

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

DISCIPLINE COMMITTEE

IN THE MATTER OF: Allegations against **ATUL MEHRA, CPA, CA**, a member of the Chartered Professional Accountants of Ontario, under **Rules 201.1 and 206.1** of the CPA Code of Professional Conduct.

BETWEEN:

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

-and-

Atul Mehra

APPEARANCES:

For the Professional Conduct Committee: Kelvin Kucey, Counsel

For Atul Mehra: Present
Nicole McAuley, Counsel

Heard: October 1, 2024

Decision and Order effective: October 1, 2024

Release of written reasons: November 12, 2024

REASONS FOR THE DECISION AND ORDER MADE OCTOBER 1, 2024

I. OVERVIEW

- [1] The Professional Conduct Committee of the Chartered Professional Accountants of Ontario (“PCC”) has alleged that Atul Mehra, CPA, CA (“the Member”) engaged in professional misconduct, by way of 38 particulars, organized into five separate Allegations.
- [2] This hearing was held to determine whether the Allegations were established, whether the conduct breached Rules 201.1 and 206.1 of the CPA Code of Professional Conduct (the “Code”) and whether the conduct amounted to professional misconduct.
- [3] The Member graduated from York University with a Bachelor of Commerce with an Honours Degree in 1999. The Member obtained his legacy Chartered Accountant (CA)

and Chartered Professional Accountant (CPA) designation in 2003 and currently holds a Public Accounting Licence ("PAL"). The Member completed the three-year CPA Canada Certificate of Achievement in Tax Education: In-Depth Tax Program in 2019. The Member holds the Associate Chartered Accountant (ACA) and Business and Finance Professional (BFP) designations from The Institute of Chartered Accountants in England and Wales.

- [4] Between 1999 and 2006 the Member worked at MSCM LLP (now known as MNP LLP) and SF Partnership LLP (now known as KPMG LLP) in the private taxation, assurance, and valuation and insolvency divisions.
- [5] In 2006, the Member started his sole proprietorship in private practice as Mehra & Co. Chartered Accountants. In September 2007, he restructured his practice to a professional corporation as M & Co. Chartered Accountants Professional Corporation (M & Co).
- [6] In 2012, the Member partnered with another CPA, CA, to form M & Co LLP. In 2023, M & Co. Chartered Professional Accountants LLP was established (M & Co. LLP). M & Co LLP staff currently consists of seven CPAs, eleven associates, one administrator, and two CPA students, serving four audit clients, 15 review clients and a robust compilation, business advisory and tax planning practice.

II. THE COMPLAINT AND THE ALLEGATIONS

- [7] CPA Ontario's Practice Inspection Division ("PI") completed an inspection of the M & Co. assurance practice on October 22, 2019 that resulted in a directed course of action to meet PI's requirements which the Member accepted.
- [8] As a result of the inspection, the Member was required to provide PI with further files for review. On or about November 22 and 23, 2022, the Member uploaded five working paper files for the PI inspector's review.
- [9] As part of the inspection process, once the inspector has completed their work, they meet with the practitioner to discuss the results of the inspection and provide an opportunity for the practitioner to clarify issues that had been determined to be deficient from the applicable standards of practice.
- [10] On November 24, 2022, the inspector uploaded his draft inspection report for the Member's review in advance of their scheduled November 28, 2022, virtual meeting to review the findings.
- [11] During the November 28, 2022 meeting, the inspector identified deficiencies that included missing documentation from the working papers he inspected. In response, the Member advised he believed he had additional documentation related to the deficiencies in other file folders at his office. The inspector agreed that the Member could provide the missing documents after the meeting.
- [12] Subsequently, the Member uploaded additional documents that related to some of the deficiencies the inspector identified at the November 28, 2022 meeting. The Member explained that the new documents had been prepared at the time of the engagements but were inadvertently not included in the working paper upload.

