC to CPA Ontario's PI, SE and the Investigators.
36. The Review Report for SSI 2020 is dated December 18, 2020. The working papers show backdated dates of October 27, 2020 and October 29, 2020, with an archive, or lock down, date of September 14, 2021.
37. The CaseWare SSI 2020 summary of review dates for Edgecombe and Jakubos indicates that CaseWare was signed off on 10/29/2020. The history properties, however, show that the "reviewed by" date was input on 9/13/2021, not 10/29/2020.
38. File documents, including the T183 (tax e-filing authorization form) and potentially the client representation letter were signed after December 18, 2020.
39. The SSI 2020 T183 (tax e-filing authorization form), one of the client forms that was to be signed by the client in December 2020, was printed on August 27, 2021, although purportedly signed by the client on December 18, 2020.
40. Jakubos admits that she participated with Edgecombe and Hazelwood, in the improper modification of working papers after the December 18, 2020 release of the Review Report for SSI 2020 in advance of the September 17, 2021 inspection of HJAPC's assurance practice.
- b. She backdated the working papers of the review of the financial statements of 108OI, for the year ended July 31, 2020 (108OI 2020) in advance of a September 17, 2021 practice inspection (PI) of that engagement;**
41. The 108OI 2020 Review Report is dated October 26, 2020. Jakubos initially stated that she reviewed Edgecombe's work on this engagement.



42. The September 2021 PI file notes state that 108OI 2020 CaseWare indicated that on certain working papers, Jakubos' sign-off was two days after the Review Report date, and that it appeared that the sign-off was input months after, just prior to the September 17, 2021 PI.
 43. The CaseWare review date summary for Jakubos indicates that it was signed off on 10/28/2020, however, the software history properties show that the "reviewed by" date was input on 9/13/2021, not 10/28/2020.
 44. Jakubos first stated that she reviewed the file, but that the sign-off was added later to indicate the date that she actually performed her review.
 45. In written responses to the Investigators, Jakubos conceded the working paper discrepancies, but stated that no work was completed on the files after the initial date of her review.
 46. In a follow up interview, Jakubos conceded that she was not sure if she had reviewed the file and suggested that Edgecombe had issued the Review Report without her input.
 47. The working papers that were archived on 12/22/2020 also indicate backdating but do not show that Jakubos signed off as reviewed.
 48. Jakubos admits that she did not review this engagement and backdated the working papers to reflect that she had.
- c. **She denied any knowledge of or participation in backdating the SSI 2020 and 108OI 2020 working papers to the practice inspector and Standards Enforcement staff and attempted to mislead the Professional Conduct Committee's (PCC) investigators regarding her conduct;**



49. The SSI 2020 CaseWare summary of review dates for Jakubos and Edgecombe indicates a 10/29/2020 signoff date. However, the software history properties, show that the “reviewed by” date was input on 9/13/2021, not 10/29/2020.
 50. The archive date of SSI 2020 was September 14, 2021, after the time the working papers were backdated to show review dates of October 27, 2020 and October 29, 2020.
 51. Documents, including the T183 (tax e-filing authorization form) and potentially the client representation letter were signed after the Review Report date.
 52. The SSI 2020 T183 (tax e-filing authorization form), which was one of the client forms that was to be signed by the client in December 2020, was printed on August 27, 2021, although purportedly signed by the client on December 18, 2020.
 53. Jakubos admits that the SSI 2020 file was incomplete until they signed off, after the Review Report date.
 54. The 108OI 2020 CaseWare summary of review dates for Jakubos indicates that she signed off on 10/28/2020, however, the software history properties show that the “reviewed by” date was input on 9/13/2021, not 10/28/2020.
 55. The working papers archived on 12/22/2020 indicate Jakubos’ backdating, as the archived papers do not show that Jakubos had signed off as reviewed.
 56. Jakubos admits that she did not review these engagements, backdated the working papers to reflect that she had, and represented to the PI, SE and the Investigators that she had performed the reviews in a timely manner.
- d. She failed to provide a complete list of HJAPC assurance engagements to the practice inspector and Standards Enforcement staff as requested; and**



57. Jakubos signed and submitted the list of HJAPC's assurance clients to PI, as a component of its planning questionnaire, it excluded AG.

58. Jakubos admits that in providing PI and SE the listing of HJAPC's assurance engagements she omitted the review engagements of AG.

e. *She attempted to mislead the PCC's investigators by obscuring her lead engagement partner role in AG 2021 and AG 2022.*

59. The Canadian Standard on Quality Control (CSQC 1) defines the engagement partner as the partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

60. Jakubos, Edgecombe and Hazelwood represented to CPA Ontario that Edgecombe was the engagement partner for AG 2021 and AG 2022.

61. Notwithstanding this representation, Jakubos signed the engagement letter for the 2021 year-end and the 2021 and 2022 Review Reports, sent the planning letters to the client, answered questions from the file preparer, performed the file reviews, attended the client's Annual General Meetings and acted as the sole firm contact for client communications.

62. In contrast, Edgecombe had no communication with the client other than signing the AG 2022 engagement letter.

63. None of the AG 2021 or AG 2022 engagement working papers were documented as being reviewed by Edgecombe.

64. No working paper checklists for client continuance, planning, performing procedures, evaluating evidence, forming a conclusion and issuing the report were prepared.



65. Jakubos admits that she performed the customary functions of a lead engagement partner of a financial statement review for AG 2021 and AG 2022 absent review or oversight from Edgecombe and that she attempted to mislead the Investigators regarding her role.

Allegation 3: Karen Jakubos, in or about the period August 1, 2021 to February 1, 2022, while engaged to perform assurance services failed to carry out her professional services with integrity, objectivity and due care, contrary to Rule 202.1 of the Code in that, after the date of the Independent Practitioner’s Review Reports, in an effort to obscure the timing of or the performance of file work:

a. She backdated the working papers of the reviews of the financial statements of 108OI for the year ended July 31, 2021 (108OI 2021) and the financial statements of AG2021; and

66. The 108OI 2021 Review Report is dated October 27, 2021.

67. The 108OI 2021 CaseWare summary of review dates for Jakubos indicates that she signed off on 10/18/2021, however the software history properties show that the “reviewed by” date was input on 1/22/2022, not 10/18/2021. The working papers that were archived on 7/31/2021 also indicate Jakubos’ backdating, the archived papers do not show that Jakubos had signed off as reviewed.

68. The AG 2021 Review Report is dated October 22, 2021.

69. The AG 2021 working paper sign-offs were backdated by Edgecombe and Jakubos. The “Existing engagement -Continuance” checklist indicates that it was prepared by Jakubos on 10/22/2021 and reviewed by Edgecombe on the same day. However, the CaseWare software history properties indicate that it was signed off on 1/22/2022 by Jakubos and on 1/25/2022 by Edgecombe. The file was archived on July 21, 2022, so the archived file included the backdated signoff dates of 10/22/2021.

70. Jakubos admits that despite the September 17, 2021 PI that, among other things, noted backdating issues, she improperly backdated assurance files including 108OI 2021 and AG 2021.



b. She attempted to mislead the PCC's investigators regarding her knowledge of or participation in backdating the 108OI 2021 and AG2021 working papers.

71. In Investigation interviews, Jakubos, at first, represented that she reviewed the files, but that the sign-off was added after to indicate the date that she actually reviewed the file.

72. In subsequent written responses to the Investigator's inquiries she represented "In review of these files [SSI 2020, 108OI 2020 and 108OI 2022] I see the discrepancies noted. However, it should be stated that no work was completed on the files after the initial date of the review." Jakobus subsequently stated regarding 108OI 2021, asserting: "I was supposed to be first reviewer, but the file was published prior to any review; the engagement partner prepared the file."

73. There was no documentation in the file of Edgecombe's review of the AG 2021 CaseWare file working papers prior to the release of the Review Report, on October 22, 2021. His reviewer sign-offs were back-dated and added to the file several months after the release of the Review Report.