- [13] The inspector decided not to consider the additional documents uploaded by the Member as he was skeptical regarding whether they had been prepared at the time of the engagement.
- [14] On April 6, 2023, the Practice Inspection Committee filed a professional conduct complaint against the Member asserting that his failure to maintain professional standards was sufficiently serious that it reflected adversely upon his professional competence.
- [15] On December 5, 2023, the PCC appointed a team composed of a forensic investigator and an expert in GAAS, GAAP, CSQC1, CSQM1 and the standards of practice of the profession (the “Investigators”), to investigate the Member’s practice.
- [16] The Investigators reviewed three assurance engagements and released their report on April 2, 2024.
- [17] The Allegations involve three instances of failing to comply with generally accepted standards of practice of the profession in relation to three engagement reviews, one instance of altering a working paper associated with one of the three audit files following a meeting with PI, and one instance of preparing a Quality Assurance Manual for M & Co which was deficient in one respect.

III. PRELIMINARY ISSUES

- [18] The Hearing Panel (the “Panel”) raised two preliminary issues. The first issue related to the Allegations dated June 4, 2024. The Panel noted that Allegation 2f appeared to have a typographical error. Counsel for the PCC confirmed that Allegation 2f contained a typographical error and should be read as follows:
 - 2f He failed to obtain an understanding of internal controls relevant to the audit and evaluate the design of those controls and determine whether they have been implemented;
- [19] The second issue related to a minor amendment to the Agreed Statement of Facts (“ASF”). The Panel asked if in paragraph 74 of the ASF, the word “refenced” should be “referenced”.
- [20] Counsel for the PCC and for the Member agreed that the word should be “referenced”. The Panel agreed to read the word “refenced” as “referenced” in paragraph 74 of the ASF.
- [21] No other preliminary issues were raised.

IV. ISSUES

- [22] The Panel identified the following issues arising from the Allegations:
 - A. Did the evidence establish, on a balance of probabilities, the facts on which the Allegations by the PCC were based?
 - B. If the facts alleged by the PCC were established on the evidence on a balance of probabilities, did the Allegations constitute professional misconduct?

- C. If the Panel determined that the Allegations constitute professional misconduct, should the Panel accept the proposed joint submission on sanction?

V. DECISION

- [23] The Panel found that the evidence established, on a balance of probabilities, the facts set out in the Allegations of professional misconduct.
- [24] The Panel was satisfied that the Allegations constituted a breach of Rules 201.1 and 206.1 and, having breached these Rules, the Member had committed professional misconduct.
- [25] The Panel further accepted the proposed joint submission on sanction.

VI. REASONS FOR THE DECISION ON MISCONDUCT

Findings Regarding the Conduct of the Member

- [26] The parties filed an ASF which was made Exhibit 1. The parties provided supporting documentation for the ASF via a Document Brief, which was made Exhibit 2. The parties tendered no further evidence in the conduct portion of the hearing.
- [27] At paragraph 160 of the ASF, the Member confirmed he had been assisted by independent legal counsel in negotiating and entering the ASF.
- [28] The ASF contained a number of acknowledgements and admissions by the Member. In particular, at paragraph 36 of the ASF, the Member admitted that the allegations and the facts contained in the ASF accurately particularize his failure both to perform his professional services in accordance with generally accepted standards of practice for the profession and to conduct his practice in compliance with the Code.

Background Facts

Allegation 1: Altering a Working Paper Post Review, Contrary to Rule 201.1 of the Code

- [29] The Member was the lead engagement partner for an audit engagement of CCCC Ltd. The initial working papers for this audit were provided to PI on two occasions, first on November 22, 2022, and then again on November 23, 2022. The Member met with the PI inspector on November 28, 2022 where he was informed of certain deficiencies in the audit.
- [30] Seven documents were provided to the PI as PDFs and in their original formats (Word, Excel) on December 2 and 7, 2022 respectively. The practice inspector did not consider any documents received after the November 28, 2022 meeting in his final report as he was skeptical whether they had been prepared at the time of the audit.
- [31] The Member admits that one of the seven working papers was altered after the November 28, 2022, review meeting. This working paper, incomplete at the time of the audit, was essentially blank except for the names of the client and the preparer and the Member's sign-offs. Specifically, an addition was made to this working paper after the November 28,

2022, meeting to indicate “N/A - risk of material misstatement is assessed as low at assertion level for all accounts, transaction types and disclosures. OVERALL AUDIT RISK IS LOW”. This addition was added in red font and contained within a red box outline that was drawn on the document.

- [32] The Member states that the intention of this alteration was to provide an annotation for PI to explain why the document was not completed during the engagement; the red annotation was intended to distinguish it from the original version of the document. However, the Member acknowledges that making such an alteration to the document following the conclusion of the engagement is not permitted and that this ought not to have occurred.

Allegations 2 and 3: Failure to Perform Professional Services in Accordance with Generally Accepted Standards of Practice, Contrary to Rule 206.1 of the Code (CCCC Ltd., and GACCC Ltd. Audits)

- [33] The Member was the lead engagement partner for the audit of the financial statements of CCCC Ltd., and GACCC Ltd. Both companies operate as commercial daycare centres. Both companies received funding from parent billings and various government grants. The users of the financial statements for each entity were the shareholders, the funding agencies and Canada Revenue Agency. In the case of CCCC Ltd., there was a single owner/shareholder.
- [34] In respect of both engagements, a staff member prepared the files, each of which were reviewed and approved by the Member.
- [35] The failure to conform with generally accepted standards of practice while conducting the review engagements for both companies was egregious and multifaceted. The highlights are summarized below.

Failure to Ensure Proper Disclosure

- [36] The Member failed to ensure proper disclosure of:
- Capital asset additions on the Statement of Cash Flows;
 - Estimated total of government assistance to be received when there were contingent liabilities for repayment;
 - The fact that there was only one shareholder for CCCC Ltd., as opposed to multiple shareholders; and
 - The amount of reduction of salaries and wage expenses by the Canada Emergency Wage Subsidy.

Failure to Obtain an Understanding of Internal Controls

- [37] The Member failed to obtain an understanding of internal controls related to:
- Risk assessment procedures generally; and
 - Risk assessment procedures related specifically to the entities’ IT activities.

Failure to Obtain Sufficient Appropriate Audit Evidence

[38] The Member failed to obtain sufficient appropriate audit evidence with respect to the following:

- Loans payable;
- Cash;
- Subsidy receivable at year end;
- Accounts payable and accrued liabilities;
- Income taxes payable;
- Advances from shareholders;
- Advances to a related company;
- Advances from a related company;
- Canada Emergency Wage Subsidy;
- Canada Emergency Rent Subsidy;
- Wages and Benefits;
- Wage Enhancement Grants;
- Fees and subsidies;
- Salaries and wages;
- Revenue Cut Off; and
- That all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of or disclosure in the financial statements had been identified.

Failure to Sufficiently Document Audit Procedures

[39] The Member failed to sufficiently document audit procedures with respect to the following:

- Liability related to the Canada Emergency Business Account;
- Bank Confirmations;
- Accounts payable and accrued liabilities;
- Payroll cutoff;
- A municipal wage grant;
- His assessment of the risks of material misstatement at the financial statement and assertion levels; and
- His design, procedures and evaluation of the results for audit sampling with respect

to parent fees, payroll expenses, daycare revenue and administrative expenses.

Failure to Design and Perform Analytical Procedures

- [40] The Member failed to design and perform analytical procedures prepared near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.