74. Jakobus admits that she participated in the backdating of working papers with Edgecombe for the 108OI 2021 and AG2021 working papers.

Allegation 4: Karen Jakubos, in or about the period March 1, 2022 to August 31, 2022, while improperly acting as engagement partner for the review of the financial statements of AG, for the year ended March 31, 2022, failed to perform her professional services in accordance with generally accepted standards of practice of the profession, contrary to Rule 206.1 of the Code, in that:

75. The financial statements for AG for the year ended March 31, 2022 (**Doc 3**) together with the Review Report is dated August 2, 2022. The financial statements were prepared using Canadian accounting standards for not-for-profit organizations. Jakobus did not determine materiality for the financial statements. AG is an incorporated association of member charities and not-for-profit organizations whose



purpose is to distribute E-gaming funds coming from Ontario Lottery and Gaming and required reviewed financial statements for its members.

76. JS, a non-designated HJAPC employee prepared the file, Jakubos reviewed the file, Edgecombe purportedly performed a second review.

a. She failed to take responsibility for the overall quality of the review engagement and for the direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements;

77. CAS 2400.23 (a) and (b) require the practitioner to take overall responsibility for:

- a. Managing and achieving quality on each review engagement to which that partner is assigned and being sufficiently and appropriately involved throughout the engagement; and
- b. The direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements.

78. The engagement list provided to SE and the Investigators did not include this file. Edgecombe considered this engagement to be exclusively Jakubos' notwithstanding that she is not a PAL holder.

79. The CaseWare file for this engagement did not contain any documentation demonstrating that Edgecombe reviewed the file.

80. In response to the Investigators' request for any documentation that indicated that Edgecombe reviewed the AG 2022 file, he and Jakubos provided a copy of a draft financial statement of AG 2022. No evidence of review of the working papers was provided; the time docket for AG 2022 reflected a single hour for Edgecombe.



b. She failed to present Statement of Financial Position item “Net Assets 16,626” as restricted or unrestricted;

81. CPAH 4400.19 requires the practitioner to ensure that the statement of financial position details the classification of net assets.

82. ‘Net assets’ on the Statement of Financial Position did not present the balance as unrestricted or restricted as required.

c. She failed to correctly present a “Distribution to Association Members (374,316)” as an ‘Expense’ on the Statement of Revenues and Expenditures;

83. CPAH 1000.33 requires the practitioner to appropriately identify expenses.

84. The Statement of Changes in Net Assets recognized ‘Distribution to association members’ as a reduction of ‘Net assets’, but should have been recognized as an ‘Expense’ on the Statement of Revenues and Expenditures.

d. She failed to document her acceptance and continuance of client relationship;

85. CSRE 2400.27 requires the practitioner to review and confirm factors affecting their acceptance and continuance of the engagement.

86. None of the working paper checklists for client continuance, planning, performing procedures, evaluating evidence, forming a conclusion and issuing the report were prepared.

e. She failed to determine materiality;

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. Jakubos failed to determine materiality.



f. She failed to form an understanding of the entity and its environment, and the applicable financial reporting framework;

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

90. CSRE 2400.44 lists the four areas of the entity the practitioner is required to understand.

91. The relevant document or checklist was not prepared.

g. She failed to identify areas in the financial statements where material misstatements are likely to arise;

92. CSRE 2400.45 requires the practitioner to identify areas in the financial statements where material misstatements are likely to arise.

93. The relevant document or checklist was not prepared.

h. She failed to design and perform inquiry and analytical procedures;

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

95. The relevant document or checklist was not prepared.

i. She failed to perform inquiries of management;



96. CSRE 2400.47 requires the practitioner to make and document inquiries of management and others within the entity, regarding nine areas of inquiry.

97. The relevant document or checklist was not prepared.

j. She failed to document whether there was an indication that fraud and non-compliance with laws and regulations had occurred in the entity;

98. CSRE 2400.51 requires the practitioner to assess and document whether there is an indication that fraud or non-compliance with laws and regulations, or suspected fraud or non-compliance with laws and regulations, has occurred in the entity and, if so, to complete four specific steps.