Failure to Communicate with Management

- [41] The Member failed to communicate with those charged with governance in the following areas:
- Planned scope and timing of the audit;
 - Auditor's views about significant qualitative aspects of the entity's accounting practices, significant difficulties encountered during the audit and other significant matters that are relevant to the oversight of the financial reporting process; and
 - Information relevant to the risk of fraud.
- [42] In addition, the Member failed to collate the engagement documentation into a complete engagement file within 60 days after the date of the engagement report.

Allegation 4: Failure to Perform Professional Services in Accordance with Generally Accepted Standards of Practice, Contrary to Rule 206.1 of the Code (A Ltd. Audit)

- [43] The Member was the lead engagement partner for the audit of the financial statements of A Ltd. A Ltd. is a privately held company providing transportation services in Ontario. The deficits revealed in the A Ltd. audit are similarly wide ranging and egregious as those identified in the CCCC Ltd. and GACCC Ltd. audits.
- [44] The users of the financial statements for A Ltd. were the shareholders, the bank and Canada Revenue Agency.
- [45] A staff member or members of M & Co prepared the audit and the Member reviewed and approved it. The highlights of the deficiencies are summarized below.

Failure to Ensure Disclosure

- [46] The Member failed to ensure proper disclosure of the following:
- A. Ltd. received an advance in the amount of \$948,605 from a related party, but the audit failed to include a description of the relationship between the parties;
 - Non-cash transactions of the acquisition of vehicles; and
 - A Ltd.'s accounting policy for determining the composition of cash and cash equivalents in its cash flow statement.

Failure to Obtain Sufficient Review Evidence

[47] The Member failed to obtain sufficient appropriate review evidence with respect to the following:

- whether the opening balances for an initial review engagement contained misstatements that materially affected the current period's financial statements;
- accrued wages;
- accounts payable and accrued liabilities \$1,080,077;
- Government remittances payable \$254,240 – HST;
- Government remittances payable \$254,240 - EHT;
- Related party transaction - \$948,605; and
- Advances from Shareholders - \$240,000.

Failure to Properly Document Assessments and Reviews

[48] The Member failed to properly document his assessments and reviews in the following manner:

- He identified this engagement as a “low risk engagement” which was not reasonable under the circumstances;
- M & Co made sixteen adjustments to the financial statements which resulted in a decrease of A Ltd.'s income from \$2,775,207 to \$309,393. The client approved the proposed adjustments, but approval of the specifics of these adjustments was not evidenced in the working papers; and
- The Member failed to document his review of the working papers as required by his firm's Quality Assurance Manual.

Allegation 5: Failure to Prepare and Implement an Adequate Quality Assurance Manual for M & Co, Contrary to Rule 206.1 of the Code

[49] The Quality Assurance Manual prepared and put in place by the Member for M & Co did not establish a quality objective that engagement documentation for review engagements is assembled on a timely basis after the date of the engagement.

Finding of Professional Misconduct

[50] Through the ASF, the Member admitted that these facts constitute professional misconduct in relation to the Allegations before the Panel.

[51] The Panel had no difficulty finding that the Member had engaged in professional misconduct as set out in the Allegations. The Member's conduct in relation to all three audits was appallingly deficient. Moreover, the alteration of working papers in response to requests for documentation by the investigators and after the review engagement was completed is troubling. The Panel is mindful, however, that the PCC did not allege an attempt to mislead PI, and that the Member provided an explanation for the alteration,

inconsistent with an intent to deceive. The PCC either accepted or took no position with respect to the Member's explanation.

- [52] The Panel concluded that the Allegations, having been proven on a balance of probabilities, through clear and cogent evidence, constituted breaches of Rules 201.1 and 206.1 of the Code.

VII. DECISION AS TO SANCTION

- [53] The parties presented a joint submission on sanction and costs to the Panel. The salient features of the joint submission are summarized below:

1. The Member must enter into a Supervision Agreement for a period of 18 months;
2. The PCC shall reinvestigate the Member's assurance practice, at the Member's expense, following the 18-month supervisory period;
3. Fine of \$15,000 payable by April 1, 2025;
4. Publication;
5. Suspension in the event of non-compliance and revocation if the suspension period exceeds 30 days in length; and
6. Costs in the amount of \$20,000 payable by April 1, 2025.