99. The relevant document or checklist was not prepared.

k. She failed to form conclusions of AG as a going concern;

100. CSRE 2400.52 requires the practitioner to consider and document the entity's ability to continue as a going concern.

101. The relevant document or checklist was not prepared.

l. She failed to document her assessment of subsequent events that may require adjustment of the financial statements;

102. CSRE 2400.60 requires the practitioner to consider and document the entity's ability to continue as a going concern.

103. The relevant document or checklist was not prepared.

m. She failed to evaluate the evidence obtained from the procedures performed;

104. CSRE 2400.74 requires the practitioner to evaluate whether sufficient appropriate evidence has been obtained from the procedures performed and, if not,



the practitioner shall perform other procedures they feel are necessary in the circumstances to be able to form a conclusion on the financial statements.

105. The relevant document or checklist was not prepared.

n. She failed to form a conclusion on the financial statements; and

106. CSRE 2400.76 requires the practitioner to form a conclusion on whether anything has come to the practitioner's attention that causes the practitioner to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework.

107. CSRE 2400.77 requires the practitioner, in forming their conclusion under .76, to evaluate five specific elements.

108. The relevant document or checklist was not prepared.

o. She failed to document evidence of her review of any of the working papers.

109. CSRE 2400.105 (b) requires the practitioner, in documenting the nature, timing and extent of procedures performed, to record who performed the work and the date such work was completed and who reviewed the work performed for the purpose of quality management for the engagement, and the date and extent of the review.

110. The relevant document or checklist was not prepared. None of the working papers were documented as being reviewed by Jakubos or Edgecombe and did not have a 'reviewed by' role completion sign-off.

111. In response to the Investigators' request for any documentation that indicated that Edgecombe reviewed the AG 2022 file, Edgecombe and Jakubos provided a copy of draft financial statements of AG 2022. No evidence of Edgecombe's review of the working papers was provided, and he only had one hour of time noted in AG's time docket.



Allegation 5: Karen Jakubos, in or about the period March 1, 2022 to August 31, 2022, while improperly acting as the lead engagement partner for AG 2022, failed to perform her professional services in accordance with generally accepted standards of practice for the profession, contrary to Rule 206.1 of the Code in that HJAPC's Quality Assurance Manual (QAM) was not adhered to as follows:

112. HJAPC uses a "Sample Policies for Small to Medium Size Firm" version of the QAM issued by CPA Canada as the basis for its QAM. The manual is dated September 2021.

a. **She failed to complete an assessment of whether the criteria requiring the performance of an engagement quality control review were met for the engagement;**

113. CSQC 1.35 requires the practitioner to apply firm policies regarding engagement quality control and criteria against which all assurance engagements are to be evaluated to determine whether an engagement quality control review should be performed.

114. The QAM sets out the criteria for which an engagement quality control review should be performed. Appendix L to the QAM is a File Quality Review Risk Tolerance Worksheet was not included in any of the files under review. When asked about this, Jakubos stated that she did not complete the Worksheet for the engagement.

b. **She failed to ensure that the Independent Practitioner's Review report was signed by HJAPC's licensed public accountant; and**

115. CSQC 1.45 requires the practitioner to apply firm policies and procedures for engagement teams to complete the assembly of final engagement files on a timely basis after the engagement reports have been finalized.

116. The QAM policy for engagement teams is to complete the assembly of final engagement files within 45 days of the engagement reports being finalized.



- 117. The above policy was not adhered to for the files investigated, and in only one instance, 108OI 2021, was the file assembled (printed to PDF) within 45 days of the Review Report release date.
- 118. There were no emails, notes of communications, file notes or minutes included in any of the files.
- 119. Four out of the five files under Investigation, as well as AG 2021, did not follow the archiving process.

c. She failed to comply with the QAM policy to complete the assembly of the AG 2022 engagement files within 45 days of the engagement reports being finalized.

- 120. CSQC 1.48 requires the practitioner to apply the firm's file 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.
- 121. The QAM policy requires a cyclical file inspection of completed engagement files to be performed once every three years starting in 2021, but no inspection was done in 2021.