- [54] The Panel accepted the joint submission and issued an Order accordingly.

VIII. REASONS FOR THE DECISION AS TO SANCTION

The Sanction Portion of the Hearing

- [55] The parties provided the following evidence in mitigation of the Member's conduct:

- The Member has no prior discipline record with CPA Ontario;
- The Member cooperated fully with the investigation, PCC appearance and this discipline proceeding;
- The Member and all of M & Co. LLP have made significant changes to their Quality Assurance Manual and practice management since the 2022 inspection;
- The Member's 2023 re-inspection, which post-dated the circumstances detailed in the Allegations, required no further action demonstrating a significant improvement in the Member's practice;
- In arriving at this Agreement, the Member saved the PCC and the Discipline Committee the time and expense of a lengthy hearing; and
- The misconduct detailed above did not result in any demonstrable financial or other harm to the relevant stakeholders.

- [56] Counsel for the PCC provided the Panel with a Brief of Authorities including similar cases and a range of penalties.

Analysis

[57] The Panel recognizes that a joint submission is entitled to a high level of deference. A joint submission should be accepted unless it is contrary to the public interest or would bring the regulatory process into disrepute because it was beyond the reasonable range of sanction. In the words of Justice Moldaver in the matter of *R. v. Anthony-Cook*¹:

[34] ... a joint submission should not be rejected lightly, a conclusion with which I agree. Rejection denotes a submission so unhinged from the circumstances of the offence and the offender that its acceptance would lead reasonable and informed persons, aware of all the relevant circumstances, including the importance of promoting certainty in resolution discussions, to believe that the proper functioning of the justice system had broken down. This is an undeniably high threshold — and for good reason, as I shall explain.

[58] The Panel is satisfied the proposed penalty is appropriate to the circumstances of the Member and the proven misconduct.

[59] No two cases are the same. The cases contained in the Brief of Authorities provided by counsel for the PCC includes cases where no suspension was ordered up to a maximum of a six-month suspension. The fines in those cases ranged from \$7,500 to \$75,000. In most of the cases provided, the member's practice was restricted in some manner with respect to their ability to engage in assurance work.

[60] The penalty proposed by the parties and accepted by the Panel in this matter is more lenient than the penalties imposed in similar cases. Specifically, the proposed fine is only \$15,000, which is at the low end considering that the Member's membership in CPA Ontario will not be suspended, nor will his assurance work be restricted. In addition, the Member's PAL will neither be suspended nor revoked.

[61] However, the Panel notes that in many of the previous cases, the member engaged in deceitful behaviour or their misconduct resulted in actual harm. In light of the mitigating factors cited above, the Panel is satisfied that an 18-month supervision period coupled with a \$15,000 fine is a sufficiently onerous penalty to achieve the ends of both general and specific deterrence and will satisfy the need to maintain public confidence in CPA Ontario's ability to govern the accounting profession in the public interest.

IX. COSTS

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

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

¹ [*R. v. Anthony-Cook*, 2016 SCC 43 ¶ 34](#)

[64] In this matter, the PCC filed a Costs Outline (Exhibit 3). The PCC expended \$30,332 on the investigation and hearing of this matter. The parties jointly agreed to a costs award of \$20,000, which is approximately 2/3 of the PCC's actual costs. The Panel considered the proposed costs award to be reasonable.

DATED this 12th day of November, 2024



Bernard S. Schwartz, FCPA, FCA
Discipline Committee – Chair

Members of the Panel

Imran Kamal, Public Representative
Kane Porter, CPA, CA
Michelle Sauvé, CPA, CA
Jaspreet Singh, CPA, LPA

Independent Legal Counsel

Lisa Freeman, Barrister & Solicitor