Acknowledgement

- 122. Jakubos admits that she improperly acted as the engagement partner for the review of the financial statements of AG 2021 and AG 2022, without a valid Public Accounting Licence, contrary to ss. 2(1)1 and 3 of the Public Accounting Act, 2004 S.O. 2004, c.8. and Rule 101.1 (b) of the Code.
- 123. Jakubos admits that she failed to co-operate with the regulatory processes of CPA Ontario in accordance with Rule 104 of the Code.



124. Jakubos admits that she failed to perform her professional work in accordance with generally accepted standards of the profession, contrary to Code Rules 202, 206.1 and HJAPC's QAM.
125. Jakubos admits that in improperly acting as the engagement partner for the review of the financial statements of AG for the years ended March 31, 2021 and March 31, 2022, she failed to perform her 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

126. There are several mitigating factors applicable:
- a. Jakubos has no prior discipline record with CPA Ontario;
 - b. In arriving at this Agreement, Jakubos saved the PCC and the Discipline Committee the time and expense of a lengthy hearing;
 - c. The impact of the fees and penalties outlined below will impose significant hardship on Jakubos, given the small size of her practice; and
 - d. The misconduct detailed above did not result in any demonstrable financial or other harm to the stakeholders or the general public.

Terms of Settlement

127. Jakubos and the PCC agree to the following Terms of Settlement:
- a. Jakubos shall pay a fine of \$20,000 to CPA Ontario;



- b. Jakubos' practice shall be restricted by prohibiting her from carrying out any assurance engagements;
 - c. Jakubos shall be barred from ever holding a Public Accounting Licence;
 - d. Jakubos' membership with CPA Ontario shall be suspended for four months commencing immediately following the date of the Discipline Committee's acceptance of this Agreement;
 - e. Notice of the terms of this Agreement 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;
 - f. Notice of Jakubos' restriction from assurance practice and the suspension of her CPA Ontario membership shall be published in the Toronto Star newspaper circulated in the geographic area of her practice, with all costs of such publication borne by Jakubos and paid within 30 days of invoicing;
 - g. Jakubos shall pay costs in the amount of \$47,000 to CPA Ontario;
 - h. Jakubos, with the exception of para. f above, will be allowed 24 months from the time the Discipline Committee accepts this Agreement to pay the fine and costs referred to herein; and
 - i. A failure by Jakubos to comply with any of the terms of settlement will result in the immediate suspension of her CPA Ontario membership until she complies, if her suspension under this section exceeds 30 days her membership in CPA Ontario will be revoked forthwith without further notice to her.
128. The PCC and Jakubos expressly consent to and authorize the Registrar to take any actions associated with Jakubos 's membership in CPA Ontario as prescribed and



agreed to herein.

129. The PCC and Jakubos 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 and to publish such notification in accordance with the terms detailed herein.

130. Should the Discipline Committee accept this Agreement, Jakubos agrees to and hereby waives her right to a full hearing, judicial review or appeal of the matter subject to the Agreement. Upon Jakubos 's fulfillment of the requirements of this Agreement, the Allegations filed with the Discipline Committee, dated March 24, 2023, shall be withdrawn.

131. 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 Jakubos leading up to its presentation to the Discipline Committee, shall be without prejudice to the PCC and Jakubos; and
- b. The PCC and Jakubos 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

132. This Agreement and its terms will be treated as confidential by the PCC and Jakubos 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 Jakubos, or, as may be required by law.

133. Any obligations of confidentiality shall terminate upon approval of the Agreement by the Discipline Committee.

134. Jakubos agrees and confirms that she has been assisted by independent legal counsel in negotiating and entering this Agreement.

All of which is agreed to for the purpose of this proceeding alone this 20th day of July 2023.

A handwritten signature in blue ink that reads "Kelvin Kucey".

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

DocuSigned by:
A handwritten signature in black ink that reads "Karen Jakubos".
43234DFFF8814DE...

Karen Jakubos, CPA ,CGA
On her own behalf